
FRANCHISE DISCLOSURE DOCUMENT



COMPUCHILD FRANCHISOR LLC

A California LLC
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The franchise described in this Disclosure Document is for the operation of a business which engages in Entrepreneurial Science, Technology, Engineering, Art and Math (Entrepreneurial STEAM) education for children in elementary schools, preschools, daycare centers and other similar venues. (the “Franchise” or the “Franchise Business”).

The total investment necessary to begin operation of a CompuChild franchise is \$39,900 to \$64,900. This includes the \$24,900 for a Mini-Territory or the \$34,900 franchise and training fee for a Standard Territory that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact CompuChild Franchisor LLC, 3736 Fallon Rd., Suite 125, Dublin, CA 94568, or call (341) 777-8000.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 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: March 13, 2024

STATE COVER SHEETS

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 C 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 Compuchild business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an Compuchild 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 B.

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

Special Risks to Consider About *This* Franchise

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

1. Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with the franchisor by mediation, litigation on in California. Out-of-state 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 California than in your own state.

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

3. Financial Condition. Franchisor is undercapitalized (see Item 21) and may not be able to meet pre-opening obligations to all franchisees.

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

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Exhibits

- A. Franchise Agreement
- B. List of State Administrators and Agents for Service of Process
- C. Financial Statements
- D. List of Current and Terminated Franchisees
- E. Multi-State Addenda

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To simplify the language in this Disclosure Document, CompuChild Franchisor LLC may refer to itself as “we,” “our” or “us.” “You” and “your” means refer to the person who buys the franchise, whether you are an individual or a business entity. If you are a business entity, certain provisions of this disclosure also apply to your owners and will be noted. Unless otherwise defined in this FDD, all capitalized terms are defined in §1 of the Franchise Agreement attached as Exhibit A.

Item 1: The Franchisor, and any Parents, Predecessors, and Affiliates.

Our Franchise Opportunity

We offer franchises for the operation of a CompuChild Franchised Business which teaches children in elementary schools, preschools, daycare centers and other similar venues about Entrepreneurial STEAM (Entrepreneurial Science, Technology, Engineering, Art and Math) educational enrichment programs. We observe that leading-edge technology in computers, computational analysis, artificial intelligence (AI), machine learning (ML), data science and several other fields is fundamentally changing the skills required to thrive in any career. Along with topics related to STEAM, we believe an entrepreneurial bent of mind with genuine consideration for business, communication and ethics is equally important for successfully addressing the technical and social questions for the society to progress. The purpose of our franchise is to provide students with an early exposure to what we call a ‘holistic technology education.’

The Franchise is normally operated from a home office if local jurisdiction permits. Franchisees market to and conduct classes at elementary schools, preschools, daycare centers, summer camps, winter camps, spring break camps, weekend classes, birthday parties and other similar venues/occasions. You will determine the number and frequency of the classes you offer (monthly, weekly or bi-weekly). The typical class size is 8-24 students. Our current curriculum set consists of multiple multi-week to full-year instructions (6-25 classes, one class per week) for students of different age groups. Franchisees can offer any number of these courses at their discretion. While the franchisor recommends grade levels for every course, the franchisees make the ultimate decision on which grade levels they would like to offer these courses for, based on the curriculum followed at local school districts and after-school centers. We are actively working on adding additional courses to the curriculum that we offer.

The Market and Competition

We operate in the children’s education market that is well developed. While there are no limitations on serving children of any age group, our services are offered primarily to children between the ages of 4 to 12. You will compete for students with other independent and franchised children’s education companies as well as schools and other businesses offering similar classes.

The Franchisor

We are a California limited liability company organized on July 2, 2019 for the purpose of offering CompuChild franchises. We do not operate a business of the type being franchised

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anymore but did operate a business of the type being franchised from January 2014 to January 2020. Our principal business address is 3736 Fallon Rd., Suite 125, Dublin, CA 94568. We do not offer franchises in any other line of business. Our agent for service of process in California is Shubhra Kant whom can be reached at 3736 Fallon Rd., Suite 125, Dublin, CA 94568. Our agents for service of process in other states are disclosed in Exhibit B.

The Franchisor's Predecessors, Parents, and Affiliates

We purchased the assets of the business from CompuChild Services of America, Inc. in July 2019. CompuChild Services of America, Inc. relocated the corporate office from 1115 Virginia Avenue, Murfreesboro, TN 37130 to 1800 Halifax Street, Carmel, IN 46032 in 2008. CompuChild Services of America, Inc. offered CompuChild franchises for sale from 2001 to 2019 and did not offer franchises in any other line of business.

We have no other parents, predecessors or affiliates required to be disclosed.

Industry-Specific Regulations

Operation of a CompuChild will require you to be aware of federal, state and local regulations that are common to all businesses including federal, state, and local employment laws and regulations, specifically including minimum wage and wage requirements. Certain states may require that you have a teaching license or certificate in order to offer CompuChild classes in preschools, day care centers, and schools. You should check with the appropriate state agency or your legal advisor concerning the requirements in your state. We are not presently aware of any other regulations or special permits or licenses required for you to operate your Franchise, however, you should inquire with your state and local authorities to ensure that your franchise is in compliance with all applicable laws and regulations.

Item 2. Business Experience

President – Shubhra Kant

Shubhra has been President of CompuChild Franchisor LLC since August 2019. From January 2014 to 2020, Shubhra was the Director of CompuChildren LLC, a CompuChild Franchisee in Dublin, CA 94568.

Item 3: Litigation.

No litigation is required to be disclosed in this Item.

Item 4: Bankruptcy.

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

Item 5: Initial Fees.

The Initial Fees include a franchise fee of \$29,900 for a standard territory and \$19,900 for a mini territory and a training fee of \$5,000. The initial fees are due when you sign the franchise

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agreement and are not refundable.

Item 6: Other Fees.

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	\$350 per month for the standard territory \$250 per month for the mini territory	5 th day of each month Fee waived for first three months.	You must pay your royalty fee directly to us.
Approval of Products or Suppliers	\$200 to \$500	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase.	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase. Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.
Transfer / New Designated Manager Fee	\$6,500	At the time of transfer or hire	Payable to us at time of transfer or hiring of a new designated manager. If you are transferring to a different business entity you own, the fee is reduced to \$750.
Late Fees	1.5% per month or the highest rate allowed by the state where you are located (whichever is lower)	As accrued.	Applies to all overdue fees you owe us. Also applies to any understatement in amounts due revealed by an audit. Late fees begin from the date payment was due, but not received, or date of underpayment.

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Prevailing party's legal costs	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us for all costs incurred in enforcing your obligations to us if we prevail.
Termination Fee	\$5,500	Upon termination of the Franchise Agreement	If you decide to terminate the Franchise Agreement.
Successor Franchise Fee	\$1,000	Upon Renewal	Our administrative fee for processing your new franchise agreement.

NOTES

All of the fees noted above are uniform, payable only to us and are non-refundable. We do not impose and collect fees for a third party.

Item 7: Estimated Initial Investment.

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount From - To		Method of Payment	When Due	To whom payment is to be made
Initial Franchise Fee ¹	\$19,900	\$29,900	As Arranged	Upon Signing the Agreement	Us
Training Fee	\$5,000	\$5,000	As Arranged	Upon Signing the Agreement	Us
Real Property ²	\$0	\$1,000	Monthly	Upon Signing the Lease	Landlord
Leasehold Improvements, Signage, Fixtures	\$0	\$500	As Arranged	Before Opening	Contractor
Furniture, Office Supplies and Equipment	\$0	\$1,000	As Arranged	Before Use	Suppliers
Computer System and Teaching Equipment	\$4,000	\$7,000	As Arranged	Before Opening	Suppliers
Subscriptions	\$600	\$700	As Arranged	Before Opening	Suppliers

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Type of expenditure	Amount		Method of Payment	When Due	To whom payment is to be made
	From	To			
Insurance ³	\$800	\$1,000	As Arranged	Before Opening	Insurers
Utility Expenses	\$100	\$300	As Arranged	Upon Signing the Lease	Utility Companies
Professional Fees ⁴	\$1,000	\$1,500	As Arranged	Upon Retaining Services	Advisors
State Specific Fees and Licenses	\$500	\$1,000	As Arranged	Before Opening	Government Agency
Market Introduction Program	\$3,000	\$6,000	As Arranged	Before Opening	Suppliers
Additional Funds ⁵	\$5,000	\$10,000	As Incurred	Before Opening	Varies
TOTAL	\$39,900	\$64,900			

Notes:

Except as otherwise described below, all payments are nonrefundable.

1. The franchise fee is based on the number of elementary schools within the territory. Generally, we offer a mini territory of approximately 15 elementary schools and a standard territory of 25 elementary schools. We do not provide financing for the initial franchise fee.
2. The Franchise is typically operated from a home office but you may choose to operate the Franchise from a commercial office space. Typically, you will be required to pay the first month's rent and a security deposit when signing a lease. Lease payments are paid by you to third-parties and are normally not refundable. Any security deposit paid made may be refundable in certain circumstances. If you purchase the premises for the Franchise Business, the purchase price, down payment, interest rates and other financing terms will determine the amount of you monthly mortgage payments.
3. You are required to obtain and maintain insurance. The amounts listed represent estimated insurance premiums for the first three months of operation. In certain circumstances, you may be required to pay the entire annual premium. Insurance premiums may be partially refundable in the event of early termination of the policy.
4. You will need to employ an attorney, accountant and/or other consultants to advise you

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concerning your purchase and establishment of the franchise business. The cost to do so varies based on many factors including the number of hours of service you require.

5. You will need to support ongoing expenses, such as payroll, auto expenses and utilities, to the extent these costs are not covered by sales revenue. New businesses often generate negative cash flow. We estimate that \$5,000 to \$10,000 will be sufficient to cover additional expenses related to opening your Franchise (such as additional software/app purchases) and ongoing expenses, not including owner's salary, through the initial phase of the business, which we calculate to be 3 to 6 months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during or after this initial phase. Factors which affect the amount of additional funds required include local market conditions, unforeseen problems occurring during the start-up phase and less than average sales results. We relied on the company's experience when preparing these figures.

Item 8: Restrictions on Sources of Products and Services.

Generally

You are required to purchase or lease the following goods and/or services in this Item either from an approved supplier, or according to our specifications. Neither we nor any affiliate is an approved supplier. Therefore, we do not derive any revenue from franchisee required purchases or payments from approved suppliers. Neither we nor any officer of ours owns an interest in any of your suppliers.

Required Purchases and Leases

Computer Equipment: We will provide you with specifications for the equipment necessary to open your business location, which includes but is not limited to your computer, amplifier, speaker, tablet, projector, mobile wifi and other hardware.

Robotic Kits, 3D Printing Materials, Electrical Circuit Supplies: We will provide you with specifications for the kits necessary for our programs.

Software: We will provide you with specifications for the software required for our curriculum.

Advertising Materials: We have developed advertising materials and will provide you with a list of approved suppliers from whom they can be purchased.

Signage: We have developed banners and other signage and will provide you with a list of approved suppliers from whom they can be purchased.

Business Insurance: You are required to purchase comprehensive general liability insurance in the amount of \$2,000,000 for general/aggregate, worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchise Business is located and operated; and Fire, vandalism and extended coverage insurance with primary and excess limits of not less than the full replacement value of the franchise business.

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Supplier Approval Process

We permit you to contract with alternative suppliers for products or services where we require the use of an approved supplier, where your supplier is first approved by us. We do not have a specific criterion for approving suppliers that is available to you but will provide guidance as to what we are looking for upon your request. You will send us sufficient information, specifications and samples for us to evaluate the supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether we approve your supplier. We will provide reasonable notice (usually 30 days) if we decide to revoke the approval of your supplier. We will not charge you for our time in evaluating your suppliers

Our Specifications

Any specifications we may have for good, services or suppliers will be provided to you in the Confidential Operations and Training Manual or other written material when you go through your initial training. As the Confidential Operations and Training Manual or other written materials are updated, we will provide you a copy of the updated versions.

Estimated Proportions

We estimate that 75-85% of your purchases made in establishing your franchised business will be made according to our specifications. We estimate that 75-85% of your purchases made in operating your franchised business will be made according to our specifications.

Miscellaneous

There are no purchasing or distribution cooperatives. We do not negotiate purchase agreements with suppliers on your behalf. We do not provide material benefits to you based on the purchase of particular products or services or use of particular suppliers.

Item 9: Franchisee's Obligations

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

Obligation		Section in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	6	11
b.	Pre-opening purchases/leases	6	7, 8
c.	Site development and other pre-opening requirements	6	11
d.	Initial and ongoing training	4	6, 7, 11
e.	Opening	6	11
f.	Fees	5	5, 6, 7
g.	Compliance with standards and policies/Manual	6, 8, 9	8, 14, 16

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h.	Trademarks and proprietary information	7, 9	13, 14
i.	Restrictions on products/services offered	8	8, 16
j.	Warranty and customer service requirements	6	16
k.	Territorial development and sales quotas	2	12
l.	Ongoing product/service purchases	6	8, 11
m.	Maintenance, appearance and remodeling requirements	6	6
n.	Insurance	13	6, 7, 8
o.	Advertising	12	6, 7, 11
p.	Indemnification	7	N/A
q.	Owner's participation/ management/ staffing	6	15
r.	Records and reports	11	11
s.	Inspections and audits	11	6, 11, 13
t.	Transfer	16	6, 17
u.	Renewal	3	17
v.	Post-termination obligations	15	17
w.	Noncompetition covenants	14, 15, 16	17
x.	Dispute resolution	21	17
y.	Right of First Refusal	17	N/A

Item 10: Financing

Neither we nor any agent, parent or affiliate offers direct or indirect financing to you or guarantees any note, lease or obligation of yours.

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 Franchise, we will designate a geographic area which will serve as your Territory. (§2.3) We will counsel you on implementation and operation of the business, lesson plans, and software. (§4.1) We will provide a training program for your designated manager. (§4.2.) We will loan you a copy of our operation and policies manual. (§4.5) We will provide you with a list of all required equipment, signage, advertising materials, and supplies that are required for the operation of the Franchise, which may be modified by us occasionally. (§4.9) We will provide you with specifications for business cards, stationary, statements, client and student registration forms, accounting and reporting documents, and other business forms we require or recommend. (§4.11) We will provide you with our recommended price list for classes, programs and products offered through your franchise business. However, you have sole discretion as to the prices you charge for the classes, programs and products.

