

FRANCHISE DISCLOSURE DOCUMENT



J. THOMPSON LEARNING CENTERS, LLC

A Pennsylvania limited liability company

1414 Lenape Road

West Chester, Pennsylvania, 19382

484-607-8248

kimcollier@ducklingsfranchise.com

www.ducklingsfranchise.com

We offer franchises for the right to independently own, operate and administer an early learning center (each, a “Center”) that features, offers and provides (a) specialized and age-specific curricula designed to educate and otherwise promote development for children that are typically between 6 weeks to 6 years in age that we designate or otherwise authorize, (b) associated care services to such children during such time frame(s) when they are on-site at the Center premises, and (c) any other services we authorize for provision to the students of the Center and/or their respective parents or other responsible caretaker(s) (collectively, the “Approved Services”), as well as any branded apparel or other merchandise we authorize for sale at the Center that may or may not be related to the Approved Services (collectively, the “Approved Products”). Each franchised Center (or “Franchised Business”) may and must operate utilizing: (i) our then-current proprietary marks and trade dress, which currently includes our primary mark DUCKLINGS EARLY LEARNING CENTER® (the “Proprietary Marks”); and (ii) the system that we and our principal(s) have developed with respect to the establishment and ongoing operate of such a Center (the “System”).

The total estimated investment necessary to begin operation of a single Franchised Business ranges between \$894,400 to \$2,130,500. This includes \$86,500 to \$118,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor 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 our Director of Franchise Development, Kim Collier, c/o J. Thompson Learning Centers, LLC at 1414 Lenape Road, West Chester, Pennsylvania 19382, 484-607-8248.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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: April 17, 2024

How to Use This Franchise Disclosure Document

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

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 E.
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 System Center 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 System Center franchisee?	Item 20 or Exhibit E 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 A.

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation and litigation only in the Commonwealth of Pennsylvania. Out-of-state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate and litigate with us in Pennsylvania than in your own state.
2. **Spouse Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.

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

J. THOMPSON LEARNING CENTERS, LLC
Franchise Disclosure Document

Table of Contents

ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....	1
ITEM 2 BUSINESS EXPERIENCE	3
ITEM 3 LITIGATION	4
ITEM 4 BANKRUPTCY.....	4
ITEM 5 INITIAL FEES	4
ITEM 6 OTHER FEES	5
ITEM 7 ESTIMATED INITIAL INVESTMENT	10
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	14
ITEM 9 FRANCHISEE’S OBLIGATIONS	18
ITEM 10 FINANCING.....	19
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	19
ITEM 12 TERRITORY	31
ITEM 13 TRADEMARKS	34
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	35
ITEM 15 OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	36
ITEM 16 RESTRICTION ON WHAT FRANCHISEE MAY SELL	36
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	37
ITEM 18 PUBLIC FIGURES.....	41
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	41
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	43
ITEM 21 FINANCIAL STATEMENTS.....	45
ITEM 22 CONTRACTS	45
ITEM 23 RECEIPTS.....	46

LIST OF EXHIBITS

- EXHIBIT A: List of State Agencies and Agents for Service of Process
- EXHIBIT B: Franchise Agreement (and Attachments)
- EXHIBIT C: Financial Statements of Franchisor
- EXHIBIT D: Operations Manual Table of Contents
- EXHIBIT E: List of Current Franchisees and Former Franchisees that Exited System in Past Year
- EXHIBIT F: State-Specific Addenda to Disclosure Document and Agreements (as applicable)
- EXHIBIT G: Sample Form of Release Agreement
- EXHIBIT H: Franchisee Questionnaire
- EXHIBIT I: State Effective Dates Page
- EXHIBIT J: Receipts

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

To simplify the language in this disclosure document, the terms “Franchisor”, or “we” or “us” means J. Thompson Learning Centers, LLC, the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of a Ducklings® franchise, as “you” or “Franchisee”, whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers and directors. If you are married and your spouse is not a partner in the franchise business, certain provisions of our Franchise Agreement will also apply to that spouse.

Franchisor

We were formed as a limited liability company under the laws of the Commonwealth of Pennsylvania on June 23, 2015. Our principal business address is 1414 Lenape Road, West Chester, Pennsylvania, 19382, and our telephone number is (484) 607-8248. As of the Issue Date, we only do business under our company name and our then-current Proprietary Marks.

The contact information with regards to our agents for service of process are shown on Exhibit A.

We began offering franchises for the right to independently own and operate the kind of Franchised Business disclosed in this Disclosure Document in 2017. We have never directly owned or operated any businesses that are substantially similar to the Franchised Business offered in this Disclosure Document.

We have not offered franchises in any other line of business and, except for owning and administering this franchise system, we are not involved in any other substantive business activity.

Parents, Predecessors and Affiliates

As of the Issue Date, we have no parent company or predecessor that requires disclosure in this Item.

