FRANCHISE DISCLOSURE DOCUMENT

Childrens Lighthouse Franchise Company
a Texas Corporation
101 South Jennings Avenue, Suite 100
Fort Worth, Texas 76104
888-338-4466
www.childrenslighthousefranchise.com
www.childrenslighthouse.com

You will operate an early learning school under the name Children's Lighthouse that provides premium educational childcare by delivering academic, character-building, and social-emotional curriculums in a safe, nurturing, and fun environment for children ranging in age from six weeks to 12 years old ("School").

The total investment necessary to begin operation of a Children's Lighthouse School franchise when you lease the building from a third-party developer ranges from $939,602 to $1,232,452, which includes $135,000 to $160,000 paid to us or our affiliate(s). The total investment necessary to begin operation of a Children's Lighthouse School franchise when you own the land and building ranges from $5,787,602 to $8,774,102, which includes $135,000 to $160,000 paid to us or our affiliate(s).

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 can sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

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

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

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

Issuance Date: May 23, 2025

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 Exhibit 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. 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 A includes 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 Children's Lighthouse 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 a Children's Lighthouse franchisee?	Item 20 or Exhibit D lists 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 restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

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

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

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

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

Some States Require Registration

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

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. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in the then-current city of our principal business office, which is currently Fort Worth, Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in a state other than in your own state.

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

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 against you joining an association of franchisees.

(b) A requirement that you assent to a release, assignment, novation, waiver or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits the franchisor to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure 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 the franchisor to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration, of your 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 provision applies only if:

(i) The term of the franchise is less than five years; and

(ii) You are prohibited by the Franchise Agreement 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 if you do not receive at least six months advance notice of the franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.

(f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.

(g) A provision that permits the franchisor to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent the franchisor from exercising a right of first refusal to purchase the franchise. Good cause includes, but is not limited to:

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

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

(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 you to resell to the franchisor items that are not uniquely identified with the franchisor. This does not prohibit a provision that grants the 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 it 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 you have breached the lawful

provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above.

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

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

Any questions concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Franchise Unit, 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor, Lansing, Michigan 48913; phone 517-373-7117.

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STATE-SPECIFIC ADDENDA

EXHIBITS

A. Financial Statements
B. Franchise Agreement and all Attachments
C. Operations Manual Table of Contents
D. List of Current and Past Franchisees
E. Sample General Release
F. List of State Administrators
G. Agents for Service of Process
H. State Effective Dates
I. Receipts

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, the term "we" and "us" means Childrens Lighthouse Franchise Company. The term "you" means the person or entity buying the franchise – the franchisee. If the franchisee is a corporation, partnership, limited liability company, or other business entity, the term "you" does not include the business entity's owners, unless otherwise stated.

Franchisor, Parent, Predecessor, and Affiliates

We are a Texas corporation that was incorporated on August 29, 2001. We conduct business only under the name Childrens Lighthouse Franchise Company. Our principal business address is 101 South Jennings Avenue, Suite 100, Fort Worth, Texas 76104. Our agents for service of process are identified in Exhibit G to this disclosure document. We have no parent.

Our affiliate, Brown Family IP LLC, owns the Marks and System (both defined below). Brown Family IP LLC was formed December 7, 2020, and shares our principal business address.

We have been offering franchises for the type of business described in this disclosure document since our inception. We have never operated a business of the type being franchised, and neither we nor our predecessor or affiliates have ever offered franchises in any other line of business.

From August 1997 through September 2017, our founders, Mike Brown and Pat Brown, along with other members of the Brown family, owned and operated Schools of the type you will operate under this franchise.

Description of the Franchised Business

You will operate an early learning school under the name Children's Lighthouse that provides premium educational childcare by delivering academic, character-building, and social-emotional curriculums in a safe, nurturing, and fun environment for children ranging in age from six weeks to 12 years old ("School").

You will develop a new School by participating in our Development Equity Program or, if we elect to offer another option, through our Build-to-Suit Lease Program (both described below); or you will acquire an existing School through our transfer process. Under our Development Equity Program, we will provide you guidance and access to our processes, and with our assistance, you will be responsible for all phases of School development, which include, site selection, financing, permitting, construction, opening, and operating. If we offer you the option to develop a School under our Build-to-Suit Lease Program, then we will provide you with guidance, assistance, and access to our site selection process, but a third-party developer will be responsible for acquiring the land, obtaining permits, and completing construction. You will be responsible for obtaining financing and opening and operating the School.

You will operate the School under our designated trademarks, service marks, logos, slogans, catch phrases, and other indicia of origin we adopt ("Marks"); using our distinctive interior and exterior design, decor, layout, and color scheme; and operating under our procedures, marketing concepts, business strategies, management techniques, curriculum, proprietary programs, methods, and systems for the purposes of providing each child a daily, structured environment that provides an age-appropriate academic atmosphere with opportunities for learning in a variety of fields such as math, science, reading, technology, crafts, arts, character values, and physical education; all of which we may change, improve, or further develop at any time ("System"). The operation of the School under the Marks and System is the "Franchised Business."

Typically, enrolled children range from six weeks through six years old. Additionally, Children's Lighthouse Schools offer after-school care for children up to 12 years old (or the maximum age allowed by the state licensing agency in the state where your School is located).

Your School will offer all curriculums we require, including our proprietary programs for infants, pre-school, and school-age children.

We are accredited by Cognia®, the largest non-profit, non-partisan organization in the world that is devoted to conducting rigorous, on-site reviews of school systems to help ensure that all learners realize their full potential. Cognia® serves more than 30,000 public and private schools and districts across the United States and more than 70 countries that educate over 20 million students. Accreditation from Cognia® means that we have been evaluated and have met or exceeded all Cognia® research-based standards focused on student performance and organizational effectiveness. We encourage and support franchisees in pursuing, achieving, and maintaining exceptional Schools through accreditation organizations that focus on continuing school improvement such as Cognia® and the National Association for the Education of Young Children (NAEYC).

We require the owners of the Franchised Business to designate one owner who has at least 10% ownership in the Franchised Business as the "Operating Principal." The Operating Principal must devote full-time best efforts to operating the Franchised Business, marketing the School, and providing management and supervision of the Schools' Director, the first 12 months of which must be on-site, or as we otherwise recommend. We require each School to operate with a full-time, state-qualified director ("School Director"). The School Director is responsible for the day-to-day operations of the School. Each School must also operate with an assistant director, a curriculum coordinator, and sufficiently trained staff to meet state childcare licensing requirements. The number of teachers you are required to employ depends on your enrollment levels, the age of the children enrolled in your School, and the teacher-to-child ratios required by the state where your School operates.

We recommend the School Director be an individual who does not have any ownership in the Franchised Business, and we do not allow the Operating Principal or any other owner of the Franchised Business to be the sole holder of the state-issued childcare license.

If you have any ownership in any other School or in any other entity that operates one or more additional Schools, then we may require you to hire one or more individuals to provide multi-unit supervision over the Schools.

Market and Competition

The primary market for the services of a Children's Lighthouse School consists of working parents. The market is well established, and providing childcare has been designated as an essential service by the United States federal government. We believe the market will continue to grow as an increasing number of families need childcare services and prefer those services to include educational components. Because of the substantial demand for childcare services in the United States, many different types of organizations provide these services. Your Children's Lighthouse School will compete with other childcare facilities and preschools, including those operated by public and private schools, churches and other religious institutions, and corporations that provide childcare services to their employees.

Industry-specific Regulations

The Franchised Business and the School must comply with all laws and regulations that apply to businesses generally. Additionally, all states require licenses for the operation of childcare facilities. Criteria for the issuance of licenses vary from state to state, but customarily include compliance with School premises requirements, such as classroom sizes and layout, child safety standards, and playground dimensions and layout; background checks of owners of the Franchised Business and School employees; the presence of specific toys and learning tools; and in some cases, specific parameters around curriculum content.

Childcare facilities must be licensed under applicable regulations administered by city, county, and/or state government agencies for a specified Licensed Capacity. "Licensed Capacity" means the maximum number of students permitted in a facility at any given time. You must comply with all federal, state, county, and local health and other laws and regulations concerning, among other things, (1) the operation of a childcare facility in general, (2) the preparation, storage, and serving of food, and (3) the response to natural disasters

and public health emergencies/crises. The response to natural disasters and public health emergencies/crises may require you to materially modify, limit, or cease operations of your School for a period of time.

Federal, state, and local laws, regulations, and other requirements change. It is your sole responsibility to learn these laws and comply with them. You should investigate the application of these laws further and consult with an attorney regarding these laws and regulations. We are not responsible for advising you on regulatory or legal matters.

ITEM 2
BUSINESS EXPERIENCE

Michael Brown, Jr.: President, Treasurer, Director

Michael Brown, Jr., the son of one of our co-founders, Mike Brown, has served as our President since April 2017. He joined us in June 2006 as our Finance/Real Estate Administrator, and he has served as a Director on our Board of Directors since that time. Michael performs his duties from our Ft. Worth, Texas principal place of business.

Stephanie Russ: Vice President and General Counsel, Secretary

Stephanie Russ has served as our Vice President and General Counsel and Secretary since September 2019. Stephanie performs her duties from our Ft. Worth, Texas principal place of business.

Shelly Pair: Vice President of Operations

Shelly Pair became our Director of Operations in April 2019 and was promoted to Vice President of Operations in December 2019. She performs her duties from our Ft. Worth, Texas principal place of business.

Colin Berry: Vice President of Brand Marketing

Colin Berry served as our Director of Marketing starting in July 2019 and was promoted to Vice President of Brand Development in July 2024. Colin performs his duties from our Ft. Worth, Texas principal place of business.

Matt Kelton: Vice President of Franchise Development

Matt joined us in March 2024 as our Vice President of Franchise Development. From January 2007 to November 2023, he served as Chief Operating Officer at Showhomes Franchise Corp. from his office in Benbrook, Texas. Matt performs his duties from our Ft. Worth, Texas principal place of business.

Dr. Kristine (Kristi) Martin-Smith: Director of Curriculum and Education

Kristi Smith has been our Director of Curriculum and Education since March 2017. She performs her duties from our Ft. Worth, Texas principal place of business.

Latisha King: Director of Field Operations

Latisha King has served in field operations with us, starting in April 2008, and has received successive promotions since that time. She was promoted to Director of Field Operations in January 2024, and she performs her duties from our Fort Worth, Texas principal place of business.

Anna Sherman: Director of Franchise Development

Anna Sherman has served in field operations with us, starting in July 2014, and has received successive promotions since that time. She was promoted to Director of Franchise Development in January 2024, and she performs her duties from our Fort Worth, Texas principal place of business.

ITEM 3
LITIGATION

Guiding Light Partners, Inc., Bobbie Proskine, and Paul Proskine v. Childrens Lighthouse Franchise Company, Cause No. 067-276181-14, in the 67th Judicial District of Tarrant County, Texas. In January 2011, we entered into a franchise agreement with Guiding Light Partners, Inc., and its owners, Bobbie Proskine and Paul Proskine (collectively, "Franchisee"). Guiding Light Partners, Inc. opened its School in February 2013 and had difficulty obtaining required operating licenses. After working with us and consultants, in December 2013, Guiding Light Partners, Inc., and its owners, Bobbie Proskine and Paul Proskine decided to sell the School to an existing Children's Lighthouse franchisee. On December 29, 2014, plaintiffs sued us for breach of contract, negligent misrepresentation, fraud, and violations of the Texas Deceptive Trade Practices Act. Plaintiffs were seeking an unspecified amount of damages in an amount not less than $200,000. On January 20, 2015, we filed our answer denying all allegations. In September 2015, we paid Franchisee $45,000 to fully and finally settle the matter.

Other than the above matter, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

The Initial Franchise Fee is $85,000 for franchisees new to the system. At the time you sign the Franchise Agreement, you must pay us $50,000. The $35,000 balance is due and payable on the Funding Date. The "Funding Date" is the date you close on your loan with your third-party lender, or, if you are self-financing the project, it is the date you close on the purchase of the land.

If we award you additional franchises in the future, we reserve the right to discount the then-current Initial Franchise Fee if: (1) your ownership in the additional School or the entity that enters into a franchise agreement with us is the same as the ownership in your first School (or entity); or if one of the owners who owns at least 51% in the first School or the entity will have 51% or more ownership in the additional School (or entity); (2) you meet our other then-current financials and other qualifications for new franchisees, including our requirements for an Operating Principal; (3) neither you nor any of your Affiliates owes us or any of our Affiliates any unpaid amounts; and (4) we are offering a discounted Initial Franchise Fee at the time. Currently, the discounted Initial Franchise Fee is $60,000, and you must pay the full amount when you sign the Franchise Agreement.

This program does not grant you the right, option, or preferential opportunity to enter into any additional franchise agreement(s) with us or to open or operate any additional School(s). We may change the amount of the discounted Initial Franchise Fee, change the installment payment amounts and/or timing, or discontinue offering the discounted Initial Franchise Fee at any time without notice.

The Initial Franchise Fee is uniform for all franchisees and is not refundable under any circumstances.

School Development Fee

You must pay us a School Development Fee of $25,000. Payment of the School Development Fee gives you access to our proprietary pre-construction processes, counseling, and guidance. You must pay the School Development Fee when you sign the Franchise Agreement.

The School Development Fee is uniform for all franchisees and is not refundable under any circumstances.

Opening Training Fee

If you are opening a new School, you must pay us a $25,000 Opening Training Fee on the Funding Date. This fee is used, in part, to cover our expenses for the assistance we, our affiliates, or third parties provide you during the months just prior to and during the initial opening of your School.

If you are purchasing an existing School that is operating, you must pay us an Opening Training Fee in the amount of $15,000 when you sign the Franchise Agreement.

The Opening Training Fee is uniform for all franchisees and is not refundable under any circumstances.

Pre-opening Marketing Payment

On the Funding Date, you must pay us a Pre-opening Marketing Payment of $25,000. Unless the franchise agreement is terminated as described below, the Pre-opening Marketing Payment will be held by us until we start making payments on your behalf to third-party suppliers in connection with marketing services we have pre-approved and which are designed to market your School before it opens, or until we reimburse you for payments you have made out-of-pocket for such pre-approved services. If any portion of the Pre-opening Marketing Payment is not used before your School opens, then the remaining amount will be used for post-opening marketing of your School. Payment of the Pre-opening Marketing Payment does not release you from your obligations to conduct and pay for grand opening or other initial marketing as we require.

The Pre-opening Marketing Payment is uniform for all franchisees and is 100% refundable if: (1) you and we agree to mutually terminate the franchise agreement, under which the Pre-opening Marketing Payment was made; (2) construction of the School has not started; and (3) you enter into our then-current form of mutual termination agreement, which will include our standard release. If we terminate the franchise agreement due to your default and failure to cure, we reserve the right to keep and use 100% of the Pre-opening Marketing Payment as we determine.

You must also spend an additional $10,000 on grand opening and local marketing within the first 60 days after the School opens. You must submit to us, in writing, your plan to use these funds. If you do not develop a plan that we determine to be satisfactory, then we reserve the right to require you to deposit the $10,000 with us to be spent on your behalf, and the funds will be held and managed as described above for the Pre-opening Marketing Payment.

Veteran's Discount

We offer a military discount to veterans who have a certified DD214 issued by the U.S. Department of Defense. If you qualify for the military discount, we will reduce the Initial Franchise Fee due for the first Franchise Agreement you enter into for the development of a new School by $35,000, which means that the second payment of the Initial Franchise Fee, due on the Funding Date, will not apply. This discount is not available for the acquisition of a School through a transfer or for the development of an additional new School in which you have any level of ownership. We reserve the right to cancel or modify this program at any time.

ITEM 6
OTHER FEES

Type of Fee [1]	Amount	Due Date	Remarks
Royalties	3.5% of Gross Revenue the first six months the School is open; 7% of Gross Revenue thereafter	Payable monthly on the 15th day of the month following the month earned	See Note 2 for the definition of Gross Revenue. You will pay Royalties by electronic funds transfer.
Advertising Fund	Currently, 0.5% of Gross Revenue; we can require you to contribute up to 2% of Gross Revenue to the Advertising Fund	Payable monthly on the 15th day of the month following the month earned	You will contribute to the Advertising Fund by electronic funds transfer.
Local Advertising	1% of Gross Revenue	Monthly	See Note 3.
Advertising Cooperative	Presently none; if required, contribution in an amount we establish		See Item 11 for more information about our right to form advertising cooperatives. If we form an advertising cooperative, contributions will be credited to local advertising expenditure requirements.
Non-Attendance Fee	$1,000	On demand	Unless we excuse your attendance, you must pay a nonattendance fee if you fail to attend our System-wide meeting of franchisees.
Audit	Currently, estimated between $2,000 and $5,000	Immediately after audit	If an underpayment in excess of 2% is revealed, we may charge you for all of our expenses related to the audit; see Note 4.
Financial Reports Late Fee	$1,000 upon occurrence, plus $100 per month until received	On demand	
Late Fee	A late fee of 10% will be assessed on all past due accounts	Payable when past due amount is paid	Applies to all payments to be made by you to us.
Ongoing Training	Tuition amount charged by provider; reasonable amount to cover our costs if we provide the training	On demand	See Note 5.
Remedial Training	$500 a day for each person providing training, plus all expenses we incur	On demand	See Note 6.

Type of Fee [1]	Amount	Due Date	Remarks
Software Fees and Upgrades	$65 per month as of the date of this disclosure document	On demand	The fee that we charge is based on the amount charged by our software provider. The fee will increase if the software provider increases the price of the software and will be equal to the amount of the increased fee. There has been no increase in the fee in the past five years.
Controlling Interest Transfer Fees	$35,000, plus all costs and expenses we incur, including reasonable attorneys' fees	A non-refundable deposit of $5,000 is payable when you notify us of your intent to transfer. The remaining fees and costs are payable when the transaction closes.	Applies to the sale or transfer of 50% ownership or more interest in the franchise or Franchise Agreement.
Non-controlling Interest Transfer; Transfer of Certain Assets Fees	$15,000, plus all costs and expenses incurred by us, including reasonable attorneys' fees	Payable when you notify us of the change in your entity's ownership	Applies when you request to add or remove owners from your entity who have a 49% or less ownership interest in you or the Franchise Agreement; applies if you or your Affiliate are selling the land and building but not transferring your rights under the Franchise Agreement.
Transfer for Convenience of Ownership	No fee, but all costs and expenses we incur, including reasonable attorneys' fees if transferring to a business entity	On demand	Applies if you enter into this Agreement as an individual(s) and wish to assign the Agreement to an entity you create to operate the School, as long as the same individuals are the owners of the new entity.
Private or Public Offering Fee	Reimbursement of our reasonable costs and expenses associated with the proposed offering	When billed	We limit our review to the way in which the offering materials treat our relationship with you.
Insurance	Premiums vary depending on location	On demand if you have failed to pay premiums	See Note 7.
Insurance Administrative Charge	Cost of coverage, plus 25% of cost of coverage	On demand	See Note 7.

Type of Fee [1]	Amount	Due Date	Remarks
Supplier Inspection and Testing Fee	Currently, estimated between $500 and $1,500 per request	When billed	If you ask us to approve an alternative product or supplier, we may require you to pay for the actual cost of inspection or testing; see Item 8.
Administrative Enforcement Fee	$100 per hour, plus attorneys' fees and other out-of-pocket costs; total amount will vary	As incurred	If you do not comply with the Franchise Agreement, we have the right to charge you an enforcement fee, plus out-of-pocket costs we incur in enforcing the Franchise Agreement due to your failure to comply with any provision of the Franchise Agreement.
Liquidated Damages	$15,000 per month for every month the School operates after termination of the Franchise Agreement	On demand	Applies if you do not comply with our post-termination obligations relating to use of our Marks.
Holdover Fee	125% of Royalty and advertising payment requirements	When billed	Applies if you continue to accept the benefits of the Franchise Agreement after the expiration of the initial Term but do not comply with our renewal requirements.

Notes:

1. All fees and expenses described above that are payable to us are non-refundable and, unless otherwise indicated, all fees are imposed uniformly. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services, and future policy changes, but we have no present plans to increase any fees.

2. "Gross Revenue" means all revenue and/or income generated from the provision of any and all services, the sale of any and all products, and the performance of any and all other activities connected to or arising from the Franchised Business and/or your School, whether occurring during normal business hours or not, whether for cash, credit, or the fair market value of property or services received or to be received through barter, including but not limited to the value of free tuition offered to employees; and regardless of collection in the case of credit, unpaid accounts receivables, or insufficient funds, whether such revenue and/or income is generated in compliance with or in violation of the terms of this Agreement. However, Gross Revenue does not include any revenue taxes or other taxes collected from customers by you for transmittal to an appropriate taxing authority. We reserve the right to limit any discounts, offsets, credits, or deductions of any nature from Gross Revenue ("Discounts") for the purpose of calculating Royalties, Advertising Fund contributions, your local marketing obligations, and any other fees that are collectible under this Agreement and are based on your School's Gross Revenue ("Revenue Based Fees"). If you offer any Discounts to customers which exceed the Discounts that we approve, we will be entitled to collect all Revenue Based Fees calculated on your School's published rates, tuition, or other fees that would have been charged if you had offered only the Discounts we

approve (if any), regardless of the amount you actually receive. In all cases, the amount of Gross Revenue generated by the Franchised Business will be determined exclusively by us.

3. See Item 11 for more information about local advertising.
4. If the underpayment exceeds 2%, we may also require all of your future annual financial statements be audited and certified at your own expense, unless your work papers and financial records are acceptable in form and substance to us and are available for inspection by us upon reasonable notice.
5. We or third-party providers may charge tuition for additional courses, seminars, or other training programs, and you are responsible for all training-related costs and expenses including, without limitation, tuition/attendance fees, wages, transportation, lodging, meals, and other travel-related expenses incurred by your attendees.
6. This amount is required per person for each day each person spends at your School, whether you request remedial training, or we deem it necessary. We will also charge this fee plus other expenses we incur for each day we operate your School as provided for in the Franchise Agreement. We reserve the right to require you to pay us these amounts in advance of us providing services.
7. If you fail to purchase or maintain any required insurance, we may do so at your expense. You must reimburse us for the cost of coverage, plus 25% of the cost of coverage. Insurance coverage requirements are uniformly imposed on all franchisees, but the cost of coverage may not be uniform. See Item 8 for required insurance coverage.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Build-to-Suit Lease Program

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee[1]	$60,000	$85,000	$85,000: installments of $50,000 then $35,000; or $60,000: lump sum	$85,000 fee: $50,000 when you sign Franchise Agreement; $35,000 on Funding Date $60,000 fee; when you sign Franchise Agreement	Us

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
School Development Fee[2]	$25,000	$25,000	Lump sum	When You Sign Franchise Agreement	Us
Lease Deposit[3]	$35,000	$45,000	Lump Sum	When You Sign Lease	Third-party Developer
Developer Deposit[4]	$0	$50,000	Lump Sum	When you Sign Development Agreement	Third-party Developer
Project Development[5]	$40,000	$50,000	As Arranged	When you Sign Development Agreement	Vendor Approved by CLFC
Utility and Security Deposits	$5,000	$10,000	As Arranged	As Invoiced	Vendors
Furniture, Fixtures, and Equipment[6]	$326,602	$451,402	Lump Sum	As Invoiced	Vendors
Playground Equipment[7]	$168,000	$213,000	As Arranged	As Invoiced	Vendors
Financing Costs[8]	$5,000	$27,500	As Arranged	As Incurred	Lender
Opening Training Fee[9]	$25,000	$25,000	Lump Sum	Funding Date	Us
Buses[10]	$2,500	$5,000	As Arranged	As Incurred	Vendor
Pre-Opening Marketing Expenses[11]	$35,000	$35,000	Lump Sum and As Arranged	Funding Date and As Incurred	Us and Vendors
Travel and Living Costs while Training[12]	$4,000	$6,000	As Arranged	As Incurred	Vendors and Employees
Insurance and Professional Fees[13]	$10,750	$13,250	As Arranged	As Invoiced	Independent Vendors
Agency License	$750	$1,300	Lump Sum	As Incurred	Licensing Authority
Additional Funds[14] (3 months)	$225,0000	$225,000	Cash	As Needed	Various Payees
TOTAL[14]	$967,602	$1,242,452			

Notes:

1. See Item 5. The low end of the range may be less than the amount stated if you are developing a second or subsequent School that is subject to a previously-agreed-to reduced initial franchise fee, or if you qualify for our Veteran's Discount.
2. See Item 5. The low end of the range may be less than the amount stated if you are developing a second or subsequent School that is subject to a previously-agreed-to reduced school development (or real estate) fee.
3. Under the Build-to-Suit Lease Program, developers typically pay for all land improvements, build-out, and leasehold improvements, but do not pay the cost of playground equipment and

installations. The developer will build a School that conforms to our proprietary prototype, which will be (a) approximately 10,300 square feet or 11,200 square feet, depending on classroom space requirements by the state licensing agency where your School will be located, and (b) contains the number of parking spaces required by local codes and regulations. These estimates are based upon commercial real estate costs in various metropolitan areas, which are primarily located in the southeastern part of the United States and may vary substantially based upon local commercial conditions and the availability of land in the market where your School will be located.

4. Under the Build-to-Suit Lease Program, some developers may require you to contribute to some of the up-front costs of development relating to site work and permitting. These contributions should be considered when calculating the monthly lease rate.

5. You must use the project development vendors we require. Within 30 days after we receive payment of the School Development fee, we will contribute the first $5,000 toward the engagement for such services, unless you are entering into a franchise agreement that is subject to a previously-agreed-to discounted School Development Fee, previously known as a Real Estate Fee. In such case, we will not make any contributions to your project management costs.

6. These amounts include costs for classroom tables, chairs, lighting fixtures, cabinets, cameras, and other equipment required for School operations; exterior signage and branding; decor items, including interior branding; instructional materials and other items needed for learning and activities; computer hardware and software system; a security system; phone system and office equipment, including laminator and high-speed copier/printer; and kitchen appliances. The low end of the range is the estimated amount for a School with 10 classrooms, and the high end is for a School with 12 classrooms.

7. This range does not include the cost of any built-in water features, such as a splash pad, and such features are not required to be part of the project.

8. This is an estimate of finance charges and SBA charges (if applicable) you may incur prior to and at the closing of your loan. There may be additional costs and expenses incurred in obtaining financing imposed by your lender.

9. See Item 5. The low end of the range may be less than the amount stated if you are developing a second or subsequent School that is subject to a previously-agreed-to reduced opening training fee.

10. We typically require each School to have two buses that meet our specifications and requirements. Buses must comply with all state and federal guidelines. These costs are for initial lease payments. We do not require or recommend the purchase of buses.

11. See Item 5 and Item 11. You must spend at least $35,000 to promote the opening of your School. You will pay us the Pre-opening Marketing Payment described in Item 5, and you will also spend an additional $10,000 on grand opening and/or local marketing you select, and that we approve, within the first 60 days after the School opens.

12. This estimate reflects the cost for two people to attend and complete Owners' Training and Directors' Training. These amounts include transportation costs, the cost of lodging and meals, employee wages (but no salary for owners), and incidental expenses. Your costs may be greater depending upon your distance from Fort Worth, Texas, the lodging and meals you choose, and your employees' wages.

13. The cost of insurance may vary substantially depending on the insurer, the location of the School, the value of the equipment and improvements, and your claims history. Some insurance carriers allow insurance premiums to be paid each month. These amounts assume your initial insurance payments are 25% of your annual premium. These amounts also include our best estimate of legal fees associated with the review of this disclosure document and your lease, and other organizational

costs associated with the formation of your legal entity. Your actual costs may vary substantially depending on the individual professionals you use and the entity structure you choose.

14. The amounts provided will be used by you to cover costs and expenses such as rent, wages, insurance, childcare license and health permit, other occupancy costs, and other operating expenses during the initial three months of operations. This range was determined based on the experience of our system franchisees.

15. These amounts are estimates, and we cannot guarantee that you will not have additional, pre-opening expenses. To provide these estimated ranges, we have relied on information provided by certain franchisees and their lenders and vendor costs available to us as of the date of this franchise disclosure document. These amounts may vary depending upon your opening enrollment, management skills, compliance with our methods and procedures, local economic conditions, wage rates, competition, and rent costs. These estimates are subject to increases based on changes in market conditions and future policy changes. Additionally, since the typical time it takes to open a School from the date you sign the Franchise Agreement is 18-36 months, you should anticipate that these costs will increase.

Equity Development Program

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee[1]	$60,000	$85,000	$85,000 fee: installments of $50,000 then $35,000; or $60,000: lump sum	$85,000 fee: $50,000 when you sign Franchise Agreement; $35,000 on Funding Date $60,000 fee: when you sign Franchise Agreement	Us
Real Estate[2]	$600,000	$1,200,000	As Arranged	Negotiable	Owner of Land
Real Estate Improvements and Construction Costs[3]	$3,900,000	$5,959,150	As Arranged	Negotiable	Vendor, Contractors
School Development Fee[4]	$25,000	$25,000	Lump sum	When You Sign Franchise Agreement	Us
Furniture, Fixtures, and Equipment[5]	$362,202	$451,402	Lump Sum	As Invoiced	Vendors
Utility and Security Deposits	$5,000	$10,000	As Arranged	As Invoiced	Vendors
Playground Equipment[6]	$168,000	$213,000	As Arranged	As Invoiced	Vendors

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Financing Costs[7]	$350,000	$415,000	As Arranged	As Incurred	Lender
Opening Training Fee[8]	$25,000	$25,000	Lump Sum	Funding Date	Us
Buses[9]	$2,500	$5,000	As Arranged	As Incurred	Vendor
Pre-Opening Marketing Expenses[10]	$35,000	$35,000	Lump Sum and As Arranged	Funding Date and As Incurred	Us and Vendors
Travel and Living Costs while Training[11]	$4,000	$6,000	As Arranged	As Incurred	Vendors and Employees
Insurance and Professional Fees[12]	$10,750	$13,250	As Arranged	As Invoiced	Independent Vendors
Agency License	$750	$1,300	Lump Sum	As Incurred	Licensing Authority
Additional Funds (3 months)[13]	$275,000	$330,000	Cash	As Needed	Various Payees
TOTAL[15]	$5,787,602	$8,774,102			

Notes:

1. See Item 5 for more information about the initial franchise fee payment terms. The low end of the range may be less than the amount stated if you are developing a second or subsequent School that is subject to a previously-agreed-to reduced initial franchise fee, or if you qualify for our Veteran's Discount.

2. These amounts assume that you will purchase undeveloped/unimproved land and build the School. The amounts provided are based on a lot that (a) is sized to build a School that is approximately 10,000 square feet or 11,200 square feet, depending on classroom space requirements by the state licensing agency where your School will be located, and (b) contains the number of parking spaces required by local codes and regulations. These estimates are based on commercial real estate costs in various metropolitan areas, which are located primarily in the southeastern part of the United States and may vary substantially depending on local commercial conditions and the availability of land in the market where your School will be located.

3. This range of costs includes architectural, engineering, and construction costs, including the cost of a project/construction manager, and other construction-related costs, such as site work to prepare land for improvement, temporary electricity, surveys, environmental site assessments, site fits, and permitting associated with building your School, along with the interior build-out and finishes. You will be responsible for adapting the plans (subject to our approval) to meet local construction codes. These amounts are derived from costs that have been incurred in various metropolitan areas and may vary substantially based on local commercial conditions, labor conditions, and the cost of materials. Development costs are tied to changing economic conditions, which can change dramatically and rapidly, depending on world and local events; all of which may cause fluctuations in the cost of services, supplies, and labor. The low end of the range is for a School that is approximately 10,000 square feet, and the high end is for a School that is approximately 11,200 square feet. Within 30 days after we receive payment of the School Development fee, we will pay the approved project manager the first $5,000 toward the engagement of such project manager, unless you have entered into a franchise agreement that is subject to a previously-agreed-to

discounted School Development Fee, previously known as a Real Estate Fee. In such case, we will not make any contributions to your project management costs.