Opening the Franchise

We estimate that the typical length of time between signing the franchise agreement and opening the franchised business is 30 days. Factors affecting the length of time required to open

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the Franchise include financing arrangements, hiring of staff, and completing training. Your Franchise must be opened and operating within 90 days of signing the franchise agreement unless we have agreed in writing to extend the time period. If you have not begun operating the franchised business within 90 days of signing the franchise agreement, or a longer period that we approve, we may choose to terminate the agreement and retain your franchise fee. (§5.1.2)

Continuing Obligations

During your operation of the franchised business we will provide general advisory assistance to you, as we deem necessary, including 1 hour of one-on-one time per month for the first 6 years you are in operation. (§4.4) We will provide you with updates, revisions and amendments to the manuals. (§4.5) We will provide general advice to you in establishing your weekly and monthly reporting, bookkeeping, and accounting systems necessary to operate the franchised business. (§4.6) We will maintain a direct access line to our support staff, and email accounts for our representatives. We will be available to you via phone or email during the days and hours listed in the Confidential Operations and Training Manual. (§4.8) We will provide you with specifications regarding the insurance requirements for the franchised business, which you must obtain at least 15 days prior to the opening of the franchised business. (§4.11) If we develop new or revised classes, methods of operation or procedures, we will provide you with this information either electronically or in written form. (§4.12)

Advertising, Marketing and Promotion

You are not required to participate in any advertising fund or cooperative. All advertising, marketing and promotion you use in your territory must be of the type and format as we approve. You must conduct the activities in a dignified manner, and all advertising, marketing and promotion must conform to our standards. You are permitted to create advertising and marketing materials for use solely in your territory, however, you may not use any advertising or promotional materials until you have received our written approval according to the procedures described in the Confidential Operations and Training Manual. You must submit samples of all marketing and promotional plans and materials to us for our approval if we have not prepared or previously approved them within the last six months. You will receive our approval or disapproval within 14 days of submission. You are not permitted to advertise outside your territory, unless by virtue of the media, the advertising will extend (in the minority) outside your territory. In this event, you must notify in writing, any Franchisee(s) whose territory is affected by the advertising, and at their option, include their franchise contact information in the advertisement. (§ 11.1)

Local Advertising Expenditures

We also recommend that you spend \$1,000-\$2,500 per year for local advertising in your territory. You may select the type of advertising you purchase, however, all advertising and marketing campaigns and materials must be approved by us before their use. (§12.1.1) The success of your franchised business will be based in part on generating public awareness of the services you offer. Although much of the marketing and promotion you do in your territory will involve you and/or your designated manager visiting with elementary schools, preschools and daycare centers, you should spend more than the recommended minimum amounts for

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advertising and marketing in your territory.

Internet Advertising and Marketing / Website

We have established and maintain an Internet website under the domain www.compuchild.com. The site is used by us to promote our services and the franchise opportunity to interested parties, in addition to providing various functions to our franchise network. We may provide you with access to password protected areas within the site to assist in the operation of your franchise. These rights may be rescinded by us, in our sole discretion, if you violate the conditions of use as provided in the Manual or otherwise in writing. We maintain sole rights to all content and information displayed or collected on our websites. This content and information includes, without limitation, graphics and pictures, website copy, advertisements, and all other information that we designate, in our discretion. You are not permitted to add to, delete, or modify any of the content without our written permission.

You are prohibited from registering any domain name using our trade name and we retain all rights in and to our trade names and marks for use on the Internet. You are not permitted to host a website for the purpose of promoting the franchised business on the Internet. You are not permitted to offer services outside your territory through the Internet or any other electronic means. We may, at our discretion, provide you with customizable pages (the "Custom Pages") within our website to promote your franchised business. If we do so, you will be required to provide information to us or to post any information as required by us on your custom pages using a method and procedure provided by us. You must follow the procedures we provide in the Confidential Operations and Training Manual or otherwise in writing for uploading and deleting content from your custom pages. You must secure our written permission should you desire to link your custom pages to other websites on the Internet. We maintain the sole right to modify, change, add to, or delete our domain and website and the custom pages.

We will provide you with an email address using our Internet domain. The email address will be in a form we determine, such as [YourName]@compuchild.com. We maintain all rights of ownership to the email address. (§11)

We do not have an advertising council comprised of franchisees.

Computer System & Teaching Equipment

You are required to purchase the following computer hardware and software:

Hardware	Software
Computer	QuickBooks Accounting Pro Software Package (2011 or higher)
Projector	Stripe (Payments)
Backup Drive	Microsoft Office (2017 or higher)
Speaker, amplifier and mic	Teaching software

The approximate cost of the Computer System and Teaching Equipment is \$4,000 to

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\$7,000. We will be permitted full access your computer and point of sale data without contractual limitation. (§12.4) We are not obligated to repair or maintain your computer system and do not require you to purchase a maintenance package, but you may decide to hire an IT professional for this purpose. We will not have independent access to the information generated or stored in your computer system.

Confidential Operations and Training Manual

Manual Section	Number of Pages
Preface & Introduction	36
Opening Procedures / Training Outline	3
Pre-Opening	19
Administrative and Operations	30
Programs and Services / Lesson Plans	130
Selling & Client Relations	19
Advertising & Marketing	12
Forms & Materials	50
Total Number of Pages	299

Training

Before opening the franchised business, your designated manager must attend and complete to our satisfaction the franchise training program. (§4.2) The initial training program is mandatory and includes comprehensive information concerning the operation of the franchised business. We will conduct the training program online. There is a training fee of \$5,000 charged for the initial training program. If you do not successfully complete the initial training program, we may terminate your franchise agreement.

As of our last fiscal year end, our training program consisted of the following:

TRAINING PROGRAM			
Subject	Number of Hours of Classroom Training	Number of Hours of On-the-Job Training	Location

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Equipment Check-off Review Territory Overview of Training Materials Copyrights Attaining Centers Planning/Managing your time Prepare Marketing Folders Actual set up Promoting your Business Online set up Message Board Ordering Hiring	4	0	Online
Review Day One Find Target Schools and Centers Advertising Public School Approval Process How to Pitch Your Program How to Win Private Centers Review needs for Day Three	4	0	Online
Class Tips Teaching Techniques Mock Class Review Lesson Plan Review/Choose Software/Apps Review forms Questions & Answers Conclusion	4	0	Online
TOTAL	12	0	

The initial training program will be conducted on an as needed basis. The training materials include the Confidential Operations and Training Manual, curriculum and related written materials. Your instructor for training is Shubhra Kant, along with other trained CompuChild staff. Shubhra has been our President since August 2019 (see Item 2). Shubhra has 10 years of experience with CompuChild.

We do not require any additional training programs or refresher courses.

Item 12: Territory

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We grant you an exclusive territory for a specific location. You may change your location or the size of your territory with our approval. You do not have a right to adjacent territories or to open additional franchises but may increase your territory with our approval. The continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency. The size of your territory will not be modified during the term of your franchise agreement. We have not retained the right to use other channels of distribution within the Territory under our trademarks or different trademarks. You shall not directly market to, solicit customers or accept customers located outside your Territory using our main channel of distribution or any other.

Our standard territory includes approximately 25 elementary schools. Our mini territory includes approximately 15 elementary schools.

Item 13: Trademarks

The following are the principal trademarks that we license to you that are registered on the principal register of the United State Patent and Trademark Office and for which all required affidavits have been filed:

Trademark	Registration Date	Registration Number	Renewal Date
CompuChild	05/04/2004	2838021	05/04/2034
Entrepreneurial STEAM	01/05/2021	6236929	01/05/2027
BiztechChild	12/05/2023	7237492	12/05/2029

Material Determinations

We know of no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court; or any pending infringement, opposition, or cancellation proceedings pertaining to any of our trademarks. We know of no pending material federal or state court litigation regarding our use or ownership rights in any of the trademarks.

Trademark Agreements

We do not have any agreements that affect our trademark rights.

Trademark Liabilities

We are not required to protect your right to use the principle trademark or to protect you against claims of infringement or unfair competition arising out of your use of the trademarks. You must immediately notify us when you learn about an infringement of, or challenge to your use of, any trademark, or any claim by any person of any rights in any Marks, and you must not

FRANCHISE DISCLOSURE DOCUMENT

communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We are not required to take affirmative action when notified of these uses or claims but will take the action we think appropriate. We have the option to control the defense and settlement of any proceeding related to your use of the trademarks. We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any trademark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding.

If we require you to modify or discontinue using a trademark, you will be solely responsible for all expenses up to the cap for system modifications stated in your franchise agreement.

Superior Rights and Infringements

We know of no prior superior uses that could materially affect the use of the trademarks in any state in which your franchised business is to be located. We know of no infringing uses that could materially affect your use of the principal trademarks in your state.

Item 14: Patents, Copyrights and Proprietary Information (Trade Secrets).

Patents

We do not own rights in, or licenses to, patents or patent applications that are material to the franchise.

Copyrights

All of our original works of authorship fixed in a tangible medium of expression, including but not limited to our Manual, are automatically protected under the U.S. Copyright Act. We have not sought a copyright registration for any of these materials. You may use our copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for the purpose of operating your franchised business. There are no material determinations of the United States Copyright Office or any court regarding any of our copyrighted materials. We are not obligated to protect the copyright or to defend you against claims arising from your use of the copyrighted items.

Trade Secrets

We have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating our franchised business.

Item 15: Obligation to Participate in the Actual Operation of the Franchised Business.

You are required to appoint a designated manager to provide personal on-premises supervision of the franchised business. The designated manager must successfully complete our training program, any additional trainings we designate, and will be required to sign

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nondisclosure and noncompetition agreements in a form the same as or similar to the Nondisclosure and Noncompetition agreement attached to the Franchise Agreement. If you are a business entity, we require that your Designated Manager own an equity interest of at least 50% in such business entity.

Item 16: Restrictions on What the Franchisee May Sell.

You must offer all of the classes, programs and products that we designate as required for all franchisees. You are only permitted to offer classes, programs and products that we have expressly approved in writing and which meet our current standards as provided in the Confidential Operations and Training Manual or otherwise in writing, which we may modify or add occasionally. You may not add to, delete, or change any of the curriculum without our express written consent. You may also, at your option, offer optional classes, programs and products that we make available to our franchisees. Our list of required and optional classes, programs and products is provided in the Confidential Operations and Training Manual. You are not permitted to sell any non-approved classes, programs or products without first obtaining our written consent. You must discontinue selling or offering any classes, programs and products which we, in our sole discretion, disapprove in writing at any time. We will provide you with our recommended price list for classes, programs and products offered through your franchise business. However, you have sole discretion as to the prices you charge for the classes, programs and products.

You must comply with all reasonable requirements if we modify the system, including offering and selling new or different classes, programs and products that we specify. We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes.

We may choose to offer certain classes, programs and products that are not a normal part of our system, to franchisees for test marketing purposes, which may not be made available to you. We may also give certain franchisees permission to sell certain classes, programs and products that are not a normal part of our system, which you may not be permitted to offer.

Item 17: Renewal, Termination, Transfer and Dispute Resolution.

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the Franchise and related Agreements. You should read these provisions in the Agreements attached to this Disclosure Document.

Provision	Section in franchise agreement	Summary
a. Length of the franchise term	§ 3	6 years

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Provision	Section in franchise agreement	Summary
b. Renewal or extension of the term	§ 3	After the initial term you will be required to sign then current franchise agreement that may contain materially different terms and conditions than your original contract but will be for a term of 6 years.
c. Requirements for Franchisee to renew or extend	§ 3	You may renew your franchise by signing our then current version of the franchise agreement if you have fully complied with the provisions of the franchise agreement; have the right to maintain possession of the approved location or an approved substitute location for the term of the renewal; have made capital expenditures as necessary to maintain uniformity with the system, including completing any required renovations or updates; have satisfied all monetary obligations owed to us including payment of a renewal fee; are not in default of any provision of the franchise agreement or any other agreement with us; have given timely written notice of your intent to renew; sign the then current franchise agreement, the terms of which may differ substantially from your current agreement; comply with our then current qualifications and training requirements; sign a general release.
d. Termination by Franchisee	§ 14	Franchisee may terminate the agreement upon 90 days notice and with the payment of a termination fee of \$5,500.

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Provision	Section in franchise agreement	Summary
e. Termination by Franchisor without "cause"	None	Not Applicable
f. Termination by Franchisor with "cause"	§ 14	Default under franchise agreement, bankruptcy; abandonment; and other grounds.
g. "Cause" defined – curable defaults	§ 14	All other defaults not specified in § 14 of the franchise agreement.
h. "Cause" defined –non-curable defaults	§ 15	Bankruptcy, voluntary abandonment, conviction of felony, and others.
i. Franchisee's obligations on termination/non-renewal	§ 15	Complete de-identification, payment of amounts due including termination fee, compliance with covenants, transfer telephone listing, and others
j. Assignment of contract by Franchisor	§ 16	There are no limits on our right to assign the franchise agreement
k. "Transfer" by Franchisee – defined	§ 16	Includes transfer of interest in the franchise agreement or your business entity
l. Franchisor's approval of transfer by Franchisee	§ 16	We have the right to approve all transfers but will not unreasonably withhold approval

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Provision	Section in franchise agreement	Summary
m. Conditions for Franchisor's approval of transfer	§ 16	Includes payment of money owed, sign a general release, signing of new franchise agreement, and payment of transfer fee
n. Franchisor's right of first refusal to acquire Franchisee's business	§ 17	We can match any offer
o. Franchisor's option to purchase Franchisee's business	§§ 14 and 15	At our sole option upon expiration or termination of the franchise agreement, we may purchase certain assets of your franchise.
p. Death or disability of Franchisee	§ 14	Interest in your franchised business may be transferred to a third-party we have approved
q. Non-competition covenants during the term of the franchise	§ 16, 17, 18	Includes prohibition on engaging in any other business similar to CompuChild
r. Non-competition covenants after the franchise is terminated or expires	§ 16, 17, 18	Includes a 2-year prohibition within 50 miles of your territory and within a 50-mile radius of any other franchised territory
s. Modification of the agreement	§ 20	Must be in writing signed by both parties
t. Integration/merger clause	§ 20	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
	§ 21	Mediation in Dublin,

FRANCHISE DISCLOSURE DOCUMENT

Provision	Section in franchise agreement	Summary
u. Dispute resolution by arbitration or mediation		California
v. Choice of forum	§ 21	Dublin, California subject to your state's franchise or disclosure laws
w. Choice of law	§ 21	California law applies, subject to your state's franchise or disclosure laws

Item 18: Public Figures.

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

Item 19: Financial Performance Representation.