We have an affiliated company, J. Thompson Child Services, Inc., a Pennsylvania corporation with a principal place of business at 1414 Lenape Road, West Chester, Pennsylvania, 19382. J. Thompson Child Services, Inc. was incorporated on November 10, 1994, and is the owner and licensor of certain of our Proprietary Marks, as disclosed more fully in Item 13 of this Disclosure Document. J. Thompson Child Services, Inc. has also operated one (1) or more Centers utilizing the Proprietary Marks and System since 1994 (each, an “Affiliate Center”).

J. Thompson Child Services, Inc. (a) has never offered franchises or licenses in this or in any other lines of business previously, (b) does not serve our designated or approved supplier (an “Approved Supplier”) for any required service or item you must acquire and/or utilize in connection with your Franchised Business (each, a “Required Item”) as of the Issue Date, and (c) except as provided in this Item above, is not involved in any other material business activities.

We do not have any other affiliates that require disclosure in this Item on the grounds that said affiliate (a) serves as an approved or designated supplier to our System franchisees, or (b) has offered or award licenses or franchises in any line of business in the past 10 or more years.

Description of Franchised Business

Ducklings Early Learning Centers are early childhood education schools that provide full day fun and learning for children 6 weeks through 6 years of age. Our philosophy and primary goal is to provide high quality childcare and education while encouraging kids to be kids. System Centers offer year-round Infant and Toddler Care, Preschool, Summer Camp, and Before and After Programs. The childcare classrooms are designed with specific age groups in mind, providing a secure daycare environment for children to develop age-appropriate skills through exploration and play.

We offer franchises for the right to operate a business that is an early education program providing a high quality year-round education and care for children age 6 weeks to 6 years, using our Proprietary Marks and our proprietary Here We Grow curriculum® and a proprietary Off We Go curriculum®. You will operate your System Center using our distinctive operating procedures and standards in a designated territory. We do not currently have a multi-unit offering, but we may grant franchisees that meet our then-current criteria the opportunity to open and operate an additional Center.

The distinguishing characteristics of the System include our: standards; policies and procedures for the design, layout and build-out of a Ducklings Early Learning Center to create a safe, stimulating, and nurturing atmosphere for children; sales strategies and enrollment procedures; curriculum, lesson planning tools, and teaching aids; staff training and employee development programs; customer service; procedures to maintain the quality and consistency of experiences for children and families; community involvement; information technology systems, and assistance with advertising, promotion, public relations, and social media, all of which we may change, improve and further develop over time.

The typical new System Center will be a stand-alone building and be approximately 11,000 square feet to 14,000 square feet and will accommodate (a) approximately 122 children or more for an 11,000 square foot System Center to (b) approximately 156 children or less for a 14,000 square foot building, depending on the regulations in the particular state. Each state or local jurisdiction will make the final determination of a System Center's license/enrollment capacity. In certain special situations, we may approve a larger building. We expect and intend that a System Center will typically be open from 7 a.m. to 6 p.m., five days a week. The System Center must obtain a license to operate under applicable state law. In addition, the System Center must be operated by one full-time, qualified director, and sufficient trained staff to satisfy state childcare licensing requirements. The number of teachers depends on enrollment and on the regulations in the particular state and typically ranges from 15 to 30 teachers.

Market and Competition

The market and primary target audience for the Approved Services and System Center generally will typically consist of children between 6 weeks and 6 years of age and their families, the latter of which typically has mid-to-upper level household income. Our franchises are generally located in stand-alone facilities in suburban areas with a high density of family households.

The early education market is well-developed and highly competitive. You will compete with businesses, including national, regional and local businesses, offering services similar to those offered by your System Center, including other early education centers, daycares, and community centers that offer daycare and early childhood education along with enrichment and/or extracurricular activities. There are other early education franchises, as well as independent businesses throughout the United States, that may offer similar services.

Industry-Specific Regulations

Some states have licensing, certification or registration requirements applicable to some or all of the services you and your employees will be providing through your Franchise. You may be required to pay a fee to the state agency responsible for enforcing these requirements. Some states may require you to carry a minimum level of insurance or bond. Some states may require a minimum level of education or related work experience or mandatory training classes for you and your employees to obtain licenses.

At all times during the operation of a Franchised Business, you must have at least one (1) individual that will serve as the director with regards to the Approved Services and management of the day-to-day Center operations and instruction (a “Director”). As of the Issue Date, any individual you propose to serve as the Director of a franchised Center must meet our then-current minimum System standards and criteria that, as of the Issue Date, include (a) having at least an associate’s degree, and (b) otherwise meeting all minimum state requirements that are applicable to the state where your Franchised Business is located. You, your Director(s) and all instructors must attend all required continuing education or training programs to maintain all necessary certifications and clearances. You, your directors and all instructors must pass background checks required by licensing authorities.

You must comply with all local, state and federal laws and regulations that apply to the operation of your System Center, including, among others, business operations, land use, insurance, discrimination, employment and workplace safety laws. Your advertising of the System Center is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchise in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

ITEM 2 BUSINESS EXPERIENCE

Founder and Chief Executive Officer: Jody Thompson

Jody is our founder and owner and has served as our Chief Executive Officer since our company’s inception. Jody is also the founder and owner of our affiliate J. Thompson Child Services, Inc., which has operated early childhood learning centers since 1994 in southeastern Pennsylvania communities.