4. See Item 5. The low end of the range may be less than the amount stated if you are developing a second or subsequent School that is subject to a previously-agreed-to reduced school development (or real estate) fee.
5. These amounts include costs for classroom tables, chairs, lighting fixtures, cabinets, cameras, and other equipment required for School operations; exterior signage and branding; decor items, including interior branding; instructional materials and other items needed for learning and activities; computer hardware and software system; a security system; phone system and office equipment, including laminator and high-speed copier/printer; and kitchen appliances. The low end of the range is the estimated amount for a School with 10 classrooms and the high end is for a School with 12 classrooms.
6. This range does not include the cost of any built-in water features, such as a splash pad, and such features are not required to be part of the project.
7. This is an estimate of finance charges and SBA charges (if applicable) you may incur prior to and at the closing of your loan. There may be additional costs and expenses incurred in obtaining financing imposed by your lender.
8. See Item 5. The low end of the range may be less than the amount stated if you are developing a second or subsequent School that is subject to a previously-agreed-to reduced opening training fee.
9. We typically require each School to have two buses that meet our specifications and requirements. Buses must comply with all state and federal guidelines. These costs are for lease payments. We do not require or recommend the purchase of buses.
10. See Item 5 and Item 11. You must spend at least $35,000 to promote the opening of your School. You will pay us the Pre-opening Marketing Payment described in Item 5, and you will also spend an additional $10,000 on grand opening and/or local marketing you select, and that we approve, within the first 60 days after the School opens.
11. This estimate reflects the cost for two people to attend and complete Owners' Training and Directors' Training. These amounts include transportation costs, the cost of lodging and meals, employee wages (but no salary for owners), and incidental expenses. Your costs may be greater depending upon your distance from Fort Worth, Texas, the lodging and meals you choose, and your employees' wages.
12. The cost of insurance may vary substantially depending on the insurer, the location of the School, the value of the equipment and improvements, and your claims history. Some insurance carriers allow insurance premiums to be paid each month. These amounts assume your initial insurance payments are 25% of your annual premium. These amounts also include our best estimate of legal fees associated with the review of this disclosure document and your lease, and other organizational costs associated with the formation of your legal entity. Your actual costs may vary substantially depending on the individual professionals you use and the entity structure you choose.
13. The amounts provided will be used by you to cover costs and expenses such as debt service, wages, insurance, childcare license and health permit, other occupancy costs, and other operating expenses during the initial three months of operations. This range was determined based on the experience of our system franchisees.
14. These amounts are estimates, and we cannot guarantee that you will not have additional, pre-opening expenses. To provide these estimated ranges, we have relied on information provided by certain franchisees and their lenders and vendor costs available to us as of the date of this franchise disclosure document. These amounts may vary depending upon your opening enrollment,

management skills, compliance with our methods and procedures, local economic conditions, wage rates, competition, and financing costs. These estimates are subject to increases based on changes in market conditions and future policy changes. Additionally, since the typical time it takes to open a School from the date you sign the Franchise Agreement is 18-36 months, you should anticipate that these costs will increase.

We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may only offer, dispense, and sell products and services that we approve at and from your School, or in connection with your School. Additionally, you may be required to purchase certain items and services from one or more specific suppliers, and/or in compliance with certain specifications. If brand requirements have been identified, you may purchase and use only approved brands. Information about approved and designated suppliers and product and service specifications will be communicated to you through the Manual. We reserve the right to change, add, and delete our products and services and supplier requirements and specifications at any time.

Required Purchases – Operations

You must purchase or acquire from us, or from a supplier we require, the following: (1) furniture, fixtures, and equipment (including playground structures); (2) classroom inventory, toys, instructional materials, and educational materials; (3) curricula; (4) buses and bus graphics; (5) marketing and public relations services and materials; (6) School management and other School-related software; (7) security camera and surveillance services; (8) insurance; and (9) promotional items (e.g. logowear, uniforms, aprons, brochures, and print materials).

All infant, toddler, pre-school, and school-age curricula ("Proprietary Curriculum") must be acquired from us, access to which we provide to you at no charge, but you must pay for the costs to reproduce the Proprietary Curriculum and obtain supplies required to deliver the Proprietary Curriculum as designed. You must not use any teaching or curriculum materials that are religious in nature, that provide religious instruction at the School, or that are not otherwise approved by us.

All furniture, fixtures, and equipment, toys, instructional materials, educational materials, software, and School-related equipment and supplies must be approved by us and maintained by you in safe and usable condition. You may be required to purchase new toys, educational materials, instructional materials, and other School-related items each year.

As of the date of this disclosure document, you must purchase for use in your Children's Lighthouse School three desktop computers for administrative and business management purposes, one laptop computer, one electronic tablet for the front office, and one electronic tablet for each classroom. We do not specify the brand of tablets or computers you must use, but your computers must use the Microsoft® Windows® operating system and the most current version of the Microsoft® suite of office software (Word, Excel, etc.). If brand requirements have been identified, you may purchase and use only approved brands. We estimate the cost to purchase the required office computers and tablets to range from $6,100 to $7,000.

You must lease, but may elect to purchase the high-speed printer/copier and laminator we require. Since we only require that you lease the equipment, we do not have an estimated cost to purchase the equipment. If you choose to lease the printer/copier, the estimated lease amount is $545 per month.

You must also purchase and use proprietary software and licensed software (which is not proprietary to us but which we and/or you are licensed to use) in connection with the Business Management System (defined in Item 11). As of the date of this disclosure document, we require franchisees to use Procare for their School management software. The cost for the initial Procare license is approximately $2,000 to $3,200.

Procare may from time-to-time release updated versions of the School management software. We are unable to predict the cost of updated versions. We reserve the right to change our School management software at any time.

You must use QuickBooks® Online and the chart of accounts we require for the internal accounting and bookkeeping of the Franchised Business.

You must purchase food that meets our standards. Currently, you may purchase food from any source that meets our standards, but we reserve the right to require you to purchase all food and paper items from a designated or required vendor. You may be required to purchase and serve specific food and types of food and may be restricted from serving specific food and types of food.

Currently, cleaning supplies may be purchased from any source but must be non-toxic. We reserve the right to require you to purchase all cleaning supplies from a designated or required vendor.

Required Purchases – Land and Building

If we require, you must engage our approved vendor(s) to manage all phases of the development of your School, including but not limited to real estate sourcing, architectural, construction, and overall project management. Among other criteria, your architect and general contractor must have experience building commercial childcare facilities or similar commercial buildings. You must notify your architect that all changes to the prototype plans must be submitted to us for approval. Your contract with your general contractor must contain language we require that limits your ability to make changes to the plans for your School without our consent.

If you lease the building for your School, you must engage a commercial real estate attorney who is familiar with commercial leases to review your lease.

As of the date of this disclosure document, we require franchisees to use the project manager we require to help manage various phases of the School development process, including but not limited to, site selection due diligence, pre-construction guidance and vendor analysis and recommendation, and construction timeline management and performance. If you are building a School under the Equity Development Program, then, within 30 days after we receive payment of the School Development fee, we will pay the approved project manager the first $5,000 toward the engagement of such project manager, unless you are entering into a franchise agreement that is subject to a previously-agreed-to discounted School Development Fee, previously known as a Real Estate Fee. In such case, we will not make any contributions to your project management costs. The same criteria apply to the Build-to-Suit Lease Program, except that we will make the $5,000 payment when we grant final site approval for your School.

Approved/Required Suppliers

In addition to the above, if we have approved or required suppliers for any inventory, fixtures, furnishings, or equipment; or for suppliers who provide certain products or services relating to the development and construction of your School and/or to the opening and ongoing operations of your School, you must obtain these items and/or services from our approved or required suppliers. We will provide the names of these suppliers in writing. We may change the number of approved and required suppliers at any time and may designate ourselves, an affiliate, or a third party as the exclusive supplier for any particular item or service. You are solely responsible for acquiring and installing all required inventory, fixtures, furnishings, and equipment.

Except as described above, neither we nor any of our affiliates are designated or approved suppliers for any products or services, and neither we nor any of our officers own an interest in any privately-held suppliers or a material interest in any publicly-held suppliers of our franchise system. If we or our affiliates become approved suppliers, we may derive revenue from required purchases when you buy through us or our affiliates. We reserve the right to increase the price of such purchases in an amount that offsets our expenses related to these transactions or that provides us an industry-standard profit.

Approval of Alternate Suppliers

If you wish to use, sell, or offer to sell any product, service, or supplier not previously approved by us, or which is sold or provided by a supplier not previously approved by us, you must advise us of this fact, and you must give us, upon request, product specifications, sample products, and/or information about the supplier or the item we require. Our criteria for approving suppliers are not available to franchisees. We will notify you within 60 days after your request as to whether you may purchase products or services from the proposed supplier. As a condition of approving a supplier or product, you must reimburse us for any expenses we reasonably incur in inspecting the supplier's premises, checking the supplier's credentials, or testing the product. As a condition of approving a supplier of any product that bears the Marks, we may require that the supplier sign a license agreement with us or with one of our affiliates regarding the use of the Marks. We are not required to approve any alternate suppliers. We may revoke our approval of a supplier or product if either or both no longer meet our standards or specifications, which we reserve the right to change at any time. If this occurs, we will provide you written notice of the revocation. We will not review an alternate supplier for the curriculum that is required to be used in the School.

Pricing

You will maintain tuition rates in your School adequate to reasonably serve your local market and to maintain a viable local market position. However, your tuition rates, subject to applicable antitrust laws, must: (a) comply with any minimum or maximum prices we set; (b) comply with any prices we specify; and (c) conform to any promotional programs we designate. We retain the right to modify our pricing policies in our sole discretion, in compliance with all applicable laws.

Insurance

You must purchase and maintain insurance policies which protect you and us and our affiliates against loss or liability for personal injury, death, or property damage or expense relating to the operation of your School. All liability policies must name us and certain of our affiliates as additional named insureds on a primary, non-contributory basis and must provide that we will receive notice of any payment defaults and 30 days' advance written notice of termination, cancellation, expiration, or change in the policy.

Your liability policy must be written by a licensed insurance company with a rating by A.M. Best Company of "A" or higher and must include, at a minimum, the following coverage:

Type of Insurance	Minimum Limit
Comprehensive General Liability Coverage	$1 million per occurrence, $3 million aggregate limit including: (a) Products and Completed Operations, and (b) Personal and Advertising Injury
All Risk Property Insurance Coverage (including Business Interruption Coverage)	Replacement costs basis
Professional Liability Coverage	$1 million single limit
Employment Practices Liability Coverage	$500,000 per occurrence and in the aggregate
Sexual Abuse Coverage	$1 million per occurrence with $1 million aggregate
Auto Combined Liability (personal injury by state statute)	$1 million combined single limit owned auto with $1 million for hired and non-owned auto
Accident Coverage	$250,000 per incident
Workers' Compensation Coverage	$1 million limit; $1 million statutory coverage per employee incident

Type of Insurance	Minimum Limit
Umbrella Coverage for Comprehensive General Liability, Auto Combined Liability, and Workers' Compensation	$1 million single limit
Data/Privacy Breach	$500,000

Your liability policy must provide that your insurance coverage is primary to any coverage that we maintain. All liability policies must provide broad form contractual coverage. You and your insurers must waive rights of subrogation against us and our affiliates. We may unilaterally modify the insurance minimum coverage requirements, which may include requiring you to purchase additional types of insurance and/or increasing the minimum coverage amounts to reflect changes in inflation or as market conditions warrant. We also recommend that you discuss with your insurance professional whether you should increase the amount of coverage for any insurance required for the Franchised Business or carry other types of insurance applicable to the Franchised Business.

Revenue Derived from Franchisee Purchases and Leases

We and our affiliates reserve the right to enter into agreements with vendors and service providers, which may provide us and our affiliates with revenue derived from your purchases and leases from such vendors and service providers. We may also derive revenue to the extent that you purchase products or services from us or our affiliates. During our 2024 fiscal year, we did not derive any revenue from franchisee purchases or leases.

Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

We estimate that required purchases or leases will represent approximately 95% of all your purchases and leases of goods and services in establishing and operating your Children's Lighthouse School, but these will vary with each School. We estimate that approximately 95% of your expenditures on an ongoing basis will be for goods and services that must be purchased either from us, an affiliate, an approved supplier, or another party according to our standards and specifications.

Description of Purchasing Cooperatives; Purchasing Arrangements

We may negotiate purchasing arrangements with primary suppliers for the benefit of franchisees. If we negotiate a purchase agreement for the region where your School is located, you may be required to participate in the purchasing program. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

Currently, no purchasing or distribution cooperatives exist in the franchise system.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisitions/lease	Section 5.1	Items 7 and 11
b. Pre-opening purchase/leases	Sections 4.5, 5.2, 7.4, 9.1, 9.2, 10.10, 12.2	Items 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 5.,9.,10.,12.2, 12.3	Items 7 and 11
d. Initial and ongoing training	Sections 6.1, 6.2, 6.3, 6.4, 6.5, 6.7, 6.8	Items 6, 7, and 11
e. Opening	Section 5.4	Items 7 and 11
f. Fees	Sections 4., 8., 8.4, 8.7, 11.3, 11.4, 11.5.7, 11.10, 12.2, 12.4, 16.9	Items 5, 6, and 7
g. Compliance with standards and policies/operating manual	Section 7.	Items 8, 11, 15, and 16
h. Trademarks and proprietary information	Sections 10.1, 12.4.2, 14.	Items 13 and 14
i. Restrictions on products/services offered	Section 7.	Items 8 and 16
j. Warranty and customer service requirements	Sections 7.1.8 and 7.3.5	Item 16
k. Territorial development and sales quotas	Sections 3.3. and 3.4.	Item 12
l. Ongoing product/service purchases	Section 7.	Items 8 and 16
m. Maintenance, appearance, and remodeling requirements	Sections 7.1, 7.3.6, 11.5.9	Item 17
n. Insurance	Section 10.10	Items 6, 7, and 8
o. Advertising	Section 12.	Items 6 and 11
p. Indemnification	Section 10.9	Item 6
q. Owner's participation/management/ staffing	Sections 7.2 and 7.3.3	Item 15
r. Records and reports	Section 9.	Items 6 and 11
s. Inspections and audits	Sections 7.3.4 and 9.3.7	Items 6 and 11
t. Transfer	Section 11.	Items 6 and 17
u. Renewal	Section 2.2	Item 17
v. Post-termination obligations	Section 15.5	Item 17
w. Noncompetition and confidentiality covenants	Section 10. and Attachment C	Item 17
x. Dispute Resolution	Section 16.	Item 17
y. Guaranty	Sections 13.2, 13.4, and Attachment D	Item 15

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your notes, leases, or obligations.

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

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

Pre-Opening Obligations.

Before you open your business, we will:

(1) Designate an area that you and we agree to in which you will search for a site for your School ("Protected Search Area"). There is no minimum area that will make up your Protected Search Area. Your Protected Search Area will be identified within approximately 30 days after the effective date of the Franchise Agreement. The Protected Search Area will exclude any existing or future protected search area or territory of another Children's Lighthouse franchisee that is or may be within the Protected Search Area, and the Protected Search Area will be of no force or effect once the Approved Location is determined. (Franchise Agreement, Section 5.1.2)

(2) Provide written site selection guidelines and site selection counseling and assistance. We will supply you with our site review package to assist you in assessing demographic data, nearby neighborhoods and businesses, growth trends, traffic patterns, neighborhood schools, and competition from other childcare and early learning providers that are similar to a Children's Lighthouse School. (Franchise Agreement, Section 5.1.1)

Within 180 days after the effective date of the Franchise Agreement, you must, on your own initiative and at your own expense, locate and obtain a site we approve in your Protected Search Area and negotiate the purchase or lease for your Children's Lighthouse School ("Approved Location"). You must not sign a lease or purchase contract for or invest in the premises of your School until you have obtained our written approval of your School's proposed location. We may not unreasonably withhold our approval. Our approval of a lease does not mean that the economic terms of the lease are favorable; it means only that the lease contains the lease terms that we require. Your lease, even if it is with an entity owned in whole or in part by you, or is affiliated with you in any way, must include a rider substantially in the form attached to the Franchise Agreement as Attachment B, and you and the lessor may be required to execute our then-current form of Nondisturbance and Attornment Agreement ("Nondisturbance Agreement") attached to the Franchise Agreement as Attachment E. (Franchise Agreement, Sections 5.1.3 and 5.1.4)

Before we review your proposed site, you must submit to us the site information we require, and before we provide final site approval or disapproval, you must pay for all site-related analyses and reports that we require for your proposed site. The site must conform to the general guidelines for suitable franchise premises that are set out in the Manual, including but not limited to, population requirements, traffic patterns, parking, neighborhood demographics, competitor data, other commercial or residential information, and the size, appearance, and other physical characteristics of the site. We will respond in writing with approval or disapproval within 30 days after receiving the completed site review information and reports we require, and we will not unreasonably withhold our approval. By approving a particular site, we do not guarantee that your Children's Lighthouse School operating at that location will be successful. (Franchise Agreement, Section 5.1.3)

If you do not select a location that we approve within 180 days after the effective date of the Franchise Agreement, we will, at our option: (a) provide you more time to select a site for your School, and the length of time will be at our sole determination; or (b) terminate your Franchise Agreement, and your Initial Franchise Fee and School Development Fee will not be refunded. If we offer an extension of time for you to select a site we approve, we may require you to search in a protected search area that is different from the one originally agreed to in your Franchise Agreement, at which time, your original Protected Search Area will automatically terminate, and we will designate, in writing, a new Protected Search Area. (Franchise Agreement, Section 5.1.3)

When we agree in writing to designate a site as the Approved Location, we will define the protected area around the Approved Location ("Territory"). (Franchise Agreement, Section 3.3)

It will typically take 18 - 36 months to open your School from the time you and we sign the Franchise Agreement, but a variety of factors, such as your ability to get financing; the availability of real estate in your area' state, county, and city approval procedures; and/or life events personal to you may make this timeframe longer. You will have 12 months to open your facility from the date of formal site approval. If you are unable to construct and open your School, in accordance with our standards, at the Approved Location within the 12-month period, we may, in our sole discretion, extend the 12-month opening timeline. (Franchise Agreement, Section 5.2.2)

(3) Provide you with the names of approved and required suppliers. (Franchise Agreement, Section 7.4)

(4) In connection with the School Development Fee, provide you with our proprietary, prototype, or sample School plans and specifications, including requirements for dimensions, exterior design, interior layout, building materials, equipment, signs, and color scheme. (Franchise Agreement, Section 5.2.1)

You must engage an architect we approve to customize our prototype plans for local codes and other requirements. We reserve the right to require you to use the architect we require. You will not be permitted to change our prototype design, other than to meet local or state code requirements. We must approve these changes, and such changes must be submitted in writing from the approved architect with supporting documentation from the agency requiring the modification. You must submit a final set of your architectural drawings and plans to us before submitting them for approval with local agencies and once again upon permitting. Failure to submit the drawings and plans will be considered a material default of the franchise agreement. (Franchise Agreement, Section 5.2.1)

(5) Provide you with information regarding required purchases. (Franchise Agreement, Section 7.4.2)

(6) Provide you, your Operating Principal, and your School Director with initial training and onsite pre-opening training. (Franchise Agreement, Sections 6.1 through 6.4)

(7) Assist you in working with the appropriate governmental licensing authority to establish your Children's Lighthouse School Licensed Capacity. (Franchise Agreement, Section 6.6)

(8) Use the Pre-opening Marketing Payment to arrange for and purchase on your behalf pre-opening marketing, unless pre-opening marketing is prohibited by your state's licensing authority. (Franchise Agreement, Section 12.2)

Continuing Obligations.

After the opening of your Franchised Business, we will:

(1) Return during the first 30 days of operation to provide on-site training for your management team. (Franchise Agreement, Section 6.5)

(2) Provide Directors' Training for your replacement School Directors, if any. (Franchise Agreement, Section 6.3)

(3) Provide ongoing operations consultation, as we deem necessary, through School visits, in-person or virtual meetings, seminars, or conferences, and/or through the issuance of electronic or printed materials, all at our sole election. (Franchise Agreement, Section 6.9)

(4) At our discretion, offer continuing education programs and training on matters relating to the operation or promotion of your Children's Lighthouse Learning School. (Franchise Agreement, Section 6.7)

(5) Maintain and administer the Advertising Fund. (Franchise Agreement, Section 12.4)

(6) Provide you with the names of approved and required suppliers. (Franchise Agreement, Section 7.4)

Advertising

In connection with opening your School, or the earliest date allowed by state or local law, you must spend at least $35,000 on pre-opening and grand opening advertising and promotional programs, as set forth in the Manual.

Of the $35,000, you will pay us $25,000, which we will use to pay third-party suppliers, on your behalf, in connection with marketing services we have pre-approved and which are designed to market your School before it opens, or until we reimburse you for payments you have made out-of-pocket for such pre-approved services. All pre-opening marketing programs must be submitted to us for approval. You may not conduct any pre-opening marketing until you have received our written approval.

You will spend the remaining $10,000 on grand opening and local marketing within the first 60 days after the School opens. Within 30 days before you open your School, you must submit to us, in writing, your plan to use these funds, which we may require you to alter. If you do not develop a plan that we determine to be satisfactory, then we reserve the right to require you to deposit the $10,000 with us to be spent on your behalf, and the funds will be held and managed the same as the Pre-opening Marketing Payment, as described in Item 5. You may not begin any grand opening marketing without our written approval.

We may from time to time develop and administer advertising and sales promotion programs in which you must participate in accordance with the terms and conditions we establish for each program.

You may create your own advertising material, but only if we approve your use of it. You must send us copies of all advertisements and promotional materials that you plan to use to promote your School at least eight weeks before the first use of the material. We will use good faith efforts to review materials submitted for approval within 30 days after receiving them. If you have not received our approval within the 30-day period, you must consider the materials unapproved. Advertising materials that contain only date or pricing changes from previously approved materials will be considered approved, unless we provide you written notice otherwise. Even if we have approved specific materials, we may later withdraw our approval if we believe doing so is necessary to make the advertising conform to changes in the System or to correct unacceptable features or information.

Advertising/Advisory Council

Currently, we do not have a formal franchisee advertising advisory council. We have formed an informal, franchisee advisory council that provides insight and opinions relating to a variety of Franchised Business-related matters.

Advertising Cooperatives

We have the right to implement advertising cooperatives in a specific marketing area. You must participate in any advertising cooperative developed for the marketing area in which your Children's Lighthouse School is located. We have the right to decide the area or membership of the cooperatives and to determine the amount of required contributions. We will not require you to contribute more than the amount you are required to spend on local advertising, but the members of the cooperative may elect to require a greater contribution. If an advertising cooperative is created in which you are required to participate, then the amounts you contribute to the advertising cooperative will be credited to the local advertising amounts we require you to spend. We anticipate that all franchisees will contribute on the same basis.

Cooperatives will be governed by written bylaws in a form that we prepare or approve. We anticipate that we will administer the cooperatives.

Advertising Fund

We can require you to contribute up to 2% of Gross Revenue to the Advertising Fund ("Fund") each month. As of the date of this disclosure document, you must contribute to the Fund 0.5% of Gross Revenue per month. We will give you at least 90 days written notice before we increase your required contribution to the Fund.

The Fund exists to help maximum your School's revenue. To further this purpose, we may use Fund monies, in our sole discretion, to pay for: creative development; preparing and procuring market studies and obtaining marketing services (including, without limitation, new services development, conducting customer surveys, focus groups, and customer interviews); employing advertising and/or public relations agencies; developing, producing, distributing, and placing advertising (including, without limitation, preparing and conducting media advertising campaigns in various media, local market advertising and promotion in a particular area or market, or for the benefit of a particular School or Schools in connection with School opening promotions or otherwise); preparing and executing direct mail advertising, and developing, producing, and purchasing advertising and other sales aids and promotional items and materials; research and development; developing, updating, and hosting the Children's Lighthouse Website (including development of locator programs); development and purchase of products, materials, and services intended to promote the Children's Lighthouse brand; obtaining sponsorships and endorsements; developing, administering, and distributing coupons, certificates, and stored value card programs, and the cost of products associated with the redemption of free coupons, gift certificates, and stored value cards; developing and administering other customer loyalty programs; providing and procuring public relations services; conducting public relations activities; development and purchase of materials, products, services, software, and platforms intended to maximize system enrollment, including but not limited to employee recruitment programs and platforms. We may use Fund monies to pay for the initial and recurring costs of new or existing initiatives. We may use Fund monies to compensate us or our Affiliates for overhead and other expenses incurred in connection with the administration of the Fund.

There is no requirement that the Fund be audited, but we will make available to our franchisees, upon written request, once a year, a Fund report reflecting the total amount of money collected and spent during the past year, which lists the money spent by general category. We are not required to spend any Fund monies or any other advertising monies specifically for your School or in your Territory. The Fund is not a trust. We have no fiduciary duties with respect to the collection or expenditure of Fund monies.

In our 2024 fiscal year, we spent Fund monies as follows: 11.4% on production, 25.1% on public relations, 58.3% on e-commerce, and 5.2% was rolled into the Fund for 2025 expenditures. No Fund monies are used for the principal purpose of soliciting new franchisees.

Local Advertising

You must spend 1% of your Gross Revenue on local advertising and provide us written documentation of your expenditures on a quarterly basis.

Computer Requirements

You will acquire and use only the software and computer hardware and payment systems and equipment we prescribe ("Business Management System") for use in Children's Lighthouse Schools and adhere to our requirements for use, including without limitation, accounting for all Gross Revenue through the Business Management System. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, and high-speed Internet connections. We may, in our sole determination, require you to add to your Business Management System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software, replace or upgrade all or parts of your Business Management System, and enter into maintenance agreements for the Business Management System. You may elect to purchase a secondary computer and related software for use in the School for general, non-School-specific business functions, such as Internet browsing, word processing, spreadsheet preparation,

and emailing. We will provide you with 90 days advance written notice of any change to the Business Management System requirements. You must acquire, install, and maintain such anti-virus and anti-spyware software we require, and you must adopt and implement such Internet user policies we may prescribe for purposes of avoiding, blocking, and eliminating viruses and other conditions that may interfere with the operation of the Business Management System.

As of the date of this disclosure document, you must purchase for use in your Children's Lighthouse School three desktop computers for Business Management System purposes, one laptop computer, one electronic tablet for office use, and one electronic tablet for each classroom. We do not specify the brand of tablets or computers you must use, but your computers must use the Microsoft® Windows® operating system and the most current version of the Microsoft® suite of office software (Word, Excel, etc.). If brand requirements have been identified, you may purchase and use only approved brands. We estimate the cost to purchase the required office computers and tablets to range from $6,100 to $7,000.

You must lease but may elect to purchase the high-speed printer/copier and laminator we require. Since we only require that you lease the equipment, we do not have an estimated cost to purchase the equipment. If you choose to lease the printer/copier, the estimated lease amount is $545 per month.

You must also purchase and use proprietary software and licensed software (which is not proprietary to us but which we and/or you are licensed to use) in connection with the Business Management System. The cost for the initial software license is approximately $2,000 to $3,200. As of the date of this disclosure document, we require franchisees to use Procare for their School management software. Procare may from time-to-time release updated versions of the School management software. We are unable to predict the cost of updated versions. We reserve the right to change our School management software at any time. Access to the Procare system is Web-based, and the data is stored on a server for our independent retrieval and access on demand. We may require you to provide us with independent access to information and data maintained in the Business Management System and other computer systems and programs you use in connection with the School. There is no contractual limitation on the frequency or cost of these obligations or on our ability to access your information.

We are not obligated to provide maintenance, support, upgrades, or updates to the Business Management System; however, we have the right to do so. Computer manufacturers typically offer maintenance and support contracts. We recommend, but do not require, that you take part in such programs.

Customer lists and all customer information generated in connection with your Children's Lighthouse School is our exclusive Confidential Information, and it may not be disclosed or used in any way we do not authorize. Your employees who have access to our Confidential Information must sign a confidentiality agreement, using the form we require.

Operations Manual

You will have online access to our Manual through our intranet. Our Manual is our confidential operations manual, which is the compilation of information and knowledge that is necessary and material to the System. The term "Manual" includes all publications, materials, drawings, memoranda, videos, webinars, and other information we communicate via electronic media that we from time to time may loan or otherwise make available to you. We may supplement or amend the Manual from time to time by letter, electronic mail, bulletin, video, or other written communications concerning the System to reflect changes in the image, specifications, and standards relating to developing, equipping, furnishing, and operating a School. Our Manual has a total of 162 pages. The table of contents for the Manual is listed in Exhibit C.

Pre-opening Assistance and Training

Our initial training programs are conducted under the supervision of Shelly Pair, our Vice President of Operations. Shelly has 24 years of experience in the childcare and child development industry, and she has been with us since 2019. The details of our initial training programs as of the issuance date of this disclosure

document are detailed below. However, all aspects of our initial training programs are subject to change, without notice, to reflect updates in the materials, methods, and manuals and changes in personnel. The subjects taught and the time periods allocated for each subject may also vary based on the experience of the trainees.

Initial Classroom Training for Owners ("Owners' Training"): For every School you open, we will provide up to two principal owners, one of which must be your Operating Principal, with classroom instruction at a location in Fort Worth, Texas, or any other location we designate, which may include distance learning at our option. This training will occur approximately 90 days before the opening of your School. The Owners' Training program is more fully described below.

OWNERS' TRAINING PROGRAM

Subject	Classroom Training Hours	On-the-Job Training Hours	Location
Children's Lighthouse Operations Manual	20		Fort Worth, Texas; or remote via live instruction
Partnership Expectations	1	-	Fort Worth, Texas; or remote via live instruction
Financial Management – Cost Control, Accounting Compliance, Setting Rates, and Annual Tuition Increases	1	-	Fort Worth, Texas; or remote via live instruction
Classroom Programs and Quality Assessment	3	-	Fort Worth, Texas; or remote via live instruction
Website, Social Media, and Administrative Computer Systems	1	-	Fort Worth, Texas; or remote via live instruction
Community Marketing, Grass Roots Community Involvement, and Parent Retention	2	-	Fort Worth, Texas; or remote via live instruction
Inquiry System and Follow-up	2	-	Fort Worth, Texas; or remote via live instruction
Vendor Information	10	-	Fort Worth, Texas; or remote via live instruction
TOTAL HOURS OF TRAINING	40	-	

Initial Classroom Training for Owner and School Director ("Directors' Training"): Your Operating Principal and one School Director must attend Directors' Training at a location in Ft. Worth, Texas, or any other location we designate, which may include distance learning at our option. This training generally takes place 60 days before the School opens. The Directors' Training program is more fully described below.

DIRECTORS' TRAINING PROGRAM

Subject	Classroom Training Hours	On-the-Job Training Hours	Location
Introduction; Orientation to the Franchise Model	2	-	Fort Worth, Texas; or remote via live instruction
State Licensing and Our Administrative Standards and Processes	2	-	Fort Worth, Texas; or remote via live instruction
Classroom Management	2		Fort Worth, Texas; or remote via live instruction
Other Operations Metrics	2	-	Fort Worth, Texas; or remote via live instruction
Parent Engagement	4		Fort Worth, Texas; or remote via live instruction
Building Enrollment	4	-	Fort Worth, Texas; or remote via live instruction
Finance and Tuition Administration	4	-	Fort Worth, Texas; or remote via live instruction
Software Management System and Administrative Checklist	6	-	Fort Worth, Texas; or remote via live instruction
Hiring, Onboarding, and Retention	1	-	Fort Worth, Texas; or remote via live instruction
Curriculum and Education	12	-	Fort Worth, Texas; or remote via live instruction
Marketing	1	-	Fort Worth, Texas; or remote via live instruction
TOTAL HOURS OF TRAINING	40	-	

On-Site Pre-Opening Training for School Director ("Pre-opening Training"): Your School Director must attend our Pre-opening Training. This training is provided at your School and takes place between the time your School's furniture and equipment are delivered and the time the School opens for business. The Pre-opening Training program is more fully described below.

PRE-OPENING TRAINING PROGRAM

Subject	Classroom Training Hours	On-the-Job Training Hours	Location
Business Management and Administration	-	8	Your School
Building Enrollment	-	8	Your School
Parent Engagement	-	2	Your School
Classroom Management and Curriculum	-	8	Your School
School Operations	-	10	Your School
Franchise Support Visit	-	4	Your School
TOTAL HOURS OF TRAINING	-	40	

On-site Post-Opening Support: Within the first 30 days after your School opens, we will send one person to conduct on-site, post-opening training at the School ("Opening Training"), the duration of which will be determined by us based on factors, including but not limited to, your Operating Principal's experience and the experience of your School Director. Your Operating Principal and your School Director must attend this training. The nature of the training we provide will depend on many variables such as the experience of your School Director, the number of children enrolled in your School, and the questions and events that arise as part of the day-to-day operations of a new School, therefore, we do not provide a set agenda for this support.

Other than the Opening Training Fee, we do not charge a fee for any of the training or assistance described above, but you will be responsible for paying for all wages, transportation, lodging, meals, and other travel-related expenses incurred by your attendees. Additionally, you must complete all training to our satisfaction and within the stated time periods, unless we agree otherwise, in writing.

We may offer local and regional continuing education programs on matters related to the operation or promotion of your School, some of which may be mandatory. These mandatory continuing education programs may be conducted through online venues, at our Franchise Support Center in Ft. Worth, Texas, or at a designated facility in a region that includes the location of your School. You must pay all costs incurred by you or your employees while attending, including wages, transportation, lodging, and meals. We reserve the right to charge reasonable tuition for these programs to help pay for the direct costs we incur to deliver these programs.

ITEM 12
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.

Each Children's Lighthouse franchise is granted for a specific location, which will be identified, in writing, upon site approval ("Approved Location"). You must select a site for your School that is in your Protected Search Area. There is no minimum area that will make up your Protected Search Area. Your Protected Search Area will be identified within approximately 30 days after the effective date of the Franchise

Agreement. The Protected Search Area will exclude any existing or future protected search area or territory of another Children's Lighthouse franchise that is or may be within the Protected Search Area, and the Protected Search Area will be of no force or effect once the Approved Location is determined.