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our President, Shubhra Kant, 3736 Fallon Rd., Suite 125, Dublin, CA 94568 (341-777-8000), the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20: Outlets and Franchise Information.

Table No. 1
Systemwide Outlet Summary For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised USA	2021	10	7	-3

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	2022	7	9	+2
	2023	9	7	-2
	2021	1	1	0
Franchised Canada	2022	1	1	0
	2023	1	1	0
	2021	0	7	+7
Company-Owned	2022	7	7	0
	2023	7	7	0
	2021	10	15	+4
Total Outlets	2022	15	17	+2
	2023	17	15	-2

Table No. 2
Transfers of Outlets from Franchisees to New Owners
For years 2021 to 2023

State	Year	Number of Transfers
N/A	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Table No. 3
Status of Domestic Franchised Outlets For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
AL	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
AK	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
CA	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	0	2	0	0	0	2
FL	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
GA	2021	1	0	0	0	0	0	1

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	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
KY	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
SC	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
TX	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Total	2021	10	0	0	3	0	0	7
	2022	7	2	0	0	0	0	9
	2023	9	0	2	0	0	0	7

Status of International Franchised Outlets For Years 2021 to 2023

Country	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Canada	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

Table No. 4

Status of Company-Owned Outlets For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
CA	2021	0	7	0	0	0	7
	2022	7	0	0	0	0	7
	2023	7	0	0	0	0	7
Total	2021	0	7	0	0	0	7
	2022	7	0	0	0	0	7
	2023	7	0	0	0	0	7

Table No. 5

FRANCHISE DISCLOSURE DOCUMENT

Projected Openings as of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
CA	0	2	0
FL	0	2	0
TX	0	1	0
Total	0	5	0

A list of current Franchisees and their contact information as of the date of this Disclosure Document is attached as *Exhibit D*. *Exhibit D* also lists any Franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with the Franchisor within 10 weeks of this Disclosure Document issuance date. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In the past 3 years, we have not requested any current or former Franchisee sign a provision restricting their ability to speak openly about their experience with us. You may wish to speak with current or former Franchisees but be aware that not all Franchisees may be willing to speak with you or to disclose private information about their own business. *Exhibit D* also lists licensees sold by our predecessor corporation that are currently operating.

Item 21: Financial Statements.

The required financial statements as of December 31, 2023, December 31, 2022, and December 31, 2021 are attached in Exhibit C to this document. Our fiscal year end is December 31 each year.

Item 22: Contracts.

All proposed agreements regarding the franchise offering are attached:

<u>Name of Contract</u>	<u>Exhibit/Attachment</u>
Franchise Agreement	1 to this Disclosure Document
Confidentiality & Non-Competition Agreement	2 to the Franchise Agreement
General Release	1 to the Franchise Agreement
State Addendum to Franchise Agreement	4 to the Franchise Agreement

Item 23: Receipts.

FRANCHISE DISCLOSURE DOCUMENT

Two copies of the receipt for this disclosure document are attached as the last pages. Please sign and return one copy to us and keep the other copy for your records.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT**



COMPUCHILD FRANCHISE AGREEMENT

COMPUCHILD FRANCHISOR LLC

3736 Fallon Rd., Suite 125

Dublin, CA 94568

Phone: (341) 777-8000

Email: CompuChild@CompuChild.com

**EXHIBIT A TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT**

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Attachments

- 1 – General Release**
- 2 – Confidentiality and Non-Competition Agreement**
- 3 – Holders of legal or beneficial interest in franchisee, officers and directors**
- 4 – State Addenda**
- 5 – Telephone Assignment**

**EXHIBIT A TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT**

COMPUCHILD FRANCHISE AGREEMENT

This CompuChild Franchise Agreement is made and entered into this ____, day of _____, 20__, by and between COMPUCHILD FRANCHISOR LLC, a limited liability company organized under the laws of the State of California whose principal place of business is 3736 Fallon Rd., Suite 125, Dublin, CA 94568, (hereinafter referred to as "Franchisor") and _____ with its address at _____ (hereinafter referred to as "Franchisee").

§1 Definitions

Whenever used in this Agreement, the following words and terms have the following meanings:

"Agreement" means this agreement entitled "CompuChild Franchise Agreement" including the exhibits.

"Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) children's education services the same as or similar to those provided by CompuChild or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to any business operated under a Franchise Agreement with Franchisor.

"Confidential Information" means information used in or related to CompuChild and not commonly known by or available to the public, including, without limitation, Trade Secrets, the customer list and any other information identified or labeled as confidential when delivered by Franchisor.

"Designated Manager" means the individual designated by Franchisee as having primary responsibility for managing the daily affairs of the Outlet who is required to own at least a 50% equity interest in Franchisee if Franchisee is a business entity.

"Effective Date" means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term.

"Franchise or Franchise Business" means the right granted to Franchisee by Franchisor to use the System and the Marks.

"Gross Revenue" means the aggregate of all revenue collected from all sources in connection with the Outlet, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) any revenue Franchisee remits to a customer or property owner or collection agency that Franchisee is contractually obligated to remit, (b) any chargeback fees Franchisee pays to a collection agency, (c) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, and (d) any rebate received by Franchisee from a manufacturer or supplier.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT
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“Incapacity” means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Outlet on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

“Manual” means the CompuChild Confidential Operations and Training Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor.

“Marks” means the trade name or trademark “CompuChild” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with the System;

“Mini Territory” means a territory with approximately 15 elementary schools.

“Outlet” means the CompuChild business authorized by this Agreement operated within the Territory;

“Standard Territory” means a territory with approximately 25 elementary schools.

“System” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of CompuChild businesses; and

“Trade Secrets” means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in CompuChild business that are not commonly known by or available to the public and that: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

§2 GRANT OF FRANCHISE

2.1 System Grant. Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, a revocable, limited license to operate one Outlet using the System.

2.2 Trademark License. Franchisor hereby grants to Franchisee, a revocable, limited license to use the Marks within the Territory to promote and operate its business and otherwise as authorized in this agreement. Franchisee acknowledges that Franchisor owns all rights, title, and interest in and to the Marks. Franchisee agrees not to challenge in any court of law or in any other manner the validity of the Marks. Franchisee acknowledges that all use of the Marks by

**EXHIBIT A TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT**

Franchisee shall inure to the benefit of Franchisor and its good will associated with the Marks.

2.3 Territory. Franchisee will receive an exclusive territory to be mutually agreed upon by Franchisor and Franchisee ("Territory"). Franchisee will operate the Outlet within the designated Territory and shall limit all direct marketing, advertising, and business activities as stated in §2.7. As long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, Franchisor shall not limit or alter the boundaries of Franchisee's Territory. Franchisee's rights in the Territory are subject to Franchisor's rights articulated in §2.6.

2.4 Territory Expansion. After the Franchisee signs this Agreement they may wish to expand the Territory. Territory Expansion will not be granted by Franchisor if all obligations owed to Franchisor, and all other outstanding obligations relating to the Outlet, are not fully paid and satisfied. If granted, Franchisee will pay a Territory Expansion Fee of \$29,900 for an expansion equal to a Standard Territory and \$19,900 for an expansion equal to a Mini Territory, or an otherwise appropriate fee relative to the number of elementary schools in the additional territory.

2.5 Map or Description of Territory. The Territory shall be defined by and exist within the following map, zip codes or other physical, political or natural boundaries: _____

2.6 Franchisor's Rights. Franchisee acknowledges that except to the extent provided in §2.1 above, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.6.1 establish, own or operate, and license others to establish, own or operate, CompuChild Businesses outside of the Territory;

2.6.2 establish, own or operate, and license others to establish, own or operate other businesses under other systems using other trademarks at locations inside and outside of the Territory;

2.6.3 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Territory;

2.6.4 provide the services and sell the products authorized for CompuChild Businesses using the Marks or other trademarks through an alternate channel of distribution on such terms and conditions as Franchisor deems appropriate; and

2.6.5 purchase or otherwise acquire the assets or controlling ownership of one or more Competitive Business some or all of which may be located anywhere, including within the Territory.

2.6.6 If Franchisor purchases or acquires a Competitive Business within the Territory, Franchisor may, in its sole discretion: offer to sell any such businesses to Franchisee or to

EXHIBIT A TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

Franchisee at the business's fair market value to be operated as a CompuChild; or offer Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.7 Marketing and Solicitation Restrictions. Except as part of cooperative advertising implemented pursuant to §11.4, Franchisee shall not advertise in any media whose primary circulation is outside their Territory. Franchisor shall make reasonable efforts to enforce these restrictions with regard to Franchisee and any other CompuChild franchisees, but under no circumstances shall Franchisor be required to engage in litigation or similar actions with regard to these restrictions.

2.8 Customers from Outside the Territory. Despite the marketing restriction in the previous section, Franchisee shall be permitted to serve any customers from outside the Territory only if they do not fall within the Territory of another CompuChild business. If a customer whom falls within the territory of another CompuChild business contacts Franchisee, Franchisee shall provide that customer with the contact information of the appropriate CompuChild business.

§3 TERM AND RENEWAL

3.1 Initial Term. Except as otherwise provided herein, the term of this Agreement shall be for 6 years commencing on the date of execution of this Agreement.

3.2 Additional Terms. Following the Initial Term, Franchisee may, at its option, continue the Franchise Business for additional 6 year terms, subject to the following conditions which must be met prior to renewal, unless to the extent otherwise waived by Franchisor:

3.2.1 Franchisee shall give Franchisor written notice of such election to renew not less than six (6) months prior to the end of the initial term;

3.2.2 Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor thereto, or any other agreement between Franchisee and Franchisor, or its subsidiaries and affiliates, and shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

3.2.3 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates and shall have timely met those obligations throughout the term of this Agreement;

3.2.4 Franchisee shall execute Franchisor's then current form of Franchise Agreement, which agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement, including, without limitation, by requiring a higher royalty fee, Advertising Production Fund contribution, increase in the Minimum Local Advertising Expenditure and National Media Fund contribution; provided, however, that in lieu of the then current initial franchise fee or its equivalent, for such renewal period, Franchisee shall be charged a renewal fee of \$1,000;

3.2.5 Franchisee shall comply with Franchisor's then current qualification and training requirements;

EXHIBIT A TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

3.2.6 Franchisee, its shareholders, directors and officers shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees; and

3.2.7 In the event that any of the above conditions to renewal have not been met by Franchisee, or if Franchisee has received 3 or more Notices to Cure from Franchisor during the term hereof, or should Franchisor no longer be offering franchises with respect to the System and/or the Marks; then Franchisor shall have no obligation to renew this Agreement, in which case Franchisor shall provide Franchisee written notice of its intent not to renew this Agreement at least 90 days prior to its expiration, which notice shall set forth the reason(s) for such refusal to renew.

§4 DUTIES OF FRANCHISOR

4.1 Franchisor shall provide to Franchisee counseling on franchise set-up, implementation, and specifications for the premises.

4.2 Franchisor shall provide an initial training program to the Designated Manager.

4.3 Should Franchisee choose, in its sole discretion, to operate the Franchise Business from a commercial office space, Franchisee shall be solely responsible the selection and remodeling of a suitable site for the operation of commercial office spaces in the Territory and for evaluating its lease. However, Franchisee is required to submit their proposed commercial office space for approval by Franchisor. Franchisee acknowledges that Franchisor's approval of a site is only based on the site meeting Franchisor's minimum site criteria which includes the condition and size of the site; area demographics, and the length of the lease. Franchisor shall approve or disapprove Franchisee's site and the lease within fourteen (14) days of written notice from Franchisee of the same and submission by Franchisee of all required information to Franchisor.

4.4 Franchisor shall provide general advisory assistance in the operation, advertising and promotion of the Franchise Business, including 1 hour of one-on-one time from someone on the Franchisor's team each month for the first 6 years you are operating.

4.5 Franchisor shall loan to Franchisee a single copy of the Manual. Franchisor may, at its option, make the Manual available electronically to Franchisee. Should Franchisor, in its sole discretion, make any modifications to the Manual, Franchisor shall provide Franchisee with such updates, and Franchisee agrees to immediately incorporate such modifications into the Manual according to Franchisor's specifications and requirements.

4.6 Franchisor shall provide to the Franchisee general assistance in establishing its bookkeeping and accounting systems necessary to enable the Franchisee to operate its Franchise and to accurately report its revenues to Franchisor. Franchisor shall provide Franchisee with reporting documents for purposes of reporting financial and/or sales-related information to Franchisor. Such reporting may be completed via the Internet, at Franchisor's sole discretion, according to the requirements set forth in the Manual or otherwise in writing.

4.7 Franchisor shall continue its efforts to establish and maintain high standards of quality,

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customer satisfaction and service of the System, and to that end shall: conduct, as it deems advisable, evaluations of the Franchise Business and its: programs, methods, techniques, staff, and the services rendered therein; upon request and subject to the terms set forth elsewhere in this Agreement, disseminate Franchisor's standards and specifications for items not deemed to be trade secrets to Franchisee or its suppliers.

4.8 Franchisor shall maintain a direct access line to Franchisor's support staff, and email accounts for corporate representatives. Franchisor shall be available to Franchisee via phone or email during the days and hours as established by Franchisor, which may change upon written notice.

4.9 Franchisor shall provide Franchisee, in the Manual or otherwise in writing, with a list of all required equipment, products, signage, materials, and supplies that are required for the operation of the Franchise Business.

4.10 Franchisor shall provide Franchisee, in the Manual or otherwise in writing, with specifications for business cards, stationary, statements, accounting and reporting documents, and other business forms we require or recommend. Franchisees specifications for such items will be adopted by Franchisee without modification.

4.11 Franchisor will provide specifications to Franchisee regarding the insurance requirements for the Franchise Business, which Franchisee must secure at least 15 days prior to commencing operation of the Franchise Business.

4.12 If Franchisor develops new or revised classes, methods of operation or procedures relative to the System, Franchisor shall provide Franchisee with such information either electronically or in written form in the same manner as provided to other Franchisees.

4.13 Franchisor shall, when requested by Franchisee, approve or disapprove alternative suppliers for nonproprietary products, services, and supplies used or sold through the Franchise Business. Franchisee must submit a request to Franchisor in writing, together with samples or other evidence of conformity with Franchisor's specifications as reasonably required. Franchisee shall be responsible for all reasonable costs incurred by Franchisor in evaluating the prospective supplier and its products and/or services and shall be due upon demand. Specifications may include minimum standards for quality, quantity, delivery, packaging, appearance, price and other criteria. Franchisor's approval of alternative supplier(s) for nonproprietary products shall not be unreasonably withheld. Franchisor shall make every effort to provide a decision concerning the alternative supplier within 14 days of its receipt of all required information and sample products. Franchisor shall have the right to revoke approval of a supplier if Franchisor, in its sole discretion, determines that the supplier and/or its products no longer meet Franchisor's standards or specifications. Within 10 days of Franchisee's receipt of written notice of Franchisor's revocation of a supplier, Franchisee must cease to use any disapproved product and cease to purchase from any disapproved supplier.