Chief Development Officer: Kim Collier

Kim has served as our Chief Development Officer since January 2024 and previously served as our Director of Franchise Development since 2016. Kim is also the Director of Operations of J. Thompson Child Services, Inc., a position she has held since 1998.

Director of Site Development and Licensing: Jaclyn Hicks

Jaclyn has served as our Director of Site Development and Licensing since 2016. Jaclyn is also the School Director of a Center located in Kennett Square, Pennsylvania, a position she has held since 1995.

Director of Curriculum: Sarah Vannello

Sarah has served as our Director of Curriculum since 2016. Sarah is also the School Director and Lead Teacher at a Center located in Kennett Square, Pennsylvania, a position she has held since 1994.

Director of Operations and Training: Lauren Gose

Lauren joined our team as Director of Operations and Training in 2019, and primarily performs these services from West Chester, Pennsylvania. Prior to that time, she served as one of the primary trainers for the Delaware Valley Association for the Education of Young Children, working in the Southeast Pennsylvania territory, from 2012 through 2019.

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

Franchise Agreement

Initial Franchise Fee

You will pay us an initial franchise fee amounting to \$55,000 immediately upon execution of your Franchise Agreement (the “Initial Franchise Fee”) in one lump sum, which is deemed fully earned and non-refundable upon payment.

Site Development Support Fee

You will pay us a Site Development Support Fee amounting to \$26,500 in one lump sum upon our approval of a site that you select. This fee will be deemed fully earned and non-refundable upon payment and will cover the assistance that we provide in connection with the buildout of your site. In the event you select a site that is already built out in material conformance with our standards, we will waive the right to collect all or a portion of this fee.

Training Assistance and Opening Support Fee

You will pay us a Training Assistance and Opening Support Fee amounting to \$26,500 in one lump sum prior to beginning our pre-opening training program. This fee covers your initial training, opening support that we provide, as well as any additional training as we deem necessary to support a successful opening and enrollment ramp-up. This fee will be deemed fully earned and non-refundable upon payment.

Other Pre-Opening Purchases

In addition to your Initial Franchise Fee, you must pay us between \$5,000 and \$10,000 in one lump sum for your “Initial Marketing Collateral Package” (which includes stationery, business cards, folders, posters and stickers), as well as branded t-shirts/uniforms for your initial personnel. These amounts will be deemed fully earned and non-refundable upon payment.

Additionally, if you are obtaining third-party financing and have not yet received the loan amount prior to the time when you need to order certain pre-opening items in connection with the buildout of your Center, we will order those items on your behalf and then you will repay us directly out of your loan proceeds. The categories of items are disclosed more fully in Item 7 below.

Other Required Disclosures

We expect and intend to uniformly impose all the pre-opening fees and other amounts disclosed in this Item.

ITEM 6 **OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	3% of Gross Revenue during the first three months of operations, and then 6% of Gross Revenue generated by your Franchised Business for the remainder of the term of the Franchise Agreement	Currently, on or before the day we designate each month based on the preceding calendar month of operations	Payable to us. "Gross Revenue" means the aggregate of all revenue collected from all sources in connection with the operation of your Franchised Business. The reduced 3% royalty fee for the first three months will apply to new Centers only, and not to a franchisee that acquires an existing Center via transfer or purchase.
Local Advertising Requirement (or "LAR")	You must expend a minimum amount equal to 1% of Gross Revenue generated by your Franchised Business over the preceding calendar month	Monthly based on the Gross Revenue generated over the preceding calendar month	Payable to third-party suppliers. All advertising must be approved by us. If you do not spend the required amount in your local market, we may require you to pay the difference to the System Brand Fund.
Brand Development Fund (or "Fund") Contribution	Currently, your contribution to the Fund amounts to 1% of the Gross Revenues generated by your Franchised Business (your "Fund Contribution") (subject to modification via the Manuals or otherwise)	Same manner and timing as your Royalty Fee	Payable directly to the System Brand Fund. We have the right to increase your Fund Contribution to an amount equal to up to 3% of the Gross Revenues generated by your Franchised Business over the preceding reporting period.

Type of Fee	Amount	Due Date	Remarks
Advertising Cooperative	We have not currently established any Cooperatives – but we reserve the right to do so in the future. If established, you may be required to contribute to the Cooperative in an amount equal to your LAR each month.	As determined by Cooperative members.	You may be required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised or System Centers located in a given region, or we may establish a national cooperative comprised of all franchised Ducklings outlets. Our affiliate-owned outlets may participate in an advertising cooperative, in our sole discretion.
Technology Fees	Then-current amount charged by us or our then-current Approved Supplier for the technology we determine to make part of the System license (the “Technology Fee”) Currently, \$750 per month (subject to modification)	Same manner and timing as your Royalty Fee	The Technology Fee covers the cost of subscriptions for technology platforms required to run your System Center, including monthly access to our System-wide web portal and corresponding training, technology and other resources. Both the Technology Fee and technology-related items/services that we provide as part of that fee may be modified or updated by us upon 30 days’ prior written notice via the Manuals or otherwise. As of the Issue Date, we expect and intend to collect the Technology Fee around 2-3 months prior to your contemplated opening – which is around the time we expect you will begin accepting deposits for enrollment.
Renewal Fee	\$10,000	Prior to us providing our approval to a renewal request	Payment of a renewal fee is only one of the conditions you must meet in order to renew your franchise rights under a given Franchise Agreement. Please see Item 17 for additional information.
Transfer Fee	\$15,000	Prior to us approving any transfer request.	There are other conditions you and/or your contemplated assignee must satisfy in order to get our approval of a given assignment/transfer request. Please see Item 17 for additional information.
Training Fee(s)	Our then-current training fee for the kind of training at issue	As invoiced	We reserve the right to charge our then-current training fee in connection with: (a) any new individual that is required