If you do not select a location that we approve within 180 days after the effective date of the Franchise Agreement, we will, at our option: (a) provide you more time to select a site for your School, and the length of time will be at our sole determination; or (b) terminate your Franchise Agreement, and your Initial Franchise Fee and School Development Fee will not be refunded. If we offer an extension of time for you to select a site we approve, we may require you to search in a protected search area that is different from the one originally agreed to in your Franchise Agreement, at which time, your original Protected Search Area will automatically terminate, and we will designate, in writing, a new Protected Search Area.

The Approved Location will be assigned a Territory, which will be designated in the Franchise Agreement at the time you sign the lease or purchase agreement for the premises of the Approved Location. For Schools not located in a densely populated, urban area, the minimum Territory will be a circle having no less than a 1.25-mile radius around your School with the front door of your School serving as the center point of the circle. However, the Territory can vary depending upon the site, natural boundaries, nearby residences and businesses, and the Territory's demographics. There is no minimum Territory protection for Schools located in areas where the population within a one-mile radius of the Approved Location is 125,000 or more.

With the exceptions described below, we will not authorize any other franchisee to establish a Children's Lighthouse School within the Territory, base any company-owned School that uses the System or Marks within the Territory, or allow any other franchisee or company-owned School using the System to relocate to a site within the Territory as long as you are in Good Standing. "Good Standing" means that you and your affiliates have been in timely compliance with and are not in default of the Franchise Agreement, the Manual, or any other agreement with us or our affiliates. There are no other circumstances under which we may modify your Territory as long as the Franchise Agreement remains in effect.

You will have the right to develop one Children's Lighthouse School within your Territory. You will not have a right of first refusal or option to acquire additional franchises, regardless of where located. You may relocate your School in your Territory only with our prior consent and only if you are in Good Standing. As a result of the proposed relocation, we may require a change in the Territory at our discretion. If we consent to the relocation, you must execute our then-current form of franchise agreement, and you must construct and equip the new School according to our then-current standards.

There are no restrictions on you, us, or other Children's Lighthouse Franchisees that limit or prevent the solicitation or acceptance of business inside or outside of your Territory using other channels of distribution (but not an actual School inside your Territory), such as the Internet and e-commerce platforms, print media, telemarketing, and other direct marketing avenues; without paying any compensation to you or to other franchisees.

We do not compete with our franchisees under the Marks, and we have no present plans to do so. If, however, we acquire or develop a competing childcare and/or learning system, center, or school, whether franchised and/or company-owned ("Additional System"), and if any location in the Additional System is located in your Territory, we will not use or allow our Marks or System to be used at such location. We or a third party may operate the Additional System location under a different name and marks without being in default under the Franchise Agreement.

ITEM 13
TRADEMARKS

The principal trademarks that you will use in the operation of your School are Children's Lighthouse® and Children's Lighthouse Early Learning School®. We may also authorize you to use other marks that we adopt.

We have registered the following trademarks with the U.S. Patent and Trademark Office ("USPTO"). All required affidavits have been filed. No applications for the registration of our principal marks "Children's Lighthouse Early Learning Schools" or "Children's Lighthouse" have been filed with any other state trademark registry.

Mark	Principal or Supplemental	Registration Date	Registration Number
	Principal	October 17, 2023	7194511
Children's Lighthouse (standard characters)	Principal	October 17, 2023	7195526

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, no pending infringement, opposition or cancellation proceedings, and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above.

The Marks are owned by Brown Family IP LLC ("IP LLC") and have been licensed to us under a perpetual license agreement dated December 18, 2020. Under the license agreement, we are specifically permitted to license the use of the Marks to you and others who purchase a Children's Lighthouse franchise. IP LLC may terminate or transfer the license agreement, at any time, in its sole discretion. However, in the event of termination or transfer, all franchise agreements then in effect will be assigned to IP LLC, and IP LLC will assume our rights and undertake our obligations under the franchise agreements. Any assignment or transfer of our rights in or to the franchise agreements requires the prior written consent of IP LLC. If IP LLC assigns or transfers its rights in the license agreement, assignee/transferee will be required to assume all of IP LLC's rights and obligations under the license agreement, including the assumption of all obligations under existing franchise agreements.

We obtained our federally registered Mark as a result of us entering into a concurrent use agreement with a company that operates childcare centers in Oklahoma. Because of this limitation, we may elect not to grant Children's Lighthouse franchises in the State of Oklahoma or, if we do, we may require that all Oklahoma franchisees operate their business under a different trademark. Except for the use of the trademark "Children's Lighthouse Harbor" in Oklahoma, we are not aware of any infringing or superior uses of the Marks.

You must notify us immediately in writing if you become aware of any unauthorized use of our Trade Name, Marks, or System, or if you receive notice of any claim, demand, or suit against you or your owners based upon or arising from your use of the Marks. We may select legal counsel and have the right to control the proceedings. We are not required to defend or indemnify and hold you harmless with respect to liabilities you incur to third parties in defending your right to use the Marks.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect

to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

You may use only the Marks that we designate, must use them only in the manner that we authorize and permit, and must use them with the symbols, "®", "™", or "SM", as appropriate. You may use the Marks only in connection with the operation and promotion of the Franchised Business, and only in the manner we prescribe. You may not use the Marks or any part of the Marks in your corporate name and may not use them to incur any obligation or indebtedness on our behalf. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must execute any documents we determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Principals may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

You may not use the Marks or any part or derivative of the Mark on the Internet, except as expressly permitted in writing. This prohibition includes use of the Marks or any derivative of the Marks as part of any URL or domain name, including but not limited to any gaming website, social networking website, or marketing/discounting website; as part of any username; or as part of any unauthorized email address.

We and our affiliates have invested substantial time, energy, and money in the promotion of the Marks. We have no present intention of altering them. However, we recognize that rights in intangible property such as trademarks are often difficult to establish and defend, and that changes in the cultural and economic environment within which the System operates may make changes of the Marks desirable or necessary. Accordingly, we reserve the right to change the Marks and the specifications for each when we believe such changes will benefit the Franchise System. You are required to promptly conform, at your own expense, to any such changes.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents that are material to the franchise, nor do we have any pending patent applications. We and IP LLC do claim copyright protection and proprietary rights in the original materials used in the System, including the proprietary curriculum, Manual, bulletins, correspondence, and communications with our franchisees; training, advertising, and promotional materials; the content and designed of our Web sites; and other written materials relating to the operation of Children's Lighthouse Schools and the System (components and collectively, "Copyrighted Works"). The Copyrighted Works are not filed with the USPTO.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use or license our Copyrighted Works or seek additional copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use, or licensing of the Copyrighted Works. You may not use any of our Copyrighted Works on the Internet or elsewhere without our written permission. This includes display of the Copyrighted Works on commercial, gaming, advertising and promotion, and social networking Web sites.

You and your employees must maintain the confidentiality of our Confidential Information. "Confidential Information" means all trade secrets; all elements of the System; all customer information; all information contained in the Manual; our proprietary methods and standards for selecting sites and for teaching and directing activities; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Schools which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the franchise agreement, and all other information that we designate.

You must notify us promptly if you are served with a complaint in any legal proceeding that relates to our Copyrighted Works or Confidential Information or in any other way to your Children's Lighthouse School.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We require the owners of the Franchised Business to designate one owner who has at least 10% ownership in the Franchised Business as the "Operating Principal." The Operating Principal must devote full-time best efforts to operating the Franchised Business, marketing the School, and providing management and supervision of the Schools' Director, the first 12 months of which must be on-site, or as we otherwise recommend. At all times, you and your Operating Principal must take all steps necessary to maximize enrollment at your School and to comply with our standards, policies, and procedures.

In connection with state laws and regulations, we require each School to operate with a School Director. For safety and state reporting purposes only, you must provide us with the name of your School Director. The School Director must devote full-time best efforts to the personal supervision of the School and is responsible for the day-to-day operations of the School. Each School must also operate with an assistant director and sufficiently trained staff so that your School is in compliance with all state childcare licensing requirements; our standards, policies, and procedures; and all other federal, state, and local laws and regulations. The number of teachers you are required to employ depends on your enrollment levels, the age of the children enrolled in your School, and the teacher-to-child ratios required by the state where your School operates.

We recommend the School Director be an individual who does not have any ownership in the Franchised Business, and we do not allow the Operating Principal or any other owner of the Franchised Business to be the sole holder of the state's childcare license.

If you have any ownership in any other School or in any other entity that operates one or more additional Schools, then we may require you to hire one or more individuals to provide multi-unit supervision over the Schools. Your multi-School manager must successfully complete School Directors' training and such other training we require.

You must require your affiliates, your School Director, your assistant director(s), and any other person we require to sign the Confidentiality and Non-Competition Agreement in the form of Attachment C to the franchise agreement. We will not provide training to any person who has not signed our required confidentiality and non-competition agreement. Each person or entity that owns a 5% or greater interest in the franchisee entity must sign the Guaranty in the form of Attachment D to the franchise agreement.

If we advise you that you are operating your School in a manner that does not meet our standards, as we determine in our sole discretion, you must immediately take steps to correct the situation. Upon termination of employment of a School Director, you must appoint a successor School Director within 30 days.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use, offer, and sell all products and services that we require, and only those products and services that we have approved, and in the method or manner we determine.

You may not conduct any business from your Children's Lighthouse School other than the business that is consistent with the franchise agreement and the Manual or use or allow the use of your Children's Lighthouse School for any purpose that is not consistent with the franchise agreement and the Manual. You must operate your Children's Lighthouse School in complete compliance with the System and specifications set out in the Manual, as well as all federal, state, and local laws, regulations, and codes. We may make changes in the System and in these standards and specifications, at our sole discretion, including but not limited to requiring you to make changes in the curriculum, equipment, supplies, furnishings, and

services offered, for which you may incur costs. The changes may also require the modification or discontinued use of certain products and services, such as the curriculum or the types of food you serve. You must promptly conform to the modified standards and specifications at your own expense. We may add, eliminate, or modify authorized goods and services, in our sole discretion. There are no contractual limitations on our rights to make these changes.

In addition, we may, from time-to-time, send you promotional materials, new curricula, and bulletins on new systems and new sales and marketing developments and techniques. You must use the ideas and implement the changes described in these materials within your Children's Lighthouse School and in connection with the Franchised Business.

You must seek our approval prior to offering care in exchange for federal, state, county, or local funding.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provisions	Section in Franchise Agreement	Summary
a. Length of franchise term	2.1	Initial term is 20 years.
b. Renewal or extension	2.2	If you meet our conditions, you can renew for unlimited, successive 10-year terms.
c. Requirements for Franchisee to renew or extend	2.2.	You, and your Principals as required, (i) give us written notice of not less than 12 months and not more than 24 months prior to the expiration of the then-current term; (ii) are not in default of and have complied with all material provisions of the Franchise Agreement and all other agreements with us or our affiliates; (iii) do not owe us or our affiliates any past due amounts; (iv) have the right to remain in possession of School premises for the length of the renewal term; (v) execute the then-current franchise agreement and all attachments, which terms may be materially different from your original contract, including Royalty and Advertising Fund contributions; (vi) sign a general release; and (vii) remodel the School premises to conform to our then-current standards. Even if all of the conditions above have been met, we may elect not to renew if: (a) you failed to make at least 80% of all payments due under the Franchise Agreement within 10 days of the date they were due, (b) you were in repeated, material default of the Franchise Agreement, even if subsequently cured; or (c), you have consistently failed to take actions we recommended to help improve your enrollment and revenue.
d. Termination by Franchisee	None	Not applicable.

Provisions	Section in Franchise Agreement	Summary
e. Termination by franchisor without cause	None	Not applicable.
f. Termination by franchisor with cause	5.1.3, 5.2.1, 5.4, 6.1., 11.7, 15.	We can terminate the Franchise Agreement if you default and fail to cure, if a cure is applicable.
g. "Cause" defined - curable defaults	15.3, 15.4	You have 10 days to cure the following defaults: (i) failure to pay amounts owed us or our affiliates; (ii) failure to pay amounts owed to others, including your employees, vendors, landlord, lenders etc.; (iii) failure to obtain or maintain require insurance; (iv) failure to comply with our requirements regarding use of the Marks and Copyrighted Works; (v) offer or sell unauthorized products or services at, in, or connection with your School. Except for the defaults described in "h." below, you have the time period we allow at the time to cure defaults as a result of your failure to comply with any other provision of the Franchise Agreement, the Manual, or any other agreement between us and you.
h. "Cause" defined - non-curable defaults	15.2	Sections 15.2 and 15.3 of the Franchise Agreement provide a list of multiple events that will be considered a default of the Franchise Agreement and which provide us the right to terminate the Franchise Agreement without providing you a right to cure.

Provisions	Section in Franchise Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	15.5	Obligations include: paying us all amounts due, returning to us the Manual and other property belonging to us, canceling or assigning to any party we designate registrations to use our Marks in connection with the Children's Lighthouse School, cessation of use of our Marks, continuing to operate the School as we determine, complying with all noncompetition and confidentiality covenants, and maintaining records for four years and making same available for audit.
j. Assignment of contract by franchisor	11.1	No restriction on our right to assign.
k. "Transfer" by Franchisee - defined	11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.10	Includes transfer of the Franchise Agreement or the Franchised Business, changes in ownership of the franchisee entity, transfers of assets, and private and public offerings.
l. Franchisor approval of transfer by Franchisee	11.2	You do not have the right to transfer any rights in and to the Franchise Agreement or any ownership in you, the Franchised Business, the School, or the land and building where the School is located without our prior written consent, but we will not unreasonably withhold approval.

Provisions	Section in Franchise Agreement	Summary
m. Conditions for franchisor approval of transfer	11.2, 11.3, 11.4, 11.5, 11.6	Transfer for Convenience: new business entity formed solely to operate School; owners of business entity are same as original signatories to Franchise Agreement; you provide us required business entity formation documents; you and your affiliates are in compliance with your Franchise Agreement and all other agreements with us or our affiliates; you pay our reasonable attorneys' fees. Transfer of Non-Controlling Interest and Certain Assets: you provide us notice; you and your affiliates are in compliance with your Franchise Agreement and all other agreements with us or our affiliates; transferees meet our qualifications; you sign an amendment that reflects the ownership changes; each new Principal signs a guarantee; you pay the applicable transfer fee plus other expense we incur, including our reasonable attorneys' fees; and you and your former, new, and remaining Principals sign a general release; additionally, if transferring land and building where the School is located, you and your landlord must sign our then-current lease rider, and the School must be updated to meet our then-current standards. Transfer of Franchised Business or Controlling Interest: your School must be open and operating or be no more than 60 days before the Opening Date; you provide us notice and transfer documents; you and your affiliates are in compliance with your Franchise Agreement and all other agreements with us or our affiliates and you pay us all monies owed; new franchisee must qualify, complete training, sign a new Franchise Agreement in our then-current form; School must be updated to meet our then-current standards; and pay the applicable transfer fee plus all other expenses we incur, including reasonable attorneys' fees; and you and your Principals sign a general release.
n. Franchisor's right of first refusal to acquire Franchisee's business	11.11	We have the right to match any offer to buy your business; you must give us 30 days notice of proposed transfer.
o. Franchisor's option to purchase Franchisee's business	15.6	We have the option to buy your business upon termination or expiration.
p. Death or disability of Franchisee	11.7	You have six months to sell to a qualified buyer.

Provisions	Section in Franchise Agreement	Summary
q. Noncompetition covenants during term of franchise	10.3 and Attachment C	You and your Principals must not directly or indirectly (i) divert or attempt to divert any business or customer to a competing business or (ii) have any involvement in any competing business.
r. Noncompetition covenants after franchise is terminated or expires	10.4 and Attachment C	No involvement in competing business for three years within a 25-mile radius of any Children's Lighthouse School in operation, under construction, for which a site has been submitted to us for approval to be a Children's Lighthouse School, or for which a particular geographic area has been identified as being a potential site for a Children's Lighthouse School for which we have shared proprietary site selection process or market data. Additionally, you and your Principals must not directly or indirectly (i) divert or attempt to divert any business or customer to a competing business or (ii) solicit the parent of any child enrolled in any School.
s. Modification of agreement	18.1	Modification only by agreement of parties, except for unilateral changes we are permitted to make. Manual and System may change.
t. Integration/merger clause	18.1	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and Franchise Agreement may not be enforceable, and nothing in any agreement is intended to disclaim the express representations made in the disclosure document and its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	16.1, 16.2, 16.3, 16.4	Except for disputes resolved by private negotiation within 60 days of notice, claims, controversies, or disputes from or relating to the Franchise Agreement must be mediated, except for actions seeking injunctive relief and actions we bring which are related to nonpayment or which are based on our Marks or Confidential Information. If the claims, controversies, or disputes are not resolved in mediation, they must be submitted for arbitration.
v. Choice of forum	16.2, 16.3, and 16.5	Mediation and arbitration at the AAA offices located in the city where our principal business office is located at the time mediation and/or arbitration occurs. Venue for any other proceeding is the court in the county in which we maintain our principal business office (subject to applicable state law).

Provisions	Section in Franchise Agreement	Summary
w. Choice of law	16.10	Subject to applicable state law, the Franchise Agreement is to be interpreted and construed under Texas law (without giving effect to any conflict of laws) except that any law regulating the offer or sale of franchises, business opportunities, or similar interests or governing the relationship between us and you will not apply unless its jurisdictional requirements are met independently.

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 Statement. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The information provided in this Item 19 is a historic representation based on information reported to us by our franchisees for our fiscal year ending December 31, 2024. The reported figures have not been audited by us or by an independent auditor. Written substantiation for the financial performance representations will be made available to you upon written reasonable request.

These "2024 Average Gross Revenue" financial performance representations do not reflect the costs of sales, operating expenses, your required royalty payments and Advertising Fund contributions, or other costs or expenses that must be deducted from Gross Revenue to obtain your net income or profit. The characteristics of the Schools included in this representation do not differ materially from the School that you will operate.

You should conduct an independent investigation of the costs and expenses you will incur in operating your Schools. Franchisees or former franchisees listed in the disclosure document may be one source of information.

2024 Average Gross Revenue

Below is the average, annual Gross Revenue amount for the 69 franchised Children's Lighthouse Schools that were open and operating on December 31, 2024 and which had been operating for at least 12 months as of December 31, 2024 ("2024 Reporting Schools"). The 3 Schools that were not open and operating at least 12 months as of December 31, 2024 are not included in the Reporting Schools.

2024 Average Gross Revenue: $2,003,082

Of the 2024 Reporting Schools, 36 Schools, or 52%, attained or surpassed the average Gross Revenue. The median Gross Revenue for the 2024 Reporting Schools was $2,036,394 with $4,015,020 being the highest Gross Revenue and $713,043 being the lowest.

2024 Average Gross Revenue by Performance Tiers

Each tier contains information for 23 of the 2024 Reporting Schools.

Tier	Avg. Gross Revenue	Schools Greater Than or Equal to Avg. Gross Revenue	Median Gross Revenue	High/Low Gross Revenue
1	$2,654,749	9 Schools; 39%	$2,582,821	$4,015,020 / $2,247,737
2	$2,033,935	12 Schools; 52%	$2,036,395	$2,234,207 / $1,722,638
3	$1,320,562	13 Schools; 57%	$1,432,685	$1,716,944 / $713,044

"Gross Revenue" means all revenue and/or income generated from the provision of any and all services, the sale of any and all products, and the performance of any and all other activities connected to or arising from the Franchised Business and/or your School, whether occurring during normal business hours or not, whether for cash, credit, or the fair market value of property or services received or to be received through barter, and regardless of collection in the case of credit, unpaid accounts receivables, or insufficient funds, whether such revenue and/or income is generated in compliance with or in violation of the terms of this Agreement. However, Gross Revenue does not include any revenue taxes or other taxes collected from customers by you for transmittal to an appropriate taxing authority.

Some outlets have earned this much. Your individual results may differ. There is no assurance that you will earn as much.

Other than the preceding financial information, Childrens Lighthouse Franchise Company, does not make any representations about a franchisee's future financial performance or the past financial performance of any franchised Schools. 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 future income, you should report it to the franchisor's management by contacting Matt Kelton, Vice President of Franchise Development, Childrens Lighthouse Franchise Company, 101 South Jennings Avenue, Suite 100, Fort Worth, Texas 76104, 817-338-4422, and the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years 2022 to 2024[(1)]

Outlet Type	Year	Outlets at Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	64	67	+3
	2023	67	69	+2
	2024	69	72	+3
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	64	67	+3
	2023	67	69	+2

Outlet Type	Year	Outlets at Start of the Year	Outlets at the End of the Year	Net Change
	2024	69	72	+3

Note (1): Our fiscal year end is December 31.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other Than Franchisor)
For Years 2022 to 2024 (1)

State	Year	Number of Transfers
Alabama	2022	1
	2023	0
	2024	0
Texas	2022	2
	2023	2
	2024	2
Total	2022	3
	2023	2
	2024	2

Note (1): Our fiscal year end is December 31.

Table No. 3
Status of Franchised Outlets
For Years 2022 to 2024 (1)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Alabama	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
California	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Colorado	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Illinois	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Kansas	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
North Carolina	2022	4	1	0	0	0	0	5
	2023	5	1	0	0	0	0	6
	2024	5	1	0	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Texas	2022	51	2	0	0	0	0	53
	2023	53	0	0	0	0	0	53
	2024	53	0	2	0	0	0	55
Virginia	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	0	1	0	0	0	0	1
Total	2021	64	3	0	0	0	0	67
	2022	67	2	0	0	0	0	69
	2023	69	3	0	0	0	0	72

Note (1): Our fiscal year end is December 31.

Table No. 4
Status of Company-Owned Outlets
For Years 2022 to 2024 (1)

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Total	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Note (1): Our fiscal year end is December 31.

Table No. 5
Projected Openings As of December 31, 2024

State	Franchise Agreements Signed But Outlets Not Opened as of December 31, 2024	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company–Owned Outlets in the Next Fiscal Year
Florida	1	0	0
Missouri	1	0	0
North Carolina	2	0	0
Tennessee	2	1	0
Texas	24	5	0
Total	30	6	0

Exhibit D reflects the name of each of our franchisees and the address and telephone numbers of their Schools as of December 31, 2024. Exhibit D also reflects the name, city, state, and current business (or if unknown, home) telephone number of every franchisee who ceased to do business under the Franchise Agreement or had an outlet terminated, canceled, not renewed, or transferred within the last fiscal year ended December 31, 2024, or who has not communicated with us within 10 weeks of the application date of this disclosure document.

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

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

There is no trademark-specific franchise organization associated with the Children's Lighthouse franchise system at this time.

ITEM 21
FINANCIAL STATEMENTS

Exhibit A to this disclosure document includes the following financial statements:

1. Our unaudited balance sheet as of April 30, 2025 and our profit and loss statement for the period beginning January 1, 2025 through April 30, 2025; and
2. Our audited financial statements comprising of our balance sheets as of December 31, 2024 and 2023 and the related statements of operations, changes in stockholders' deficit, and cash flows for the years ended December 2024, 2023, and 2022.

Our fiscal year ends December 31.

ITEM 22
CONTRACTS

Attached as Exhibits to this Franchise Disclosure Document are the following contracts and their exhibits:

Exhibit B Franchise Agreement and all Attachments
Exhibit E Sample General Release

ITEM 23
RECEIPTS

See the receipts at the end of this disclosure document.

EXHIBIT A
FINANCIAL STATEMENTS

The following profit and loss statement for the period from January 1, 2025 through April 30, 2025 and balance sheet as of April 30, 2025 have been prepared without an audit. Prospective franchisees or sellers of franchises are advised that no independent, Certified Public Accountant has audited these figures or expressed an opinion with regard to their content or form. Following our unaudited financials are our audited financial statements as of December 31, 2024 and 2023 and for the year ended December 31, 2024, 2023, and 2022.

Childrens Lighthouse Franchise Company
Balance Sheet
As of April 30, 2025

	Apr 30, 25
ASSETS	
Current Assets	
Checking/Savings	497,854.35
Accounts Receivable	1,081,862.81
Other Current Assets	-40,684.42
Total Current Assets	1,539,032.74
Fixed Assets	222,422.50
Other Assets	313,040.22
TOTAL ASSETS	**2,074,495.46**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	58,969.72
Other Current Liabilities	4,593,925.59
Total Current Liabilities	4,652,895.31
Long Term Liabilities	141,730.06
Total Liabilities	4,794,625.37
Equity	-2,720,129.91
TOTAL LIABILITIES & EQUITY	**2,074,495.46**

Childrens Lighthouse Franchise Company
Profit & Loss
January through April 2025

	Jan - Apr 25
Ordinary Income/Expense	
Income	3,391,738.01
Gross Profit	3,391,738.01
Expense	1,202,313.41
Net Ordinary Income	2,189,424.60
Other Income/Expense	-58,557.02
Net Income	**2,130,867.58**

Childrens Lighthouse Franchise Company

Financial Statements

As of December 31, 2024 and 2023
and for the years ended December 31, 2024, 2023 and 2022

Childrens Lighthouse Franchise Company

Financial Statements

As of December 31, 2024 and 2023
and for the years ended December 31, 2024, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors and Stockholders
Childrens Lighthouse Franchise Company
Fort Worth, Texas

Report on the Financial Statements

Opinion

We have audited the financial statements of Childrens Lighthouse Franchise Company (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023 and the related statements of operations, changes in stockholders' deficit, and cash flows for the years ended December 31, 2024, 2023 and 2022, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023 and the results of its operations, changes in stockholders' deficit and cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Childrens Lighthouse Franchise Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Childrens Lighthouse Franchise Company's ability to continue as a going concern within one year from the date the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Childrens Lighthouse Franchise Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used, and the reasonableness of, significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Childrens Lighthouse Franchise Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

A+G LLP

Dallas, Texas
May 22, 2025

Balance Sheets

As of December 31,	**2024**	2023
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,710,380**	$ 1,831,709
Restricted cash	**143,432**	25,318
Accounts receivable, net	**858,964**	754,739
Prepaid expenses	**74,094**	146,230
Total current assets	**2,786,870**	2,757,996
Property and equipment, net	**236,663**	114,893
Operating lease right-of-use assets	**236,231**	313,040
Total assets	**$ 3,259,764**	$ 3,185,929
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	**$ 158,201**	$ 158,244
Ad fund payable	**231,635**	25,318
Deferred revenue	**154,816**	299,873
Operating lease liability	**76,670**	75,710
Current portion of long-term debt	**76,163**	36,767
Total current liabilities	**697,485**	595,912
Long-term liabilities:		
Deferred revenue, net of current portion	**4,023,276**	3,582,689
Operating lease liability, net of current portion	**156,267**	232,937
Long-term debt, net of current portion	**129,836**	50,557
Stockholders' deficit		
Common stock; $1 par value; 1,000,000 shares authorized; 1,000 issued and outstanding	**1,000**	1,000
Retained deficit	**(1,748,100)**	(1,277,166)
Total stockholders' deficit	**(1,747,100)**	(1,276,166)
Total liabilities and stockholders' deficit	**$ 3,259,764**	$ 3,185,929

Statements of Operations

For the years ended December 31,	**2024**	2023	2002
Revenues:			
Franchise fee revenue	**$ 385,970**	$ 260,669	$ 371,126
Royalty revenue	**9,925,605**	9,039,700	8,017,696
Advertising fund revenue	**369,587**	203,750	197,000
Hosting fee revenue	**55,055**	51,700	49,102
Sponsorship revenue	**146,000**	-	156,000
Other revenue	**-**	41,163	72,700
Total revenues	**10,882,217**	9,596,982	8,863,624
General and administrative expenses:			
Depreciation	**67,316**	62,218	62,293
Advertising and marketing	**419,918**	272,700	222,513
Advertising fund expense	**369,587**	215,455	226,979
Personnel costs	**2,617,187**	2,444,140	2,278,665
Conference expenses	**138,646**	-	157,025
Professional fees	**84,927**	116,696	164,705
Lease costs	**93,405**	93,244	97,775
Other general and administrative expenses	**615,439**	495,010	740,567
Total general and administrative expenses	**4,406,425**	3,699,463	3,950,522
Income from operations	**6,475,792**	5,897,519	4,913,102
Other income (expense):			
Other income	**30,219**	1,867	5,545
Gain on sale of property and equipment	**14,691**	52,298	4,215
Interest expense	**(5,636)**	(5,344)	(4,117)
Total other income (expense)	**39,274**	48,821	5,643
Net income	**$ 6,515,066**	$ 5,946,340	$ 4,918,745

Statements of Changes in Stockholders' Deficit

	Common Stock		Retained	Total Stockholders'
	Shares	Amount	Deficit	Deficit
Balance at December 31, 2021	1,000	$ 1,000	$ (951,031)	$ (950,031)
Net income	-	-	4,918,745	4,918,745
Distributions to stockholders	-	-	(5,446,000)	(5,446,000)
Balance at December 31, 2022	1,000	$ 1,000	$ (1,478,286)	$ (1,477,286)
Net income	-	-	5,946,340	5,946,340
Distributions to stockholders	-	-	(5,745,220)	(5,745,220)
Balance at December 31, 2023	1,000	$ 1,000	$ (1,277,166)	$ (1,276,166)
Net income	-	-	6,515,066	6,515,066
Distributions to stockholders	-	-	(6,986,000)	(6,986,000)
Balance at December 31, 2024	1,000	$ 1,000	$ (1,748,100)	$ (1,747,100)

Statements of Cash Flows

For the years ended December 31,	**2024**	2023	2022
Operating Activities			
Net income	**$ 6,515,066**	$ 5,946,340	$ 4,918,745
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**67,316**	62,218	62,293
Gain on sale of property and equipment	**(14,691)**	(52,298)	(4,215)
Provision for credit losses	**-**	(196,202)	-
Non-cash operating lease costs	**1,099**	1,098	(5,491)
Non-cash gift of property and equipment	**16,000**	-	-
Changes in operating assets and liabilities:			
Restricted cash	**(118,114)**	1,594	17,895
Accounts receivable	**(154,225)**	8,488	281,209
Prepaid expenses	**72,136**	(107,248)	44,478
Accounts payable and accrued expenses	**(43)**	(40,814)	39,179
Ad fund payable	**206,317**	25,318	-
Deferred revenue	**345,530**	362,831	375,374
Net cash provided by operating activities	**6,936,391**	6,011,325	5,729,467
Investing Activities			
Proceeds from sale of property and equipment	**-**	53,600	41,865
Purchases of property and equipment	**(16,157)**	-	(66,386)
Net cash provided (used) by investing activities	**(16,157)**	53,600	(24,521)
Financing Activities			
Proceeds from long-term debt	**-**	-	53,828
Payments on long-term debt	**(55,563)**	(52,176)	(68,679)
Distributions to stockholders	**(6,986,000)**	(5,745,220)	(5,446,000)
Net cash used by financing activities	**(7,041,563)**	(5,797,396)	(5,460,851)
Net increase (decrease) in cash and cash equivalents	**(121,329)**	267,529	244,095
Cash and cash equivalents, beginning of year	**1,831,709**	1,564,180	1,320,085
Cash and cash equivalents, end of year	**$ 1,710,380**	$ 1,831,709	$ 1,564,180
Supplemental Disclosure of Cash Flow Information			
Interest paid	**$ 5,636**	$ 5,344	$ 4,117
Non-cash investing and financing activities			
Long-term debt issued in connection with acquisition of property and equipment	**$ 174,238**	$ 41,841	$ 53,048

1. Organization and Operations

Description of Business

Childrens Lighthouse Franchise Company, a Texas corporation, was incorporated on August 29, 2001 and is located in Fort Worth, Texas. References in these financial statements footnotes to "Company", "we", "us", and "our" refer to the business of Childrens Lighthouse Franchise Company.

The Company was formed for the purpose of granting franchises for the establishment of businesses that specialize in providing premium educational childcare by delivering academic, character-building, and social-emotional curriculum in a safe, nurturing, and fun environment for children ranging in age from six weeks to 12 years old (the "School"). The company operates under the "'Childrens Lighthouse" trade name and its associated design (the "Marks"). Brown Family IP LLC ("IP LLC"), an affiliate of the Company, has granted the Company the right to use the Marks and license them to franchisees of the Company in the United States under a perpetual license agreement dated December 18, 2020.

The table below reflects the status and changes in franchised schools for the years ended December 31, 2024, 2023 and 2022:

Franchised Schools

Year	Start of Year	Opened	Closed or Ceased Operations – Other reasons	End of Year
2022	64	3	0	67
2023	67	2	0	69
2024	69	3	0	72

Going Concern

Management has evaluated our ability to continue as a going concern as of December 31, 2024. Due to the positive earnings and positive cash flows from our operations for the year ended December 31, 2024, we have concluded that there is not significant doubt about our ability to continue as a going concern.

2. Significant Accounting Policies

Basis of Accounting

The Company uses the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States ("U.S. GAAP"). Under this method, revenue is recognized when earned and expenses are recognized as incurred.

Use of Estimates

The preparation of the financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Estimates are used for the following, among others: revenue recognition, allowance for credit losses and useful lives for depreciation of long-lived assets. Actual results could differ from those estimates.

Comparative Financial Statements

Certain prior period amounts have been reclassified to conform to current year presentation.

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments
Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued expenses. The carrying values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued expenses are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Non-recurring fair value measurements include the assessment of property and equipment for impairment. As there is no corroborating market activity to support the assumptions used, the Company has designated these estimates as Level 3.