4.14 Franchisor shall provide Franchisee with a unique email address using Franchisor's Internet domain and associated email account for use only with the Franchise Business. Franchisor maintains all rights of ownership in and to such Email Address.

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4.15 Franchisor shall provide Franchisee with accounting software for use with the franchised business. Franchisor maintains all rights of ownership in and to the related account and the data generated.

All of the obligations of Franchisor hereunder are to Franchisee, and no other party is entitled to rely on, enforce or obtain relief for breach of such obligations either directly or by subrogation.

§5 FEES

5.1 Franchise Fee. Franchisee shall pay a Franchise Fee to Franchisor of \$29,900 if Franchisee is purchasing a Standard Territory and \$19,900 if Franchisee is purchasing a Mini Territory. Any deposit paid by Franchisee under a previously executed Deposit Agreement shall be applied against the total Franchise Fee due. The Franchise Fee is payable by certified bank check or cashier's check upon the execution of this Agreement. The Initial Franchise Fee is deemed fully earned by Franchisor upon payment thereof and is nonrefundable, except as otherwise provided herein.

5.1.1 In the event Franchisee or its Designated Manager fail to successfully complete the initial training program as determined solely by Franchisor, Franchisor may, at its sole option, immediately terminate this Agreement and retain the Franchise Fee to cover Franchisor's personnel, overhead, and administrative costs related to the training program; expenses related to the sale of the franchise and the materials provided to Franchisee during training; and Franchisor's loss of opportunity during the time that the Franchise was unavailable for sale to another party.

5.1.2 Should Franchisee fail to open the Franchise Business within ninety (90) days following the execution of this Agreement, Franchisor may, at its sole option, immediately terminate this Agreement and retain the Franchise Fee to cover Franchisor's personnel, overhead, and administrative costs related to the training program; expenses related to the sale of the franchise and the materials provided to Franchisee during training; and Franchisor's loss of opportunity during the time that the Franchise was unavailable for sale to another party. For the purposes of this Agreement, "open the Franchise Business" means the Franchisee is marketing the classes to daycare and preschool centers in their Area.

5.2 Training Fee. Franchisee shall pay a Training fee to Franchisor of \$5,000 whenever Franchisee is required to send a Designated Manager to the CompuChild training program.

5.3 Royalty Fees. Franchisee shall pay a monthly Royalty Fee to Franchisor of \$350 if Franchisee is purchasing a Standard Territory and \$250 if Franchisee is purchasing a Mini Territory. If Franchisee later purchases the rights to expand its Territory, the Royalty Fee will be increased accordingly.

5.4 New Agreement Fee. Should Franchisee elect to continue the Franchise Business for an additional six year term as provided in § 3.2. herein, Franchisee shall pay Franchisor a New Agreement Fee of \$1,000, which shall be payable upon execution of the then current Franchise Agreement. No additional Franchise Fee will be due.

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5.5 Application of Payments. Franchisor shall have the right, in its sole discretion, to apply any payment(s) made by Franchisee to any amounts due Franchisor by Franchisee.

5.6 Electronic Funds Transfer. Franchisor has the right to effect an electronic funds transfer ("EFT") from Franchisee's account as specified in a Bank Authorization Agreement to satisfy the fees set forth in this section or any other payment owed to Franchisor under this Agreement or any other agreement related to the Franchise Business, whether or not expressly set forth herein. In order to effect any electronic funds transfers pursuant to this Agreement, Franchisee must execute a Bank Authorization Agreement in the form specified by Franchisor. Franchisee must maintain at all times sufficient funds to satisfy any draw made by Franchisor on the account(s) Franchisee designates in the Bank Authorization Agreement. Franchisee shall provide Franchisor with at least 30 days written notice of any change to said account that may affect Franchisor's ability to collect such payment(s) and Franchisee agrees to pay a monthly late fee equal to 1.5% of the amount due commencing on the day such transaction was declined by Franchisee's financial institution and reimburse Franchisor for any charges assessed in the event there are insufficient funds in such designated account(s). For non-recurring fees and payments, Franchisor will provide Franchisee with at least 48 hour notice before drafting from the designated account(s). Notwithstanding the foregoing, however, Franchisor may require at any time, in its sole discretion, that Franchisee make a required payment in non-electronic form in lieu of EFT, and Franchisor will be entitled to receive any payment due from Franchisee by way of check or cash or any other non-electronic form so specified by Franchisor.

5.7 Payment Timing. All payments required by this section shall be paid to Franchisor within the time period provided herein. In the event that any payments are due on a national holiday, payment shall be due on the first business day following such holiday. Any payment not actually received by Franchisor on or before such due date shall be deemed overdue. If any payment is overdue, Franchisee shall pay to Franchisor in addition to the overdue amount, a late payment charge on such amount from the date it was due until paid at one and one-half percent (1.5%) per month, or the maximum rate permitted by state law, whichever is less, established on the date payment was due. Such late payment shall be calculated on a daily basis and shall be in addition to any other remedies Franchisor may have.

§6 DUTIES OF FRANCHISEE

6.1 System Compliance. Franchisee understands and acknowledges that compliance with the System and consistency with respect to every detail of the operation of the Franchise is critical to Franchisor, Franchisee, and other Franchisees in order to: maintain high and uniform operating standards; increase the demand for the products and services provided by Franchisees; and protect Franchisor's Proprietary Mark(s), System, trade secrets, reputation and goodwill. Accordingly, Franchisee agrees to adhere to the standards and specifications as established by Franchisor as described in the Manual(s) and as may be modified from time to time in Franchisor's sole discretion.

6.2 Commercial Office Space. Should Franchisee choose to operate the Franchise Business from a commercial office space, Franchisee must present the proposed site for the Franchise Business for Franchisor's approval prior to Franchisee's execution of a lease. Franchisor shall provide its decision regarding the site within fourteen (14) days of its receipt of all required

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information. Franchisor's approval of a site shall be based on a review of a site evaluation form; the condition, size and location of the site; and the site's overall conformance to our written specifications, and may be modified from time to time. Franchisee acknowledges that Franchisor's approval of a site is not an opinion by Franchisor as to the viability of the location. Should Franchisee operate the Franchise Business from commercial office space, Franchisee shall use the location solely for the operation of the Franchise Business. Further, Franchisee shall refrain from using or permitting the use of the Franchise Business for any unauthorized purpose or activity at any time without first obtaining the written consent of Franchisor.

6.3 Business Permits. Franchisee shall obtain, and is solely liable to obtain, all federal, state and local business licenses, permits, certifications, bonds, insurance, and registrations required for lawful construction of the Franchise Business, including, without limitation, zoning, access, variances (if required), health, sign and fire requirements. Franchisee acknowledges that in certain jurisdictions, there may be regulations pertaining to child-based enrichment programs requiring special business or operating licenses, or certifications or bonding for employees, which are the sole responsibility of Franchisee to obtain. Franchisee shall, in all cases, certify in writing to Franchisor that all required licenses, permits, insurance, and certifications have been obtained prior to opening the Franchise Business.

6.4 Designated Manager. Franchisee shall appoint a Designated Manager, who owns at least a 50% equity share in Franchisee's business entity, that shall devote their best efforts to the management and operation of the Franchise Business. Franchisee will immediately notify the Franchisor in writing of any personnel changes in the Manager position of the Franchise Business. Franchisee may not, by designation of a Manager, effect an unapproved transfer of this Agreement and/or the Franchise Business.

6.5 Training. In accordance with the terms and conditions set forth in §4 regarding initial franchise training, the Designated Manager (if any) shall attend and successfully complete, to Franchisor's reasonable and sole satisfaction, Franchisor's initial training program prior to the opening of the Franchise Business.

6.6 Branded Purchases. Franchisee shall purchase from approved suppliers, certain branded products, materials and supplies which include, but are not limited to: brochures; Franchise literature; student payment envelopes; apparel; advertising and marketing materials; business collateral; and other similar items that Franchisor specifies in the Manual or otherwise in writing. Such items may be modified, changed, or eliminated by Franchisor at any time, in its sole discretion, and Franchisee must use or eliminate from use, at its own expense, in a reasonable time period, any items that Franchisor so specifies, within 7 days of such notice.

6.7 Marketing. Franchisee shall exclusively market and sell the training, education, curriculum and services offered as set forth in the Manual (and as may be modified or added from time to time), and will use its best efforts to cultivate, develop and expand the market for these products and services within its Territory. Franchisee acknowledges that Franchisor may choose to offer certain products and services that are not a normal part of the System to franchisees for test marketing or other purposes and Franchisee agrees that such products and services may not be made available to Franchisee. Franchisee further acknowledges and agrees that Franchisor may choose to grant other franchisees permission to market certain products and

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services that are not a normal part of the System, without granting such rights to Franchisee.

6.8 Litigation Notice. Franchisee shall notify Franchisor in writing within 3 days of the commencement of any action, suit or proceeding, or the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchise Business or the Franchisee.

6.9 Complaint Notice. Any and all client related complaints shall be immediately forwarded to Franchisor in writing within 3 days following Franchisee's written response to said complaint. Franchisee must respond to all complaints within 3 days of receipt thereof. Franchisor may, at its sole option, direct Franchisee in resolving such complaint and Franchisee agrees to work diligently with Franchisor in resolving such matters.

6.10 Personnel Appearance. Franchisee's Designated Manager and any hired teachers shall meet and maintain the highest hygiene, health, safety and security standards applicable to the operation of the Franchise Business and its employees and independent contractors as Franchisor may reasonably require and further, in full compliance with all applicable local laws and regulations.

6.11 Working Capital. Franchisee shall maintain reasonable levels of working capital as Franchisee solely determines for use in connection with the management and operation of the Franchise Business.

6.12 System Standards. Franchisee shall operate the Franchise in conformity with such uniform methods, standards and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing to ensure that the highest degree of quality for the products and services offered is uniformly maintained. Franchisee shall conduct its business in a manner which reflects favorably at all times on the System and the Proprietary Mark(s). Franchisee shall at no time engage in deceptive, misleading or unethical practices or conduct any other act which may have a negative impact on the reputation and goodwill of Franchisor or any other Franchisee operating under the System. Pursuant to this ongoing responsibility, Franchisee agrees:

6.13 Materials. Franchisee agrees to maintain on-hand, in sufficient supply as Franchisor may prescribe in the Manual or otherwise in writing, and use at all times, all such supplies, forms, and materials normally used in the operation of the Franchise Business as conforming with Franchisor's standards and specifications as contained in the Manual, and to refrain from deviating therefrom.

6.14 Approved Services. Franchisee agrees to sell or offer for sale only such services as meet Franchisor's uniform standards of quality and quantity, which have been expressly approved in writing by Franchisor in accordance with Franchisor's methods and techniques, and to refrain from deviating therefrom in regards to the services and Franchisor's methods, techniques, standards, and specifications; and to immediately discontinue offering such services as Franchisor may, in its discretion, disapprove in writing at any time. Franchisee is not permitted to sell any unauthorized services through the Franchise Business without first obtaining Franchisor's written consent. Franchisee must comply with all reasonable requirements related to modification of the System, including offering and selling new or different services that Franchisor so specifies. Franchisor shall have the right to change the types of authorized and

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required services, and there are no limits on Franchisor's rights to make such changes.

6.15 Employees. To employ such minimum number of employees as is reasonably required to operate the Franchise Business, and to comply with all applicable federal, state and local laws, rules and regulations with respect to such employees, and furthermore, to properly train all employees as fitting their position. Franchisee agrees to maintain competent, conscientious, and qualified employees and to take such steps as are necessary to ensure that its employees and instructors maintain a neat personal appearance and comply with such uniform attire, employee conduct codes, and safety regulations as Franchisor may specify in the Manual (which may be changed from time to time) and furthermore, to ensure its employees' compliance with all applicable laws, regulations, and licensing requirements.

6.16 Proprietary Products. Franchisee shall not attempt to duplicate Franchisor's proprietary products or lesson plans by its own efforts or with the assistance of any company, agency or other entity. Franchisee shall only use Franchisor's approved Lesson Plans, software, and proprietary supplies and materials in the operation of the Franchise Business. Such Lesson Plans, software, and proprietary supplies and materials must be purchased or obtained from Franchisor or its approved suppliers. Franchisee shall not tamper with or adulterate in any way any of the materials, products, or supplies used at the Franchise Business

6.17 Evaluations. Franchisee shall permit Franchisor or its agents or representatives, upon 3 days written notice, to enter conduct evaluations of the Franchise Business, which may include interviewing employees and customers, reviewing student data, student and instruction materials and supplies, and sales and financial data pursuant to the Franchise Business. Franchisee shall cooperate fully with Franchisor's agents or representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents or representatives, and without limiting Franchisor's other rights under this Agreement, take such steps as may be necessary to immediately and diligently correct any deficiencies detected during such inspections, including, without limitation, immediately desisting from the further use of any method; procedure; advertising or marketing material or program; supplies; products; or other items that do not conform to Franchisor's then current specifications, standards or requirements.

6.18 Developments. Franchisee acknowledges that Franchisor may, from time to time, develop additional products or services, operational methods and procedures, or management techniques for use in the operation of the Franchise Business which are highly confidential and which are considered Trade Secrets of Franchisor. Franchisee further acknowledges the importance of quality control and uniformity of services and the significance of such proprietary methods to the System, and Franchisee agrees that it is to the mutual benefit of the parties that (1) Franchisor closely controls the dissemination of proprietary information and its use by franchisees; and (2) In the event Franchisor implements enhancements or modifications to the System (which may include new products or services, certain operational methods and procedures, or management and teaching lesson plans techniques for use in the operation of the Franchise Business), Franchisee agrees that it shall immediately comply with and incorporate the products, services, methods, procedures, lesson plans or techniques in the operation of the Franchise Business and further, will keep all such enhancements or modifications confidential.

6.19 Nonsolicitation. Franchisee shall not directly or indirectly solicit any employee of the

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Franchisor and its affiliates, or another Franchisee or its employees or clients for any business or investment activity of any type or to entice such employee(s) to leave their employment.