Type of Fee	Amount	Due Date	Remarks
	Currently, these fees are as follows: - \$3,500 per trainee that is required to attend and complete in order to serve as a Director or owner/operator of the Franchised Business; and - \$250/day per trainer for all other training, plus travel and lodging expenses for the trainer.		to, or that you otherwise wish to send, to our Initial Training Program (including any replacement owner and/or Director); (b) training that you request; or (c) training that you must complete due to receiving Quality Assurance Scores below a certain threshold. You must also pay for any travel and lodging expenses related to this additional training.
<i>The amounts disclosed in the Chart below will typically only arise in connection with a default under your Franchise Agreement, or as part of a proposal or other process you initiate.</i>			
Late Fee	Currently, \$75 per occurrence (subject to modification via the Manuals or otherwise in writing)	As incurred	We may charge you a late fee if you do not timely pay any recurring fee or amount due under your Franchise Agreement to us or any affiliate supplier (if established in the future).
Interest	The greater of (a) 18% per annum, or (b) maximum commercial rate permitted by applicable law	As incurred	If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.
Non-Sufficient Funds Fee	\$50	As incurred	We may charge you a non-sufficient fee if your check is not honored or an electronic funds transfer is denied by your bank.
Management Fee in connection with Exercising Step-In Rights under Franchise Agreement	Greater of (i) two (2) times the salary paid to individual(s) we assign to operate your Franchise, or (ii) 10% of weekly Gross Revenue, plus all travel related and other expenses.	As incurred.	We may impose this fee (in addition to all regularly occurring fees such as the Royalty Fee and System Brand Fund Contributions), payable to us, if we provide interim management of your System Center due to lack of manager, default, death or disability.

Type of Fee	Amount	Due Date	Remarks
Reimbursement of Costs Associated with Audit or Examination of Business or Financials	Actual cost of audit/examination and related costs/expenses.	As incurred.	We have the right under the Franchise Agreement to examine your books, records and tax returns. If an examination reveals that you have understated any Gross Revenue report by two percent (2%) or more, you must pay to us the cost of the audit and all travel and related expenses, in addition to repaying monies owed and interest on the monies owed.
Evaluation Fee	Actual cost of inspection and testing of a proposed item or vendor.	As incurred.	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase. We also reserve the right to charge an evaluation fee of up to \$500 per request.
Damages, Costs and Expenses for Non-compliance; Indemnification	Actual damages, costs and expenses, including indemnification in connection with any third-party claims/damages	As incurred.	If you breach the Franchise Agreement, you must pay us all damages, costs and expenses, including reasonable attorneys' fees, we incur in obtaining any remedy, injunctive or other relief to enforce the provisions of the Franchise Agreement or to perform your obligations. You must indemnify and hold us, our parent and affiliates, and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and damages arising directly or indirectly from, as a result of, or in connection with your business operations under the Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.
Insurance Reimbursement	Amount paid by us for your insurance obligations, plus a 10% administrative fee	As incurred	You must reimburse us for any insurance costs and other fees we incur due to your failure to meet the insurance obligations required by the Franchise Agreement.

Type of Fee	Amount	Due Date	Remarks
Taxes	Amount of taxes	When incurred.	You must reimburse us for any taxes that we must pay to any taxing authority on account of either the operation of your Franchised Business or payments that you make to us, including, but not limited to any sales taxes or income taxes imposed by any authority.

Explanatory Notes to Item 6 Chart Above

Generally. Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item.

1. **Royalty Fee and Other Fees.** Your Royalty Fee, as well as any other fees payable to us or our affiliates under the Franchise Agreement, shall be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to our current form of Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.
2. **Collection Interval; Reporting Obligations.** We reserve the right to change the interval at which we collect your Royalty Fee, Fund Contribution and other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to you. For example, we may collect these recurring fees on a monthly rather than weekly basis.

Regardless, you are required to provide us with a monthly report detailing your Gross Revenue from the preceding calendar month, along with your calculated Royalty Fee, Fund Contribution and other relevant information that we reasonably require (the “Gross Revenue Report”) on the 3rd of the following calendar month (or other day we designate in the Manuals or otherwise). We may also require you to use a Computer System and/or related software that provide us with automatic access to such Gross Revenue Report(s).