Cash and Cash Equivalents
For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Restricted Cash
Restricted cash consists of funds related to the Advertising Fund. Funds collected by the Company for the Advertising Fund are maintained in a separate restricted cash account to cover the expenditures required to be made under the Advertising Fund program and are not available to be used for the normal recurring operations of the Company.

Accounts Receivable
The balance in accounts receivable consists of royalty revenue and other revenue due from franchisees and are stated at the amount the Company expects to collect. The Company maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balance over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to an allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses.

2. Significant Accounting Policies (continued)

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives of the respective asset:

	Estimated Useful Life
Furniture and equipment	5 to 7 Years
Automobiles	5 Years

Maintenance and repair costs are expensed in the period incurred. Expenditures for purchases and improvements that extend the useful lives of property and equipment are capitalized.

Impairment of Long-Lived Assets
The Company assesses potential impairment of its long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that the Company considers important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, and significant industry or economic trends. When the Company determines that the carrying value of the long-lived assets may not be recoverable based upon the existence of one or more of the above indicators, the Company determines the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. If the carrying value is not recoverable, an impairment is recognized in the amount by which the carrying amount exceeds the fair value of the asset. During the years ended December 31, 2024, 2023 and 2022, no impairment charges were recognized related to long-lived assets.

Revenue Recognition

Franchise fee revenue
The Company recognizes revenue in accordance with FASB ASC 606-10-25, *Revenue from Contracts with Customers*. In January 2021, the FASB issued ASU 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company has adopted ASU 2021-02 and implemented the guidance on its revenue recognition policy.

Initial Franchise Fees: The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s). This payment occurs at two different times, upon signing the agreement and once the franchisee secures and closes on their financing. A franchise agreement establishes a School developed in one or multiple defined geographic area and provides for a 20-year initial term with the option to renew unlimited 10-year terms. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement, and a franchise agreement is signed with the new franchisee. In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination. Revenue related to franchise fees is recognized evenly over the contractual term of the franchise agreement.

Location opening fees: The franchisor also requires the franchisee to pay a development fee upon signing the agreement, an admin fee, and a pre-opening marketing fee prior to the opening of the franchise. The Company recognizes these fees as revenue when substantially all initial services required by the franchise agreement are performed, which is generally upon opening of the franchise.

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Royalty revenue
Royalty revenue is charged to existing franchise owners based on a percentage of a School's gross revenue. This revenue is generally 3.5 percent of gross revenue the first six to nine months the School is opened and seven percent of gross revenue thereafter. Royalty revenue is recognized as earned.

Advertising fund revenue
The Company maintains an advertising fund to promote general brand recognition of the franchise system Marks, services and increase patronage of the School. Funds are collected from franchisees based on an agreed-upon percentage of franchisee's monthly gross sales and used to pay costs of, or associated with, conducting market research, preparing advertising, promotion, and marketing materials, and costs to administer the advertising fund. Although advertising fund revenue is not a separate performance obligation distinct from the underlying franchise right, the Company acts as the principal as it is primarily responsible for the fulfillment and control of the marketing services. As a result, the Company records advertising fund contributions in revenue and related advertising fund expenditures in expenses in the statements of operations. When advertising fund revenue exceeds the related advertising fund expenses in a reporting period, advertising fund expenses are accrued up to the amount of the advertising fund revenue recognized. Advertising fund revenue is contributed by franchisees based on 0.5 percent of School's gross sales and is recognized as earned.

Hosting fee revenue
Hosting fee revenue represents monthly fees related to technology and software and is recognized as earned.

Sponsorship revenue
The Company receives endorsements from its sponsors for the convention held during the year. The Company recognizes the revenue when the convention is held.

Other revenue
Other revenue consists of annual conference fees. Annual conference fees are from franchises and are recognized in the period of the conference is held. Conference fees received in advance of the period of the conference are included in deferred revenue as a liability on the balance sheets.

Advertising and marketing
All costs associated with advertising and marketing are expensed in the period incurred.

Compensated Absences
The Company's personnel policy provides employees with regular leave for any approved personal reasons. Holidays, leaves of absence, jury duty, or military duty is not considered personal leave and is not counted against employees accrued leave. Employees may carry over up to 40 hours of leave to the next calendar year. Any unused leave of absence as of December 31 must be used no later than May 31 of the immediately following year. As of December 31, 2024 and 2023, the Company had no unused leave of absence.

2. Significant Accounting Policies (continued)

Leases
The company accounts for leases under ASC 842. Lease arrangements are determined at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the balance sheet. Operating leases with the terms greater than 12 months are included in operating lease right-of-use ("ROU") asset, operating lease liability and long-term operating lease liability on the balance sheet. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Lease terms include the noncancelable portion of the underlying lease with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Company uses the risk-free rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Income Taxes
The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay Federal corporate income taxes on its taxable income. Instead, the stockholders are taxed on the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. The Company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. 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 examinations for years prior to 2021.

In accordance with FASB ASC 740-10, *Income Taxes*, the Company is required to disclose uncertain tax positions. 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 where 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 effect on the Company's financial condition, results of operations 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, 2024 and 2023.

For the years ended December 31, 2024, 2023 and 2022, the Company recognized franchise tax expenses in the amount of $35,963, $36,968, and $28,817, respectively. These amounts were included in other general and administrative expense in the statements of operations.

Recent Accounting Pronouncements
We reviewed significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

Subsequent Events
In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent events through May 22, 2025, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

3. Certain Significant Risks and Uncertainties

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in two financial institutions.

4. Revenues and Related Contract Balances

Disaggregation of Revenue

The following table disaggregates revenue by source for the years ended December 31:

	2024	2023	2022
Point in time:			
Franchise fee revenue	**$ 147,500**	$ 65,000	$ 62,500
Royalty revenue	**9,925,605**	9,039,700	8,017,696
Advertising fund revenue	**369,587**	203,750	197,000
Hosting fee revenue	**55,055**	51,700	49,102
Sponsorship revenue	**146,000**	-	156,000
Other revenue	-	41,163	72,700
Total point in time	**$ 10,643,747**	$ 9,401,313	$ 8,554,998
Over time:			
Franchise fee revenue	**238,470**	195,669	308,626
Total revenues	**$ 10,882,217**	$ 9,596,982	$ 8,863,624

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from the unamortized portion of initial franchise fees that are currently being amortized into revenue, development fees and admin fees and other deferred revenues not related to franchise agreements. The Company classifies these contract liabilities as deferred revenue on the balance sheets. The following table reflects the change in contract liabilities for the years ended December 31:

	2024	2023
Deferred revenue – beginning of year	**$ 3,882,562**	$ 3,519,731
Revenue recognized during the year	**(385,970)**	(260,669)
New deferrals	**827,500**	477,500
Other changes	**(146,000)**	146,000
Deferred revenue – end of year	**$ 4,178,092**	$ 3,882,562

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2024:

2025	$ 154,816
2026	152,659
2027	149,097
2028	146,172
2029	139,830
Thereafter	3,435,518
Total	$ 4,178,092

5. Accounts Receivable

Accounts receivable consisted of the following at December 31:

	2024	2023
Accounts receivable	**$ 1,040,314**	$ 961,089
Less: allowance for credit losses	**(181,350)**	(206,350)
Accounts receivable, net	**$ 858,964**	$ 754,739

For the years ended December 31, 2024, 2023 and 2022, credit loss expense (recovery) was $0, $(196,202) and $0, respectively.

The allowance for credit losses activity for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Balance, beginning of year	**$ 206,350**	$ 406,350
Provision for credit losses	**-**	(196,202)
Write-offs, net of recoveries	**(25,000)**	(3,798)
Balance, end of year	**$ 181,350**	$ 206,350

6. Property and Equipment

The major classes of property and equipment consisted of the following at December 31:

	2024	2023
Furniture and equipment	**$ 41,568**	$ 41,568
Automobiles	**405,162**	348,493
Less: accumulated depreciation	**(210,067)**	(275,168)
Property and equipment, net	**$ 236,663**	$ 114,893

For the years ended December 31, 2024, 2023 and 2022, depreciation expense was $67,316, $62,218 and $62,293, respectively.

7. Leases

The Company has one operating lease agreement for the lease of office space from an entity owned by stockholders of the Company. The lease expires in December 2026 and does not include an option to extend the lease term.

The Company also entered into a sublease agreement for additional space with an unrelated third party. The maturity date of the sublease was March 31, 2022. No subsequent extensions of the lease were made upon its lapse.

The Company also has certain leases for equipment with the terms less than 12 months for which the Company has elected to recognize lease costs on the straight-line basis over the term of the respective leases.

The components of operating lease costs consisted of the following at December 31:

	2024	2023	2022
Lease costs			
Operating lease costs	**$ 80,178**	$ 80,178	$ 80,178
Short-term lease cost	**13,227**	13,066	17,597
Total lease costs	**$ 93,405**	$ 93,344	$ 97,775

7. Leases (continued)

Supplemental cash flow information related to operating leases for the year ended December 31:

	2024	2023	2022
Operating cash flow information:			
Cash paid for amounts included in the measurement of lease liability	**$ 79,080**	$ 79,080	$ 79,080
Non-cash activity:			
Right-of-use asset obtained in exchange for new operating lease liability	**$ -**	$ -	$ 463,827

The weighted average lease terms and discount rate information related to operating leases was as follows:

	2024	2023
Weighted average remaining lease term of operating leases	**3 years**	4 years
Weighted average discount rate of operating leases	**1.26%**	1.26%

The future maturities of operating lease liability as of December 31, 2024 was as follows:

2025	$ 79,080
2026	79,080
2027	79,080
Total future minimum lease payments	237,240
Less: imputed interest	(4,303)
Total lease liabilities	$ 232,937

8. Long-Term Debt

The Company has entered in various auto loan agreements with a financial institution in connection with the purchase of automobiles. These notes are secured by the automobiles being financed. These notes are payable in monthly installment ranging from $300 to $1,000, including interest ranging from 3% to 7%. These notes mature from May 2025 to June 2030.

Long-term debt consisted of the following at December 31:

	2024	2023
Notes payable - automobile	**$ 205,999**	$ 87,324
Less: current portion of long-term debt	**(76,163)**	(36,767)
Long-term debt, net	**$ 129,836**	$ 50,557

Future maturities of long-term debt obligations for the years following December 31, 2024 are as follows:

2025	$ 76,163
2026	66,633
2027	33,478
2028	22,252
2029	5,021
Thereafter	2,452
Total	$ 205,999

9. Savings Incentive Match Plan

Effective August 13, 2018, the Company implemented a Savings Incentive Match Plan for Employees ("SIMPLE") that covers all employees. Employees may contribute up to 3% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service.

The Company made matching contributions to the Plan for the years ended December 31, 2024, 2023 and 2022 in the amount of $52,541, $43,997 and $39,328, respectively. These amounts were included in personnel costs in the statements of operations.

10. Commitments and Contingencies

Litigation

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management, based on consultation with counsel, that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

EXHIBIT B

FRANCHISE AGREEMENT

CHILDRENS LIGHTHOUSE FRANCHISE COMPANY
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT
SUMMARY PAGES

FRANCHISEE: _____

INFORMATION FOR NOTICES:

Address: _____

_____

Telephone Number: _____

Email Address: _____

OPERATING PRINCIPAL: _____

Address: _____

_____

Telephone Number: _____

Email Address: _____

PROTECTED SEARCH AREA: _____

INITIAL FRANCHISE FEE; AMOUNT DUE UPON SIGNING:	$85,000; $50,000 due upon signing
ROYALTY FEE:	3.5% of Gross Revenue first six months School is open; 7% of Gross Revenue remaining Term of Agreement
OPENING TRAINING FEE:	$25,000; due on Funding Date
SCHOOL DEVELOPMENT FEE DUE UPON SIGNING:	$25,000
PRE-OPENING MARKETING PAYMENT:	$25,000; due on Funding Date
ADVERTISING FUND CONTRIBUTION:	1/2% of Gross Revenue (subject to change pursuant to Section 12.4)
LOCAL ADVERTISING EXPENDITURE:	1% of Gross Revenue

FRANCHISEE and FRANCHISEE'S OWNERS:

Franchisee is duly formed in the State of _____, and the following is a list of all shareholders, partners, members, or other investors owning a direct or indirect interest in Franchisee and a description of the nature of their interest:

Name	% Ownership in Franchisee	Nature of Interest

CHILDRENS LIGHTHOUSE FRANCHISE COMPANY ADDRESS FOR NOTICE:

Attention: President
Childrens Lighthouse Franchise Company
101 South Jennings Avenue, Suite 100
Fort Worth, Texas 76104

APPROVED LOCATION: To be determined by the terms of this Agreement

OPENING DATE: To be determined by the terms of this Agreement

By signing below, each of the parties attests to the accuracy of the information contained in these Summary Pages and agrees to and intends to be legally bound by the terms and provisions of the Childrens Lighthouse Franchise Company Franchise Agreement attached to these Summary Pages, effective on the date Franchisor signs this Agreement.

FRANCHISOR:
Childrens Lighthouse Franchise Company
a Texas corporation

By: _____

Date: _____

FRANCHISEE:

By: _____

Date: _____

FRANCHISE AGREEMENT

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Attachments:

A. Disclosure Acknowledgement Statement
B. Lease Rider
C. Confidentiality and Non-Competition Agreement
D. Guaranty
E. Non-Disturbance and Attornment Agreement

CHILDRENS LIGHTHOUSE FRANCHISE COMPANY
FRANCHISE AGREEMENT

This Childrens Lighthouse Franchise Company Franchise Agreement ("**Agreement**") is made and entered into between Childrens Lighthouse Franchise Company, a Texas corporation ("**we**," "**us**," or "**our**"), and the franchisee named in the Summary Pages to this Agreement ("**you**" or "**your**") and will be effective on the date we sign this Agreement ("**Effective Date**").

RECITALS

A. We have acquired the license to use and sublicense the use of a distinctive system relating to the operation of an early learning school that provides premium educational childcare by delivering academic, character-building, and social-emotional curriculums in a safe, nurturing, and fun environment ("**System**").

B. The distinguishing characteristics of the System include, without limitation, proprietary curricula, operating methods and procedures, data and other systems, business strategies, and management techniques; distinctive interior and exterior design, decor, color scheme, and graphics; community and social networking presence and protocols; and standards, specifications, policies, and procedures for developing, operating, and managing a Children's Lighthouse school ("**System**"); all of which we may change, improve, or further develop, at our sole discretion.

C. The System is identified by the trade name and trademark "CHILDREN'S LIGHTHOUSE" and other trademarks, service marks, logos, slogan, catch phrases, and other indicia of origin that we designate to identify childcare schools that operate under the System ("**Marks**").

D. You have applied for a franchise to operate a Children's Lighthouse early learning school using our System and Marks ("**School**" or "**Children's Lighthouse School**"), and we have approved your application in reliance on the information you provided therein. We desire to grant you such franchise, all pursuant to the terms and conditions set forth in this Agreement, but reserve the right to withdraw such grant for any reason at any time before the Effective Date. The operation of the School and School-related functions and activities are considered the "**Franchised Business**."

In consideration of the mutual agreements and promises contained herein, and for other good and valuable consideration, acknowledged to be satisfactory and adequate, we and you agree as follows:

AGREEMENT

1. GRANT OF FRANCHISE

1.1 Grant. Subject to the provisions of this Agreement, we hereby grant you the right, and you undertake the obligation, to operate a School at the Approved Location (defined below) identified in the Summary Pages of this Agreement, according to the terms and conditions of this Agreement. If the Approved Location is not identified on the Effective Date, then the Approved Location will be reflected in an amendment to the Summary Pages or by any other form of written communication from us that defines the Approved Location, and such Approved Location will dictate for purposes of this Agreement. The Franchised Business is deemed to include any and all phases of sales, services, lease, and development activity offered or provided at or in connection with the School and must be operated in accordance with this Agreement. You hereby undertake the obligation and agree to continually operate the School for the Term (defined in Section 2.1 below) and in strict compliance with the terms and conditions of this Agreement.

1.2 Limitations of Grant. This Agreement only provides you the rights explicitly granted herein. This Agreement grants you no right, among others, to: **(a)** sublicense the use of the System or Marks; **(b)** sell or subfranchise your Territory; **(c)** co-brand with another concept or brand; **(d)** offer or sell products or services at or from any location other than the Approved Location; or **(e)** distribute proprietary products and products that bear the Marks through any channels of distribution, such as electronic methods. Upon termination or expiration of this Agreement, all of the rights granted to you herein will cease completely.

1.3 No Right to Acquire Additional Schools. You do not have an option, right, or right of first refusal to acquire additional Schools, regardless of where located.

2. TERM AND RENEWAL

2.1 Term. Unless sooner terminated or modified in accordance with the provisions set out in this Agreement, this Agreement will expire 20 years after the last day of the month in which your School first opens for business ("**Term**"), or, if you are obtaining the rights to operate a School which is already open for business, the Term of this Agreement will be 20 years after the last day of the month of the Effective Date.

2.2 Renewal.

2.2.1 Conditions. Except as limited by Section 2.2.2 below, you may renew the franchise granted by this Agreement for unlimited, successive 10-year terms if, at the end of each term, each of the following conditions has been satisfied: **(a)** you have notified us in writing of your intent to renew no less than 12 months and no more than 24 months before the then-current term has expired; **(b)** you are not in default of any material provision of this Agreement or any other agreement with us or any of our Affiliates (defined in Section 3.2), and you have complied with the material terms and conditions of this Agreement throughout the Term and as described in Section 2.2.2 below; **(c)** you do not owe us any past due amounts; **(d)** you have the right to remain in possession of the School premises for the 10-year successive term; **(e)** you and your Principals sign our then-current franchise agreement and all other ancillary documents, the terms of which may be materially different than the terms of this Agreement, including the Royalty and Advertising Fund contributions, and each Principal executes a personal guaranty and undertaking in the form we require; **(f)** you and each Owner sign a general release in a form satisfactory to us, of any and all claims against us and our Affiliates and our respective officers, directors, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising;, and **(g)** you remodel, redecorate, or otherwise update your School to conform with the then-current image and build-out standards for Children's Lighthouse Schools at your expense and as required by the terms of the then-current franchise agreement.

2.2.2 Limitations. Notwithstanding Section 2.2.1 above, you will not have the right to exercise your option to renew this Agreement unless all amounts you owe under this Agreement and any other agreement between us or our Affiliates and you or your Affiliates are currently paid. However, even if all such amounts are currently paid, and if you meet all of the conditions set forth in Section 2.2.1 above, we may still elect to revoke your option and refuse to allow the renewal if, over the Term of this Agreement, you have repeatedly been in material default of this Agreement, even if subsequently cured, or if you have consistently demonstrated an unwillingness to take actions we recommended to help improve your enrollment and revenue. We will notify you in writing at least 180 days prior to the expiration of this Agreement of our intent not to renew the franchise for the renewal term.

2.2.3 Renewal Fee. There is no renewal fee for additional 10-year terms.

2.3 Holdover. If you continue to accept the benefits of this Agreement after the expiration of the initial Term, but do not comply with the requirements in Section 2. of this Agreement, then, at our sole option, this Agreement may be treated as either: **(a)** expired as of the date of the expiration and you will be operating without a franchise or license to do so and in violation of our rights to the Marks and System, and you will be subject to all obligations set forth in Section 15.5 below, including the payment of liquidated damages as described in Section 15.5.9; or **(b)** continued on a month-to-month basis ("**Interim Period**"), and all your obligations will remain in full force and effect during the Interim Period as if the Agreement had not expired, except that, you will be required to pay us 125% of the stated Royalty and advertising payment requirements set forth in this Agreement. Each Interim Period expires at the end of each calendar month unless this Agreement is continued as provided for in this Section 2.3. The Interim Period does not create any new franchise rights, and upon expiration of the final Interim Period, you will be bound by all post-termination obligations set forth in Section 15.5 below.

3. APPROVED LOCATION AND TERRITORY

3.1 Approved Location. "**Approved Location**" means the site located at the address of the property where we approve your School to be located. Except as provided in Section 3.2, below, you may operate the School only at the Approved Location.

3.2 Relocation. If you desire to relocate the School, you may request relocation within the Territory, provided you and your Affiliates are in Good Standing, by designating in writing to us a proposed new location and the reason for the proposed relocation. "**Good Standing**" means that you and your Affiliates have been in timely compliance with the Manual and are not in default of any franchise agreement or any other agreement with us or our

Affiliates. "**Affiliate**" means any person or entity that is controlled by, controlling, or under common control with such named person or entity, regardless of the ownership breakdown of you or the Affiliate. To seek our approval of a site to relocate your School, you must follow the steps prescribed for site selection set out in Section 5.1 below. Your request to move your School may require a change in the Territory at our discretion. However, we may require the Territory to remain as set forth in this Agreement as the established Territory for the Approved Location of the original School. If we grant your request to relocate your School, then you must sign and comply with all terms and conditions of our then-current franchise agreement, include paying all fees assessed thereunder, and all other ancillary documents we require; and execute a general release, in a form satisfactory to us, of any and all claims against us and our Affiliates and our respective officers, directors, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

3.3 Territory. Upon your acquisition of the Approved Location, through purchase or lease, we will define the Territory for your School. The description of your Territory will be reflected in an amendment to the Summary Pages or by any other form of written communication from us that defines the Territory, and such Territory will dictate for purposes of this Agreement. During the Term of this Agreement, and as long as you are in Good Standing, we will neither operate nor authorize any other party to operate a School that is located in your Territory; except that, we and our Affiliates may: **(a)** operate and license others the right to operate Schools at any location outside the Territory; and **(b)** operate and license others to operate childcare and/or learning systems, centers, or schools that do not operate under the System or the Marks at any location, whether inside or outside the Territory. We have no obligation or implied duty to protect you or your School and revenues from competition by other operators of childcare centers and/or schools, including other Children's Lighthouse Schools located outside your Territory. We may also provide services and distribute products bearing the Marks and other trademarks in your Territory through other distribution channels, including direct mail, e-commerce, electronic communications (including the Internet), or other marketing methods or techniques.

3.4 Marketing Territory. Designation of your Territory does not grant an exclusive marketing territory or clientele. It is only an agreement by us that another Children's Lighthouse School will not open within your Territory, except as described in Section 3.3 above. All Children's Lighthouse Schools may offer their services to any consumer, subject to the restrictions set forth in Section 10. below.

4. INITIAL FEES

4.1 Franchise Fee. You must pay us a "**Franchise Fee**" in the amount set forth in the Summary Pages. Upon your execution of this Agreement, you will pay us the portion of the Franchise Fee set forth in the Summary Pages. You will pay us the balance of the Franchise Fee on the Funding Date. The "**Funding Date**" is the date you close on the loan for your School with your third-party lender; or, if you are self-financing the project, it is the date you close on the purchase of the land. The Franchise Fee is not refundable, in whole or in part, under any circumstances.

4.2 Discounted Franchise Fee. If we award you additional franchises in the future, you will be eligible for a discount for such additional franchises if, **(a)** your ownership in the additional School or Business Entity (defined below) that enters into a franchise agreement with us for the additional School is the same as the ownership in your first School (or Business Entity); or if one of your Principals who owns at least 51% in the first School or Business Entity that entered into a franchise agreement with us will have 51% or more ownership in the additional School (or Business Entity); **(b)** you meet our other then-current qualifications for new franchisees, including our requirements for an "**Operating Principal**" (defined in Section 7.2.1); **(c)** neither you nor any of your Affiliates owes us or any of our Affiliates any unpaid amounts due under this Agreement or any other agreement or is in default of any agreement with us or any of our Affiliates; and **(d)** we are offering a discounted franchise fee at the time. If you are awarded additional franchise rights in connection with a discounted franchise fee, you and we will enter into our then-current form of franchise agreement, and you will pay the discounted franchise fee as required thereunder. This provision does not grant you the right, option, or preferential opportunity to enter into any additional franchise agreement(s) with us or to open or operate any additional School(s). We may change the amount of the discounted franchise fee, change the installment payment amounts and/or timing, or discontinue offering the discounted initial franchise fee at any time without notice. "**Principals**" means, collectively and individually, your spouse, all your officers and directors we designate, and all holders of an ownership interest in you and any Affiliate that controls you. "**Business Entity**" means any entity with the power to enter into contracts, other than a natural person. The term includes a corporation, limited liability company, limited partnership, and trust.

4.3 School Development Fee. When you sign this Agreement, you must pay us the "**School Development Fee**" in the amount set forth in the Summary Pages. The School Development Fee is not refundable, in whole or in part,

under any circumstances. If you are developing your School under the Equity Development Program (defined below), then, within 30 days after our receipt of the School Development Fee, we will pay $5,000 to the project manager described below in Section 5.2 in connection with your engagement of such project manager, unless this Agreement is subject to a previously-agreed-to discounted School Development Fee, previously known as the "Real Estate Fee." In which case, we will not make any contributions to your project management costs. If you are developing your School under the Build-to-Suit Lease Program (defined below), we will not contribute any portion of the School Development Fee to the cost of the project.

4.4 Opening Training Fee. On the Funding Date, you must pay us the "**Opening Training Fee**" in the amount set forth in the Summary Pages. The Opening Training Fee is not refundable, in whole or in part, under any circumstances. Other than the Opening Training Fee, or unless stated otherwise, we do not charge a fee for any of the training provided pursuant to Section 6. of this Agreement, but you are responsible for paying for all wages, transportation, lodging, meals, and other travel-related expenses incurred by you and your employees. Notwithstanding the foregoing, if you are acquiring an existing School that is being transferred in connection with the type of transfer described in Section 11.5 of this Agreement, then you must pay us the Opening Training Fee as set forth in Section 11.5.12 below.

4.5 Pre-opening Marketing Payment. On the Funding Date, you will pay us the "**Pre-opening Marketing Payment**" in the amount set forth in the Summary Pages. Unless this Agreement is terminated as described below in this Section 4.5, the Pre-opening Marketing Payment will be held by us until we start making payments on your behalf to third-party suppliers in connection with marketing services we have pre-approved and which are designed to market your School before it opens, or until we reimburse you for payments you have made out-of-pocket for such pre-approved services. If any portion of the Pre-opening Marketing Payment is not used before your School opens, then the remaining amount will be used for post-opening marketing of your School. Payment of the Pre-opening Marketing Payment does not release you from your obligations to conduct and pay for grand opening or other initial marketing as we require. The Pre-opening Marketing Payment is 100% refundable if you and we agree to mutually terminate this Agreement before construction of the school begins and if you enter into our then-current form of mutual termination agreement, which will include our standard release. If we terminate the Agreement due to your default and failure to cure, we reserve the right to keep and use 100% of the Pre-opening Marketing Payment as we determine.

5. SITE SELECTION; SCHOOL DEVELOPMENT

5.1 Site Selection Process.

5.1.1 Site Selection. We will provide you with our proprietary, written site selection guidelines, site selection counseling and assistance, and on-site evaluation for a proposed site. **The information and training you receive during the site selection process is our proprietary information that has been developed by us and is a trade secret that we deem to be Confidential Information (defined elsewhere in this Agreement)**. We will supply you with our site review package to help you assess demographic data, nearby neighborhoods and businesses, growth trends, traffic patterns, neighborhood schools, and other competitive childcare centers and schools offering services similar to Children's Lighthouse Schools. You must not sign a lease for, contract to purchase, or invest in the premises of your School until we have stated, in writing, that the proposed location is the Approved Location.

5.1.2 Protected Search Area. Within approximately 30 days after the Effective Date, you and we will agree to the geographical area in which you will search for a site for your School ("**Protected Search Area**"). There is no minimum area that will comprise your Protected Search Area. The Protected Search Area will be reflected in an amendment to the Summary Pages or by any other form of written communication from us that defines the Protected Search Area, and such Protected Search Area will dictate for purposes of this Agreement. The Protected Search Area will be of no force or effect once the Approved Location is determined.

5.1.3 Approved Location. Within 180 days after the Effective Date of this Agreement, you must, on your own initiative and at your own expense, locate and submit to us for review a proposed site for your School located within the Protected Search Area. To seek our preliminary approval, you must provide us with site information for the proposed site we require, and such information must be prepared as we require. We will not review your proposed site until we receive such required information. Before we provide final site approval or disapproval, you must pay for and obtain all site-related analyses and reports we require. The site must conform to the general guidelines for suitable franchise premises that are set out in the Manual or that are otherwise provided to you in writing, including but not limited to, population requirements, traffic patterns, parking, neighborhood demographics, competitor data, other commercial or residential information, and the size, appearance, and other physical characteristics of the site.

We will respond in writing with approval or disapproval within 30 days after we receive the completed site review information and reports we require. **Our approval of a particular site is not a representation or guarantee that your School operating at such location will achieve any certain level of revenue or profitability; it means only that the proposed site meets our minimum criteria for the location of Children's Lighthouse Schools.** If we designate the site, in writing, to be the Approved Location, and if you plan to purchase the land for the Approved Location, then you must engage a commercial real estate attorney who is familiar with real estate law in the state where the Approved Location exists to review the purchase contract. If you fail to obtain from us a defined, Approved Location within the 180-day time period, regardless of the reason, we will, at our option: **(a)** provide you more time to select a site for your School, and the length of time will be in our sole discretion; or **(b)** terminate this Agreement. If we offer an extension of time for you to select a site we approve, we may require you to search in a protected search area that is different from the originally agreed-to Protected Search Area, at which time, your original Protected Search Area will automatically terminate and we will designate, in writing, a new Protected Search Area. If we terminate this Agreement pursuant to this section, we will not refund any portion of the Franchise Fee or the School Development Fee.

5.1.4 Leased Premises. If you elect to seek approval to operate your School at a leased site, then you must engage a commercial real estate attorney who is familiar with commercial leases to review the lease, and you must submit the proposed lease to us for review. **Our review and approval of a lease does not mean that the economic terms of the lease are favorable; it means only that the lease contains the lease terms that we require.** Your lease, even if it is with a Business Entity owned in whole or in part by you, or is affiliated with you in any way, must include a rider substantially in the form attached to this Agreement as Attachment B, and you and the lessor may be required, in our sole discretion, to execute our then-current form of Nondisturbance and Attornment Agreement ("**Nondisturbance Agreement**"), attached hereto as Attachment E. If the lender holds a mortgage on the School, prior to entering into a lease, we may require you, the lessor, and lender to execute the then-current form of Nondisturbance Agreement. You must provide the potential lessor with the above-mentioned forms at the commencement of your discussions with such potential lessor.

5.2 Site Development. Depending on your financial qualifications and your desire to own the land and building where your School is developed, versus lease the premises; **(1)** you, or your affiliated entity, will purchase the land for the Approved Location and pay for the construction of the School and all other costs associated with the project ("**Equity Development Program**"); or **(2)** a third-party commercial developer will purchase the land for the Approved Location and pay for the construction of the School, and you will pay for all other costs, including but not limited to, furniture, fixtures, equipment, decor, and operating supplies ("soft costs") ("**Build-to-Suit Lease Program**"). Under both programs, our brand standards and site selection process and criteria remain the same, and you will remain responsible for ensuring the construction and development of the School comply with our brand standards. You must follow our procedures for site and School development, which may change from time to time. If we require, you must engage and pay our approved vendor(s), or in some cases, required vendor(s), to manage all phases of the development of your School, including but not limited to real estate sourcing, architectural, construction, and overall project management. Whether a vendor is approved or required by us or not, ultimately, you are solely responsible for ensuring that all phases of the development, construction, decoration, equipping, and furnishing of the School are completed in a timely manner and are in compliance with the plans we have approved and our other pre-opening requirements. You must, at your sole expense, or as required by the third-party developer if the School is being developed under the Build-to-Suit Lease Program, make all required improvements to the land, construct the building, purchase and install all required furniture, fixtures and equipment, and decorate the premises in compliance with the plans and specifications we have approved and all applicable ordinances, building codes, legal requirements, and permit requirements.

5.2.1 Plans; Architect. In connection with your payment of the School Development Fee, we will provide you with, and you must use or cause to be used, our proprietary, prototype plans and specifications, including requirements for dimensions, exterior design, interior layout, building materials, equipment, signs, and color scheme during all phases of the development of your School. You must engage and pay for an architect we approve to customize our prototype plans for local codes, regulations, and other requirements and to conform to the site requirements of the Approved Location. We reserve the right to require you to use an architect we designate. You will not be permitted to change our prototype design, other than to meet local, state, or development requirements. Such changes must be submitted to us in writing from the approved architect, with supporting documentation from the agency requiring the modification. All changes desired by you in site plans, building plans, designs, or fixtures are subject to our written prior approval, and we require you to communicate these limitations to the architect you engage. Failure to seek our approval on any changes will result in a material breach of this Agreement. You must submit a final set of your architectural

drawings and plans to us before submitting them for approval with local agencies and once again upon permitting. Failure to submit the drawings and plans will be considered a material default of this Agreement, subject to termination of this Agreement. Our approval of the plans satisfies that you have complied with our requirements, it does not constitute that you have complied with any other regulatory body's requirements.