6.20 Marks. Franchisee shall display the Franchisor's Proprietary Mark(s) and logo in the manner prescribed by Franchisor in the Manual or otherwise in writing. The color, design and required specifications for signage and promotional displays and materials are set forth in the Manual and may be changed from time to time in the sole discretion of Franchisor. Franchisee shall display any sign, notice or picture designated by the Franchisor which will serve to notify and inform third parties that Franchisor is engaged in the business of franchising and which will provide sufficient information to enable third parties to contact Franchisor. Franchisee shall also display any other sign or notice designated by the Franchisor which will serve to notify and inform third parties that the Franchisee is an independently owned and operated Franchise of Franchisor. Franchisee shall not use any unauthorized signs, advertising or marketing materials, promotional items, posters or pictures in the operation of the Franchise Business without the prior written consent of Franchisor.

6.21 Computer System. Franchisee shall use the computer system and software specified by Franchisor or as set forth in the Manual. Franchisor maintains all rights to the data collected by Franchisor, Franchisee, or either parties' employees or agents in the operation of the Franchise Business, including but not limited to: client and student names and contact information, client and student demographic information and profiles, sales data, financial information, and any other information that Franchisor may designate from time to time in the Manual or otherwise in writing. Franchisee shall update all computer software programs so designated by Franchisor in the Manual. Franchisor may also reasonably require that Franchisee update its computer system during the term of the Agreement as may be required to accommodate Franchisor's then current procedures and software programs, and there are no limitations on Franchisor's rights to do so.

6.22 Other. Franchisee shall comply with all other requirements set forth in this Agreement, in the Manual, or otherwise. Franchisee acknowledges that such requirements may vary between Franchisees based on varying conditions in the market, and further, that such variations shall be made at the sole discretion of Franchisor.

§7 MARKS

7.1 Maintenance. Franchisor represents with respect to the Marks that Franchisor has, to the best of its knowledge, all right, title and interest in and to the Marks, and that Franchisor shall take all steps, which it deems reasonably necessary, to preserve and protect the ownership and validity of such Marks.

7.2 Franchisee Use. With respect to Franchisee's use of the Marks pursuant to the license granted under this Agreement, Franchisee agrees that:

7.2.1 Franchisee shall use only the Marks designated by Franchisor and shall use them only in the manner required or authorized and permitted by Franchisor;

7.2.2 Franchisee shall use the Marks only in connection with the right to operate the Franchise granted hereunder;

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7.2.3 Franchisee's right to use the Marks is limited to such uses as are authorized under this Agreement,

7.2.4 Franchisee shall not use the Marks as part of its corporate or other legal name;

7.2.5 Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Marks or to maintain their continued validity and enforceability;

7.2.6 In the event that litigation involving the Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and shall cooperate fully in defending or settling such litigation. Franchisor shall indemnify and hold Franchisee harmless from any suit involving Franchisor's rights and use of the proprietary licensed marks.

7.3 Franchisee Acknowledgements. Franchisee expressly understands and acknowledges that:

7.3.1 Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them;

7.3.2 Franchisee shall not directly or indirectly contest the validity or the ownership of the Marks;

7.3.3 Franchisee's use of the Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Marks, except the non-exclusive license granted herein;

7.3.4 Any and all goodwill arising from Franchisee's use of the Marks in the Franchise Business shall inure solely and exclusively to Franchisor's benefit;

7.3.5 The license and rights to use the Marks granted hereunder to Franchisee are non-exclusive, and Franchisor thus may: (a) itself use, and grant franchises and licenses to others to use, the Marks; (b) establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems; and (c) modify or change, in whole or in part, any aspect of the Marks so long as Franchisee's rights thereto are in no way materially harmed thereby;

7.3.6 Franchisor reserves the right to substitute different Marks for use in identifying the System, the Franchises and other Franchise Businesses operating thereunder;

7.3.7 Franchisor shall have no liability to Franchisee for any senior users which may claim rights to the Franchisor's Marks; and

7.3.8 The Franchisee shall not register or attempt to register the Marks in Franchisee's name or that of any other person, firm, entity or corporation.

§8 QUALITY CONTROL, UNIFORMITY, STANDARDS & PURCHASES

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8.1 The Franchisor will promulgate to Franchisee, from time to time, uniform standards of operation regarding the Franchise Business and quality standards related to the offering of Services so as to protect and maintain for the benefit of all Franchisees and Franchisor, the distinction, valuable goodwill, and uniformity represented and symbolized by the Marks and the System. Accordingly, to ensure that all Franchisees maintain and adhere to Franchisor's uniformity requirements and quality standards for the Services associated with the Marks and System, Franchisee agrees to maintain the required uniformity and quality standards for all Services which are required to assure customers that all Franchises are uniform in nature with regard to the Services marketed thereunder.

8.2 Franchisee shall have sole discretion to establish the prices charged for services and products sold to clients of the Franchise Business. Any lists of suggested prices that Franchisor may provide Franchisee from time to time shall be provided for sample purposes only.

8.3 Franchisee is required to offer only approved services (as specified in the Manual or otherwise in writing), within the Territory, solely in the manner and using the techniques and procedures prescribed by Franchisor in the Manual or otherwise in writing, as may be modified by Franchisor from time to time in order to remain competitive in the marketplace.

8.4 Franchisee will use the Marks and System in strict compliance with the moral and ethical standards, quality standards, health standards, operating procedures, specifications, requirements and instructions required by Franchisor, which may be amended and supplemented from time to time.

§9 MANUAL

9.1 In order to protect the reputation and goodwill of Franchisor, and to maintain uniform standards of operation under Franchisor's Marks, Franchisee shall conduct its business in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed in the Manual and any supplemental bulletins, notices, revisions, modifications, or amendments thereto all of which shall be deemed a part thereof. One Manual shall be provided to Franchisee on loan from Franchisor during the training program and Franchisee shall sign a corresponding receipt therefore for the term of this Agreement.

9.2 Franchisee agrees to immediately adopt and use the programs, services, methods, standards, materials, policies, and procedures set forth in the Manual, as they may be modified by Franchisor from time to time. Franchisee acknowledges that Franchisor is the owner of all proprietary rights in and to the System, the Manual and any changes or supplements thereto.

9.3 Franchisee shall at all times treat the Manual and all of the information contained therein as proprietary and confidential, and shall use all reasonable efforts to maintain such information as confidential.

9.4 Franchisee acknowledges, knows and agrees that designated portions of the Manual are "trade secrets" owned and treated as such by Franchisor.

9.5 The trade secrets must be accorded maximum security consistent with Franchisee's need to make frequent reference thereto. Franchisee shall strictly limit access to the Manual to

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employees who have a demonstrable and valid "need to know" the information contained therein in order to perform their position at the Franchise and strictly follow any provisions in the Manual regarding the care, storage and use of the Manual and all related proprietary information.

9.6 Franchisee shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce in any manner any part of the Manual, updates, supplements or related materials, in whole or in part, or otherwise make the same available to any unauthorized person.

9.7 The Manual shall at all times remain the sole property of Franchisor. Upon the expiration or termination, for any reason, of this Agreement, Franchisee shall return to Franchisor the Manual and all supplements thereto.

9.8 Franchisor retains the right to prescribe additions to, deletions from or revisions of the Manual which shall become binding upon Franchisee upon being mailed or otherwise delivered to Franchisee, as if originally set forth therein. The Manual, and any such additions, deletions or revisions thereto, shall not alter Franchisee's rights and obligations hereunder.

9.9 Franchisee shall at all times insure that its copies of the Manual are kept current and up to date, and in the event of any dispute as to the contents of the Manual, the terms contained in the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

§10 CONFIDENTIAL INFORMATION

10.1 The parties expressly understand and agree that the relationship established between Franchisor and Franchisee by this Agreement is one of confidence and trust, and that as a result thereof Franchisor will be disclosing and transmitting to Franchisee certain trade secrets and other confidential and proprietary information concerning various aspects of Franchisee's operation of the Franchise, its training methods and techniques and all proprietary and management products, services, and materials relevant thereto pursuant to the System under this Agreement.

10.2 In order to preserve and protect the Confidential Information that is disclosed to Franchisee during the term of this Agreement, Franchisee agrees that:

10.2.1 Franchisee shall treat and maintain Confidential Information as confidential both during the term of this Agreement and thereafter;

10.2.2 Franchisee shall use such Confidential Information only for its operation of the Franchise under this Agreement;

10.2.3 Franchisee shall disclose such Confidential Information only as necessary to its employees or agents and not to anyone else;

10.2.4 Franchisee shall restrict disclosure of such Confidential Information to only those of its employees or agents who are directly connected with the performance of work requiring knowledge thereof and shall disclose only so much of the Confidential Information as is required to enable those employees or agents to carry out their assigned duties;

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10.2.5 Franchisee shall advise its employees or agents of the confidential nature of such information and the requirements of nondisclosure thereof;

10.2.6 The Designated Manager will be the only person with access to Franchisor's Confidential Information and to the Manual. Franchisee shall not disclose any such Confidential Information or provide access to the Manual to such employee or agent until that person executes a nondisclosure agreement in a form prescribed by the Franchisor, acknowledging the confidential and proprietary nature of such Confidential Information and agreeing not to disclose such information during the course of employment or thereafter. Franchisor shall be designated a third-party beneficiary of this nondisclosure agreement with the right to enforce its provisions independently of Franchisee.

10.3 Any and all information, knowledge, know-how, methods of operation, training programs, and other methods and techniques which Franchisor designates as confidential shall be deemed Confidential Information for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor or which, at the time of disclosure by Franchisor to Franchisee, had become a part of the public domain, through publication or communication by others or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain through publication or communication by others. It is understood and agreed that information, improvements to the System or techniques prepared, compiled or developed by Franchisee, its employees or agents during the term of this Agreement and relating to the Franchise Business, whether it be developed separately or in conjunction with Franchisor, shall be considered as part of Franchisor's Confidential Information and Franchisee hereby grants to Franchisor an irrevocable, worldwide, exclusive, royalty-free license, with the right to sub-license, to such information, improvement or technique.

10.4 Franchisee acknowledges that it has knowledge of confidential matters, trade secrets, management and training techniques, operational, accounting, quality control procedures, computer training methods and techniques and other methods developed by Franchisor through and in its System which, for purposes of this Agreement, are owned by Franchisor, and which are necessary and essential to the operation of the Franchise, without which information Franchisee could not efficiently, effectively and profitably operate the same. Franchisee further acknowledges that such Confidential Information was unknown to it prior to negotiation for and execution of this Agreement and that the unique and novel combination of "know how" and methods developed by Franchisor and licensed to Franchisee by Franchisor for the operation of the Franchise Business are peculiar to Franchisor. Franchisee shall take all steps necessary, at its own expense, to protect such Confidential Information and shall not divulge the same either during or upon the termination of this Agreement without the prior written consent of Franchisor.

10.5 Franchisee acknowledges that in addition to any remedies available to Franchisor under this §, Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, a temporary restraining order and/or an injunction against violation of the requirements of this Section.

§11 ACCOUNTING, INSPECTIONS AND RECORDS

11.1 Franchisee shall maintain during the term of this Agreement, and shall preserve for not

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less than five (5) years from the date of preparation or for such longer period as may be required by the Internal Revenue Service, full, complete and accurate financial records and accounts for the Franchise Business in accordance with Franchisor's specifications as prescribed by Franchisor from time to time in the Manual or otherwise in writing.

11.2 During the term of this Agreement, Franchisee shall submit to Franchisor an annual income statement, which may be unaudited, for the Franchise Business within thirty (30) days of the end of each calendar year during the term of this Agreement. Such statement shall be in the form prescribed by Franchisor, which shall include but not be limited to, a statement of profit and loss listing all sources of income and all expenses incurred. Franchisee shall also submit, at Franchisee's expense, a copy of Franchisee's annual federal and state tax returns and financial statements which shall include an income statement and balance sheet prepared in accordance with generally accepted accounting principles, within ninety (90) days of the completion of Franchisee's fiscal year or in such time period as may reasonably be requested by Franchisee and approved by Franchisor. Franchisor reserves the right to require Franchisee to submit to Franchisor certified financial statements for any period or periods of any fiscal year, which shall be certified by the Franchisee's accounting firm and attested to by Franchisee's president or treasurer.

11.3 During the term of this Agreement, Franchisee shall submit to Franchisor certain reports and statements of sales and expenditures as may be specified from time to time in the Manual or otherwise in writing, at any time during the term of this Agreement, in a form prescribed by Franchisor, together with such other data or information as Franchisor may require.

11.4 Franchisor or its designated agents have the right at all reasonable times to examine and copy, at its expense, Franchisee's books, records, receipts and tax returns related to the Franchise Business. Franchisor also has the right, at any time, to have an independent audit made of the Franchise Business accounting and financial records.

§12 ADVERTISING

12.1 From time to time, at Franchisor's sole discretion, it shall make available to Franchisee, various advertising, marketing, and promotional materials for use in Franchisee's Territory. Recognizing the value of advertising and the importance of the standardization of advertising and marketing programs to the furtherance and protection of the Proprietary Mark(s), goodwill, and public image of the System, Franchisee agrees as follows:

12.1.1 All advertising by Franchisee in any medium shall be conducted only upon the written approval of Franchisor. Franchisee shall submit to Franchisor for its prior approval, samples of all advertising, marketing, and promotional plans and materials intended that have not been previously approved within the last 3 months by Franchisor. Franchisor shall notify Franchisee of Franchisor's approval or disapproval thereof within 7 days from the date of receipt by Franchisor of such materials. Franchisee shall comply with any required revisions to said materials, which Franchisor shall require prior to providing its approval.

12.1.2 Franchisee shall cease to use any previously approved plans, design, campaigns, or materials promptly upon notice by Franchisor.

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12.1.3 Such advertising must conform to such standards and requirements as Franchisor may specify from time to time in the Manual or otherwise in writing.

12.1.4 Franchisee may only advertise, market, and promote within its Territory, except when by virtue and necessity of the advertising medium, the advertising reach exceeds the boundary of the Franchisee's Territory which shall only be in the minority of the total advertising reach. Should such advertising extend into another Franchise, Franchisor, or predecessor's territory, Franchisee must notify the affected party in writing, and, at the affected Franchisee's sole option, the advertising must include, in the same manner as Franchisee, the name and contact information of the CompuChild franchise(s) operating in the affected area(s).

12.2 Franchisee hereby grants and assigns to Franchisor worldwide perpetual, exclusive and royalty free rights in and to any and all advertising, marketing, and promotional campaigns, plans, and materials developed by Franchisee, whether developed alone or in conjunction with Franchisor, other Franchisees or advertising agencies.