3. **Definition of Gross Revenue.** The term “Gross Revenue” means the total selling price of all services and products sold at, from, or through your Business, whether or not sold or performed at or from the Center, including the full redemption value of any gift certificate sold for use at the Center (fees retained by or paid to third party sellers of such gift certificates are not excluded from this calculation), and all income and revenue of every other kind and nature related to the Business operation, whether for cash or credit and regardless of collection in the case of credit. This will include any business interruption insurance proceeds that you receive in connection with your Franchised Business. “Gross Revenue” does not include any sales tax and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto.
4. **Fund Contributions.** You will be required to pay the Fund Contribution we designate in writing (consistent with the limitations described in the Chart above). The Fund may be used for (among

other things) product and technology development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; social media; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Centers; agency and consulting services; research; and any expenses approved by us and associated with your Center. We have sole discretion over all matters relating to the Fund.

5. **Right to Inspect/Audit.** We have the right to inspect your books and other financial information associated with your Franchised Business during the term of the Franchise Agreement. If we conduct an audit and it reveals that you have underreported your Gross Revenue by two percent (2%) or more, than we may require you to (a) pay the costs we incur in connection with conducting the audit of your Franchised Business (including any fees paid to auditors and/or attorneys), and/or (b) provide us with annual audited financial statements regarding the operation of your Franchised Business.
6. **Interest on Late Payments.** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee ¹	\$55,000	Lump sum (via wire payment or check)	Upon execution of your Franchise Agreement	Us
Site Development Support Fee ²	\$0 to \$26,500	Lump sum	Upon approval of the site for your Franchised Business	Us
Training Assistance and Opening Support Fee ²	\$26,500	Lump sum	Prior to attending initial training program	Us
Training Expenses ³	\$500 to \$8,000	As incurred or arranged	As incurred or invoiced	Third-Party Providers (hotels, airlines, etc.)
Lease – Security Deposit ⁴	\$30,000 to \$120,000	As arranged	As required or invoiced by landlord	Third-Party Landlord/Lessor
Utilities – Deposit	\$500 to \$3,000	As required by supplier	As required	Third-Party Providers
Leasehold Improvements ⁵	\$100,000 to \$750,000	As arranged or agreed	Prior to opening	Third-Party Suppliers and Approved Supplier(s)
Computer Hardware and Software ⁶	\$4,000 to \$7,000	As required by supplier	Prior to opening	Approved Supplier(s)
Signage ⁷	\$8,000 to \$15,000	As required by supplier	Prior to opening	Approved Supplier(s)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Classroom Furniture and Fixtures ⁸	\$160,000 to \$225,000	As required by supplier or out of loan proceeds	Prior to opening	Us or Approved Supplier(s)
Outdoor Playground Equipment and Surfacing ⁹	\$140,000 to \$220,000	As required by supplier or out of loan proceeds	Prior to opening	Us or Approved Supplier(s)
Learning Materials and Toys ¹⁰	\$56,000 to \$100,000	As required by supplier or out of loan proceeds	Prior to opening	Us or Approved Supplier(s)
Office, Lobby, and Kitchen Furniture and Equipment ¹¹	\$5,500 to \$18,500	As required by supplier	Prior to opening	Approved Supplier(s)
Telephone and Security System ¹²	\$56,000 to \$72,000	As required by supplier	Prior to opening	Approved Supplier(s)
Initial Marketing Collateral Package and Uniforms ¹³	\$5,000 to \$10,000	Cashier's Check or ACH	Prior to opening	Us or Approved Supplier(s)
Initial Inventory ¹⁴	\$8,500 to \$12,000	As required by supplier	Prior to opening	Us or Approved Supplier(s)
Pre-Opening Enrollment and Grand Opening Marketing Spend ¹⁵	\$10,000 to \$40,000	Lump sum	Prior to opening	Approved Supplier(s)
Sanitation System ¹⁶	\$0 to \$25,000	As required by supplier	Prior to opening	Approved Supplier(s)
Janitorial and Building Maintenance Supplies ¹⁷	\$5,000 to \$8,000	As incurred	Prior to opening	Third-Party Supplier(s)
Insurance ¹⁸	\$8,500 to \$18,000	As agreed	As arranged	Third-Party Insurance Provider
Licenses and Permits ¹⁹	\$250 to \$500	As agreed	As arranged	Gov't Agencies or Authorities
Professional Fees ²⁰	\$5,000 to \$10,000	As agreed	As arranged	Third-Party Professional(s)
Dues and Subscriptions ²¹	\$150 to \$500	As agreed	As arranged	Third-Party Associations and/or Groups
Additional Funds - 3 Months ²²	\$210,000 to \$360,000	As agreed	As incurred	Personnel, Landlord, and other Third-Party Providers and Supplier(s)
TOTAL ESTIMATED INITIAL INVESTMENT²³	\$894,400 to \$2,130,500			

Explanatory Notes to Table 7(A) Above:

1. **Initial Franchise Fee.** Your Initial Franchise Fee will be due in fully upon execution of your Franchise Agreement, and is deemed fully earned and non-refundable upon payment as disclosed more fully in Item 5 of this Disclosure Document.