5.2.2 Construction. We reserve the right to review the bids you receive from general contractors, but our review is not intended to be, nor will it be deemed, a recommendation to select one general contractor over another. Within 12 months after receiving site approval, you are required to complete the interior and exterior preparations for your School, utilizing the approved plans, and to commence operation of your School. You are responsible for ensuring that your final plans comply with applicable building codes or permit requirements.

5.3 Financial Considerations. You must, in a timely manner, secure all necessary financing required to fully develop a School as required by the terms of this Agreement. Further, at our request, you must provide us, in a timely manner, copies of all acquisition, financial, and construction-related documents and information we require, including but not limited to, loan documents, loan disbursement schedules, construction bids, and all services contracts.

5.4 Opening. You must open your School for business no later than 12 months after we define the Approved Location. However, you will not open the School for business without our written authorization, which authorization will be conditioned upon your strict compliance with this Agreement and the Manual (defined in Section 7.1.1). **Our authorization does not represent or guarantee that your School will achieve any certain level of revenue or profitability.** The "**Opening Date**" will be reflected in an amendment to the Summary Pages or by any other form of written communication from us that defines the Opening Date, and such Opening Date will dictate for purposes of this Agreement. Failure to open the School within the 12-month time period will be considered a material default of this Agreement, subject to termination of this Agreement.

5.5 Timeline Extensions. We may extend, in our sole discretion, any of the timeline requirements set forth in Section 5. of this Agreement upon your written request explaining the basis for such request. We may require you to resubmit financial or other qualification information as part of our decision-making process in determining if an extension will be granted. If we elect to grant you any extension(s), such grant must be in writing and will include a general release, in a form satisfactory to us, of any and all claims against us and our Affiliates and our respective officers, directors, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances. We will extend these time periods to allow for any delay caused by us or a Force Majeure. "**Force Majeure**" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophes); strikes, lockouts, or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which you could not have avoided by the exercise of reasonable diligence; provided however, that neither an act or failure to act by a governmental authority, nor the performance, non-performance, or exercise of rights under any agreement with you by any lender, landlord, or other person will be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance, or exercise of rights results from an act which is otherwise an event of Force Majeure. Your financial inability to perform or your insolvency will not be an event of Force Majeure under this Agreement.

6. TRAINING AND ASSISTANCE

6.1 General Training. If you, your Operating Principal, or your School Director (whichever applies) fail to complete to our satisfaction, in our sole discretion, any of the applicable training required in Section 6. of this Agreement, or fail to complete any such training within the time periods set forth below, unless we extend them, we may, during the 30-day period following your failure to complete the training or failure to meet the timeline requirements, terminate this Agreement, effective immediately upon notice to you. Unless we agree otherwise, all attendees who receive training from us must enter into a confidentiality and noncompetition agreement in a form we approve before we they are eligible to receive any training we provide. Our training is designed to introduce you, your Operating Principal, and your Directors to our proprietary systems and information and the childcare business in general. The training we provide does not replace human resources training or other employment-related training you are required to know as an employer. Such training is your sole responsibility.

6.2 Owners' Training. Approximately 90 days before the opening of your School, we will provide an initial training program for up to two Principals, one of which must be your Operating Principal. The training will focus on the operation and management of a School ("**Owners' Training**"). Owners' Training will be in Fort Worth, Texas, or any other location we designate, which may include distance learning at our option.

6.3 Directors' Training. Approximately 60 days before the opening of your School, we will provide School operations training ("**Directors' Training**") for your Operating Principal and your School Director (defined below). Directors' Training will be in Fort Worth, Texas, or at any other location we designate, which may include distance learning at our option. Your Operating Principal and your School Director must attend and successfully complete to our satisfaction Directors' Training. We will provide Directors' Training for your replacement School Directors under the same terms as this Section 6.3.

6.4 Pre-opening Training. Between the time your School's furniture and equipment are delivered and the time the School opens for business, we will provide your School Director additional training relating to the day-to-day management and operation of your School ("**Pre-opening Training**"). Pre-opening Training will occur at your School, and your School Director for the Approved Location must attend and successfully complete to our satisfaction Pre-opening Training.

6.5 Post-opening Training. Within the first 30 days after your School opens, we will send one person to conduct on-site, post-opening training at your Approved Location ("**Post-opening Training**"), the duration of which will be at our sole determination. Your Operating Principal and your School Director must attend all hours of Post-opening Training.

6.6 Licensed Capacity. Prior to the opening of your School, we will assist you in working with the appropriate governmental licensing authority to establish the Licensed Capacity of the School. "**Licensed Capacity**" means the maximum number of students permitted in a facility at any given time.

6.7 Ongoing Training. We may, but are not obligated to, offer continuing education programs and training on matters relating to the operation or promotion of your School. Your Operating Principal, School Director, and other employees that we designate must attend additional courses, seminars, and other training programs as we require, which may be offered in various formats, including but not limited to, third-party providers, online training, regional meetings or seminars, and/or traditional classroom training. We or third-party providers may charge tuition for the additional courses, seminars, or other training programs, and you are responsible for all training-related costs and expenses including, without limitation, tuition/attendance fees, wages, transportation, lodging, meals, and other travel-related expenses incurred by your attendees.

6.8 Remedial Training. If you request, or if we deem it necessary to provide, additional, on-site remedial training to help you learn how to manage your School to meet our Standards, then we will provide a representative at such times and places as you and we agree to, in the case of your request; and as we require, in the case we deem such remedial training necessary. Upon demand, you will pay all reasonable travel-related expenses we or our representatives incur to provide such training, plus our then-current fee per day for each such representative.

6.9 Ongoing Consultation. We provide ongoing consultation and advice as we deem necessary regarding the operations and management of your School. Such consultation and advice may be provided, in our discretion, through School visits, in-person or virtual meetings, seminars, or conferences, and/or through dissemination of electronic or printed materials.

6.10 Performance by Delegate. We reserve the right to exercise and/or perform any of our rights and duties under this Agreement through the use of designees, Affiliates, agents (who may be unaffiliated third parties), or our employees.

7. STANDARDS OF OPERATION

7.1 General Operating Requirements. You must, at all times, operate your School and the Franchised Business in compliance with System standards. The System, including but not limited to the curriculum, the Manual (defined below), and the products and services we require you to offer at and in connection with your School may be modified from time to time by us in our sole discretion, and you will comply, at your expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of furniture, supplies, remodeling, redecoration, and modifications to existing improvements, including structural changes. We will notify you of any such System changes, and you will implement any System changes upon receipt of such notice and will complete such implementation within the time period we may reasonably specify. Further, we reserve the right to materially vary our standards or franchise agreement terms for any franchisee depending on the circumstances, including but not limited to, timing of the grant of the franchise, trade area/market variables, local business practices, population, or any other condition we consider important to the successful operation of a Children's Lighthouse School, and you acknowledge that such variances may be necessary. You have no right to

require that we disclose any variation or grant the same or a similar variation to you. You understand and acknowledge that every detail of the System is essential to maintaining and enhancing the goodwill associated with the Marks and the integrity of the brand. Accordingly, you will:

7.1.1 Manual. Maintain and operate your School and the Franchised Business in conformity with the Manual. "**Manual**" means our confidential operations manual, which is the compilation of information and knowledge that is necessary and material to the System. The term "Manual," as used in this Agreement, includes all publications, materials, drawings, memoranda, videos, webinars, and other information we communicate via electronic media that we from time to time may loan or otherwise make available to you. We may supplement or amend the Manual from time to time by letter, electronic mail, bulletin, video, or other written communications concerning the System to reflect changes in the image, specifications, and standards relating to developing, equipping, furnishing, and operating a School. The Manual is designed to protect our System standards and Marks, not to control the day-to-day operations of the School or its employees or the Franchised Business. Further, the Manual and any and all modifications to the System or the Manual are incorporated into this Agreement. The version of the Manual on file at our principal office will constitute the official version for purposes of resolving any question or dispute concerning the contents of the Manual. The Manual is our property exclusively.

7.1.2 No Other Businesses or Services. Use the School premises solely for the operation of a Children's Lighthouse School. You will not, and will not allow any other person or Business Entity, operate any other business or offer or provide any other services from the School or use the School premises without our prior written approval.

7.1.3 Parent Payments. Accept payment for School services by any method we require, including debit and credit cards and other non-cash methods and participate in our required payment procedures and collection of funds relating thereto. You must acquire and install at your cost all necessary hardware and/or software required for the operation of such non-cash systems. Because protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System, you will cause the Franchised Business to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards (PCI DSS) council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act (FACTA), and all other data security requirements we prescribe. You are solely responsible for educating yourself about these regulations and standards and for achieving and maintaining applicable compliance certifications.

7.1.4 Pricing. You will maintain tuition rates in your School adequate to reasonably serve your local market and to maintain a viable local market position. Notwithstanding the foregoing, your tuition rates, subject to applicable antitrust laws, must: **(a)** comply with any minimum or maximum prices we set; **(b)** comply with any prices we specify; and **(c)** conform to any promotional programs we specify. We retain the right to modify our pricing policies in our sole discretion. At least twice a year, and on the date we require, you must provide us a list of all prices you charge for all services you provided in connection with your School, and such list must be updated and delivered to us every time you make changes to your prices. Further, you must request our approval before you offer care in exchange for federal, state, county, or local funding. If we approve your request, you must comply with all of our requirements relating to such funding programs, which may include limiting the amount of revenue you are approved to receive from such programs.

7.1.5 Data Breaches. Notify us immediately by telephone and confirm in writing within 48 hours of any investigation or violation, actual or alleged, concerning any data breaches or data security threats and notify us in writing within 72 hours of the commencement of any investigation, action, suit, or proceeding or the issuance of any order, writ, injunction, award, or decree of any court, agency, or other government instrumentality, which may adversely affect the operation or financial condition of the School.

7.1.6 Incidents; Investigations. Notify us by telephone and confirm in writing the details of any Crisis Management Event immediately after first seeking medical and/or other emergency aid (if applicable) and notifying the licensing agency that has jurisdiction over your School. "**Crisis Management Event**" means any event that occurs on or in close proximity to the School premises or in connection with the School or the Franchised Business that has or may cause harm or injury to children, parents, or employees, such as actual injury to a child, food contamination, contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, data breaches, real or threatened, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the mark. If a Crisis Management Event occurs, then, in an effort to mitigate possible damages to the

Marks and System, you must cooperate fully with us and with the appropriate authorities with respect to the investigation of the Crisis Management Event, which may include, but is not limited to, temporary closure of the School in our sole discretion, managing and making statements to the media and to parents, and managing other responses to the Crisis Management Event.

7.1.7 Intranet System. We have established and maintain an intranet communications and data-holding system that we make available to you ("**Intranet**"). We use the Intranet to provide you access to the Manual and to disseminate training modules, School-opening and operations tools, and other Confidential Information. We will have no obligation to update or to maintain the Intranet indefinitely and may dismantle it at any time without liability to you. We may establish policies and procedures for the Intranet's use. You hereby acknowledge that, as administrator of the Intranet, we can access and view any communication that anyone posts on the Intranet. You further acknowledge that the Intranet and all communications and documents that are posted to it are or will become our property, free of any claims of privacy or privilege that you or any other individual may assert. If you fail to pay when due any amount payable to us under this Agreement, or if you fail to comply with any policy or procedure governing the Intranet, we may temporarily suspend your access to any chat room, bulletin board, listserv, or similar feature the Intranet includes until such time as you fully cure the breach.

7.1.8 Parent Complaints. Process and handle all customer complaints connected with or relating to the School and promptly notify us of all: **(a)** Crisis Management Events; **(b)** health department and licensing violations; **(c)** claims exceeding $1,000; and **(d)** any other material claims against the School or losses you suffer in connection with claims brought against the School.

7.1.9 Franchise Conference. You or your Operating Principal must attend our System-wide meeting of franchisees. Unless we waive such requirement, if you or your Operating Principal fail to attend such annual meeting, you must pay us a non-attendance fee of $1,000 to help offset losses and costs we incur.

7.1.10 Communications Laws. Comply with all laws pertaining to sending emails, including but not limited to, the Controlling the Assault of Non-solicited Pornography and Market Act of 2003 (CAN-SPAM Act) and the Telephone Consumer Protection Act (TCPA).

7.1.11 Third-party Relationships and Communications. Maintain good vendor relations and keep all vendor credit accounts, including but not limited to loan payments, in good standing. Upon our request, provide us a copy of all third-party contracts you enter into in connection with your operation of the School. We reserve the right to review such contracts for the purpose of enforcing brand standards, but not for the purpose of approving or negotiating any terms set forth therein. Additionally, you hereby grant all such third-party providers permission to discuss with us and share with us all information relating to your third-party provider accounts.

7.1.12 Legal Compliance. As between you and us, you are solely responsible for the safety and well-being of your employees and the children under your care at the School. Accordingly, you must fully comply with all federal, state, and local laws, rules, and regulations when exercising your rights and fulfilling your obligations under this Agreement. It is your sole responsibility to apprise yourself of the existence and requirements of all such laws, rules, and regulations and to adhere to them at all times during the Term of this Agreement. If our standards exceed applicable laws and regulations, you must conform to our standards.

7.1.13 Working Capital. Maintain a credit rating we determine and sufficient working capital in reserves at all times to fulfill the obligations of this Agreement.

7.1.14 Non-disparagement. Along with your Principals, refrain from making or publishing any disparaging remarks, whether oral, written, or digital relating to us, other franchisees of the Children's Lighthouse system, or the Children's Lighthouse brand.

7.1.15 Maximize Licensed Capacity. You must obtain from your state's licensing agency an operating license for the maximum capacity allowed for the square footage and footprint of your School, and you must undertake all efforts to enroll in your School the maximum capacity of children allowed by your state's childcare licensing agency.

7.2 Operating Personnel.

7.2.1 Operating Principal. Your School and the business of your School must be supervised by the Operating Principal. If you are an individual or general partnership, the Operating Principal will be the individual we designate as the Operating Principal, and the Operating Principal must be a signatory to this Agreement. If you are

a Business Entity, then the Operating Principal will be an individual with at least a 10% equity interest in you. The Operating Principal will have full control over the management and operations of the School, including marketing the School and providing management and supervision of the Schools' Director, the first 12 months of which must be on-site. The Operating Principal must devote his or her full-time efforts to developing the School business, but the Operating Principal must not be the sole holder of the School's license. We must approve the Operating Principal as meeting our then-current qualifications for such position. If the Operating Principal ceases to serve in, or no longer qualifies for, such position, or transfers his or equity interest, you must designate another qualified person to serve as your Operating Principal within 30 days after the date the prior Operating Principal ceases to serve or no longer qualifies to serve. Any proposed replacement Operating Principal must successfully complete Owners' Training and School Directors' Training as set forth above and must be approved by us before assuming his or her position as Operating Principal and, in no event, later than 90 days after the previous Operating Principal ceased to serve in such position.

7.2.2 Multi-School Management. If you operate two or more Children's Lighthouse Schools, we may require you to add to your management staff an individual who devotes full-time best efforts to the oversight and management of your Schools. Your multi-School manager must successfully complete School Directors' training and such other training we require.

7.2.3 School Personnel. In addition to staffing your School to meet your state's classroom ratios, you must employ a School Director, an assistant director, and sufficiently trained staff required to comply with all state childcare licensing requirements; our standards, policies, and procedures; and all other federal, state, and local laws and regulations. A "**School Director**" is the individual who is responsible for the day-to-day management and operations of the School, and is the person whose name the School must be licensed. All of your School's personnel must meet all state licensing requirements and our general requirements. However, the employment of your School personnel is your sole decision and responsibility. For safety and state reporting purposes only, you must provide us the name of your School Director. If the employment of your School Director is ended, you must employ a new School Director within 30 days after employment ends, and the replacement School Director must attend our then-current Directors' Training within three months after being hired by you. We do not charge a fee to train your replacement School Director, but you will be responsible for paying for all wages, transportation, lodging, meals, and other travel-related expenses incurred by your attendees.

7.3 School Standards. You will:

7.3.1 Safety. Keep your School safe, neat, clean, orderly, and in good repair. All furniture, fixtures, and equipment, toys, instructional materials, educational materials, software, and School-related equipment and supplies must be approved by us and maintained by you in safe and usable condition. You may be required to purchase new and/or replacement toys, educational materials, instructional materials, and other School-related items each year. You must comply with all federal, state, and local laws, requirements, and regulations. Additionally, you hereby do, for purposes of brand preservation and child safety, authorize us, and we have the right, but not the obligation, to operate the School on your behalf for as long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement: **(a)** if any allegation or claim is made against you or any of your Principals, or the operation of the School, involving or relating to illegal practices or activities; or **(b)** if any state, city, or other licensing agency or authority requires that you cease to operate the School for any reason. If we undertake to operate the School pursuant to this Section 7.3.1, we will have the right to collect and pay from the revenues of the School all operating expenses including, without limitation, Royalties, Advertising Fund contributions, and employee salaries, and we will be entitled to collect, as compensation for our efforts, our then-current daily fee for remedial training. You will indemnify and hold us harmless from any and all allegations and claims against us or our Affiliates arising from or relating to our or our Affiliates' alleged acts and omissions while operating the School pursuant to this Section 7.3.1.

7.3.2 Days and Hours of Operation. Operate your School during the hours and days prescribed in the Manual.

7.3.3 Staffing. Maintain a competent and conscientious staff. You must cause all employees, while working at the School, to: **(a)** be licensed and/or certified as required by all licensing and other regulatory agencies; **(b)** ensure that your employees are trained in regulated childcare requirements and in methods, programs, and techniques developed by us or that we require; **(c)** wear uniforms of such color, design, and other specifications as we may designate from time to time; and **(d)** present a neat and clean appearance. The requirements set forth above are for the purpose of meeting licensing requirements and enforcing brand standards. Notwithstanding the foregoing,

we do not dictate your hiring or other employment practices policies, and you are required to be knowledgeable of and adhere to all federal, state, county, and local employment-related laws.

7.3.4 Support Visits; Inspections.

(a) Allow us entrance onto and into your School premises, including "virtual" School visits via in-School video camera systems or other developing technology, during regular business hours to inspect the School for quality assurance purposes. Such inspections are for the purpose of enforcing System standards and providing general operations support. They are not intended to exercise, nor do they constitute, control over your day-to-day operation of your School of your Children's Lighthouse business. If notified of a deficiency in our System standards, you must promptly cure the deficiency. If you fail to promptly cure the deficiency, we may undertake to cure the deficiency on your behalf. In such case, we have the right to charge, and you will pay upon demand, a reasonable fee for our services, and you must reimburse us for all out-of-pocket costs that we incurred in connection with taking such corrective measures. You must be available and present for a walk-through inspection and/or a conference with our representative at your School with written notice that is given at least five Business Days prior to the proposed visit to your School. (We may elect to conduct visits unannounced, in which case, no notice will be provided, and your attendance will not be required.) If you are not available due to circumstances beyond your control, you must provide us with a written notification within five Business Days of receipt of our notice in which you request an alternate time and confirm your availability for the alternate time, and the alternate time will not be unreasonably delayed. In no event may your request for an alternate time be more than 10 Business Days from the proposed visit date contained in our original notice. "**Business Day**" means each day other than a Saturday, Sunday, U.S. holiday or any other day on which the Federal Reserve is not open for business in the United States.

(b) Allow all state childcare licensing representatives to complete their inspections as they require, provided such inspections comply with the applicable agency's regulations; and provide us, within 24 hours of such inspection, written notice that the inspection occurred and details of any violations of minimum standards. You must provide us a copy of the written report immediately upon your receipt of such report. You must also provide us a copy of all communications you receive from your state licensing agency within 24 hours of your receipt of such reports.

7.3.5 Customer Service. Maintain good customer relations, including but not limited to participating in and paying for any customer feedback program we prescribe and meeting our required performance thresholds relating thereto.

7.3.6 Upgrades. Upon our request, you will make such improvements to the School to conform it to our then-current standards and specifications. Without limiting the foregoing, minimally, you must make all capital improvements required to comply with this Section 7.3.6 no later than six months before the 10th anniversary of the Opening Date. You must not remodel or make significant modifications to the School without our prior written approval.

7.4 Purchases and Services.

7.4.1 Approved Products and Services. You may only offer, dispense, and sell products and services that we approve at and from your School, or in connection with your School. Additionally, you may be required to purchase certain items and services from one or more specific suppliers, and/or in compliance with certain specifications. If brand requirements have been identified, you may purchase and use only approved brands. You must not use any teaching or curriculum materials that are religious in nature; post religious statements, verses, or quotes; or provide religious instruction at the School, including outside of regular business hours and days. Information about approved and designated suppliers and product and service specifications will be communicated to you through the Manual or any other means of written communication we determine. We reserve the right to change, add, and delete our products and services and supplier requirements and specifications at any time. Whether suppliers are approved or required, we expressly disclaim all warranties or representations as to the condition of the goods or services sold by such suppliers, including expressed or implied warranties as to merchantability or fitness for any intended purpose. You will look solely to the manufacturer of the goods or the supplier of the services for the remedy of any defect in goods or service.

7.4.2 Required Purchases. You must purchase or acquire from us, or from a supplier we require, the following, whether these items bear our Marks or not: **(a)** furniture, fixtures, and equipment (including playground structures); **(b)** classroom inventory, toys, instructional materials, and educational materials; **(c)** curricula; **(d)** buses and bus graphics; **(e)** marketing and public relations services; **(f)** School management software; **(g)** security camera

and surveillance services; **(h)** insurance; **(i)** promotional items (e.g. logowear, uniforms, aprons, brochures, and print materials); and all other goods and services we require. You must also purchase other basic inventory supplies (i.e. scissors, pens, chalk, kitchen utensils, etc.) as we require. You may purchase these items and services for which we have not identified approved suppliers from any supplier, if the items and services meet our specifications. These specifications may include brand requirements. If brand requirements have been identified, you must purchase and use only approved brands. Information about required purchases will be communicated to you through the Manual. For any items or services you are required to purchase from us, we reserve the right to increase the price of such purchases in an amount that offsets our expenses related to these transactions or that provides us an industry-standard profit.

7.4.3 Revisions to Requirements. We retain the right to revise the interior design of Children's Lighthouse Schools, including the furnishings, fixtures, equipment, and software, and you may not use furniture, fixtures, equipment, or software specifically disapproved by us. You acknowledge and agree that products, equipment, and technology are constantly changing, whether updated, improved, replaced, or discontinued. Consequently, such changes sometimes create transition and incompatibility challenges. By entering into this Agreement, you acknowledge the potential of such occurrences and assume all risk associated therewith, which you acknowledge may affect your ability to order, receive, or sell products and/or offer services for a period of time and further acknowledge that we are not responsible for any damages caused by such issues or occurrences, including lost sales or profits.

7.4.4 Alternate Suppliers or Products. If you wish to use or sell any product not previously certified by us to meet our specifications or which is sold by a supplier not previously approved by us, you must advise us of this fact and give to us, upon request, product specifications, sample products, and/or information about the supplier we require. We will express to you either our approval or our reasons for withholding approval within 60 days. As a condition of approving a supplier or product, you must reimburse us for any expenses we reasonably incur in inspecting the supplier's premises, checking the supplier's credentials, or testing the product. As a condition of approving a supplier of any product that bears the Marks, we may require that the supplier enter into a Children's Lighthouse license agreement with us or an Affiliate relating to the use of the Marks. We may revoke at any time our approval of a supplier or product if either or both no longer meet our standards or specifications, which we reserve the right to change at any time. If this occurs, we will provide you written notice of the revocation**. Notwithstanding the foregoing, we will not review an alternate supplier for the curriculum that is required to be used in the School**.

8. ROYALTIES AND OTHER PAYMENTS

8.1 Royalty Fee. You must pay us the "**Royalty**" set forth in the Summary Pages. Additionally, if your School is located in any state that treats Royalties as "taxable gross receipts" and taxes your payment of Royalties to us, we may require you to reimburse us for any such tax incurred and paid by us. Failure to pay Royalties on the Due Date (defined below) will constitute a material breach of this Agreement.

8.2 Due Date; Payment Requirements. Royalty payments must be paid directly to and received by us on or before the day we specify ("**Due Date**"). If the Due Date is not a Business Day, then payment will be due on the next Business Day. If you are obtaining the rights to operate a School which is already open for business, you must begin paying Royalties on the Due Date of the calendar month immediately following the month we sign the new Franchise Agreement or the assignment of the existing Franchise Agreement. You will participate in our then-current electronic funds transfer program authorizing us to use a pre-authorized bank draft system, or in any other payment program we require. You will: **(a)** comply with our funds transfer procedures, electronic or otherwise, as specified in the Manual or otherwise in writing; **(b)** perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section 8.2; **(c)** give us authorization in the form we require to initiate debit entries and/or credit correction entries to the account for payments of the Royalty and all other amounts payable under this Agreement, including any interest charges or past due amounts; and **(d)** make sufficient funds available in the account for withdrawal by electronic funds transfer no later than the Due Date for payment thereof.

8.3 Accounting Period. We reserve the right to modify, at our option, the method by which you pay the Royalty and other amounts owed under this Agreement upon receipt of written notice by us. Your failure to have sufficient funds in the account is a material breach of this Agreement. We also have the right to modify the Due Date in our sole discretion and modify accounting periods for purposes of calculating and paying amounts due under this Agreement. Each period, which may be defined in terms of days, weeks, or months, in our sole discretion, will be considered an "**Accounting Period**" for all purposes under this Agreement. We have the right to change or modify the definition of an Accounting Period, in our discretion, for the entire Children's Lighthouse franchise system,

generally, or for you, individually, if you fail to comply with this Agreement. We will provide you at least 30 days advance written notice of any change in any Accounting Period or Due Date, and you must make all changes necessary to conform to such change or modification.

8.4 Interest; Nonsufficient Funds Charge. Any payments not received by us by the Due Date will accrue interest at the rate of 10% per annum, or the highest lawful interest rate permitted by the jurisdiction in which the School operates, whichever is less. If any check or draft, electronic or otherwise, is returned for insufficient funds, you must pay us a nonsufficient funds charge for each check or draft in the amount we were charged by the bank and reimburse us the administrative enforcement fee amount as described in Section 8.7 below and all other expenses we incur because of such nonsufficient funds. Additionally, we reserve the right to suspend all support services until all past due Royalties and any accrued interest have been paid.

8.5 Third-party Payments. In addition to all other payments provided for in this Agreement, you must pay us and our Affiliates, and all of your third-party vendors, suppliers, trade creditors, lenders, and landlord (if applicable) promptly when due.

8.6 Partial Payments; Application of Payments. You may not set off, deduct, or otherwise withhold any fees or other amounts due under this Agreement on grounds of alleged nonperformance by us of any of our obligations or for any other reason. Withholding Royalty payments or any other amounts due to use under this Agreement is a material breach of this Agreement. If you pay less than the amount due, your payment will be considered a partial payment. We may accept such payment as a partial payment, irrespective of any endorsement or other statement that the payment constitutes full payment. Our acceptance of such partial payment will not be considered a waiver of any right we have to demand or receive full payment, and you hereby waive any estoppel defense in this regard. We may apply your payments to any indebtedness, in our sole and discretion, regardless of any designation that accompanies the payment.

8.7 Administrative Enforcement Fee. If you fail to comply with any of the terms or conditions of this Agreement, we have the right to impose, and you will pay on demand, an administrative enforcement fee, in an amount not to exceed $100 per hour, for all time spent by our personnel in connection with addressing and resolving your failure to comply with the terms of this Agreement (including, for example, your failure to timely provide financial information, a copy of your loan documents, a copy of your insurance certificate, etc.). You also must promptly reimburse us for any and all costs and expenses we incur in enforcing the terms of this Agreement including, without limitation, out-of-pocket travel costs, fees paid to a collection agency, and reasonable attorneys' fees and accountants' fees. The fees and reimbursement obligations described in this Section 8.7 are in addition to and not in lieu of any other remedies available to us under this Agreement or applicable law.

8.8 Gross Revenue. "**Gross Revenue**" means all revenue and/or income generated from the provision of any and all services, the sale of any and all products, and the performance of any and all other activities connected to or arising from the operations of your School, whether occurring during normal business hours or not, whether for cash, credit, or the fair market value of property or services received or to be received through barter, and regardless of collection in the case of credit, unpaid accounts receivables, or insufficient funds, whether such revenue and/or income is generated in compliance with or in violation of the terms of this Agreement. Notwithstanding the foregoing, Gross Revenue does not include any revenue taxes or other taxes collected from customers by you for transmittal to an appropriate taxing authority. We reserve the right to limit any discounts, offsets, credits, or deductions of any nature from Gross Revenue ("**Discounts**") for the purpose of calculating Royalties, Advertising Fund contributions, your local marketing obligations, and any other fees that are collectible under this Agreement and are based on your School's Gross Revenue ("**Revenue Based Fees**"). If you offer any Discounts to customers which exceed the Discounts that we approve, we will be entitled to collect all Revenue Based Fees calculated on your School's published rates, tuition, or other fees that would have been charged if you had offered only the Discounts we approve (If any), regardless of the amount you actually receive. In all cases, the amount of Gross Revenue generated by or in connection with the School will be determined exclusively by us.

9. ACCOUNTING AND RECORDS; TAXES

9.1 Business Systems. You will acquire and use only the software and computer and payment systems and equipment we prescribe ("**Business Management System**") for use in Children's Lighthouse Schools and adhere to our requirements for use, including without limitation, accounting for all Gross Revenue through the Business Management System. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, and high-speed Internet connections. We may, in our sole discretion, require you to add to your Business

Management System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software, replace or upgrade your Business Management System (software and hardware), and enter into maintenance agreements for the Business Management System. You may elect to purchase a secondary computer and related software for use in the School for general, non-School-specific business functions, such as Internet browsing, word processing, spreadsheet preparation, and emailing. We will provide you 90 days advance written notice of any change to the Business Management System requirements. You must acquire, install, and maintain such anti-virus and anti-spyware software we require, and you must adopt and implement such Internet user policies we may prescribe for purposes of avoiding, blocking, and eliminating viruses and other conditions that may interfere with the operation of the Business Management System.

9.2 Software. You must: **(a)** use all proprietary and non-proprietary software programs, system documentation manuals, and other materials that we require in connection with the operation of the School; **(b)** input and maintain in the Business Management System or in other software programs, documentation or otherwise such data and information we prescribe; and **(c)** purchase new or upgraded software programs, system documentation manuals, and other proprietary materials at then-current prices whenever we adopt such new or upgraded programs, manuals, and materials system-wide. You must enter into all software license agreements, "terms of use" agreements, and software and hardware maintenance agreements, in the form and manner we prescribe, and pay all fees imposed thereunder. There are no limitations on our right to access the information and data tracked by the software we require you to use, including but not limited to remote access, and you must provide us your login information as we require. We are not required to share this information or data with you.

9.3 Reporting. You must:

9.3.1 Books of Account. You must prepare and preserve for at least five years from the date of preparation true, complete, and correct books of account and business records in accordance with the methods and procedures we require and according to generally accepted accounting principles and notify of us of your fiscal year end and any change thereto.

9.3.2 Financial and Operations Information. Submit to us by the method we require, all reports and information we require regarding the operation of your School, including evidence of all payments made by third parties to your School or to you or any Affiliate in connection with your School, on our prescribed forms on or before the Due Date, along with the monthly Royalty payment. We reserve the right to require daily, weekly, or monthly continuous reporting at any time, on one week's notice to you.

9.3.3 Monthly P&L Statement. On or before the 10th day of each month, submit to us a profit and loss statement for the previous month, which is certified by you to accurately reflect the financial condition of your School according to generally accepted accounting principles. Your failure to provide copies of your financial statements when they are due may trigger, in our sole discretion, a late submission fee of up to $1,000 per occurrence, plus an additional late submission fee of $100 per month until received by us. Your failure to provide us copies will also constitute a material breach of this Agreement and may trigger an audit of your School pursuant to Section 9.3.7 below.

9.3.4 Quarterly Financial Statements. Supply to us complete quarterly financial statements within 15 days after the end of each fiscal quarter, including a balance sheet and operating statement, which are certified by you to accurately reflect the condition of your School according to generally accepted accounting principles. Your failure to provide copies of your financial statements when they are due may trigger, in our sole discretion, a late submission fee of up to $1,000 per occurrence, plus an additional late submission fee of $100 per month until received by us. Your failure to provide us copies will also constitute a material breach of this Agreement and may trigger an audit of your School pursuant to Section 9.3.7 below.

9.3.5 Tax Returns. Furnish to us a signed copy of your federal, state, and/or local income tax returns and sales tax returns at the same time they are filed with the applicable federal, state, and local agencies, but the submission must be within three months after the end of your fiscal year. Your failure to provide copies of your tax returns when they are due may trigger, in our sole discretion, a late submission fee of up to $1,000 per occurrence, plus an additional late submission fee of $100 per month until received by us. Your failure to provide us copies will also constitute a material breach of this Agreement and may trigger an audit of your School at your expense pursuant to Section 9.3.7 below.