12.3 Franchisee shall not sell, give, or otherwise convey to any other Franchisee any advertising, marketing and/or promotional plans, campaigns or materials without Franchisor's express written consent.

12.4 Franchisor shall, provide Franchisee with a customizable web pages (the "Custom Pages") within the Franchisor's website to promote the Franchise Business. Franchisee must adhere to the methods and procedures provided by Franchisor for uploading and managing Franchisee's Custom Pages. Franchisee must secure Franchisor's written permission should Franchisee desire to link its Custom Pages to other websites on the Internet. Franchisor has the sole right to modify, change, add to, or delete its domain, website, and Franchisee's Custom Pages.

12.5 Franchisor shall have the right to take and use photographs and/or video of the Franchise Business or testimonials from clients of the Franchise Business for publicity or advertising purposes, without charge or compensation to Franchisee therefor, and Franchisee shall cooperate in obtaining such video, photographs, and testimonials and the consent of any persons or business included therein. Such photographs, video, and/or testimonials shall be the sole property of Franchisor.

12.6 Franchisee agrees that the territorial restrictions provided herein have been imposed to permit Franchisor to offer exclusive territories to its Franchisees and to permit each Franchisee to develop a reliable, continuing flow of business, which is essential to each Franchisee's success.

§13 INSURANCE

13.1 Franchisee shall procure, at least 15 days before the opening for operation of the Franchise Business, and thereafter maintain in full force and effect during the term of this Agreement, at Franchisee's expense, insurance policies written by an insurance company satisfactory to Franchisor in accordance with the standards and specifications set forth in the Manual or otherwise in writing, including the following:

13.1.1 Comprehensive general liability insurance, with the following endorsements

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included: Broad Form Property Damage Liability coverage including products and completed operations, Automobile non-owned and Employer's non-owned automobile liability, Advertising Offense Liability and product liability, completed operations and independent contractors coverage in the amount of \$2,000,000 for general/aggregate, \$1,000,000 per person/per occurrence for bodily injury and property damage, \$5,000 for medical expenses and naming Franchisor, and naming Franchisee's employees as additional insureds in each such policy or policies;

13.1.2 Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchise Business is located and operated; and

13.1.3 Fire, vandalism and extended coverage insurance with primary and excess limits of not less than the full replacement value of the Franchise Business and its furniture, fixtures and equipment (if applicable).

13.2 Franchisee's obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provision set forth herein. Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge the same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, including but not limited to attorneys' fees, shall be payable by Franchisee immediately upon notice.

§14 DEFAULT AND TERMINATION

14.1 Termination by Franchisee. If Franchisee is in full compliance with all of the terms of this Agreement Franchisee may elect to terminate this Agreement by providing 90 days written notice and by paying Franchisor an early termination fee of \$5,500.00.

14.2 Termination by Franchisor. Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

14.2.1 fails to have its Designated Manager satisfactorily complete any training program;

14.2.2 makes any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

14.2.3 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or brand;

14.2.4 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the brand;

14.2.5 discloses, duplicates or otherwise uses in an unauthorized manner any portion of

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the Confidential Operations and Training Manual, Trade Secrets or any other Confidential Information;

14.2.6 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and noncompetition agreement, in a form the same as or similar to the Nondisclosure and Noncompetition Agreement attached as Attachment 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and noncompetition agreements signed;

14.2.7 abandons, fails or refuses to actively operate the Outlet for five or more consecutive days (unless the Outlet has not been operational for a purpose approved by Franchisor);

14.2.8 surrenders or transfers control of the operation of the Outlet without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

14.2.9 fails to maintain the Outlet under the primary supervision of a Designated Manager during the one hundred eighty days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee;

14.2.10 submits to Franchisor on two or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than 3% for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

14.2.11 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property;

14.2.12 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

14.2.13 fails on two or more separate occasions within any period of twelve consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

14.2.14 violates on two or more occasions any health or safety law, ordinance or regulation, or operates the Outlet in a manner that presents a health or safety hazard to its

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customers, employees or the public;

14.2.15 engages in any activity exclusively reserved to Franchisor;

14.2.16 fails to comply with any applicable law or regulation within ten days after being given notice of noncompliance;

14.2.17 breaches this Agreement and/or fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Confidential Operations and Training Manual on two or more separate occasions within any period of twelve consecutive months, whether or not previous breaches or failures are cured; or

14.2.18 defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

14.3 Except as otherwise provided in §14.2, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

14.3.1 within 30 days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor;

14.3.2 within 10 days of receiving notice of Franchisee's failure to maintain insurance as specified in §14 of this Agreement; or

14.3.3 within 30 days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Confidential Operations and Training Manual or otherwise prescribed in writing.

14.4 If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

14.5 Following the delivery of a notice of termination pursuant to §14.2:

14.5.1 If Franchisee is in breach of any obligation under this Agreement Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any products or services for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach;

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14.5.2 If necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to purchase the assets of the business, including but not limited to the equipment, fixtures, signage, computer and POS system, and inventory at a fair market value to be determined by an independent 3rd party appraiser approved by both Franchisor and Franchisee.

§15 RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

15.1 Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

15.2 immediately cease to operate the Outlet and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

15.3 cease to use the Trade Secrets, customer list or other Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

15.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "CompuChild" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty days after termination or expiration of this Agreement;

15.5 pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisee as a result of any early termination of this Agreement, and any other amounts due to Franchisor or any Affiliate;

15.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

15.7 immediately return to Franchisor the Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Outlet (all of which are acknowledged to be Franchisor's property);

15.7.1 assign all telephone listings and numbers for the franchised business to Franchisor, notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing, authorize transfer of same to or at the direction of Franchisor, and execute such instruments required effectuate such transfer; and

15.7.2 comply with all other applicable provisions of this Agreement.

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15.8 Post-Termination Covenant Not to Compete. Franchisee acknowledges that the restrictive covenants contained in this section are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

15.8.1 to protect the Trade Secrets and other Confidential Information of Franchisor;

15.8.2 to induce Franchisor to grant a Franchise to Franchisee; and

15.8.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Designated Managers.

15.9 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

15.9.1 own an interest in, manage, operate or provide the same goods or services to customers through a Competitive Business located or operating (a) within the Territory, or (b) within the territory of any other franchisee or affiliate in existence at the time of termination or expiration; or

15.9.2 solicit or otherwise attempt to induce or influence any customer, employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

15.10 In furtherance of this section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or noncompetition agreements in a form the same as or similar to the Nondisclosure and Noncompetition Agreement attached as Attachment 2.

15.11 If for whatever reason, either the above area or time frame covered by the Nondisclosure and Noncompetition Agreement is deemed unreasonable by a court of law, then and only in such an event shall such area and/or its time frame be reduced accordingly by the court. The rulings by the court concerning the area or time frame or any other judicial interpretation shall not affect the rest and remainder of such restrictive covenants.

15.12 If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that suggests or represents an association or connection with Franchisor. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as

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Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this §, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

15.13 Franchisor has the Right of first refusal under §17 of this Agreement (but not the obligation), for a period of thirty days after termination or expiration of this Agreement, to purchase any or all assets of the Outlet including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

15.14 All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

§16 TRANSFERABILITY OF INTEREST

16.1 This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

16.2 The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Outlet, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be voidable and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

16.2.1 Franchisee has complied with the requirements set forth in §17;

16.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Outlet, are fully paid and satisfied;

16.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders,

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managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

16.2.4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the business;

16.2.5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

16.2.6 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Attachment 1, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

16.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

16.2.8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of the \$6,500.00;

16.2.9 Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor;

16.2.10 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

16.2.11 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a nondisclosure and noncompetition agreement in a form satisfactory to Franchisor;

16.2.12 the transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in §8.1 prior to assuming the management of the day-to-day operation of the Unit; and

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16.2.13 the transferee has obtained all necessary types of insurance.

16.3 Transfer to a Controlled Entity

16.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

16.3.2 the Controlled Entity intends to use the same Designated Manager;

16.3.3 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Unit;

16.3.4 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

16.3.5 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to §16.2.8;

16.3.6 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Unit. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

16.3.7 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

16.3.8 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

16.3.9 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption; and

16.3.10 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of \$750.00.

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16.3.11 The term of the transferred franchise shall be the unexpired term of this Agreement.

16.3.12 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Outlet, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

16.4 Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Outlet or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Outlet by an intended transferee identified by Franchisee.

16.5 Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Outlet, or in any communication media, any form of advertising relating to the sale of the Outlet or the rights granted hereunder.

16.6 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty days following such event, transfer such individual's interest in the Outlet or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this §. During such one hundred eighty day period, the Outlet must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications.

16.6.1 Following such a death or Incapacity of such person as described in this §, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Outlet until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor may charge a management fee as stated in § 16.5.2, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Unit.

§17 Right of First Refusal

17.1 If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity) the Outlet (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer

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must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

17.2 Franchisor shall, for thirty days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

17.3 If Franchisor does not exercise its right of first refusal within thirty days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by §16.2. Should the sale fail to close within one hundred eighty days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this section.

17.4 If Franchisee, or any of its owners, proposes to sell or otherwise transfer the Outlet (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this section shall be inapplicable. Nothing in this § shall be construed to relieve Franchisee from full compliance with the terms and conditions of §16.2 prior to a sale or transfer to family pursuant to this section.

§18 Beneficial Owners of Franchisee

18.1 Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Attachment 3 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

§19 Relationship and Indemnification

19.1 This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner or employee of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Outlet operating the Outlet pursuant to a franchise agreement with Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act,

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omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Unit. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

19.2 This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

19.3 To the fullest extent permitted by law, Franchisee shall, at Franchisee's sole cost and expense, hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon (a) any personal injury, bodily injury or property damage whatsoever occurring in or at the Approved Location; (b) any bodily injury to an employee of Franchisee arising out of and in the course of employment of the employee; (c) Franchisee's ownership or operation of the Unit; (d) Franchisee's breach of the lease for the Approved Location; (e) Franchisee's violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (f) Franchisee's breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (g) Franchisee's defamation of Franchisor or the System; (h) Franchisee's acts, errors or omissions committed or incurred in connection with the operation of the Outlet including any negligent or intentional acts; or (i) Franchisee's infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this § shall expressly survive the termination of this Agreement.

19.4 Franchisee shall give Franchisor immediate notice of any action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this § to take corrective or remedial action, causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain

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a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

§20 General Conditions and Provisions

20.1 No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

20.2 As any breach by Franchisee of any of the restrictions contained in §§7, 10 and 16 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

20.3 All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this §. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

CompuChild Franchisor, LLC
Attn: Shubhra Kant
3736 Fallon Rd., Suite 125
Dublin, CA 94568

20.4 If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

20.5 Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no

EXHIBIT A TO THE DISCLOSURE DOCUMENT
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liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

20.6 This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to you.

20.7 Each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

20.8 All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

20.9 Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

20.10 Time is of the essence. Failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

20.11 Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

20.12 Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT**

20.13 Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

20.14 Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

§21 Dispute Resolution

21.1 Before the parties result to litigation, any dispute involving the parties, the franchise relationship or this agreement must be submitted for Mediation. Mediation shall be provided by an independent and licensed mediator that is agreed upon by both parties. Neither party shall unreasonably withhold their approval of a selected mediator. The cost of mediation will be split between the parties. The time frame for the mediation shall be set by the mediator once presented with the nature of the dispute.

21.2 Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California (without reference to its conflict of laws principles). References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

21.3 Any action brought by either party shall only be brought in the appropriate state or Federal courts located in or serving Dublin, California. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

21.4 No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

21.5 In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fees.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

CompuChild Franchisor LLC

**EXHIBIT A TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT**

Franchisor

Signature

Shubhra Kant

Name Printed

President

Title:

Franchisee

Signature

Name Printed

ATTACHEMENT 1 TO THE FRANCHISE AGREEMENT

GENERAL RELEASE

This General Release is made by RELEASOR in consideration of the execution by CompuChild Franchisor, LLC, A California limited liability company ("RELEASEE"), of a Franchise Agreement between RELEASOR and RELEASEE and other good and valuable consideration, the adequacy of which is hereby acknowledged.

Accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

Any action brought by either party regarding this Release, shall only be brought in the appropriate state or federal court located in or serving Dublin, California. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR:_____

Signature:_____

Title:_____

Date:_____

ATTACHEMENT 2 TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY & NON-COMPETITION AGREEMENT

THIS AGREEMENT is entered into this _____ day of _____, 20____, by and between COMPUCHILD FRANCHISOR LLC, (hereinafter called "Franchisor") and _____ (hereinafter called "Franchisee").

WHEREAS, Franchisee, as the owner of a CompuChild Franchisor LLC franchise, acknowledges that certain confidential information owned by Franchisor shall be disclosed to Franchisee in connection with such ownership; and

WHEREAS, the Franchisee acknowledges that the signing of this Agreement is a condition for ownership and the Franchisee recognizes the importance hereof.

NOW, THEREFORE, in consideration of the mutual promises of the parties, the parties hereby agree as follows:

1. Trade Secrets. The parties hereby acknowledge and agree that the entire system of enrichment classes utilized at the Franchise owned and operated by the Franchisee is confidential trade secret information belonging to CompuChild Franchisor LLC. Such Trade Secrets include, but are not limited to, the art of specialized computer training, curriculum, marketing techniques, price lists, training manuals, policy manuals, sales promotion materials, customer lists, discoveries and any other material or information related to the operation or offering of CompuChild classes and services, either internal or used in connection with the general public, the list of any clients or potential customers of the Franchise, or any other technique used by the Franchisee in connection with the operation of the CompuChild Franchisor LLC Franchise.

2. Non-Disclosure. The Franchisee agrees that during the course of his/her ownership or at any time thereafter, the Franchisee will not disclose, directly or indirectly, to any person, without the prior written consent by CompuChild Franchisor LLC, any information or confidential matters of CompuChild Franchisor LLC. The Franchisee agrees that upon termination of her/his ownership, that they will not remove from the premises any written material, customer lists or other material, acquired during the course of her/his ownership or acquired otherwise, and further shall return to the Franchise any of such information obtained by the Franchisee.

3. Non-Competition. The Franchisee agrees that during the course of his/her ownership and continuing for a period of two years from the date of termination of their franchise agreement or otherwise, that they will not directly or indirectly own, manage, operate, be employed by, or participate in ownership, management, operation, control, or be connected in any manner with any business that is the same, or substantially similar to CompuChild, which operates within a 50-mile radius of any Franchise operated by CompuChild Franchisor LLC, or any other franchisee of CompuChild Franchisor LLC or any affiliate or successors of CompuChild Franchisor LLC as well as within a 50-mile radius of the Franchisee's former Territory.