2. **Additional Pre-Opening Fees.** You will be required to pay (1) a Site Development Support Fee in the amount of \$26,500 upon approval of your site, and (2) a Training Assistance and Opening Support Fee in the amount of \$26,500 prior to attending our initial training program. If you select a site that is already built out in material conformance with our standards, we may waive some or all of the Site Development Support Fee. Both of these fees are deemed fully earned and non-refundable upon payment as disclosed more fully in Item 5 of this Disclosure Document.
3. **Training Expenses.** You are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose.
4. **Lease - Security Deposit.** The building is very important to the success of the franchise, and we assume that our franchisees will lease the premises. The size of the building should be between 10,000 and 14,000 square feet. The above estimate is for the initial rental deposits necessary to sign a lease. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage and cost per square foot. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises. Estimated rental costs for the first three months of operation are accounted for as part of the “Additional Funds – 3 Months” category below.
5. **Leasehold Improvements.** You will need to build out your premises to our System standards and specifications for design, layout and overall buildout. The low end of the range in the initial outlay assumes that the landlord provides a partial build out allowance. The high end of the range includes the potential, full buildout cost.
6. **Computer Hardware and Software.** This estimate include computers, monitors, tablets and other required hardware, including a flatscreen television for the lobby. You will also need to acquire and maintain a license for any required software that must be used in connection with the Franchised Business.
7. **Signage.** The range of costs represents the outright purchase of the exterior and other primary hard signage associated with our Franchised Business.
8. **Classroom Furniture and Fixtures.** This estimate includes the cost of tables, chairs, cubbies, shelving, cots, diaper changers, rugs, bulletin boards, under-counter refrigerators, microwaves, and other classroom furniture and fixtures. In the event that you are obtaining third-party financing in connection with the buildout of your Center, and you have not yet received the financing at the time that you need to order these items (which is generally 60-90 days prior to opening), we may elect to order them from our approved supplier on your behalf, and then you will repay us these amounts out of your loan proceeds, plus a surcharge of 8%.
9. **Outdoor Playground Equipment and Materials.** This estimate includes the cost of fixed climbers in the preschool playground, moveable and age appropriate climbers in toddler playground, playground surfacing, fencing, and other playground equipment and materials. In the event that you are obtaining third-party financing in connection with the buildout of your Center, and you have not yet received the financing at the time that you need to order these items (which is generally 90-120 days prior to opening), we may elect to order them from our approved supplier on your behalf, and then you will repay us these amounts out of your loan proceeds, plus a surcharge of 8%.
10. **Learning Materials and Toys.** This estimate includes the cost of learning materials required for the curriculum, which may include library books, gym equipment and scooters, and other toys and add-ons. In the event that you are obtaining third-party financing in connection with the buildout of your Center, and you have not yet received the financing at the time that you need to order these items (which is generally 60-90

days prior to opening), we may elect to order them from our approved supplier on your behalf, and then you will repay us these amounts out of your loan proceeds, plus a surcharge of 8%.

11. **Office, Lobby, and Kitchen Furniture and Equipment.** This estimate includes the cost of office furniture, a copy machine (which may be leased or purchased), a bench or other seating for the lobby, a small table and chairs for the kitchen/break room, a full sized refrigerator and microwave, and other furniture and equipment for your office, lobby, and kitchen.
12. **Telephone and Security System.** This estimate includes the cost of acquiring an approved telephone and security system.
13. **Initial Marketing Collateral Package and Uniforms.** You must purchase certain branded material directly from our Approved Supplier, currently us, that may include business cards, folders, brochures, posters and stickers. You must also provide all initial personnel of your franchised Center with a branded tee-shirt and any other uniform-related items that we specify in the Manuals or otherwise in writing.
14. **Initial Inventory.** This estimate includes an initial inventory of supplies used in the classroom such as arts and crafts supplies, paper products, office supplies, classroom décor, and first aid materials. In the event that you are obtaining third-party financing in connection with the buildout of your Center, and you have not yet received the financing at the time that you need to order these items (which is generally 60-90 days prior to opening), we may elect to order them from our approved supplier on your behalf, and then you will repay us these amounts out of your loan proceeds, plus a surcharge of 8%.
15. **Pre-Opening Enrollment and Grand Opening Marketing Spend.** This is the amount that you must (a) expend prior to and around the time of your contemplated opening in connection with the promotion and marketing of your Franchised Business within your Designated Territory, and (b) as of the Issue Date, must pay to our third-party Approved Supplier to provide grand opening campaign and services over this time period.
16. **Sanitation System.** This estimate includes the cost of a Zonos sanitation system.
17. **Janitorial and Building Maintenance Supplies.** This estimate includes the cost of janitorial and building maintenance supplies, including brooms and dustpans, mop buckets, a ladder, stools, closet shelving, a tool set, a snow shovel, and vacuum cleaners.
18. **Insurance.** You must purchase insurance that meets our then-current minimum standards, as we provide in the Manual(s) or otherwise in writing.
19. **Business Licenses and Permits.** State and local government agencies typically charge fees for occupancy permits, operating licenses and permits to make improvements to your office and storage area.
20. **Professional Fees.** You may need to employ an attorney, an accountant and other consultants to assist you in establishing your Center. These fees may vary from location to location depending on the scope of engagement and the prevailing rates of local attorneys, accountants and consultants and your existing relationships.
21. **Dues and Subscriptions.** You may need (or wish) to join local or national childcare associations or groups depending upon state or local regulations. We encourage you to maintain active memberships in any local agencies that support early child education. Please check your local market for these specific requirements.