9.3.6 Annual Financial Statements. Supply to us complete annual financial statements within three months after the end of your fiscal year, including a balance sheet and operating statement, which are certified

by you to accurately reflect the condition of your School according to generally accepted accounting principles. Your failure to provide copies of your financial statements when they are due may trigger, in our sole discretion, a late submission fee of up to $1,000 per occurrence, plus an additional late submission fee of $100 per month until received by us, and the suspension of our support services to you. Your failure to provide us copies will also constitute a material breach of this Agreement and may trigger an audit of your School pursuant to Section 9.3.7 below.

9.3.7 Audit. Have an audit conducted of your School's operations by an independent, Certified Public Accounting firm approved by us, if specifically requested by us, and direct the accounting firm to furnish us a full copy of the audit report on its completion. If you fail to do so, we may retain an independent Certified Public Accounting firm to undertake such audit. You must cooperate fully with the auditors during all investigations. Should the auditors discover that you have understated any month of your School's Gross Revenue by an amount equal to or greater than 2% of any month's actual Gross Revenue, you must pay the costs of the audit (including travel, lodging and wage expenses, and attorneys' and accountants' fees) and the underpayment, plus interest on the underpayment, at 10% per annum, or the highest amount allowed by law, whichever is less, from the date of the underpayment. Otherwise, we will pay the costs of the audit.

9.4 Taxes. You must promptly pay, or cause to be paid, all taxes due and owing based on your operation of the School including, without limitation, sales, income, property, and payroll taxes.

9.5 Disclosure of Financial Information. We reserve the right to disclose data from your financial reports if we determine such disclosure is necessary or advisable, which disclosure might include disclosure to prospective or existing franchisees or other third parties. Further, you hereby authorize (and agree to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors, and other persons or entities with whom you do business in connection with the School to disclose to us any financial information in their possession relating to you, the School, or the Franchised Business, which we may request.

9.6 Ongoing Communications. Your failure to remain in communication with us or to respond to our written correspondence or telephone messages will constitute a material breach of this Agreement.

10. RESTRICTIVE COVENANTS; AGENCY, LIABILITY, AND INDEMNIFICATION

10.1 Confidential Information. "**Confidential Information**" means all trade secrets; all elements of the System; all customer information; all information contained in the Manual; our proprietary methods and standards for selecting sites and for teaching and directing activities; training; the curricula we develop; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, and know-how concerning the methods of operation of the Schools, which may be communicated to you, or of which you may be apprised, by virtue of your ownership and operation of your School under the terms of this Agreement, and all other information that we designate. Customer lists and all customer information generated in connection with your School are our proprietary information exclusively, and it may not be disclosed or used in any way we do not authorize. The Manual will, at all times, be kept at a secure location on the premises of the School. You must at all times treat the Manual as confidential, and may not at any time disclose, loan, copy, duplicate, record, or otherwise reproduce, in whole or in part, the contents of the Manual or other Confidential Information for the use by any third party, except to your School Director and assistant directors, as necessary in the regular conduct of the School, and except as authorized, in writing, by us. You are responsible for requiring compliance of your Affiliates and employees with the provisions of this Section 10.1. You must obtain written confidentiality and non-competition agreements, in the form of Attachment C to this Agreement, from your Affiliates, your School Director, your assistant director(s), and any other person(s) we require, and you must send us a copy of each such agreement within 10 days after each such person or Business Entity begins its relationship with you. You and your Principals must maintain the confidentiality of all Confidential Information, and you must use Confidential Information only in connection with the development and operation of the School. This obligation will survive expiration or termination of this Agreement.

10.2 Other Businesses; No Competing Interests. You and your Principals may operate or have interests in other completely separate and distinct businesses so long as such businesses are separately maintained and identified by names distinct from "Children's Lighthouse" and do not violate any part of this Agreement. You warrant and represent that neither you nor any of your Affiliates or Principals own, operate, or have any financial or beneficial interest in any Competitive Business (defined below).

10.3 In-Term Non-competition Covenants. During the Term of this Agreement, and any extension or renewal of this Agreement, you and your Principals must not:

10.3.1 Diversion. Directly or indirectly, alone or in conjunction with, any person or Business Entity, divert or attempt to divert, any business of or any customer of any Children's Lighthouse School, including your own, to any Competitive Business. "**Competitive Business**" means any business that provides childcare and/or pre-school learning services, but does not include any Children's Lighthouse School operating under a valid franchise agreement with us or our Affiliate.

10.3.2 Involvement in Competitive Business. Directly or indirectly, alone or in conjunction with, any person or Business Entity, own, operate, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any Competitive Business (provided that such restriction does apply to less than a 1% beneficial interest in a Competitive Business that is a publicly traded company).

10.3.3 Tolling. The time period relating to the restrictions set forth in all of Section 10.3 will be tolled for any period of non-compliance.

10.4 Post-Term Non-competition Covenants. During the three-year uninterrupted period commencing upon expiration, termination (regardless of the reason for termination), or transfer of this Agreement; or transfer by any Principal of any ownership in this Agreement, or in the Business Entity that operates the School under this Agreement, you and your Principals must not:

10.4.1 Diversion. Directly or indirectly, alone or in conjunction with, any person or Business Entity, divert or attempt to divert, any business of or any customer of any Children's Lighthouse School to any Competitive Business.

10.4.2 Involvement in Competitive Business. Directly or indirectly, alone or in conjunction with, any person or Business Entity, solicit the parent of any child who is or was enrolled in any Children's Lighthouse School, for the purpose of promoting any childcare or pre-school services, except to refer them to another Children's Lighthouse School.

10.4.3 Involvement in Competitive Business. Directly or indirectly, alone or in conjunction with, any person or Business Entity, own, operate, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any **(a)** Competitive Business operating at or from the Approved Location; or **(b)** operating within a 25-mile radius of any other Children's Lighthouse School **(i)** that i**s** in operation, **(ii)** that is under construction, **(iii)** for which a site has been submitted to us for approval to be a Children's Lighthouse School, or **(iv)** for which a particular geographic area has been identified as being a potential site for a Children's Lighthouse School about which we have shared proprietary site selection, market data, or any other Confidential Information with you, as of the date of expiration or termination of this Agreement (provided that such restriction does not apply to less than 1% beneficial interest in any Competitive Business that is a publicly traded company).

10.4.4 Tolling. The time periods relating to the restrictions set forth in all of Section 10.4 will be tolled for any period of non-compliance.

10.5 Covenants from Others. Upon our request, each Principal and Affiliate of yours will execute a separate agreement containing the terms contained in Section 10. of this Agreement and deliver to us an executed copy of such agreement.

10.6 Additional Provisions. You and each of your Principals acknowledge and agree that the covenants set forth in Section 10. of this Agreement are fair and reasonable. You and each of your Principals acknowledge and agree that such covenants will not impose any undue hardship on you or any of your Principals and that each Principal has other considerable skills, experience, and education that afford him or her the opportunity to derive income from other endeavors. You and your Principals further acknowledge that pursuant to this Agreement each of you has received an advantage by receiving the Confidential Information and that the covenants and restrictions set forth in Section 10. of this Agreement are reasonable, appropriate, and necessary to protect our standards, the System, Confidential Information, other franchisees operating under the System, the goodwill of the System, relationships with our prospective and existing franchisees, and our legitimate business interests Each of the provisions of Section 10. of this Agreement is independent of any other provision of this Agreement. If a court decides that any part of Section 10. of this Agreement is unreasonable or unenforceable, you agree to be bound by any lesser covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in Section 10. of this Agreement. This Agreement may be reformed to be enforceable to the fullest extent permitted by law. You and each

Principal acknowledge and agree that any claims that you or they have or allege to have against us are no defense to the enforcement of any covenant contained in Section 10. of this Agreement.

10.7 Irreparable Harm. You acknowledge that your or your Principals' failure to adhere strictly to the restrictions described in Section 10. of this Agreement will cause substantial and irreparable injury to us and that damages for such injury will be difficult, if not impossible, to determine. Consequently, you hereby consent to the issuance of an injunction enjoining you from directly or indirectly violating any covenants or restrictions described in Section 10. of this Agreement, and will pay our reasonable attorneys' fees and all other costs we incur to enforce our rights under this Agreement.

10.8 Independent Contractor. The parties acknowledge and agree that you are operating the School as an independent contractor. Nothing contained in this Agreement creates or will be construed to create a partnership, joint venture, or agency relationship between you or any Principals on the one hand and us on the other hand. No parties to this Agreement have any fiduciary obligations to the other hereunder, nor is any party hereto liable for the debts or obligations of the other. You and we may not bind the other, transact business in the other party's name, or in any manner make any promises or representations on behalf of the other party, unless otherwise agreed in writing. We does not participate in the hiring, promoting, disciplining, or discharging of your employees or in setting or paying wages or benefits to your employees, and you acknowledge that we have no power, responsibility, or liability with respect to the hiring, promoting, disciplining, or discharging of employees or in setting or paying their wages. You must conspicuously identify yourself and the name of the Business Entity that operates the School in all dealings with your customers, contractors, suppliers, public officials, and others, as an independent franchisee of Childrens Lighthouse Franchise Company, and you must place a conspicuous notice, in the form and at such place as we prescribe, notifying the public of such independent ownership. Additionally, you must communicate to all employees that you, not Childrens Lighthouse Franchise Company, and not "Children's Lighthouse", are their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or our name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

10.9 Indemnification. You will indemnify and hold harmless to the fullest extent by law us, our Affiliates, and their respective directors, officers, employees, shareholders, and agents, (collectively, "**Indemnitees**") from any and all "**losses and expenses**" (defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with: **(a)** your employer/employee relationships, **(b)** the training you, your Principals, or any of your employees receive by us, **(c)** your breach of this Agreement, **(d)** your improper or unauthorized use of the Children's Lighthouse name or Marks; and **(e)** your operation of the School, the Business Entity, and the Franchised Business, including, but not limited to, claims arising as a result of the maintenance and operation of vehicles at the School (collectively, "**event**"), and regardless of whether the same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity will not apply to any liability arising from the gross negligence of Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement shall extend to any finding of comparative negligence or contributory negligence attributable to you). For the purpose of this Section 10.9, the term "**losses and expenses**" includes compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Under no circumstances will we be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this provision, and our failure to seek such recovery or mitigate its loss will in no way reduce the amounts recoverable by us under this provision. You must give us prompt notice of any event of which you are aware, for which indemnification is required, and, at your expense and risk, we may elect to assume (but under no circumstance are we obligated to undertake) the defense and/or settlement thereof, provided that we will seek your advice and counsel. Any assumption by us shall not modify your indemnification obligation. We may, in our sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in our sole and absolute discretion, necessary for the protection of the indemnities or the System. This provision survives termination or expiration of this Agreement.

10.10 Insurance. You must maintain in full force and effect at all times during the Term of this Agreement, at your expense, an insurance policy or policies protecting you, us, and our Affiliates and their respective partners,

shareholders, directors, managers, agents, and employees against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense arising or occurring upon or in connection with the operation of your School as directed below and in the amounts listed below:

10.10.1 Coverages. You must obtain and maintain policies with the following coverages. We reserve the right to unilaterally require you to purchase additional or different types of insurance and to modify the minimum coverage requirements set forth below as market or industry conditions warrant:

Type of Insurance	Minimum Limits
Comprehensive General Liability Coverage	$1 million per occurrence, $3 million aggregate limit including: (a) Products and Completed Operations, and (b) Personal and Advertising Injury
All Risk Property Insurance Coverage (including Business Interruption Coverage)	Replacement costs basis
Professional Liability Coverage	$1 million single limit
Employment Practices Liability Coverage	$500,000 per occurrence and in the aggregate
Sexual Abuse Coverage	$1 million per occurrence with $1 million aggregate
Auto Combined Liability (personal injury by state statute)	$1 million combined single limit owned auto with $1 million for hired and non-owned auto
Accident Coverage	$250,000 per incident
Workers' Compensation Coverage (as required by state statutes which may allow for self-coverage)	$1 million limit; $1 million statutory coverage per employee incident
Umbrella Coverage for Comprehensive General Liability, Auto Combined Liability and Workers' Compensation	$1 million single limits
Data/Privacy Breach	$500,000

10.10.2 Waiver of Subrogation. In connection with any and all insurance that you are required to maintain under this Section 10.10, of this Agreement, you and your insurers must waive their rights of subrogation against us, and you must provide us evidence of such waiver.

10.10.3 No Indemnity Limitations. Your obligation to obtain and maintain insurance is not limited in any way by reason of any insurance which may be maintained by us, nor does your performance of such obligation relieve you of liability under the indemnity provisions set forth in Section 10.9 above.

10.10.4 Additional Insureds. All public liability and property damage policies must contain a provision using language we approve, which states that we and our Affiliates are named as additional insureds and are entitled to recover under such policies on any loss occasioned to us, or our Affiliates, partners, shareholders, officers, directors, agents, or employees by reason of your negligence.

10.10.5 Certificates. At least 10 days prior to the time you are first required to carry insurance, and thereafter at least 30 days prior to the expiration of any policy, and any other time we request, you must deliver to us a certificate of insurance evidencing your compliance with all of Section 10.10. of this Agreement. Each certificate of insurance must expressly provide that no less than 30 days prior written notice will be given to us in the event of material alteration to or cancellation or non-renewal of the coverage evidenced by such certificates.

11. TRANSFER

11.1 Transfer by Us. We may transfer or assign all or any part of our rights or obligations under this Agreement to any person or Business Entity. With respect to any assignment which results in the subsequent performance by the assignee of all of our obligations under this Agreement, the assignee will expressly assume and

agree to perform such obligations, and will become solely responsible for all of our obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, you expressly agree that we and/or our Affiliates may sell their assets, the Marks, the Copyrighted Works (defined in Section 14.1 below), or the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands, or damages arising from or related to the loss of the Marks (or any variation thereof), the Copyrighted Works, the System, and/or the loss of association with or identification of Childrens Lighthouse Franchise Company as the franchisor under this Agreement. Further, we have the right, now and in the future, to purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other business regardless of the location of such chain's or business' facilities, and to operate, franchise, or license those businesses and/or facilities, regardless of where located, under any name, including the Children's Lighthouse name and Marks; except that no such business will operate using the Children's Lighthouse name or Marks in your Territory.

11.2 Transfers. You must not sell, assign, transfer, or sublicense your rights in and to this Agreement, any ownership interest in you if you are a Business Entity, or any portion of the assets of the School or the Franchised Business (if such assets are owned by your Affiliate) without our prior written consent, which we will not unreasonably withhold. Any purported transfer, by operation of law or otherwise, made without our prior written consent will be considered null and void and will be considered a material breach of this Agreement.

11.3 Transfer by Individual Franchisee to Business Entity for Convenience. If you are an individual, you may transfer your interest in this Agreement to a Business Entity for convenience of operation by signing our standard form of assignment and assumption agreement if: **(a)** the Business Entity is formed solely for purposes of operating the School; **(b)** the Principals of the Business Entity are the same as the original signatories to this Agreement; **(c)** you comply with all of the requirements set forth in Section 13. of this Agreement; **(d)** you and your Affiliates are in compliance with this Agreement and all other agreements with us or our Affiliates; and **(e)** you pay all reasonable attorneys' fees and other expenses we incur. If the Principals of the Business Entity transferee are not the same as the original signatories to this Agreement, then the transfer is subject to Section 11.4 or 11.5, depending on the amount of ownership each signatory has in the transferee Business Entity.

11.4 Among Owners; Transfer of Non-Controlling Interest; Transfer of Certain Assets.

11.4.1 If you are a Business Entity, your owners of record with us may transfer their ownership interests in the Business Entity among each other, and may transfer up to 49% ownership interest in the Business Entity to one or more third parties if: **(a)** you have provided us 30 days advance written notice of the proposed transfer; **(b)** you and your Affiliates are in compliance with this Agreement and all other agreements with us or our Affiliates; **(c)** in the case of third parties, each such transferee meets our qualifications for new franchisees; **(d)** you sign an amendment reflecting the new ownership structure; **(e)** each new Principal signs a Guaranty in the form of Attachment D; **(f)** you pay us an ownership change fee of $15,000, plus all costs and expenses we incur, including our reasonable attorneys' fees; **(g)** you and each Principal and guarantor execute a general release in a form satisfactory to us of any and all claims against us and our Affiliates and our and their respective officers, directors, managers, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising. Notwithstanding the foregoing, any change of ownership of your Operating Principal must also comply with the requirements described in Section 7.2.1 of this Agreement.

11.4.2 If you or your Affiliate wish to sell the land and/or building where the School is located, but are not transferring your rights under this Agreement: **(a)** you must provide us 60 days advance written notice of the proposed transfer; **(b)** you and your Affiliates must be in compliance with this Agreement and all other agreements with us or our Affiliates; **(c)** you must provide us a copy of the purchase and sale agreement and a copy of the proposed lease; **(d)** you and the landlord of the land and building must enter into our then-current form of lease rider (currently, Attachment B to this Agreement); **(e)** at the time you notify of us your intent to sell the land/or building, you must pay us a fee of $15,000, plus all costs and expenses we subsequently incur, including our reasonable attorneys' fees; **(f)** you must comply with Sections 11.5.9 and 11.5.10, below; and **(g)** you and each Principal and guarantor must execute a general release in a form satisfactory to us of any and all claims against us and our Affiliates and our and their respective officers, directors, managers, shareholders, agents, and employees in their corporate and individual

capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

11.5 Transfer of Agreement; Transfer of the School; Transfer of Controlling Interest. If your owners of record with us wish to transfer 50% or more their ownership interests in the Business Entity, whether individually or in the aggregate, we will not unreasonably withhold our consent to the type of transfer described by this Section 11.5, but we may condition our consent on satisfaction of any or all of the following:

11.5.1 You have provided us 30 days advance written notice of the proposed transfer.

11.5.2 Your School is open and operating or is no more than 60 days from its Opening Date, and at least 60 days prior to the proposed transfer date, you have notified us of the terms and conditions of the proposed sale, assignment, or transfer. You must offer us a right of first refusal to acquire the interest in the franchise and the School on the same terms and conditions as proposed by the third party. We will then have 30 days to accept your offer. You will have to provide us, along with the notice to sell, a copy of the contract, agreement, or other document or correspondence entered into or exchanged to implement the proposed transaction.

11.5.3 The proposed assignee or transferee must meet our then-current financial and other qualifications and must comply with the operating personnel requirements set forth in Section 7.2 of this Agreement.

11.5.4 The proposed assignee or transferee must execute our then-current form of franchise agreement and all other ancillary documents we require. If the proposed assignee or transferee is a Business Entity, then the Principals of the Business Entity must execute a guaranty of the Business Entity's obligations under the franchise agreement.

11.5.5 You must pay us all amounts then due from you for any reason and return our Manual and other Confidential Information.

11.5.6 You must not be in default under this Agreement at the time of the proposed sale, assignment, or transfer. If you are in default, either you or the proposed assignee or transferee must remedy the default before the sale, assignment, or transfer closes.

11.5.7 You must pay to us a "**Transfer Fee**" of $35,000, plus all additional costs and expenses we incur, including but not limited to reasonable attorneys' fees. Payment of the Transfer Fee will be in two installments. The first payment of $5,000 must be paid at the time you notify us of your desire to transfer your School, and this portion of the fee is non-refundable whether the transfer closes or not. The remaining amount, plus any additional costs and expenses we incur, including but not limited to reasonable attorneys' fees, must be paid at the time the transaction closes. The new franchisee will not be allowed to operate the School until the Transfer Fee is paid in full.

11.5.8 Transferee must purchase and use the current technology and software.

11.5.9 At your own expense, you or transferee must: **(a)** remodel, modernize, and redecorate the School premises, including without limitation, replacing and adding interior and exterior signage and other branding elements we require; and **(b)** replace and modernize the fixtures, equipment, and supplies used in the School; all of which must meet the then-current brand and operating standards for new Schools that are in place at the time the transfer is requested.

11.5.10 Your School must undergo a physical inspection to ensure our current standards of operation and appearance are met at the time of the requested transfer.

11.5.11 Transferee and its Operating Principal and the replacement School Director, if applicable, must comply with the training requirements set forth in Section 6. of this Agreement and attend such other training program as we may reasonably require.

11.5.12 Upon execution of the new franchise agreement, transferee must pay us a reduced Opening Training Fee in the amount of $15,000.

11.5.13 You and each Principal must give us an unconditional, general release of any and all claims you or they may have against us or our Affiliates.

11.6 Transfer to Family Members. While living, but not incapacitated, you and your Principals may transfer your or their interest in this Agreement or in the Franchised Business to your or their respective immediate

family members, provided such transfers are of minority interests only, and in the aggregate, do not constitute a change in control of 50% or more of you or the Franchised Business, or to a trust under the direction of you or a Principal. All transfers under this Section 11.6 must comply with the requirements set forth in Section 11.4.1 above. If a transfer of the type contemplated by this Section 11.6 would constitute a change in control of 50% or more in you or the Franchised Business, then such transfer will be subject to all of Section 11.5. Such interests may also pass by will or applicable laws of intestate succession, in which case, the same requirements as described above in this Section 11.6 will apply.

11.7 Transfer Upon Death or Incapacity. Upon the death or permanent incapacity (mental or physical) of any person who holds an ownership interest in this Agreement, you, or all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person must transfer such interest to a surviving owner who holds an ownership interest in this Agreement, you, or all or substantially all of the assets of the Franchised Business or to a third party we approve within six months after such death or incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same conditions as set forth in Section 11.5 above. If the interest is not disposed of within such period, we may, in our sole discretion, terminate this Agreement.

11.8 Surviving Covenants. Any party transferring any interest pursuant to Section 11. of this Agreement will continue to be bound by the confidentiality and non-competition covenants in Section 10. of this Agreement.

11.9 Security Interest. You may grant a security interest in this Agreement or the franchise represented by this Agreement only to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of the operation of the Franchised Business and may not entitle or permit the secured party to take possession of or operate the Franchised Business or to transfer your interest in the franchise without our consent.

11.10 Private or Public Offerings. If you are a Business Entity and you intend to issue equity interests in the Business Entity pursuant to a public or private offering, you must first obtain our written consent, which we may withhold in our sole discretion. You must provide us for review a copy of all offering materials (whether or not such materials are required by applicable securities laws) at least 60 days prior to such documents being filed with any government agency or distributed to investors. Any offering must not imply (by use of the Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities, and our review of any offering will be limited to ensuring compliance with the terms of this Agreement. We may condition our approval on satisfaction of any or all of the conditions set forth in Section 11.5. of this Agreement and on execution of an indemnity agreement, in a form we prescribe, by you and any other participants in the offering, in which we are indemnified for losses and expenses, as defined in Section 10.9 of this Agreement, relating to the private or public offering. For each proposed offering, you must pay us an amount we determine, which we will use to reimburse us for the reasonable costs and expenses we incur (including, without limitation, attorneys' fees and accountants' fees) in connection with reviewing the proposed offering.

11.11 Right of First Refusal. If you receive a bona fide offer to purchase your interest in this Agreement or all or substantially all of the assets of your School or the Franchised Business, or if any Principal receives a bona fide offer to purchase his or her equity interests in you, and you or such Principal wishes to accept such offer, you or such Principal must deliver to us written notification of the offer and, except as otherwise provided herein, we will have the right and option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer must include the fair market value of the assets, and you must submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer. Any material change in the terms of any offer prior to closing will constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. If we elect to purchase the seller's interest, closing on such purchase must occur by the later of: **(a)** the closing date specified in the third-party offer; or **(b)** within 60 days after the date of notice to the seller of our election to purchase. Our failure to exercise the option described in this Section 11.11. will not constitute a waiver of any of the transfer conditions set forth in any of Section 11. above.

12. ADVERTISING

12.1 General Advertising. You will advertise in accordance with our requirements and change or discontinue any advertising on our request. Your advertising may include promotions via the Internet, e-commerce,

electronic media, or other technologically advanced media. We may require that you operate a Website or that you participate in any Website that we establish. We must approve your use of any Website, and we disapprove your use at any time. We may establish standards that are applicable to the content and use of your approved Website, and you must comply with those standards. We may also establish rules, standards, and guidelines governing Internet activity and use, including codes or standards of conduct, privacy standards, security guidelines, truth-in-advertising standards, and other standards relating to Children's Lighthouse Schools generally, your School, and our System. All of your advertising and promotional materials must be factual and true. You must send us copies of all advertisements and promotional materials that you plan to use to promote your School at least eight weeks prior to the first use of the material. We will make a good faith effort to review the material within 30 days of receipt of the material and will notify you whether we, on our sole discretion, approve or reject the material. Failure to hear from us will be deemed as our disapproval of the materials, and you must not use such materials until or unless they are approved by us. Advertising materials that have previously been approved and have only been modified in variables such as date and price will be considered previously approved. We may withdraw our approval if we reasonably believe it is necessary to conform to changes in the System or to correct unacceptable features of the advertising, including any misrepresentation in the advertising material. Your e-commerce advertising and Internet activity must comply with the provisions of this Agreement pertaining to advertising and the use of our name and Marks. We may, but are not required to, develop and administer advertising and sales promotion programs in which you must participate in accordance with the terms and conditions we establish for each program.

12.2 Pre-opening Advertising. Prior to opening your School, or the earliest date allowed by state or local law, you must spend at least $25,000 on pre-opening advertising and promotional programs, as set forth in the Manual. These programs may include newspaper, radio, television, direct mail, electronic, or other media. The pre-opening marketing program must be submitted to us for approval, and you may not conduct any pre-opening marketing until you have received our written approval. Payment of the Pre-opening Marketing Payment does not release you from your obligations to conduct and pay for grand opening or other initial marketing as we require.

12.3 Grand Opening. You must also spend an additional $10,000 on grand opening and local marketing within the first 60 days after the School opens. Within 30 days before the Opening Date, you must submit to us, in writing, your plan to use these funds, which we may require you to alter. If you do not develop a plan that we determine to be satisfactory, then we reserve the right to require you to deposit the $10,000 with us to be spent on your behalf, and the funds will be held and managed the same as the Pre-opening Marketing Payment, as described above. You may not begin any grand opening marketing without our written approval.

12.4 Advertising Fund. We reserve the right to require you to pay up to 2% of Gross Revenue to the advertising fund ("**Advertising Fund**" or "**Fund**"). As of the Effective Date of this Agreement, you must pay us, on the Due Date, the required Fund contribution amount is set forth in the Summary Pages. Advertising Fund payments must be made as set out in Section 8. of this Agreement. We will provide you 90 days advance notice before we increase the amount you must contribute to the Fund.

12.4.1 We have the right to use Fund monies, in our sole discretion, to pay for: creative development; preparing and procuring market studies and obtaining marketing services (including, without limitation, new services development, conducting customer surveys, focus groups, and customer interviews); employing advertising and/or public relations agencies; developing, producing, distributing, and placing advertising (including, without limitation, preparing and conducting media advertising campaigns in various media, local market advertising and promotion in a particular area or market, or for the benefit of a particular School or Schools in connection with School opening promotions or otherwise); preparing and executing direct mail advertising, and developing, producing, and purchasing advertising and other sales aids and promotional items and materials; research and development; developing, updating, and hosting the Children's Lighthouse Website (including development of locator programs); development and purchase of products, materials, services, software, and platforms intended to promote the Children's Lighthouse brand; obtaining sponsorships and endorsements; developing, administering, and distributing coupons, certificates, and stored value card programs, and the cost of products associated with the redemption of free coupons, gift certificates and stored value cards; developing and administering other customer loyalty programs; providing and procuring public relations services; conducting public relations activities; development and purchase of materials, products, and services intended to maximize system enrollment, including but not limited to employee recruitment programs and platforms. From time to time, we may engage in initiatives, new or otherwise, relating to the brand development activities stated above, and in order to implement or maintain the new or existing initiatives, we may use Fund monies to pay for the initial and recurring costs of new or existing initiatives. We may use Fund monies to

compensate us or our Affiliates for overhead and other expenses incurred in connection with the administration of the Fund.

12.4.2 We own all rights, and retain all copyrights, in all existing and future design and content developed using Fund monies, and we will have sole control over the creative concepts, content, form, and media placement of all advertising and promotional materials developed with Fund monies and the allocation of Fund monies to production, placement, and other costs. We are not obligated to expend Fund monies for placement of advertising in your trading area, or to ensure that your School benefits directly or *pro rata* from the expenditure of Fund monies. The Fund is not a trust. We have no fiduciary duty to you or to any other person with respect to the collection or expenditure of Fund monies. Upon your reasonable request, we will provide you an annual, unaudited statement of Fund contributions and expenditures.

12.4.3 In any fiscal year, we may spend on behalf of the Fund an amount greater or less than the aggregate contributions of all franchisees to the Fund in that year. The Fund may borrow money from us, our Affiliates, or others to cover deficits, if any. If we or our Affiliates lend money to the Fund, we or our Affiliates may charge interest at an annual rate that is 1% greater than the rates we or our Affiliates pay lenders. Although the Fund is intended to be perpetual, we may terminate the Fund at any time. The Fund will not be terminated, however, until all Fund monies have been spent as described in Section 12.4 of this Agreement or returned to the Fund contributors on the basis of their respective contributions. Fund contributions are not refundable under any other circumstances. Any amounts contributed to the Fund that are not spent in the year they are collected will remain in the Fund for future expenditures.

12.5 Local Advertising. You must spend on local advertising the amount set forth in the Summary Pages. We will develop, or cause to be developed, from time to time, advertising aids, brochures, and other materials for the use of all franchisees. You must avail yourself of such materials as we require for your School. Written documentation, as we require, must be sent quarterly to us for verification of local advertising expenditures and compliance. Any amounts contributed to an advertising cooperative pursuant to Section 12.6 below, will be credited toward satisfaction of your local advertising expenditure requirement.

12.6 Advertising Cooperatives.

12.6.1 Advertising Co-op. We may, from time to time, form local or regional advertising cooperatives ("**Co-op**") to pay for the development, placement, and distribution of advertising for the benefit of Schools located in the geographic region served by the Co-op. Any Co-op we establish will be operated solely as a conduit for the collection and expenditure of Co-op fees for the foregoing purposes.

12.6.2 Co-op Contributions. If we create a Co-op for the area where your School is located, you must participate in the Co-op as required by Section 12.6 of this Agreement, and you must pay the dues and other fees established by the members of the respective Co-op. We will not require you to contribute more than the amount you are required to spend on local advertising, but the members of the Co-op may elect to require a greater contribution. Notwithstanding anything to the contrary in any Co-op governing documents, you hereby grant us the right to collect your required Co-op contributions in the same manner as your Royalty payments, as set forth in Section 8. of this Agreement and contribute such payments to the Co-op on your behalf.

12.6.3 Governing Rules. We have the exclusive right to create, dissolve, and merge each co-op, in our sole discretion, and to create and amend the organizational and governing documents related thereto, provided that such documents: **(a)** operate by majority vote, with each Children's Lighthouse School (including Children's Lighthouse Schools owned or operated by us or our Affiliates) entitled to one vote; **(b)** entitle us to cast one vote (in addition to any votes we may be entitled to because of Schools we own or operate); **(c)** permit the members of the Co-op, by majority vote, to determine the amount of required contributions; and **(d)** provide that any funds left in the Co-op at the time of dissolution will be returned to the members in proportion to their contributions during the 12-month period immediately preceding termination. You agree to be bound by all such organizational and governing documents and will, at our request, execute all documents necessary to evidence or affirm your agreement. The Co-op will begin operating on a date we determine, and the Co-op will reimburse us for all costs associated with forming the Co-op, including but not limited to attorneys' fees and state filing fees.

12.6.4 Co-op Advertising Materials. No advertising or promotional plans or materials may be used by the Co-op or furnished to its members without our prior written approval. All advertising plans and materials must conform to our standards and must be submitted to us for approval according to the procedures set forth in Section 12.1 of this Agreement.

12.7 Business Directory. You must maintain a listing of your School in the business directory(ies) we require, which may be digital directories or Internet listings, in accordance with our specifications. Business directory listings will not be credited toward any expenditures required under this Section 12. of this Agreement.

13. LEGAL ENTITY OF FRANCHISEE

13.1 Continuing Obligations. You and your Principals make the following representations, warranties, and covenants and accept the following obligations. Such representations, warranties, and covenants are continuing obligations, and you and your Principals acknowledge and agree that any failure to comply with them will constitute a material event of default under this Agreement. You will cooperate with us to verify compliance with the following representations, warranties, and covenants:

13.1.1 Business Entity Representations. If you are entering into this Agreement as a Business Entity, the signatory to this Agreement represents and warrants that: **(a)** you are duly organized and validly existing under the laws of the state of your formation; **(b)** you are duly qualified and authorized to operate the School and the Franchised Business in each jurisdiction in which your business activities or the nature of the properties owned by you require such qualification; **(c)** your written, governing documents will at all times provide that your activities are confined exclusively to the operation of a Children's Lighthouse School(s); **(d)** your name does not and will not include the name "Children's Lighthouse" or the word "Lighthouse"; and **(e)** the execution of this Agreement and the performance of the transactions contemplated hereby are permitted by your governing documents and have been duly authorized by your Principals, or as otherwise required in your governing documents.