ATTACHEMENT 2 TO THE FRANCHISE AGREEMENT

4. Enforcement. The parties agree that in the event the Franchisee should violate the provisions of this Agreement, the determination of actual damages would be difficult and inconvenient because of the uncertainty thereof; and therefore, the Franchisee agrees that CompuChild Franchisor LLC would suffer liquidated damages of \$1,000 per month for each month in which the violation should occur or continue.

The Franchisee acknowledges that CompuChild Franchisor LLC may also seek actual damages in lieu of the amount of liquidated damages. The Franchisee acknowledges that irreparable injury will result to CompuChild Franchisor LLC, in the event of any violation of this Agreement and that in the event of any violation hereof, that CompuChild Franchisor LLC shall be entitled, in addition to any other remedy and damages available, to an immediate injunction by any Court of competent jurisdiction to restrain the violation by the Franchisee.

5. Application to CompuChild Franchisor LLC. The parties recognize and agree that the Franchisee is not an agent of CompuChild Franchisor LLC but is solely a Franchisee of CompuChild Franchisor LLC. The parties acknowledge that CompuChild Franchisor LLC has a legal interest in the application and enforcement of this Agreement and the CompuChild Franchisor LLC shall have the right, in its sole discretion, to enforce the provisions hereof.

6. Miscellaneous. Any waiver, alteration or modification of any of the provisions of this Agreement or the termination or replacement of this Agreement shall not be valid unless in writing and signed by all parties. The provisions of this Agreement shall inure to the benefit of and shall be binding upon the heirs, personal representatives, successors, and assigns of the parties. This Agreement shall be governed and construed in accordance with the laws of the State of California.

7. Acknowledgement. The Franchisee acknowledges that she/he has carefully read this entire Agreement, understands the provisions contained herein and represents that she/he has had the opportunity to ask questions pertaining to this Agreement.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the date first above written.

FRANCHISEE _____:

_____ By: _____

CompuChild Franchisor LLC:

_____ By: _____

ATTACHEMENT 3 TO THE FRANCHISE AGREEMENT

HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE, OFFICERS AND DIRECTORS

OWNERSHIP INFORMATION

1. **Form of Ownership.** Franchisee is a (check one):

_____ *Sole Proprietorship*
_____ *Partnership*
_____ *Limited Liability Company*
_____ *Corporation*

State of incorporation / organization / residence: _____

2. **Sole Proprietor**

Name	Social Security Number

3. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

4. **Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

ATTACHEMENT 4 TO THE FRANCHISE AGREEMENT

MULTI-STATE ADDENDA

FOR THE STATE OF CALIFORNIA

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between CompuChild Franchisor LLC and _____.

1. New §16.6 is inserted into the Franchise Agreement and states as follows:

If termination is the result of Franchisee's default, Franchisee will pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fee payments for: (a) the twenty-four calendar months of operation of Franchisee preceding Franchisee's default; (b) the period of time Franchisee has been in operation preceding the notice, if less than twenty-four calendar months, projected on a twenty-four calendar month basis; or (c) any shorter period as equals the unexpired term at the time of termination. The parties agree that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchisee's default is difficult and the parties desire certainty in this matter and agree that the lump sum payment provided under this § is reasonable in light of the damages for premature termination that Franchisor will incur. This payment is not exclusive of any other remedies that Franchisor may have including recovery of attorneys' fees and costs.

2. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for CompuChild Franchisor LLC is amended as follows:

- The California Franchise Relations Act provides rights to Franchisee concerning termination or nonrenewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement.
- §16.2.11 that terminates the Franchise Agreement upon the bankruptcy of Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. § 101, *et seq.*).
- §16.9 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.
- Paragraph 1 of this Addendum contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

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

ATTACHEMENT 4 TO THE FRANCHISE AGREEMENT

connection with the franchise.

4. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

FRANCHISOR:

CompuChild Franchisor LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FOR THE STATE OF MARYLAND

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between CompuChild Franchisor LLC and _____.

1. **Fee Deferral.** Based upon franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor competes its pre-opening obligations under the franchise agreement.
2. **General Release limitation.** The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
3. **Lawsuits.** A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
4. **Representations.** All representation requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
5. **No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This**

ATTACHEMENT 4 TO THE FRANCHISE AGREEMENT

provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISOR:

FRANCHISEE:

CompuChild Franchisor LLC

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

ATTACHEMENT 5 TO THE FRANCHISE AGREEMENT

TELEPHONE NUMBER AND DIRECTORY ADVERTISING ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT is signed on _____,
between CompuChild Franchisor LLC, a California limited liability company ("we,"
"us" or "our") and _____ ("you" or "your").

BACKGROUND

A. The parties have entered into a CompuChild franchise agreement (the "Franchise Agreement").

B. As a condition to signing the Franchise Agreement, we have required that you assign to us all of your right, title and interest in the telephone numbers, telephone listings, facsimile numbers, and telephone directory advertisements relating to the CompuChild Franchise (the "Franchise Business") upon the expiration or termination of the Franchise Agreement

The parties agree as follows:

TERMS

1. **Assignment.** In order to secure continuity and stability of our operation of the Franchise Business, immediately upon the expiration or termination of the Franchise Agreement, this Agreement constitutes your automatic assignment to us all of your right, title and interest in and to certain telephone numbers, facsimile numbers, email addresses, telephone listings and telephone directory advertisements, whether on the Internet or in print, pursuant to which you operate your Franchise Business in accordance with the terms of the Franchise Agreement without further action on your part.

2. **Assumption.** Immediately upon the expiration or termination of the Franchise Agreement, in consideration of the transfer of telephone service for the telephone numbers, we may assume and pay all future obligations for the telephone numbers, including the payment of all charges for future local and long distance service, telecommunications equipment, toll credit cards, public telephone service and equipment and directory advertising existing.

3. **Your Representation and Warranties.** You represent, warrant and covenant to us that:

(a) As of the effective date of the Assignment, all of your obligations and indebtedness for telephone services, telephone listing services and telephone directory advertisement services must be paid and current.

(b) As of the date of this Agreement, you have full power and legal right to enter into, sign, deliver and perform this Agreement.

(c) This Agreement is your legal and binding obligation enforceable in accordance

ATTACHEMENT 5 TO THE FRANCHISE AGREEMENT

with its terms.

(d) The signing, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which you are a party or by which you are bound, and no consent of nor approval by any third party is required.

(e) You have the specific power to assign and transfer your right, title and interest in your telephone numbers, telephone listings and telephone directory advertisements, and you have obtained all necessary consents to this Assignment.

4 **Other Documents.** You agree to sign any other documents required by the telephone service provider and/or publisher required to make the assignment effective.

5. **Miscellaneous.** The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located. All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All our rights inure to our benefit and to the benefit of our successors and assigns.

IN WITNESS WHEREOF, each of the parties has signed this Assignment as of the day and year first written above.

CompuChild Franchisor LLC:

_____(YOU):

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 2101 Arena Blvd Sacramento, CA 95834 (415) 972-8565 (866) 275-2677	Commissioner of Financial Protection and Innovation 2101 Arena Blvd San Francisco, CA 95934 (415) 972-8565
Connecticut	Connecticut Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CN 06103	Connecticut Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CN 06103
Florida	Division of Consumer Services Attn: Business Opportunities 2005 Apalachee Parkway Tallahassee, FL 32399-6500	Division of Consumer Services Attn: Business Opportunities 2005 Apalachee Parkway Tallahassee, FL 32399-6500
Hawaii	Commissioner of Securities Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744	Commissioner of Securities Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744
Illinois	Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana	Indiana Secretary of State Securities Division Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State Securities Division Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681
Kentucky	Office of the Attorney General Consumer Protection Division Attn: Business Opportunity 1024 Capital Center Drive Frankfort, KY 40601-8204	Office of the Attorney General Consumer Protection Division Attn: Business Opportunity 1024 Capital Center Drive Frankfort, KY 40601-8204
Maine	Department of Professional and Financial Regulations Bureau of Banking Securities Division 121 Statehouse Station Augusta, Maine 04333	Department of Professional and Financial Regulations Bureau of Banking Securities Division 121 Statehouse Station Augusta, Maine 04333

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT

State	State Administrator	Agent for Service of Process
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities Office of Attorney General 200 St. Paul Place Baltimore, Maryland 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise § 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328	Minnesota Department of Commerce Market Assurance Division 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328
Nebraska	Nebraska Department of Banking and Finance Commerce Court 1230 O Street, Suite 400 Lincoln, NE 68509	Nebraska Department of Banking and Finance Commerce Court 1230 O Street, Suite 400 Lincoln, NE 68509
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8236	Secretary of State 99 Washington Ave. Albany, New York 12231
North Carolina	Secretary of State Securities Division 300 North Salisbury Street, Suite 100 Raleigh, NC 27603-5909	Secretary of State Securities Division 300 North Salisbury Street, Suite 100 Raleigh, NC 27603-5909
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 th Floor Department 414 Bismarck, North Dakota 58505- 0510 (701) 328-4712	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 th Floor Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT

State	State Administrator	Agent for Service of Process
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527
South Carolina	Office of the Secretary of State 1205 Pendleton Street Edgar Brown Building, Suite 525 Columbia, South Carolina 29201	Office of the Secretary of State 1205 Pendleton Street Edgar Brown Building, Suite 525 Columbia, South Carolina 29201
South Dakota	Department of Revenue and Regulation Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823	Department of Revenue and Regulation Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823
Texas	Office of the Secretary of State Statutory Document § 1019 Brazos Street Austin, Texas 78701	Office of the Secretary of State Statutory Document § 1019 Brazos Street Austin, Texas 78701
Utah	Utah Department of Commerce Division of Consumer Protection 160 East Three Hundred South P.O. Box 146704 Salt Lake City, Utah 84114-6704	Utah Department of Commerce Division of Consumer Protection 160 East Three Hundred South P.O. Box 146704 Salt Lake City, Utah 84114-6704
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT

State	State Administrator	Agent for Service of Process
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, Wisconsin 53701 (608) 266-2801	Commissioner of Securities 345 West Washington Street, 4 th Floor Madison, Wisconsin 53703

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

COMPUCHILD FRANCHISOR, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT



Independent Auditor's Report

To the Member
CompuChild Franchisor, LLC

Opinion

We have audited the accompanying financial statements of CompuChild Franchisor, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CompuChild Franchisor, LLC 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 CompuChild Franchisor, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

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

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

Velez & Hardy

March 8, 2024
Las Vegas, NV

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash	\$ 42,260	\$ 15,083
Accounts receivable	<u>135</u>	<u>199</u>
Total current assets	42,395	15,282
Property and Equipment, net	52,361	1,796
Other Assets:		
Goodwill, net	<u>37,194</u>	<u>43,694</u>
Total Assets	<u><u>\$ 131,950</u></u>	<u><u>\$ 60,772</u></u>
 LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Accounts payable	\$ 7,292	\$ 6,282
Long-term debt, current	5,456	15,000
Deferred franchise fees, current	<u>4,100</u>	<u>4,100</u>
Total current liabilities	<u>16,848</u>	<u>25,382</u>
Long-Term Liabilities:		
Long-term debt, net of current	34,080	-
Deferred franchise fees, net of current	<u>4,100</u>	<u>8,200</u>
Total long-term liabilities	<u>38,180</u>	<u>8,200</u>
Total Liabilities	55,028	33,582
Member's Equity	<u>76,922</u>	<u>27,190</u>
Total Liabilities and Member's Equity	<u><u>\$ 131,950</u></u>	<u><u>\$ 60,772</u></u>

See accompanying notes to the financial statements.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC
STATEMENTS OF INCOME AND MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenue	\$ 129,809	\$ 23,267
Cost of Revenue	17,204	-
Gross Profit	<u>112,605</u>	<u>23,267</u>
Operating Expenses:		
Advertising	9,265	9,391
Amortization	6,500	6,500
Auto	7,524	7,799
Bank fees	1,200	-
Depreciation	1,768	877
Dues and subscriptions	2,814	5,334
Insurance	3,503	1,894
Legal and professional fees	12,245	13,712
Office expense and other	18,806	18,698
Salaries, wages and related	33,763	-
Taxes and licenses	800	800
Travel	<u>5,462</u>	<u>-</u>
Total operating expenses	<u>103,650</u>	<u>65,005</u>
Income (Loss) from Operations	<u>8,955</u>	<u>(41,738)</u>
Other Income (Expense):		
Interest income	2,501	1
Interest expense	<u>(13)</u>	<u>(51)</u>
Total other income (expense)	<u>2,488</u>	<u>(50)</u>
Net Income (Loss)	11,443	(41,788)
Member's Equity, Beginning of Period	27,190	39,287
Member contributions	38,289	30,000
Member distributions	<u>-</u>	<u>(309)</u>
Member's Equity, End of Period	<u><u>\$ 76,922</u></u>	<u><u>\$ 27,190</u></u>

See accompanying notes to the financial statements.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Net income (loss)	\$ 11,443	\$ (41,788)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization	6,500	6,500
Depreciation	1,768	877
Changes in:		
(Increase) decrease in accounts receivable	64	(199)
Increase (decrease) in accounts payable	1,010	2,130
Increase (decrease) in deferred franchise fees	(4,100)	12,300
Net cash provided by (used in) operating activities	<u>16,685</u>	<u>(20,180)</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(8,047)	-
Net cash used in investing activities	<u>(8,047)</u>	<u>-</u>
Cash Flows From Financing Activities:		
Principal debt payments	(19,750)	(10,000)
Member contributions	38,289	30,000
Member distributions	-	(309)
Net cash provided by financing activities	<u>18,539</u>	<u>19,691</u>
Net Change in Cash	27,177	(489)
Cash, Beginning of Period	<u>15,083</u>	<u>15,572</u>
Cash, End of Period	<u><u>\$ 42,260</u></u>	<u><u>\$ 15,083</u></u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	<u>\$ 13</u>	<u>\$ 51</u>
<u>Supplemental disclosure of non-cash financing activities:</u>		
Debt assumed for purchase of property and equipment	<u><u>\$ 39,536</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CompuChild Franchisor, LLC (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of the Business

The Company was organized on July 2, 2019 as a domestic limited liability company under the laws of the state of California. The principal activity of the Company is to sale franchises which engage in entrepreneurial science, technology, engineering, art and math (Entrepreneurial STEAM) education for children in elementary schools, preschools, daycare centers and other similar venues.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

The Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable is stated at the amount the Company expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Expenditures for routine maintenance and repairs on property and equipment are charged to expense.