22. **Additional Funds.** We recommend that you have a minimum amount of money available to cover operating expenses over you're the initial ramp-up period of a given Franchised Business, and we base the estimates above on the experience of us, our affiliates, System franchisees and quotes we have received from third-party suppliers.
23. All fees and payments are non-refundable, unless otherwise stated above or permitted by the payee.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your System Business in strict conformance with the methods, standards and specifications of our System. We will communicate our methods, standards, and specifications in writing through our confidential manuals and other proprietary guidelines and writings that we have developed and license to you for use in connection with your Franchised Business as part of the System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Our confidential operations manual and other proprietary manuals (collectively, the "Manuals") will convey our then-current System standards, specifications and guidelines for all products and services we require you to obtain in establishing and operating your Franchised Business, including the items that you must acquire and/or license for use in connection with your Franchised Business moving forward (each, a "Required Item") and any designated/approved source of the supply for such items (which we refer to as an Approved Supplier in this Disclosure Document). We will notify you of new or modified standards, specifications and guidelines through periodic amendments or supplements to the Manuals or through other written communication (including electronic communication such as email or through a system-wide intranet).

As of the Issue Date, we expect and intend to provide our proprietary and/or branded curriculum materials, as well as other Manual components and certain technology we provide and license as part of the System as part of the Technology Fee, are provided via an online, cloud-based System portal (the "System Site").

Approved Products and Approved Services

You must ensure that (a) you provide the Approved Services, as well as Approved Products – and only those services/products – that we authorize in the Manual(s) or otherwise in writing.

These services must all be provided in a manner that meets our then-current System standards and specifications, as well as all applicable laws and regulations related to the provision of these services.

We will provide you with a list of our then-current Approved Products and Approved Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your System Business. We may update or modify this list in writing at any time. If you or any of your Operators (as applicable) wish to offer any product or service in your System Business that does not meet our System standards and specifications, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Approved Suppliers

We may require you to purchase any products or services necessary to operate your System Business from a supplier that we approve or designate (each, an "Approved Supplier"), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in

writing, and we may update or modify this list as we deem appropriate. We reserve the right to designate us or any of our affiliates as an Approved Supplier with respect to any item you must purchase in connection with your Franchised Business in the future. We may develop proprietary products for use in your Franchised Business, including private-label products that bear our Proprietary Marks, and require you to purchase these items from the Approved Supplier we designate or otherwise authorize.

Currently, we require that you purchase the following Required Items from our designated Approved Supplier(s): (i) certain millwork and furniture, fixtures and equipment needed to build out and equip your Center; (ii) certain required inventory, leaning materials, and other supplies; (iii) certain required hardware, software and other technology; (iv) architectural and design services in connection with your Premises; and (v) certain initial and ongoing marketing materials.

As of the date of this Franchise Disclosure Document, we serve as the Approved Supplier for: (i) branded uniforms; (ii) the initial marketing collateral package disclosed in Item 5 of this Disclosure Document; (iii) the System Site and other technology services we determine to provide as part of any then-current Technology Fee; and (iv) any training or instruction we provide as part of any then-current Training Fee.

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, or (b) provide any service or product to your clientele other than the Approved Services and Approved Products – including any alternative or supplemental curricula – then you must obtain our prior written approval. We may provide our System standards and specifications for certain of our Approved Products and Approved Services directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose. We do not expect to approve any curriculum or instructional materials outside of the System-authorized curriculum and instructional materials for each of the age groups to which you may provide the Authorized Services.

Except as provided in this Item, please be advised that: (i) neither we nor any of our affiliates are an Approved Supplier for any items you are required to purchase in connection with your System Business; and (ii) other than us and our affiliate(s), none of our officers own an interest in any non-affiliated Approved Supplier.

Required Purchases and Right to Derive Revenue

The products or services we require you to (a) purchase or lease from any Approved Supplier (including us and/or our affiliate(s)), and/or (b) purchase or lease in accordance with our System standards and specifications, are referred to collectively as your “Required Purchases.”

We estimate that your Required Purchases will account for approximately 70% to 95% of your total costs incurred in establishing your System Business, and approximately 45% to 55% of your ongoing costs to operate your Franchised Business on an ongoing basis after your initial ramp-up period of operations.

You must purchase certain equipment, furniture and fixtures necessary to establish and commence operations of your System Business that meet our System standards and specifications, as well as engage a third-party provider we designate to assist you in locating and securing an approved Premises for your franchised Center. In the future, System franchisees will be required to purchase any branded and/or otherwise proprietary products that we or our affiliates periodically develop and, at our option, purchase them only from us or a third party who we have licensed to prepare and sell the products.

We reserve the right to derive revenue from our System franchisees’ purchases of any Required Items that must be acquired and/or leased in connection with the Franchised Business.