13.1.2 Required Information. Prior to execution of this Agreement, you will have provided us all of your **(a)** formation and governing documents and all amendments thereto; **(b)** resolutions of your governing board authorizing entry into and performance of this Agreement; **(c)** all certificates, buy-sell agreements, or other documents restricting the sale or transfer of ownership in the Business Entity; **(d)** a true and complete list of: **(i)** the names of the shareholders, partners, members, trustees, or other Principals showing the number of shares, partnership interests, trust interests, or other ownership interests owned by each and **(ii)** the names of any officers, directors, managers, or trustees who are not equity Principals; and **(e)** any other documents we may reasonably require. Further, you will promptly provide us such additional information as we may from time-to-time request concerning all persons and Business Entities that may have any direct or indirect financial interest in you, this Agreement, the School, and/or the Franchised Business.

13.1.3 Ownership. The ownership interests in you are accurately and completely described in the Summary Pages. You will maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in you and will make your list of owners available to us upon request.

13.1.4 Stop-Transfer Instructions. You must maintain in your records stop-transfer instructions against the transfer of any of ownership interest, and each certificate representing such ownership interests must have conspicuously endorsed upon it a statement in a form satisfactory to us that such ownership interest/certificate is held subject to all restrictions imposed upon assignments by this Agreement. Further, your governing documents must state that ownership of an interest in you is held subject to all restrictions imposed by this Agreement upon transfers and assignments of this Agreement.

13.2 Personal Guaranty. All shareholders, partners, members, trustees, or other equity Principals of you must execute and deliver to us a guaranty substantially in the form attached as Attachment D to this Agreement ("**Guaranty**") and provide us their home addresses and phone numbers. Under the Guaranty, such individuals must jointly and severally guarantee your payment and performance under this Agreement. If we do not require any of your Principals to sign the Guaranty, then each such Principal must execute the Confidentiality and Non-competition Agreement in the form of Attachment C to this Agreement.

13.3 Change in Principals. Any new shareholders, partners, members, trustees, or other Principals must be approved by us pursuant to the transfer provisions set forth in Section 11. above and will be bound by this Agreement and must execute the Guaranty.

13.4 Individual Ownership. If "you" (as the franchisee) are two or more individuals entering into this Agreement, then your rights as the franchisee under this Agreement may only be exercised jointly, but your obligations and liabilities under this Agreement will be joint and several as to all individuals.

13.5 Reliance on Childrens Lighthouse Franchise Company. You acknowledge and agree that you are relying solely on Childrens Lighthouse Franchise Company, and not on any Affiliated entities or parent companies

related to Childrens Lighthouse Franchise Company, with regard to our financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing Childrens Lighthouse Franchise Company, has made any statement or promise to the effect that any Affiliated entities or parent companies guarantee our performance or financially back us.

14. MARKS AND COPYRIGHT; INVENTIONS

14.1 Right to Use the Marks. We are licensing to you the right to use the Marks. You must use the Marks only in the way we permit and only in the form, colors, design, and manner that we approve in writing. You may not use any abbreviation or variation of the name "Children's Lighthouse" without our prior written approval. You may not use the Marks or any part or derivative thereof or any of our Copyrighted Works on the Internet, except as expressly permitted in writing. "**Copyrighted Works**" means works of authorship, which are owned by us and fixed in a tangible medium of expression including, without limitation, the content of the Manual, the design elements of the Marks, our, bulletins, correspondence, and communications with our franchisees, training, advertising, and promotional materials, and the content and design of our Website. Without limiting the generality of the foregoing, you may not use the Marks or any part or derivative of the Marks or any abbreviation, acronym, or phonetic variation thereof as part of any URL or domain name, including but not limited to any commercial, gaming, marketing, advertising, promotional, discounting, or social networking Website or as part of any unauthorized email address. You also may not display on any Website (including gaming, marketing, advertising, promotional, discounting, or social networking Websites) any of our Copyrighted Works, which include the design portion of our Marks, or any collateral merchandise identified by the Marks. Additionally, you acknowledge that we are the lawful, rightful, and sole owner of certain Internet domain names that have been established or may be established by us in the future, and you unconditionally disclaim any ownership interest in those or any colorably similar Internet domain name(s).

14.2 Ownership of Marks. You expressly acknowledge that we or our Affiliate own all right, title, and interest in and to the Marks and the goodwill associated with the Marks and that you have no ownership interest in the Marks. You further acknowledge and agree that any and all goodwill associated with your School and identified by the Marks is our property and will inure directly and exclusively to the benefit of us and that, upon the expiration or termination of this Agreement for any reason, no monetary amount will be assigned as attributable to any goodwill associated with your use of the Marks. You understand and agree that any use of the Marks other than as expressly authorized by this Agreement, without our prior written consent, may constitute an infringement of our rights herein and that the right to use the Marks granted herein does not extend beyond the termination or expiration of this Agreement.

14.3 Use of the Marks. You must use only the Marks designated by us, must use them only in the manner that we authorize and permit, and must use them with the symbols "®", "TM", or "SM", as appropriate. You must use the Marks only in connection with the operation and promotion of your School and only in the manner we prescribe. You will not contest ownership or validity of the Marks or any registration thereof or engage in any conduct that adversely affects the ownership or registration of the Marks or our right to use or to sublicense the use of the Marks. You shall execute all documents that we request in order to protect the Marks or to maintain their validity and enforceability.

14.4 Notifications. You must promptly notify us of any suspected unauthorized use of, or any challenge to the validity of, the Marks or Copyrighted Works, or any challenge to our or our Affiliates' ownership of, our license to use and to license others to use, or your right to use the Marks or Copyrighted Works licensed under this Agreement. We have complete discretion to take any action we deem appropriate in connection with any infringement of, or challenge or claim to, any Mark or Copyrighted Work and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such alleged infringement, challenge, or claim or otherwise relating to any Mark or Copyrighted Work. We or our Affiliate has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Marks or Copyrighted Works, including any settlement thereof. In the event of any litigation relating to your use of the Marks or Copyrighted Works, you must execute any and all documents and do such acts as may, in our opinion, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, we will reimburse you for your associated costs.

14.5 Changes to the Marks. We reserve the right, in our sole discretion, to designate one or more new, modified, or replacement Marks for your use and to require your use of any such new, modified, or replacement Marks

in addition to or in lieu of any previously designated Marks. You must comply with any such directive relating to the use of new, modified, or replacement Marks within 60 days following your receipt of our written notice to you.

14.6 System Improvements. If you or any of your Principals or employees develop any new concept, process, or improvement in the development or operation of your School under this Agreement, you will promptly notify us and provide us with all related information, as we determine in our sole discretion, without compensation. Any such concept, process, or improvement will become our sole property, and we shall be the sole owner of all patents, patent applications, and other intellectual property rights related thereto. You, your Principals, and employees hereby: **(a)** assign, waive, and release to us any rights you or they may have or acquire, including the right to modify such concept, process, or improvement; **(b)** agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights; **(c)** irrevocably designate and appoint us as their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such concept, process, or improvement; and **(d)** grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process, or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe their rights therein, if any provision of this Section 14.6 is found to be invalid or otherwise unenforceable.

15. TERMINATION

15.1 Automatic Termination Due to Bankruptcy or Insolvency. You will be deemed to be in default of this Agreement, and all rights granted to you in this Agreement will automatically terminate without notice if: **(a)** you become insolvent or make a general assignment for the benefit of creditors; **(b)** a petition in bankruptcy is filed by you or such petition is filed against you and you do not oppose it; **(c)** you are adjudicated as bankrupt or insolvent; **(d)** a bill in equity or other proceeding for the appointment of a receiver for you or other custodian for your business or assets is filed and consented to by you; **(e)** a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(f)** proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(g)** a final judgment remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed); **(h)** you are dissolved; **(i)** execution is levied against your business or property; **(j)** judicial, non-judicial, or administrative proceedings to foreclose any lien or mortgage against the Approved Location, the School, the Franchised Business, or you or any assets or equipment associated therewith is instituted against and is not dismissed within 30 days; or **(k)** the real or personal property of the Approved Location, School, or Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable.

15.2 Termination with Notice; No Opportunity to Cure. If we terminate this Agreement pursuant to this Section 15.2, then all rights granted to you in this Agreement will automatically terminate upon notice to you. We have the right to terminate this Agreement without providing you an opportunity to cure if you: **(a)** fail to acquire an Approved Location; **(b)** abandon the Franchised Business, which will be presumed if you: **(i)** cease operations of your School for two consecutive days or more, without our written permission; **(ii)** fail to respond to notices as required therein; or **(iii)** repeatedly fail to take or return telephone calls from us or respond to our other communications within a reasonable time); **(c)** lose any license required to operate the School or the Franchised Business; **(d)** lose the right to occupy the premises where your School is located; **(e)** fail to re-open your School if it closed due to a Force Majeure event; **(f)** you or any of your Principals is convicted of, or pleads no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the Marks or the goodwill associated therewith; **(g)** or any Principal completes any transfer or assignment or attempts any transfer or assignment in violation of Section 11. of this Agreement; **(h)** or any Principal fails to comply with the confidentiality or noncompetition covenants in Section 10. of this Agreement; **(i)** or any Principal makes any material misrepresentations in connection with your franchise application; **(j)** fail to comply with requirements set forth in Sections 7.1.6 or 7.3.4 concerning incidents, investigations, Crisis Management Events, or our support visits; **(k)** understate any payment to us by 2% or more in any rolling 12-month period, or understate any payment in any amount, twice, in any rolling 12-month period; **(l)** operate the School or the Franchised Business in a manner that we reasonably determine poses an imminent threat or danger to public health or safety; **(m)** knowingly maintain false books or records or submit any false reports or statements to us; **(n)** fail to pass two or more quality assurance inspections within any rolling 12-month period; **(o)** violate our policies for School operations, without authorization or permission, on two or more occasions within any rolling 12-month period, including without limitation, failure to accurately account for all Gross Revenue through our required systems, whether or not we have provided you a written notice of default of

such violations; **(p)**; or we deliver to you two or more written notices of default of any provision of this Agreement within any rolling 12-month period, whether or not the defaults described in such notices ultimately are cured.

15.3 Termination Upon Notice; 10-day Cure Period. If we terminate this Agreement pursuant to this Section 15.3, then all rights granted to you in this Agreement will automatically terminate upon notice to you of such termination. We have the right to terminate this Agreement if you fail to cure the following defaults within 10 days, or any longer period if required by applicable law, after delivery to you of written notice: **(a)** failure to pay us or our Affiliates any amounts due; **(b)** failure to pay any amounts due your employees, taxing authorities, trade creditors, vendors, landlords, lenders, or others (unless such amount is subject to a bona fide dispute); **(c)** failure to obtain or maintain required insurance coverage; **(d)** violation of any provision of this Agreement concerning the use and protection of the Marks or Copyrighted Works; **(e)** offer or sale of unauthorized products or services at, in, or in connection with your School or the Franchised Business or in conjunction with the Marks or Copyrighted Works.

15.4 Termination Upon Notice; Right to Cure. Except as otherwise provided in Sections 15.1, 15.2, and 15.3 above, we have the right to terminate this Agreement, which termination will become effective upon delivery to you of written notice of termination, and all rights granted to you in this Agreement will terminate upon such notice, if you do not comply with any provision of this Agreement and you do not remedy the default within the time period set forth in the written notice of default.

15.5 Your Obligations Upon Termination. Upon termination or expiration of this Agreement, you must:

15.5.1 Pay Amounts Due. Pay to us within 10 days all Royalties, Advertising Fund contributions, service fees, and other charges owed by you to us. The payments must include all damages, costs, and expenses, including reasonable attorneys' fees, that may have been or may be incurred by us because of your default, regardless of whether the default occurred before or after termination, or that are incurred in obtaining injunctive or other relief to enforce this Agreement.

15.5.2 Return Manual. Return to us all copies of the Manual in your possession and control within 10 days.

15.5.3 Change Names. Cancel or assign, as we determine, to us or to any party we may designate all registrations with any governmental agency or department pertaining to the use of the name or Marks and change any business name or name registration which includes the name "Children's Lighthouse."

15.5.4 Assign Listings. Promptly sign any documents and take any steps that in our judgment are necessary to delete your listings from classified telephone directories, disconnect, or at our option, assign to us all telephone numbers that have been used in connection with the School, and terminate all other references that suggest you are or ever were associated with us. By signing this Agreement, you irrevocably appoint Childrens Lighthouse Franchise Company your attorney-in-fact to take the actions described in this Section 15.5.4 if you do not take such actions yourself within seven days after termination or expiration of this Agreement.

15.5.5 Cease Use of the Marks. Immediately, absolutely, and unconditionally cease doing business under the name and Marks and refrain from identifying yourself or the premises as a Children's Lighthouse School, including, but not limited to, taking down all interior and exterior signage, fixtures, and decor that contain the Marks and all trade dress elements we require.

15.5.6 Uninterrupted Operations. If we exercise our option under this Agreement to purchase your School, you must cooperate with us in operating your School uninterrupted and in a manner intended to preserve the School and goodwill of customers and/or to allow us to continue operating the School without interruption.

15.5.7 Comply with Covenants. Comply with all confidentiality and non-competition covenants set forth in this Agreement.

15.5.8 Maintain Records. Maintain all records required by this Agreement for not less than four years after final payment of any amounts you owe us when this Agreement expires or is terminated and provide us true and correct copies of these records as we require, upon reasonable notice.

15.5.9 Trademark Infringement. Your failure to comply with the requirements, set forth in any of Sections 15.5.2, 15.5.3, 15.5.4, and 15.5.5 above ("**Infringement Sections**"), within 10 days after termination of this Agreement will constitute willful trademark infringement and unfair competition by you and will cause substantial and irreparable injury to us, for which damages for such injury will be difficult, if not impossible, to determine. Consequently, you will pay us liquidated damages in the amount of $15,000 per month (or any partial month), until you have fully

complied with the Infringement Sections of this Agreement. You agree that this amount is reasonable and is not a penalty. Alternatively, we may, at your expense, enter the School premises and take action to ensure your compliance with the Infringement Sections of this Agreement. If we elect to take such action, you agree that we will not be liable to you in trespass or otherwise. Further, we will be entitled to injunctive or other similar relief, without bond, against you or any other person bound by this Agreement in order to enforce compliance.

15.6 Our Options Upon Termination. Upon termination or expiration of this Agreement, we have the following options, and we must send you 30 days written notice if we elect to exercise such options:

15.6.1 Land and Building Purchase. Purchase your School for the fair market value of the land and building, if owned and not leased, plus all furniture, fixtures, equipment, and inventory remaining in the School and selected to be purchased by us, less any debts secured by the furniture, fixtures, equipment, and inventory, plus payment for all accounts receivable that have not been outstanding for more than 30 days prior to the date of termination, less a minimum of a 10% allowance for doubtful accounts. You will receive no payment or adjustment whatsoever for any goodwill you may have established prior to termination. We will mutually agree on a fair market value purchase price. If we cannot agree on the price within 30 days, then fair market value will be determined by a qualified, independent appraiser chosen by us. We are not obligated to exercise our option to purchase the School upon termination of this Agreement or otherwise.

15.6.2 Purchase of Operating Assets. Purchase any or all the physical assets of your School, not including real property, but including its equipment, supplies, and inventory, the value of which shall be the depreciated value of other tangible personal property calculated on the straight-line method over a five-year life, less any liens or encumbrances.

15.6.3 Become Lessee. Replace you as the lessee of the premises of your School if you lease the premises and under any equipment lease for equipment that is used in your School. Upon our request, you must provide us with copies of all leases applicable to the School and Franchised Business and provide us the opportunity, at a mutually satisfactory time, but in no case later than five Business Days after we request, to inspect the leased property and operating assets. If we elect to exercise of this option, you will be fully released and discharged from future rents and other future liabilities under the lease if the terms of the lease permit it, but not from any debts to the lessor that already exist on the date when the option is exercised.

15.7 Our Rights Upon Termination. Without any obligation other than to exercise due care, upon termination or expiration of this Agreement, we will have the right and are hereby granted the authority to enter your School, at our option, to remove from your School all graphics, signs, advertising materials, unused supplies, and any and all other items bearing the name, Marks, and trade dress in whatever form the name, Marks, and trade dress are used. Our rights under this Section 15.7 specifically include detaching and removing all such items from the physical structures, and include detachment and removal of all other identification to an extent and in a manner sufficient to remove therefrom all similarities to the appearance of a Children's Lighthouse School. If you request, we will delay such action for 10 days to allow you to accomplish the removal yourself, provided signs reading "Children's Lighthouse" or containing any of the Marks are covered or removed within 24 hours. You may make any disposal of the removed items you desire, however, no item may be reused or made available for reuse by any person or entity not explicitly authorized by us to use such items. All costs of removal, regardless of the party removing, will be at your expense.

15.8 Continued Obligation to Pay Royalties. If you dispute our right to terminate this Agreement according to the terms provided for in this Agreement, and you continue to operate the School either under our Marks or under a different name, then your obligation to pay Royalties will continue until such dispute is settled.

16. DISPUTE RESOLUTION

16.1 Informal Resolution. The parties will use their best efforts to resolve and settle by direct, private, negotiation any claim, controversy, or dispute ("**Dispute**") that arises under or in relation to this Agreement or that concerns the relationship created by this Agreement.

16.2 Mediation. If the parties cannot resolve and settle a Dispute by private negotiation within 60 days after one party gives the other written notice that a Dispute exists, the parties mutually agree to submit the Dispute to non-binding mediation, as follows:

16.2.1 The mediation will be conducted by a mediator agreed upon by the parties. The mediator must not have had any prior social, business, or professional relationship with any party participating in the mediation. If agreement cannot be reached within 10 business days after either party has notified the other of its desire to seek

mediation, then mediation will occur with the American Arbitration Association or any successor organization ("**AAA**") in accordance with its rules governing mediation, and the AAA will select the mediator. Mediation will be held at the offices of the mediator or of the AAA, as applicable, in the city where our principal place of business is located at the time of the mediation. The following costs and expenses of mediation will be paid equally by the parties: **(a)** amounts paid to the AAA or the mediator; **(b)** cost of mediation venue, if applicable. All other mediation-related expenses, including but not limited to, attorneys' fees and travel expenses, will be paid by the party that incurred such expenses.

16.2.2 If the parties are unable to resolve the Dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, any party to the mediation may proceed with arbitration pursuant to Section 16.3 of this Agreement. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

16.3 Arbitration. Any Dispute arising out of or relating to this Agreement and the relationships created hereby that are not solved during the mediation process described in Section 16.2 above must be resolved by arbitration. The arbitration will be administered in accordance with the Commercial Rules of the AAA. The arbitrator must be a person experienced in franchise law who has no prior business or professional relationship with any party to the Dispute. Except as provided in all of this Section 16.3 (including subsections), all matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et seq*.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction. The costs and expenses of arbitration paid to the AAA and/or to the arbitrator will be paid equally by the parties, except that the cost of special hearings will paid by the party as determined by the arbitrator. The cost of the arbitration venue, if applicable, will be paid equally by the parties. All other arbitration-related expenses, including but not limited to attorneys' fees and travel expenses, will be paid by the party which incurred such expense. Notwithstanding the foregoing, the prevailing party in any matter brought pursuant to this Section 16.3 will be entitled to recover all fees and costs as set forth in Section 16.9 below.

16.3.1 Arbitration will be conducted in the city in which we maintain our principal business office at the time of the arbitration. Arbitration will be conducted on an individual, not a class-wide basis, and an arbitration proceeding between the parties and their respective Principals, officers, directors, agents, and/or employees may not be consolidated with any other arbitration proceeding between us and any other person or entity. The arbitrator has no power or authority to award punitive damages. The arbitrator will be required to state in writing the reasoning upon which the award is based.

16.3.2 Any disputes concerning the enforceability or scope of this arbitration provision will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1 *et seq*. ("**FAA**"), and the parties agree that the FAA preempts any state law restrictions (including the site of the arbitration) on the enforcement of this arbitration provision. If, prior to an arbitrator's final decision, either you or we commence an action in any court in connection with a Dispute that arises out of or relates to this Agreement (except for the purpose of enforcing this arbitration provision or as otherwise permitted by this Agreement), the party bringing the action in court will be responsible for the other party's expenses for enforcing this arbitration provision, including court costs, arbitration filing fees, and other costs and attorneys' fees.

16.3.3 If you institute, in any court, any Dispute subject to this arbitration proceeding, and we succeed in a motion to compel arbitration of the Dispute, you must reimburse us our reasonable attorneys' fees and costs in defending the action and in our motion to compel arbitration.

16.4 Excluded Disputes. Notwithstanding the above Sections 16.2 and 16.3, you and we agree that we will not be obligated to mediate or arbitrate any claim arising from your alleged infringement of the Marks or other alleged misappropriation of our intellectual property or your failure to pay any past due monies owed, as required by this Agreement. Moreover, regardless of this arbitration provision, each party has the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief in any court of competent jurisdiction. You will pay all costs and reasonable attorneys' fees we incur to obtain such relief.

16.5 VENUE. ANY ACTION BROUGHT BY ANY PARTY TO THIS AGREEMENT, AGAINST THE OTHER, IN ANY COURT, WHETHER FEDERAL OR STATE, WILL BE BROUGHT WITHIN THE STATE OR FEDERAL JUDICIAL DISTRICT COURTS IN WHICH CHILDRENS LIGHTHOUSE FRANCHISE COMPANY'S PRINCIPAL BUSINESS OFFICE IS LOCATED AT THE TIME THE ACTION IS FILED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, WE OR YOU MAY BRING SUCH

ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION, AND THE PARTIES HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.

16.6 JURY TRIAL WAIVER. THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ANY PARTY HERETO RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED TO THIS AGREEMENT OR ANY RIGHT OR REMEDY HEREUNDER.

16.7 Nexus. The parties to this Agreement hereby acknowledge that the execution of this Agreement occurred in Fort Worth, Texas, and further acknowledge that the performance of certain of your obligations arising under this Agreement, including the payment of monies due hereunder, and the satisfaction of certain requirements to be performed by us, will occur in Fort Worth, Texas.

16.8 LIMITATIONS PERIOD. NEITHER YOU NOR ANY OF YOUR PRINCIPALS WILL ASSERT ANY CLAIM OR CAUSE OF ACTION AGAINST US, OUR OFFICERS, DIRECTORS, OWNERS, EMPLOYEES, OR AFFILIATES AFTER TWO YEARS FOLLOWING THE EVENT GIVING RISE TO SUCH CLAIM OR CAUSE OF ACTION.

16.9 Attorneys' Fees. If any party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party will be entitled to recover from the other party(ies) its reasonable attorneys' fees and costs of suit.

16.10 Applicable Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et seq.*), this Agreement is governed by and interpreted and enforced in accordance with the internal laws of the state of Texas, without giving effect to any conflict of laws principles.

17. NOTICES

17.1 Notices. Any notice or demand which any party to this Agreement is required or permitted to give hereunder must be in writing, signed by the notifying party, and must be either delivered by hand, via email by a nationally recognized electronic document signing platform (e.g., DocuSign®), by a nationally-recognized overnight courier service, or deposited in the U.S. mail, certified or registered mail, return receipt requested, postage paid. Notice will be deemed to have been given when **(a)** delivered by hand; **(b)** when confirmation of electronic delivery is recorded in the electronic document signing platform; **(c)** when delivered by a nationally recognized overnight courier service; or **(d)** upon the earlier of actual receipt or three calendar days after deposit in the U.S. mail, if sent by certified or registered mail, return receipt requested, postage paid. Notices and demands must be given to the respective parties at the mailing address set forth on the Summary Pages, unless and until a different address has been designated by written notice to the other party. Either your email address set forth on the Summary Pages or the Children's Lighthouse email address we issue to you must be used for sending notices via a nationally recognized electronic document signing platform or email. Either party may change its mailing or email address for the purpose of receiving notices, demands, and other communications as provided in this Agreement by providing the other party written notice as set forth above.

17.2 Notice of Legal Proceedings. If you or any of your employees receive service of legal process or notice of court hearing, legal hearing, or suit concerning a matter arising out of or related to the terms of this Agreement or the operation of your School, you must immediately send us a true and correct copy of such service, together with an explanation of the claim and all material facts. The parties agree to cooperate mutually if a defense is jointly necessary.

18. INTERPRETATION, MODIFICATION, AND EXECUTION

18.1 Entire Agreement. This Agreement, and any other agreements executed by the parties to this Agreement concurrently with the parties' execution of this Agreement, represents the entire, fully integrated agreement between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written. For clarity, the Summary Pages are fully incorporated into this Agreement and are an integral part hereof. Notwithstanding the foregoing, nothing in this Agreement disclaims or requires you to waive reliance on any representation that we made in our franchise disclosure document (including its exhibits and amendments) that we delivered to you in connection with this franchise offering. Except for those changes permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to in writing by the parties and executed by their authorized officers or agents.

18.2 Gender; Plural Terms. All terms and words used in this Agreement, regardless of the number and gender in which they are used, will be deemed and construed to include singular or plural, and any other gender, masculine, feminine, or neuter, as the context or sense of this Agreement or any Section or clause herein may require, the same as if such words had been fully and properly written in the appropriate number and gender.

18.3 Severability. Should any part of this Agreement be declared invalid by any court of competent jurisdiction for any reason, such decision will not affect the validity of any remaining portions, which will remain in full force and effect as if this Agreement had been signed with the invalid part(s) eliminated. Should there be any change in the law or laws of the jurisdiction, including administrative rules and decisions, which change either modifies any terms hereof or conflicts with any provision herein, this Agreement will be enforced as written until the date of such change unless said change is lawfully mandated by the authority to be retroactive; in that event, or in the event of any existing law or laws or rulings or decisions which may modify the terms hereof or be in conflict herewith, this Agreement will be interpreted as having the changes incorporated herein, but only to the extent of such actual conflict, and will retain its original intent to all lawful extent reasonably consistent with this Agreement as written.

18.4 No Waiver. Failure of any party to this Agreement to enforce any provision, or waiver by any such party of any default, will not operate as a waiver of successive defaults, and all the rights of the parties hereto will continue notwithstanding one or more such failures or waivers. The failure of any party to this Agreement to insist at any time upon strict performance or enforcement of any one or more or all terms, conditions, or obligations herein, or the failure to exercise any rights hereunder, will not be deemed abandonment thereof, and the same will continue in full force and effect, notwithstanding one or more waivers. At any and all times, each party to this Agreement may exercise all its rights under this Agreement, plus all legal and equitable remedies. Further, we retain the right, in our sole discretion, to waive, defer, or permit variations from the standards of our System or this Agreement to any franchisee or prospective franchisee based on the peculiarities of a particular site or configuration, population density, business potential, trade area characteristics, special circumstance, or other condition. We have the right, in our sole discretion, to deny any such requests that we believe would not be in the best interests of the system.

18.5 Remedies Cumulative. No right, remedy, or election under this Agreement will be deemed exclusive but will be cumulative with all other remedies.

18.6 Persons Bound. This Agreement is binding on and inures to the benefit of the parties to the Agreement and their respective heirs, personal representatives, successors, and assigns, subject, however, to the limitations on assignability/transfer set forth in this Agreement.

18.7 Survival of Terms. Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement will survive such expiration or termination.

18.8 Rules of Construction. Neither this Agreement nor any uncertainty or ambiguity in this Agreement will be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Unless defined herein as capitalized, defined term, words used in this Agreement will be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would render the provision enforceable and the other(s) which would render the provision unenforceable, the provision will be given the meaning that renders it enforceable.

18.9 Timing. Time is of the essence with respect to all provisions in this Agreement. Notwithstanding the foregoing, if performance of either party is delayed because of a Force Majeure, the applicable deadline for performance will be extended for a period commensurate with the Force Majeure, but not to exceed 12 months.

18.10 Business Judgment Rule. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith (each, "**Best Judgment**"), we will satisfy our Best Judgment obligations whenever we exercise reasonable business judgment in making such decision or exercising such rights. Our Best Judgment decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if such decision or action is intended, in whole or in part, to promote or benefit the System, generally, even if the decision or action also promotes our financial or other individual interest.

18.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute one agreement.

18.12 No Third-party Beneficiary. Except as expressly provided to the contrary in this Agreement, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity, other than you, us, our officers, directors, and personnel and such of your and our respective successors and assigns as may be contemplated, and as to you, as authorized by Section 11., any rights or remedies under or as a result of this Agreement.

18.13 Execution. Each undersigned, in their individual and/or representative capacity, acknowledges that he or she has read and understands each and every provision herein and is agreeable to this Agreement as a whole and all provisions herein and acknowledges that he or she hereby signs this Agreement as warranty of such capacity and as evidence of understanding this Agreement, and ratification hereof, as a wholly voluntary act.

19. FRANCHISEE REPRESENTATIONS

19.1 You acknowledge that you have received a complete copy of our franchise disclosure document at least 14 calendar days before you signed this Agreement or paid any consideration to us for your franchise rights, and you represent that you have read the disclosure document and this Agreement in their entireties.

19.2 You acknowledge that you have read and that you understand the terms of this Agreement and its attachments, and that you have had ample time and opportunity to consult with an attorney or business advisor of your choice about the potential risks and benefits of entering into this Agreement.

19.3 You represent that neither your property nor any interest in your property, nor the property of any of your Principals, officers, directors, managers, partners, agents, or employees, or their respective interests therein, have been blocked pursuant to Executive Order 13224 of September 23, 2001, pertaining to persons who commit, threaten to commit, or support terrorism ("Blocked Persons"). You represent and warrant that you will not accept money from or employ any Blocked Person.

19.4 You hereby warrant and represent that neither you nor your Principals, officers, directors, managers, partners, agents, or employees, or their respective interests therein is now (nor will be during the Term of this Agreement) identified, either by name or an alias, pseudonym, or nickname, on any of the lists of restricted or denied parties maintained by the United States government, including:

19.4.1 "Denied Persons List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (http://www.bis.doc.gov/dpl/Default.shtml);

19.4.2 "Unverified List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (http://www.bis.doc.gov/Enforcement/UnverifiedList/unverified_parties.html);

19.4.3 "Entity List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (http://www.bis.doc.gov/Entities/Default.html);

19.4.4 "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (www.treas.gov/offices/enforcement/ofac/);

19.4.5 "Debarred List" maintained by the Department of State (http://pmddtc.state.gove/compliance/debar.html); and

19.4.6 "Nonproliferation Sanctions" maintained by the Department of State (http://www.state.gov/t/isn/c15231.html).

19.7 You represent and warrant that neither you nor any of your Principals, officers, directors, managers, partners, agents, or employees has violated (nor will violate during the Term of this Agreement) any law prohibiting money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (http://epic.org/privacy/terrorism/hr3162.html), U.S. Executive Order 13224 (http://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.pdf), or any similar law.

The foregoing constitutes continuing representations and warranties, and you agree to immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate, or misleading.

CHILDREN'S LIGHTHOUSE FRANCHISE AGREEMENT

ATTACHMENT A

DISCLOSURE ACKNOWLEDGMENT STATEMENT

DO NOT SIGN THIS ACKNOWLEDGMENT STATEMENT IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN. THIS ACKNOWLEDGMENT STATEMENT WILL BE VOID IF IT IS SIGNED IN CONTRADITION OF THE ABOVE DIRECTIVE.

Childrens Lighthouse Franchise Company ("**Franchisor**"), through the use of this document, desires to ascertain that each of the undersigned ("**Franchisee**") fully understands and comprehends that the purchase of the Children's Lighthouse Franchise is a business decision, complete with its associated risks, and that it is the company policy of Franchisor to verify that Franchisee is not relying upon any oral statement, representations, promises, or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

1. Does Franchisee recognize and understand that the business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including the skills and abilities of Franchisee, the hours worked by Franchisee, competition, interest rates, the economy, inflation, school location, operating costs, lease terms and costs, and the marketplace? _____ Yes _____ No

2. Has Franchisee had the opportunity to seek professional assistance and to have professionals review the franchise documents and to consult with Franchisee regarding the risks associated with the purchase of the franchise?

_____ Yes _____ No

3. Does Franchisee agree that the decision to enter into this business is in no manner predicated upon any oral representations, assurances, warranties, guarantees, or promises made by Franchisor as to the likelihood of success of the franchise?

_____ Yes _____ No

4. Has Franchisee received any information from Franchisor concerning actual, average, projected, or forecasted franchise sales, profits, or earnings, except for those set forth in Franchisor's franchise disclosure document. If yes, provide details on the back of this page.

_____ Yes _____ No

5. Does Franchisee understand that it has to use the suppliers Franchisor requires, including suppliers of furniture, fixtures, equipment, food, and construction, development, and architect services?

_____ Yes _____ No

FRANCHISEE:

_____

Name of Franchisee

_____

Signature, Title

Date: _____

CHILDREN'S LIGHTHOUSE FRANCHISE AGREEMENT
ATTACHMENT B

LEASE RIDER

This Lease Rider is made and entered into on the dates set forth below by and between Childrens Lighthouse Franchise Company, a Texas corporation ("**Children's Lighthouse**"), the franchisee named below ("**Franchisee**"), and the landlord named below ("**Landlord**").

RECITALS

A. Franchisee and Children's Lighthouse are parties to that certain Franchise Agreement dated as set forth below ("**Franchise Agreement**").

B. Franchisee and Landlord desire to enter into a lease ("**Lease**"), pursuant to which, Franchisee will occupy the premises located at the address set forth below ("**Premises**") for the purposes of operating a Children's Lighthouse early learning school ("**School**") franchised under the Franchise Agreement.