Revenue Recognition

The Company executes franchise agreements for each franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The Company has determined that the services provided in exchange for these initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. Initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

	2023	2022
Deferred franchise fees	\$ 8,200	\$ 12,300
Less: current maturities	(4,100)	(4,100)
	<u>\$ 4,100</u>	<u>\$ 8,200</u>

As of December 31, the Company expects to recognize contract liability revenue over the remaining term of the associated franchise agreements as follows:

2024	\$ 4,100
2025	<u>4,100</u>
	<u>\$ 8,200</u>

Continuing fees were recognized monthly, as they are earned.

The Company also began earning revenue through teaching students under a contract with another organization. These revenues are recognized as earned.

Advertising

Advertising costs are expensed when incurred or the first time such advertisement appears. For the periods ended December 31, 2023 and 2022, total advertising costs were \$9,265 and \$9,391, respectively.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCCHILD FRANCHISOR, LLC NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company does not incur income taxes; instead, its earnings are included in the member's personal tax return and taxed depending on personal tax situations. The financial statements, therefore, do not include a provision for income taxes.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

The Company is no longer subject to potential income tax examinations by tax authorities for years before 2020.

NOTE 2 – PROPERTY AND EQUIPMENT

As of December 31, property and equipment consisted of the following:

	2023	2022
Vehicle	\$ 44,286	\$ -
Equipment	12,430	4,383
Less: accumulated depreciation	(4,355)	(2,587)
	<u>\$ 52,361</u>	<u>\$ 1,796</u>

Depreciation expense for the periods ended December 31, 2023 and 2022 was \$1,768 and \$877, respectively.

NOTE 3 – GOODWILL

Goodwill is attributable to the asset purchase agreement dated July 22, 2019, wherein the Company purchased goodwill from CompuChild Services of America, Inc., an Indiana Company.

As of December 31, the gross carrying amounts of goodwill, accumulated amortization, and accumulated impairment loss consisted of the following:

	2023	2022
Goodwill	\$ 65,000	\$ 65,000
Less: accumulated amortization	(27,806)	(21,306)
Less: impairment loss	-	-
	<u>\$ 37,194</u>	<u>\$ 43,694</u>

Amortization expense for the period ended December 31, 2023 and 2022 was \$6,500. The Company amortizes goodwill and intangible assets on the straight-line method over ten years unless a shorter life is more appropriate.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2023 AND 2022

NOTE 4 – LONG-TERM DEBT

As of December 31, long-term debt consisted of the following:

	2023	2022
Note payable with a financial institution, due in monthly payments of \$670, with an interest rate of 6.69%, and a maturity date of December 2029. The note is secured by a vehicle	\$ 39,536	\$ -
Note payable to an individual, due in the following installments: \$2,500 on May 1, 2020, \$5,000 on May 1, 2021, \$10,000 on May 1, 2022, and \$15,000 on May 1, 2023, bearing no interest, unsecured.	-	15,000
Total long-term debt	39,536	15,000
Less: current maturities	(5,456)	(15,000)
	<u>\$ 34,080</u>	<u>\$ -</u>

As of December 31, long-term debt matures as follows:

2024	\$ 5,456
2025	5,940
2026	6,350
2027	6,788
2028	7,256
2029	7,746
	<u>\$ 39,536</u>

NOTE 5 – REVENUE RECOGNITION

As of December 31, the timing and recognition of revenue was as follows:

	2023	2022
Services transferred at a point in time	\$ 125,709	\$ 19,167
Services transferred over time	4,100	4,100
	<u>\$ 129,809</u>	<u>\$ 23,267</u>

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

NOTE 6 – MANAGEMENT’S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2024, the date on which the financial statements were available to be issued. No other events were identified that required adjustment or disclosure in the financial statements.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT



Independent Auditor's Report

To the Member
CompuChild Franchisor, LLC

Opinion

We have audited the accompanying financial statements of CompuChild Franchisor, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 CompuChild Franchisor, LLC 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 CompuChild Franchisor, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

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

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

Velez & Hardy

March 15, 2023
Las Vegas, NV

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash	\$ 15,083	\$ 15,572
Accounts receivable	<u>199</u>	<u>-</u>
Total current assets	15,282	15,572
Property and Equipment, net	1,796	2,673
Other Assets:		
Goodwill, net	<u>43,694</u>	<u>50,194</u>
Total Assets	<u><u>\$ 60,772</u></u>	<u><u>\$ 68,439</u></u>
 LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Accounts payable	\$ 6,282	\$ 4,152
Long-term debt, current	15,000	10,000
Deferred franchise fees, current	<u>4,100</u>	<u>-</u>
Total current liabilities	<u>25,382</u>	<u>14,152</u>
Long-Term Liabilities:		
Long-term debt, net of current	-	15,000
Deferred franchise fees, net of current	<u>8,200</u>	<u>-</u>
Total long-term liabilities	<u>8,200</u>	<u>15,000</u>
Total Liabilities	33,582	29,152
Member's Equity	<u>27,190</u>	<u>39,287</u>
Total Liabilities and Member's Equity	<u><u>\$ 60,772</u></u>	<u><u>\$ 68,439</u></u>

See accompanying notes to the financial statements.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC
STATEMENTS OF INCOME AND MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Revenue	\$ 23,267	\$ 17,454
Operating Expenses:		
Advertising	9,391	13,697
Amortization	6,500	6,500
Auto	7,799	5,409
Depreciation	877	876
Dues and subscriptions	5,334	-
Insurance	1,894	-
Legal and professional fees	13,712	10,659
Office expense and other	18,698	16,006
Outside services	-	847
Taxes and licenses	800	877
Total operating expenses	<u>65,005</u>	<u>54,871</u>
Loss from Operations	<u>(41,738)</u>	<u>(37,417)</u>
Other Income (Expense):		
Interest income	1	3
Interest expense	<u>(51)</u>	<u>(28)</u>
Total other income (expense)	<u>(50)</u>	<u>(25)</u>
Net Loss	(41,788)	(37,442)
Member's Equity, Beginning of Period	39,287	76,795
Member contributions	30,000	-
Member distributions	<u>(309)</u>	<u>(66)</u>
Member's Equity, End of Period	<u>\$ 27,190</u>	<u>\$ 39,287</u>

See accompanying notes to the financial statements.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Net loss	\$ (41,788)	\$ (37,442)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	6,500	6,500
Depreciation	877	876
Changes in:		
(Increase) decrease in accounts receivable	(199)	-
Increase (decrease) in accounts payable	2,130	2,073
Increase (decrease) in deferred franchise fees	12,300	-
Net cash used in operating activities	<u>(20,180)</u>	<u>(27,993)</u>
Cash Flows From Financing Activities:		
Principal debt payments	(10,000)	(5,000)
Member contributions	30,000	-
Member distributions	(309)	(66)
Net cash provided by (used in) financing activities	<u>19,691</u>	<u>(5,066)</u>
Net Change in Cash	(489)	(33,059)
Cash, Beginning of Period	<u>15,572</u>	<u>48,631</u>
Cash, End of Period	<u><u>\$ 15,083</u></u>	<u><u>\$ 15,572</u></u>

See accompanying notes to the financial statements.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CompuChild Franchisor, LLC (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of the Business

The Company was organized on July 2, 2019 as a domestic limited liability company under the laws of the state of California. The principal activity of the Company is to sale franchises which engage in entrepreneurial science, technology, engineering, art and math (Entrepreneurial STEAM) education for children in elementary schools, preschools, daycare centers and other similar venues.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

The Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Company’s receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements. Accounts receivable balances were not impacted by the adoption of Topic 606 (as defined in the revenue recognition policy).

Accounts receivable is stated at the amount the Company expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Expenditures for routine maintenance and repairs on property and equipment are charged to expense.

Revenue Recognition

The Company executes franchise agreements for each franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The Company has determined that the services provided in exchange for these initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. Initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

	2022	2021
Deferred franchise fees	\$ 12,300	\$ -
Less: current maturities	(4,100)	-
	<u>\$ 8,200</u>	<u>\$ -</u>

As of December 31, the Company expects to recognize contract liability revenue over the remaining term of the associated franchise agreements as follows:

2023	\$ 60,670
2024	54,612
2025	34,070
2026	2,300
	<u>\$ 151,652</u>

Continuing fees were recognized monthly, as they are earned.

Advertising

Advertising costs are expensed when incurred or the first time such advertisement appears. For the periods ended December 31, 2022 and 2021, total advertising costs were \$9,391 and \$13,697, respectively.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company does not incur income taxes; instead, its earnings are included in the member's personal tax return and taxed depending on personal tax situations. The financial statements, therefore, do not include a provision for income taxes.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

The Company is no longer subject to potential income tax examinations by tax authorities for years before 2019.

NOTE 2 – PROPERTY AND EQUIPMENT

As of December 31, property and equipment consisted of the following:

	2022	2021
Equipment	\$ 4,383	\$ 4,383
Less: accumulated depreciation	(2,587)	(1,710)
	<u>\$ 1,796</u>	<u>\$ 2,673</u>

Depreciation expense for the periods ended December 31, 2022 and 2021 was \$877 and \$876, respectively.

NOTE 3 – GOODWILL

Goodwill is attributable to the asset purchase agreement dated July 22, 2019, wherein the Company purchased goodwill from CompuChild Services of America, Inc., an Indiana Company.

As of December 31, the gross carrying amounts of goodwill, accumulated amortization, and accumulated impairment loss consisted of the following:

	2022	2021
Goodwill	\$ 65,000	\$ 65,000
Less: accumulated amortization	(21,306)	(14,806)
Less: impairment loss	-	-
	<u>\$ 43,694</u>	<u>\$ 50,194</u>

Amortization expense for the period ended December 31, 2022 and 2021 was \$6,500 and \$6,500, respectively. The Company amortizes goodwill and intangible assets on the straight-line method over ten years unless a shorter life is more appropriate.

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

COMPUCHILD FRANCHISOR, LLC NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2022 AND 2021

NOTE 4 – LONG-TERM DEBT

As of December 31, long-term debt consisted of the following:

	2022	2021
Note payable to an individual, due in the following installments: \$2,500 on May 1, 2020, \$5,000 on May 1, 2021, \$10,000 on May 1, 2022, and \$15,000 on May 1, 2023, bearing no interest, unsecured.	\$ 15,000	\$ 25,000
Less: current maturities	(15,000)	(10,000)
	<u>\$ -</u>	<u>\$ 15,000</u>

NOTE 5 – REVENUE RECOGNITION

As of December 31, the timing and recognition of revenue was as follows:

	2022	2021
Services transferred at a point in time	\$ 19,167	\$ 17,454
Services transferred over time	4,100	-
	<u>\$ 23,267</u>	<u>\$ 17,454</u>

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

NOTE 6 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2023, the date on which the financial statements were available to be issued. No other events were identified that required adjustment or disclosure in the financial statements.

EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF CURRENT FRANCHISEES

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

Alabama

Hunt, Lisa
1244 Mallard Circle
Tuscaloosa AL 35405
205-752-1230
12/01 joined system

Arkansas

Holmes, Toni
PO Box 19265
Jonesboro, AR 72403
870-919-2818
8/11 joined system

California

Shah, Rupal
4656 La Vina St.
Dublin, CA 94568
925-248-2949
02/20 joined system

Thomas, Brandi
5413 Liverno Dr
Salida CA 95368
209-543-0919
6/99 joined system

Georgia

Ramlackhan, Erin
4272 Winslow Hill Court
Suwanee, GA 30024
941-685-9284
11/15 joined system

Texas

Oliver, Cathy
11568 Oliver Drive
Beaumont, TX 77705
409-284-3056
9/15 joined system

EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT

Poonam Hiray
3451 Mayfield Ranch Blvd #313
Round Rock, TX 78681
12/22 joined system

CANADA

Janis Tsang
109 Melbourne Drive
Richmond Hill, ON L4S 2G7
416-848-7674
8/18 joined system

LIST OF FRANCHISEES

CLOSED IN THE PREVIOUS YEAR

California

Shah, Ruchita
4408 Norocco Cir.
Fremont, CA 94555
510-731-7732
9/14 joined system

Christina Chuang
1491 Kooser Road
San Jose, CA 95118
04/22 joined system

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT

MULTI STATE ADDENDA

FOR THE STATE OF CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.
2. §31125 of the California Corporations Code requires Franchisor to give Franchisee a Disclosure Document in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
3. You must sign a general release if Franchisee renew or transfer Franchisee's franchise. California Corporations Code §31512 voids a waiver of Franchisee's rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of Franchisee's rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
4. Neither the franchisor, any person or franchise broker in ITEM 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in the association or exchange.
5. ITEM 17 of the Disclosure Document is amended to add the following:
 - The California Business and Professions Code §§ 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
 - The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
 - The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California law.

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT

- The Franchise Agreement contains a liquidated damages clause. Under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

The following URL address is for the franchisor's website: www.compuchild.com

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

6. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

FOR THE STATE OF MARYLAND

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

Item 17 is hereby amended as follows:

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

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Item 5 is hereby amended as follows:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT

franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
California	4/8/2022
Maryland	8/14/2023

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.

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 CompuChild Franchisor LLC offers you a franchise, CompuChild Franchisor LLC 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 unless otherwise stated in your state's addendum. The delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship in the States of Rhode Island and New York.

If CompuChild Franchisor LLC 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 Administrator listed in Exhibit B.

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise:

Shubhra Kant, 3736 Fallon Rd., Suite 125, Dublin, CA 94568, (341) 777-8000.

Issuance Date: March 13, 2024

I have received a Franchise Disclosure Document including the following exhibits on the date listed below:

- A. Franchise Agreement
- B. List of State Administrators and Agents for Service of Process
- C. Financial Statements
- D. List of Current and Terminated Franchisees
- E. Multi-State Addenda

Name: _____

Date: _____

Signature: _____

You may return the signed receipt either by signing, dating, and mailing it to CompuChild Franchisor LLC at 3736 Fallon Rd., Suite 125, Dublin, CA 94568, emailing the document to skant@compuchild.com, or by faxing a copy of the signed and dated receipt to CompuChild at (341) 777-8000.

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 CompuChild Franchisor LLC offers you a franchise, CompuChild Franchisor LLC 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 unless otherwise stated in your state's addendum. The delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship in the States of Rhode Island and New York.

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- E. Multi-State Addenda

Name: _____

Date: _____

Signature: _____

You may keep this copy for your records.