C. As a condition to entering into the Lease, Franchisee is required under the Franchise Agreement to execute this Lease Rider, along with Landlord and Children's Lighthouse.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein and in the Franchise Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. During the Term of the Franchise Agreement, the Premises will be used only for the operation of the School.

2. Landlord consents to Franchisee's use of such proprietary marks and signs, decor items, color schemes, and related components of the Children's Lighthouse System, as defined in the Franchise Agreement, as Children's Lighthouse prescribes for the School, which may change from time to time.

3. Landlord will furnish Children's Lighthouse with copies of any and all letters and notices sent to Franchisee pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Franchisee.

4. Children's Lighthouse has the right to enter the Premises to make any modification or alteration necessary to protect the Children's Lighthouse franchise system and proprietary marks or to cure any default under the Franchise Agreement or the Lease, without being guilty of trespass or any other crime or tort.

5. Franchisee will be permitted to assign the Lease to Children's Lighthouse or its affiliates or subsidiaries upon the expiration or earlier termination of the Franchise Agreement, and the Landlord hereby consents to such assignment and agrees not to impose or assess any assignment fee or similar charge or accelerate rent under the Lease in connection with such assignment.

6. In the event of such assignment, Children's Lighthouse or any affiliate or subsidiary designated by Children's Lighthouse will agree to assume from the date of assignment all of Franchisee's future obligations remaining under the Lease, and, in such event, Children's Lighthouse or any affiliate or subsidiary will assume Franchisee's occupancy rights and will have the right to sublease the Premises to a subsequent Children's Lighthouse franchisee, for the remainder of the term of the Lease.

7. Franchisee and Landlord will not assign the Lease or renew or extend the term thereof without the prior written consent of Children's Lighthouse.

8. Franchisee and Landlord will not amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Children's Lighthouse.

The terms of this Lease Rider will supersede any conflicting terms of the Lease.

IN WITNESS WHEREOF, the parties have executed this Lease rider as of the date first written below.

(Signature page is the next page.)

Childrens Lighthouse Franchise Company

By: _____

_____
Print Name, Title

Date: _____

FRANCHISEE: _____
Name of Legal Entity

_____
Signature

_____
Print Name, Title

Date: _____

Effective Date of Franchise Agreement:

_____

LANDLORD: _____
Name of Lessor Entity

_____
Signature

_____
Print Name, Title

Date: _____

PREMISES ADDRESS:

_____
_____

CHILDREN'S LIGHTHOUSE FRANCHISE AGREEMENT
ATTACHMENT C

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

In accordance with the terms of this Confidentiality and Non-Competition Agreement ("**Confidentiality Agreement**") and in consideration of my relation to and/or connection with _____ ("**Franchisee**"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I ("**Covenantor**") hereby acknowledge and agree that:

1. Franchisee has acquired the right and franchise from Childrens Lighthouse Franchise Company, Inc. ("**Franchisor**") to establish and operate a Children's Lighthouse early education childcare business ("**School**") and the right to use in the operation of the School Franchisor's trade names, trademarks, and service marks, including the name and trademark Children's Lighthouse ("**Marks**") and the system developed by Franchisor and/or its affiliates for operation and management of the School ("**System**"), as they may be changed, improved, and further developed from time to time in Franchisor's sole discretion.

2. Franchisor possesses certain proprietary and confidential information relating to the operation of the System, which includes the Manual, recipes, trade secrets, and copyrighted materials, methods, and other techniques and know-how ("**Confidential Information**"). Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge, know-how, and techniques which Franchisor specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Confidentiality Agreement.

3. Because I am a Covenantor, Franchisor and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, Franchisor's operations manual ("**Manual**"), and other general assistance during the term of this Confidentiality Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the School during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties to Franchisee and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by Franchisor, I shall not, while in my position with Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, and continuing for one year thereafter, either directly or indirectly, for myself or through, on behalf of, or in conjunction with any other person, partnership, corporation, or other limited liability company own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business that is the same as or similar to Children's Lighthouse School and that is within a 25-mile radius of any Children's Lighthouse School, as those terms are defined in the Franchise Agreement. This restriction does not apply to my ownership of less than five percent beneficial interest in the outstanding securities of any publicly-held corporation. The restrictions in this Section 6 do not apply to my ownership of less than a one percent beneficial interest in the outstanding securities of any publicly-held corporation. The time periods relating to the restrictions set forth in this provision will be tolled during any period of my noncompliance.

7. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Confidentiality Agreement. If all or any portion of a covenant in this Confidentiality Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Confidentiality Agreement.

8. I understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Confidentiality Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified. I also understand that neither I nor Franchisee may make any changes to this Confidentiality Agreement without the written consent of Franchisor.

9. Franchisor is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Confidentiality Agreement will cause Franchisor and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to Franchisee and Franchisor, any claim I have against Franchisee or Franchisor is a separate matter and does not entitle me to violate or justify any violation of this Confidentiality Agreement.

10. This Confidentiality Agreement shall be construed under the laws of the State of Texas.

11. THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR REMEDY HEREUNDER.

12. I acknowledge that I am to receive valuable information emanating from Franchisor's principal business office, wherever it may be located. **THEREFORE, WITH RESPECT TO ALL CLAIMS, CONTROVERSIES, AND DISPUTES, I IRREVOCABLY CONSENT TO PERSONAL JURISDICTION AND SUBMIT MYSELF TO THE JURISDICTION OF THE STATE COURTS LOCATED IN THE COUNTY WHERE FRANCHISOR'S PRINCIPAL BUSINESS OFFICE IS LOCATED, OR IN THE APPLICABLE U.S. DISTRICT COURT.** Notwithstanding the foregoing, I acknowledge and agree that Franchisor or Franchisee may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS CONFIDENTIALITY AGREEMENT AS OF THE DATES NOTED BELOW.

COVENANTOR	**ACKNOWLEDGED BY FRANCHISEE**
Signature:_____	By:_____
Name/Title:_____	Name/Title:_____
Address:_____	Date:_____
Date:_____	

CHILDREN'S LIGHTHOUSE FRANCHISE AGREEMENT
ATTACHMENT D

GUARANTY

In consideration of, and as an inducement to, the execution by Childrens Lighthouse Franchise Company ("**Children's Lighthouse**") of that certain franchise agreement and all attachments, amendments, addenda, and extensions thereto, (collectively, "**Franchise Agreement**") between Children's Lighthouse and the franchisee ("**Franchisee**") identified below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the undersigned (collectively, "**Guarantors**") hereby individually, personally, jointly, severally, and unconditionally:

1) guarantee to Children's Lighthouse and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that Guarantors will punctually pay, perform, and be bound by each and every undertaking, agreement, and covenant set forth in the Franchise Agreement: and

2) are personally bound by, subject to, and personally liable for the breach of, the terms and conditions of each and every covenant in the Franchise Agreement as if they themselves were the Franchisee. Upon default by Franchisee or notice from Children's Lighthouse, Guarantors will immediately make each payment and perform each obligation required of Franchisee under the Franchise Agreement.

Each of the Guarantors waives acceptance and notice of acceptance by Children's Lighthouse of the following undertakings;

1) presentment and demand for payment of any indebtedness or performance of any obligations hereby guaranteed;

2) notice of dishonor, protest, or default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

3) any right he/she may have to require than an action be brought against Franchisee or any other person as a condition of liability;

4) notice of any release any guarantor or security given for the obligations of Franchisee;

5) any and all other notices; and

6) any right of subornation to collect from Franchisee any payments made on behalf of Franchisee;

7) **TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING CHILDREN'S LIGHTHOUSE, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS GUARANTY, THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE.**

Without limiting the foregoing, each Guarantor consents and agrees that:

1) such liability will not be contingent or conditioned upon pursuit by Children's Lighthouse of any remedies against any Guarantor (each Guarantor's liability is joint and several), Franchisee, or any other person; and

2) such liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Children's Lighthouse may from time to time grant to Franchisee or to any other entity or person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Franchise Agreement.

If any provision of this Guaranty is deemed to be invalid or inoperative for any reason, such part will be deemed modified to the extent necessary to make it valid and operative or if it cannot be so modified, then severed, and the remainder of the Guaranty will continue in force and effect as if it had been signed with invalid portion so modified or eliminated. Upon receipt by Children's Lighthouse of notice of the death of any Guarantor executing this Guaranty, the estate of the deceased will be bound by the foregoing Guaranty.

In witness whereof, the undersigned have signed this Guaranty to be effective on the dates set forth next to their respective signatures. This Guaranty is valid and enforceable against any signatory hereof regardless of whether any other party has executed this Guaranty.

FRANCHISEE:

_____
Name of Franchisee Entity

_____
Signature, Title

Date: _____

GUARANTORS:

_____
Signature, Signed as an Individual

_____
Print Name

_____
Date

GUARANTORS:

_____
Signature, Signed as an Individual

_____
Print Name

_____
Date

CHILDREN'S LIGHTHOUSE FRANCHISE AGREEMENT
ATTACHMENT E

NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS AGREEMENT made this ___ day of _____, _____, among _____ _____, ("**Lende**r"), _____ ("**Tenant**"), _____, ("**Landlord**"), and Childrens Lighthouse Franchise Company ("**Franchisor**").

RECITALS

A. Landlord and Tenant have entered into a certain lease ("**Lease**") dated _____, amended _____ relating to the premises described on Exhibit A attached hereto and by this reference made a part hereof ("**Premises"**).

B. Lender has made or has committed to make a loan to Landlord secured by a Deed to Secure Debt and Security Agreement ("**Security Deed"**) and an Assignment of Lessor's Interest in Leases from Landlord to Lender covering the Premises.

C. Tenant has agreed that the Lease shall be subject and subordinate to the Security Deed held by Lender, provided Tenant is assured of continued occupancy of the Premises under the terms of the Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the sum of $10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and notwithstanding anything in the Lease to the contrary, it is hereby agreed as follows:

1. Lender, Tenant, and Landlord do hereby covenant and agree that the Lease and all rights, options, liens, and charges created thereby are and shall continue to be subject and subordinate in all respects to the Security Deed and to any advancements made thereunder and to any renewals, modifications, consolidations, replacements, and extensions thereof.

2. Lender does hereby agree with Tenant that, so long as Tenant complies with and performs its obligations under the Lease, **(a)** Lender will take no action which will interfere with or disturb Tenant's possession or use of the Premises or other rights under the Lease, and **(b)** in the event Lender becomes the owner of the Premises by foreclosure, conveyance in lieu of foreclosure or otherwise, the Premises shall be subject to the Lease and Lender shall recognize Tenant as the tenant of the Premises for the remainder of the term of the Lease in accordance with the provisions thereof; provided, however, that Lender shall not be liable for any act or omission of any prior landlord, or subject to any offsets or defenses which Tenant might have against any prior landlord except those which arose out of such landlord's default and accrued after Tenant had notified Lender and given Lender an opportunity to cure same as herein below provided, nor shall Lender be bound by any rent or additional rent which Tenant might have paid for more than the current month to any prior landlord nor shall it be bound by any amendment or modification of the Lease made without its consent.

3. Tenant does hereby agree with Lender that, in the event Lender becomes the owner of the Premises by foreclosure, conveyance in lieu of foreclosure or otherwise, then Tenant shall attorn to and recognize Lender as the landlord under the Lease for the remainder of the term thereof, and Tenant shall perform and observe its obligations thereunder, subject only to the terms and conditions of the Lease. Tenant further covenants and agrees to execute and deliver upon request of Lender, or its assigns, an appropriate agreement of attornment to any subsequent titleholder of the Premises.

4. So long as the Security Deed remains outstanding and unsatisfied, Tenant will mail or deliver to Lender, at the address and in the manner herein below provided, a copy of all notices permitted or required to be given to the Landlord by Tenant under and pursuant to the terms and provisions of the Lease. At any time before the rights of the Landlord shall have been forfeited or adversely affected because of any default of the Landlord, or within the time permitted the Landlord for curing ally default under the Lease as therein provided, Lender may, but shall have no obligation to, pay any taxes and assessments, make any repairs and improvements, make any deposits or do any other act or thing required of the Landlord by the terms of the Lease; and all payments so made and all things so done and performed by Lender shall be as effective to prevent the rights of the Landlord from being forfeited or adversely affected because of any default under the Lease as the same would have been done and performed by the Landlord.

5. Tenant acknowledges that Landlord may execute and deliver to Lender an assignment of the Lease as security for said loan, and Tenant hereby expressly consents to such assignment.

6. Tenant, Landlord, and Lender acknowledge and agree that upon written instruction to Tenant from Lender instructing Tenant to make all rent and other payments due and to become due to Landlord under the Lease directly to Lender, the Tenant agrees to follow such direction until further written notice from the Lender, and Landlord and Lender hereby expressly agree that any such payment shall discharge any obligation of Tenant to Landlord under the Lease to the extent of such payment; provided, however, that the foregoing shall have no effect on Tenant's rights to any offsets nor any effect on Landlord's obligations.

7. Any and all notices, elections, or demands permitted or required to be made under this Agreement shall be in writing, signed by the party giving such notice, election or demand and shall be delivered personally, or sent by registered or certified United States mail, postage prepaid, to the other party at such address within the continental United States of America as may have therefore been designated in writing. The date of personal delivery or the date of mailing, as the case may be, shall be the date of such notice, election or demand.

8. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, successors-in-title and assigns. When used herein, the terms "landlord" or "Landlord" refer to Landlord and to any successor to the interest of Landlord under the Lease. The term "Tenant" as used herein shall also refer to Franchisor as the assignee of Tenant's interest under the Lease.

9. Notwithstanding anything in the Agreement to the contrary, this Agreement will expire upon the expiration or termination of the Franchise Agreement and will have no further force or affect after such date.

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

LENDER:

_____

By: _____
(Signature)

Date: _____

FRANCHISOR:

Childrens Lighthouse Franchise Company

By: _____

Date: _____

TENANT:

_____

By: _____
(Signature)

Title: _____

Date: _____

LANDLORD:

_____

By: _____
(Signature)

Title: _____

Date: _____

EXHIBIT C

OPERATIONS MANUAL TABLE OF CONTENTS

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EXHIBIT D

LIST OF CURRENT AND PAST FRANCHISEES

LIST OF CURRENT FRANCHISEES WITH SCHOOLS OPEN
As of December 31, 2024

SCHOOL	LOCATION	FRANCHISEE
ALABAMA		
AL1	4731 Chace Circle Hoover, AL 35244 205-224-5437	MKZ Management Group LLC
CALIFORNIA		
CA3	23656 Clinton Keith Road Murrieta, CA 92564 951-600-9395	Yoon Sung Lee
CA1	19743 Lurin Avenue Riverside, CA 92508 951-653-6688	Brian Fuentes and Aubree Fuentes
COLORADO		
CO2	11775 Tara Lane Parker, CO 80134 720-258-6686	Hao Bo Corporation
FLORIDA		
FL1	228 Windermere Road Winter Garden, FL 34787 407-877-3937	People of Faith
ILLINOIS		
IL1	2600 W. Irving Park Rd. Chicago, IL 60618 773-267-2627	NorthCenter Lighthouse, LLC
KANSAS		
KS3	125 N. Moonlight Rd. Gardner, KS 66213 913-884-2498	TOAR Management, LLC
KS1	14200 W. 135th Street Olathe, KS 66062 913-232-7733	CLKS 1, LLC
KS2	12521 Antioch Road Overland Park, KS 66213 913-851-5890	CLKS 2, LLC
NORTH CAROLINA		
NC8	2001 Apex Peakway Apex, NC 27502 919-924-0401	Reykha Care and Education, LLC
NC5	7420 McCrimmon Pkwy. Cary, NC 27519	Guiding Light Education, LLC

	919-388-0470	
NC6	13401 Leesville Church Raleigh, NC 27617 919-758-8574	TK Education Inc.
NC9	1605 Avent Ferry Road Holly Springs, NC 27540 919-804-1114	Max Learning Inc
NC3	9917 Rea Road Waxhaw, NC 28173 704-841-7777	Ballantyne Childcare Corporation
NC7	8231 Green Level Church Road Apex, NC 919-364-6597	AN Enterprises, LLC
TEXAS		
TX66	1605 E. Main St. Allen, TX 214-799-0530	Amana and Care, LLC
TX60	912 Sharp St. Anna, TX 75409 469-591-7979	EL Learnings Academy LLC
TX56	4000 Cascade Sky Drive Arlington, TX 817-508-8333	3RNV Holdings, LLC
TX59	2602 Jordan Ranch Blvd Brookshire, TX 281-407-1818	Randy Craft, Sandy Craft, David Williams, Sandra Williams
TX49	2501 Brushy Creek Rd. Cedar Park, TX 512-758-7823	Brushy Creek Learning Center, LLC
TX31	1801 Bagdad Road Cedar Park, TX 78613 512-528-5674	CPCL Learning Center, LLC
TX57	1560 Post Oak Drive Corinth, TX 76210 940-279-1168	Kiddie Cove, LLC
TX24	15200 Mason Road Cypress, TX 77433 281-304-2888	Fair Field Children's Lighthouse, Inc.
TX39	8717 Fry Road Cypress, TX 77433 281-758-8262	2 T Childcare Corporation
TX 37	South FM 551 Fate, TX 75189 469-437-7796	A&E Learning Center-7, LP
TX19	10660 Eldorado Pkwy. Frisco, TX 75034 469-252-1767	Children's Lighthouse of Panther Creek, Inc.

TX69	2401 FM 741 Forney, TX 75126 972-552-7226	CL Management Forney - LLC
TX12	9706 Business Parkway Helotes TX 78023 210-695-4988	Diane Kay and Ken Kay
TX9	8525 Queenston Blvd. Houston, TX 77095 281-500-8060	Premal Shah and Parul Shah
TX40	14505 W. Lake Houston Parkway Houston, TX 77044 281-594-7008	Kelly Pritchard and John Pritchard
TX67	2109 W. 34th St. Houston, TX 713-588-0265	Educating Oak Forest, Inc.
TX1	23060 Westheimer Parkway Katy, TX 77494 281-395-4466	GAD Educational Systems, L.L.C.
TX3	19607 Clay Road Katy, TX 77449 281-492-2688	Premal Shah and Parul Shah
TX15	26051 Kingsland Blvd. Katy, TX 77494 281-392-2211	Discovery Camp Woodcreek LLC
TX35	5740 FM 1463 Katy, TX 77494 281-394-9696	Happy Kidz Care LLC
TX65	20225 Kingsland Blvd Katy, TX 281-770-4893	Bright Beginning Kidz LLC
TX71	6806 Peek Road Katy, TX 77493 832-789-6149	Bizzybees LLC
TX2	4851 Shiver Road Keller, TX 76244 817-741-7444	KalCar Educators, LLC
TX4	11845 Alta Vista Road Keller, TX 76248 817-337-4000	BCK2 Educators LLC
TX46	1655 N. Tarrant Pkwy Keller, TX 76248 817-656-5555	Vinay Gupta
TX73	1190 Veterans Drive Kyle, TX 78640 737-377-1233	CB Educators of Kyle, LLC
TX5	4496 League City Parkway League City, TX 77573 281-557-7700	Mag Creek Children's Lighthouse, LLC

TX61	Houston, TX mdorityesq@gmail.com	K&M League City, LLC
TX43	2200 South Valley Parkway Lewisville, TX 75067 469-242-2200	Mark Westmoreland and Dana Westmoreland
TX7	3001 Woodlake Parkway Little Elm, TX 75068 972-703-5520	LE-OP 4000
TX70	1850 Cannon Drive Mansfield, TX 76063 817-225-6813	DLK Family Holdings, Inc.
TX 30	7900 Stacy Road McKinney, TX 75070 214-842-8281	A&E Learning Center-4, LP
TX68	1100 Olympic Crossing McKinney, TX 75071 469-278-7717	A&E Learning Center-6, LP
TX21	6155 Sienna Ranch Road Missouri City, TX 77459 281-819-0123	Sienna CLH, LLC
TX41	2183 Woodforest Pkwy. West Montgomery, TX 77316 936-249-1117	CLH Woodforest, LLC
TX51	301 Shahan Prairie Oak Point, TX 75068 214-308-4250	CL Oakpoint Operations, LLC
TX18	600 N. Preston Rd. Prosper, TX 972-347-5437	Angela Wolfe
TX11	7307 Grand Mission Blvd. Richmond, TX 77469 281-232-7733	To The Moon And Back Enterprises Corp
TX58	4734 Harvest Corner Drive Richmond, TX 77406 713-909-3838	Elite Kids, LLC
TX8	3009 Goliad Street Rockwall, TX 75087 972-771-3330	A&E Learning Center-2, LP
TX34	7150 Reading Road Rosenberg, TX 77471 979-505-1695	A&E Learning Center-5, LP
TX47	4350 East Old Settlers Blvd. Round Rock, TX 78665 512-276-2606	Kids Pathfinder, LLC
TX25	7280 Highway 78 Sachse, TX 75048 469-814-0505	A&E Learning Center-3, LP

TX14	700 East Bailey Boswell Saginaw, TX 76131 817-847-7600	Karen Milling
TX6	20906 Gathering Oak San Antonio, TX 78260 210-495-2223	LCL Child Care Corporation
TX16	5610 Lone Star Pkwy San Antonio, TX 78253 210-256-2223	Steve Kulawik and Stefani Kulawik
TX17	25473 Bulverde Road San Antonio, TX 78261 210-494-9200	Timothy O'Connor and Angela O'Connor
TX23	425 Grosenbacher Road San Antonio, TX 78245 210-679-5478	Potranco Learning Center, LLC
TX22	25576 Two Creeks San Antonio, TX 78255 210-997-6122	A-CAPP, Inc.
TX20	2080 Schertz Parkway Schertz, TX 78154 210-659-2552	SAK Group, Inc.
TX55	2551 Humble Dr. Seabrook, TX 281-909-4008	PG Legacies, Inc.
TX32	2885 Water Bend Cove Drive Spring, TX 77386 832-813-8307	Spring Lighthouse, LLC
TX36	20004 Champion Forest Drive Spring, TX 77379 832-639-8707	Wonder Kidz, LLC
TX64	15013 Voss Rd Sugar Land, TX 832-356-7360	SW Learning Academy, LLC
TX38	5585 Creekside Forest Dr. The Woodlands, TX 77389 832-698-2735	Hubert Vaz-Nayak
TX10	3465 FM 544 Wylie, TX 75098 972-442-3100	A&E Learning Center, LP
VIRGINIA		
VA4	43385 Defender Drive Chantilly, VA 20152 571-600-6776	Atlas Children's Academy, LLC

FRANCHISEES WITH SIGNED FRANCHISE AGREEMENT BUT SCHOOL NOT OPEN
As of December 31, 2024

SCHOOL	LOCATION	FRANCHISEE(s)
FLORIDA		
FL5	Naples, FL robertson.malcolm@gmail.com	Malcom Robertson, Jr. and Malcolm Robertson, III
MISSOURI		
MO1	St. Louis, MO ashleyfangmann@gmail.com	Ashley Fangmann and Jeremy Fangmann
NORTH CAROLINA		
NC11	Raleigh, NC p.tarakesh@gmail.com	Tarakesh Potluri
NC10	Wilmington, NC Jay_nunalee@yahoo.com	Katherine Carlson and Jay Nunalee
TEXAS		
TX78	Austin, TX nattia@childrenslighthouse.com	Ahmed Attia and Noor Attia
TX72	Celina, TX Jennyros_delaney@yahoo.com	Jenny Rose McKean and Kirk McKean
TX93	Cypress, TX	Alexis Legg and John Legg
TX76	Frisco, TX vsharma@childrenslighthouse.com	Education Mall of Frisco, LLC
TX81	Fort Worth, TX therakul85@gmail.com	Paul Knoff and Therakul Pulpanyawong
TX88	Frisco, TX manpreetnagpal@gmail.com	Manpreet Singh
TX77	Frisco, TX vsharma@childrenslighthouse.com	Varun Sharma and Riaz Qamari
TX84	Grand Prairie, TX arp44@gmail.com	Anand R. Patel and Bhakti Patel
TX95	Hockley, TX rsakarepalle@gmail.com	Joyful Kidz Care LLC
TX83	Houston, TX mirarajat@gmail.com	Mira Bhardwaj and Rajat Bhardwaj
TX91	Houston, TX Emilycfernando@yahoo.com	A&E Learning Center-8, LP
TX96	Houston, TX syed_cvs@yahoo.com	ZH Kids LLC
TX97	Houston, TX alirazad@heininger.biz	Alliance Ventures LLC
TX98	Houston, TX ili_suarez@yahoo.com	Iliana Suarez and Miguel Roldan
TX76	McKinney, TX vsharma@childrenslighthouse.com	Varun Sharma and Riaz Qamari

TX80	Midlothian, TX maniraveendran@dallasandbeyond.com	Mani Raveendran
TX85	New Braunfels, TX ryan.hempton@gmail.com	Ryan Hempton and Ashley Hempton
TX82	Northlake, TX riazqamari@gmail.com	Varun Sharma and Riaz Qamari
TX74	Princeton, TX habboush@childrenslighthouse.com	Nadine Habboush and Isam Habboush
TX94	Royse City, TX tsotezo@gmail.com	Christopher Touoboun
TX63	San Antonio, TX 210-256-2223	Steve Kulawik and Stefani Kulawik
TX79	San Antonio, TX justin.little@vantageoperating.com	Vantage Early Learning Initiative LLC
TX86	San Antonio, TX dwivedirajnish@gmail.com	Rajnish Dwivedi and Varun Sharma
TX90	San Antonio, TX rcbandaru@gmail.com	RC Bandaru
TENNESSEE		
TN1	Mt. Juliet, TN kal.patel@imaginehospitality.com	Bright Beginnings MJ LLC
TN2	Knoxville, TN upatel@saihotelgroup.com	UJ Patel

LIST OF FORMER FRANCHISEES

The following are franchisees who have been terminated, canceled, not renewed, or have otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of issuance of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

SCHOOL	LOCATION	FRANCHISEE
MD1[(1)]	Baltimore, MD	Ashish Parikh aashparikh1@gmail.com
TX79[(2)]	San Antonio, TX	Vantage Early Learning MrsMelissaDowns@gmail.com
TX75[(1)]	Houston, TX	Kimberly Price and Craig Price klmmml@hotmail.com
TX65[(2)]	Katy, TX	Little Star, Inc. christian.balderrama@gmail.com
TX39[(3)]	Cypress, TX	Wilson Early Education, LLC longhornjess@gmail.com

Note 1: Franchisee voluntarily decided not to move forward with developing a Children's Lighthouse School.
Note 2: Franchisee voluntarily transferred ownership of their Children's Lighthouse School.

EXHIBIT E

SAMPLE GENERAL RELEASE

EXHIBIT E
SAMPLE GENERAL RELEASE

1. Release of Franchisor and Related Parties. Franchisee and Owner, for themselves and on behalf of all other persons or entities acting on their behalf or claiming under them, hereby release, acquit, and discharge Franchisor, its subsidiaries, affiliates, successors, and assigns and their respective officers, managers, directors, shareholders, partners, employees, agents, and representatives, whether in their individual or corporate capacities ("**Franchisor Released Parties**"), past and present, from any and all claims, damages, demands, accounts, actions, and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance, including but not limited to those arising out of or relating to the performance or non-performance of the Franchise Agreement; or otherwise arising out of the Franchise Agreement or the relationship created thereby, or any other agreement between Franchisor on the one hand and Franchisee and/or any entity in which any Owner has any ownership on other hand; and/or the offer or sale of the Children's Lighthouse franchise opportunity. Excepted from this release are any applicable contractual obligations, which remain in full force and effect.

2. Covenant Not to Sue. Franchisee and Owner covenant and agree for themselves and for their assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively, "**Covenantors**") not to participate in, bring, or allow to be brought on behalf of any Covenantor, any action, cause of action, suit, or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law, or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against any Franchisor Released Party arising out of, resulting from, or in any manner related to the matters released in Section 1. above.

3. Unknown Claims. Franchisee and Owner have carefully read and fully understand the provisions of this general release, including the release of claims set forth herein, and represent that such release is given knowingly and voluntarily; and further acknowledge there is a risk that, subsequent to the execution of this general release, each or all of them may discover, incur, or suffer claims or damages which are unknown or unanticipated at the time this general release is executed, which, if known, may have materially affected their decision to execute this general release. Each of them agrees that each of them is assuming the risk of such unknown or unanticipated claims and agrees that the releases set forth above apply thereto.

4. Acknowledgments Regarding Releases. By affixing their signatures to this general release, Franchisee and Owner acknowledge that they have carefully read and fully understand the provisions of this general release, including, specifically, the release of claims set forth in Section 1., and that their release of such claims is knowing and voluntary. Franchisee and Owner acknowledge that they have had a reasonable opportunity to consult with an attorney prior to executing this general release and that they have executed this general release voluntarily. Each such party represents that it does not rely, and has not relied upon, any representation or statement made by any of the Franchisor Released Parties, or any of their representatives with regard to the subject matter, basis, or effect of this general release.

IN WITNESS WHEREOF, the Franchisee and Owner have executed this general release on the date set forth below.

FRANCHISEE:

By: _____ Date: _____

OWNER:

_____ Date: _____

[This General Release will be modified as necessary for consistency with any state law regulating franchising.]

EXHIBIT F

LIST OF STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS

California
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
866-275-2677

Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
808-586-2722

Illinois
Franchise Bureau
Office of Attorney General
500 S. Second Street
Springfield, Illinois 62706
217-782-4465

Indiana
Indiana Secretary of State
Securities Division
302 W. Washington St., Room E111
Indianapolis, Indiana 46204
317-232-6681

Maryland
Office of Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202
410-576-7042

Michigan
Michigan Department of Attorney General
Consumer Protection Division
525 W. Ottawa St.
G. Mennen Williams Building, 6th Floor
Lansing, Michigan 48909
517-335-7599

Minnesota
Minnesota Department of Commerce
85 7th Place East, Suite 280
Saint Paul, Minnesota 55101
651-539-1600

New York
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
212-416-8222

North Dakota
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 14th Floor
Bismarck, North Dakota 58505-0510
701-328-2910

Rhode Island
Securities Division
Department of Business Regulation
1511 Pontiac Avenue
Cranston, Rhode Island 02920
401-462-9500

South Dakota
South Dakota Dept of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid Suite 104
Pierre, SD 57501
605-773-3563

Virginia
State Corporation Commission
Division of Securities and Retail Franchising
1300 Main Street, 9th Floor
Richmond, Virginia
804-371-9051

Washington
Director of Department of Financial Institutions
Securities Division – 3rd Floor
150 Israel Road S.W.
Tumwater, Washington 98501
360-902-8760

Wisconsin
Division of Securities
Department of Financial Institutions
345 West Washington Avenue, Suite 300
Madison, Wisconsin 53703
608-266-8557

EXHIBIT G

AGENTS FOR SERVICE OF PROCESS

LIST OF AGENTS FOR SERVICES OF PROCESS

Illinois
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana
Indiana Secretary of State
Administrative Offices of the
Secretary of State
201 State House
Indianapolis, Indiana 46204

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

Texas
Michael Brown – Registered Agent
101 South Jennings Ave., Suite 306
Fort Worth, TX 76104

Virginia
Clerk of the State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219

Wisconsin
Division of Securities
Department of Financial Institutions
345 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

EXHIBIT H

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 disclosure document is effective and may be used in the following states, where the disclosure document is filed, registered, or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
Indiana	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 I

RECEIPTS

RECEIPT

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

If Childrens Lighthouse Franchise Company offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. In Michigan, we must provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, we must provide the disclosure document at the earlier of the first personal meeting or: **(a)** 10 business days in New York; **(b)** 14 calendar days in Iowa.

If Childrens Lighthouse Franchise Company does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit F.

Issuance Date: May 23, 2025

The name, principal business address, and telephone number of the franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Matt Kelton	101 S. Jennings Ave., Ste. 100, Ft. Worth, TX 76104	863-398-4010

I received a Franchise Disclosure Document dated May 23, 2025 and with the effective dates of state registrations as listed on the State Effective Dates page. This Franchise Disclosure Document included the following Exhibits:

Exhibits:
A. Financial Statements
B. Franchise Agreement (with all Attachments)
C. Operations Manual Table of Contents
D. List of Current and Past Franchisees
E. Sample Release
F. List of State Administrators
G. Agents for Service of Process
H. State Effective Dates
I. Receipts

Those signing below are signing as individuals and as officers and/or owners of the following legal entity:

_____.

_____	_____
Print Name	Print Name
_____	_____
Signature	Signature
_____	_____
Date	Date

(Sign and date this Receipt and keep this page for your records.)

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If Childrens Lighthouse Franchise Company offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. In Michigan, we must provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, we must provide the disclosure document at the earlier of the first personal meeting or: **(a)** 10 business days in New York; **(b)** 14 calendar days in Iowa.

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Those signing below are signing as individuals and as officers and/or owners of the following legal entity:

_____.

_____	_____
Print Name	Print Name
_____	_____
Signature	Signature
_____	_____
Date	Date

(Sign and date this Receipt and return it to us.)