During the past fiscal year ended December 31, 2023, please note that: (i) we derived approximately \$29,030 in revenue on account of our System franchisees' purchases, or 1.8% of our total revenues of \$1,603,632 that we generated over this past fiscal year; and (ii) we do not have any affiliates that derived revenue based on our System franchisees' required purchases over this past fiscal year.

Non-Approved Product/Service and Alternate Supplier Approval

We may, but are not obligated to, grant your request to offer any products or services in connection with your Franchised Business that are not Approved Products and Approved Services or purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your System Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product evaluation fee when submitting your request. We do not currently charge any evaluation fee, but reserve the right to do so in the future (in an amount not to exceed \$500 per request). We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 30 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

Purchasing Cooperatives and Right to Receive Compensation

We may negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all our network of System Business(es) and their owners. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliates may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, and/or other System Businesses, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any

purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

We do not currently have any formal purchasing cooperatives with our Approved Suppliers or otherwise involving our System franchisees, but we reserve the right to do so in the future.

Franchisee Compliance

We consider many factors when determining whether to grant new or additional franchises, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

Advertising and Marketing

All advertising, marketing and promotional materials and other items we designate must bear the Proprietary Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements we prescribe in the Manuals or otherwise. You must obtain our approval before you use any advertising and promotional materials or plans in connection with your System Business if we have not prepared or approved them during the 12 months prior to the date of your proposed use.

Approved Location and Lease

You must obtain our acceptance of the Facility for your System Business before you acquire the lease rights with your approved Premises. We may condition our approval of any site you propose as your Premises on you and your landlord executing of our prescribed forms of Consent and Agreement of Landlord form and Collateral Assignment of Lease (attached to our current form of Franchise Agreement as Exhibit C). You must also ensure that you comply with all of our System standards and specifications related to the build-out, remodeling and/or construction of your Franchised Business at your approved Premises. Please note that we may require you to reimburse us for the actual costs and expenses we incur in connection with sending any representatives to your Designated Territory to conduct an evaluation of any site you propose.

Insurance

You must purchase and maintain the types and amounts of insurance that we designate in our Manuals or otherwise in writing, which currently includes the following types of coverage: (1) workers' compensation insurance and employer liability coverage with a minimum limit of \$500,000 or higher if your state law requires; (2) comprehensive general liability insurance with a minimum liability coverage of \$3,000,000 to \$5,000,000 per occurrence, or higher if your state law requires; (3) automobile liability insurance of at least \$1,000,000 or higher if your state law requires (and if otherwise applicable); (4) insurance coverage for contractual indemnity; and (4) umbrella coverage with a minimum liability coverage of \$5,000,000.

As of the Issue Date, you must also purchase and maintain: (i) employer's liability and workers' compensation as prescribed by law; (ii) comprehensive fire legal liability; (iii) comprehensive and liability coverage for any owned and non-owned motor vehicles used in connection with the System Business; (iv) any professional liability associated with the facility management and other Approved Products and Approved Services that you directly provide at the Facility; and (v) any other coverage We will periodically require you to satisfy insurance-related obligations. We do not have an Approved Supplier for insurance, but you must furnish us with certificates of insurance (or, at our request, copies of all insurance policies), evidencing the existence and continuation of the insurance coverage required by the Franchise Agreement. All policies must contain a waiver

of subrogation in our favor, and must name us and any additional parties we designate as additional insureds (except with regards to workers' compensation insurance).

Computer Hardware and Software

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications, including the customized property management software we designated for use in connection with the System as well as up-to-date security software on all devices that have access to private client information. We may require you to purchase any of these items from one of our Approved Suppliers. Your Facility must have internet Wi-Fi that can be accessed by your personnel and clientele while within your Facility.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Item in Franchise Disclosure Document
a. Site Selection and Acquisition/Lease	Sections 2, 5 and 6	11
b. Pre-Opening Purchase/Leases	Sections 5 and 6	7, 8, 11
c. Site Development & other Pre-Opening Requirements	Sections 4, 5 and 6	11
d. Initial and Ongoing Training	Sections 5 and 6	6, 7, 11
e. Opening	Sections 5 and 6	11
f. Fees	Sections 3, 4, 9 and 13(E)	5, 6, 7
g. Compliance with Standards and Policies/Operating Manual	Sections 5 and 6	8, 14, 16
h. Trademarks and Proprietary Information	Section 7	13, 14
i. Restrictions on Products/Services Offered	Sections 5 and 6	8, 16
j. Warranty and Customer Service Requirements	Section 6	Not Applicable
k. Territorial Development and Sales Quotas	Not Applicable	12
l. Ongoing Product/Service Purchases	Sections 5 and 6	8

Obligation	Section in Franchise Agreement	Item in Franchise Disclosure Document
m. Maintenance, Appearance and Remodeling Requirements	Section 6	11
n. Insurance	Sections 6 and 11	6, 7, 8
o. Advertising	Sections 4, 5, 6, 7 and 9	6, 7, 11
p. Indemnification	Sections 7 and 12	6
q. Owner's Participation, Management, Staffing	Section 6	11, 15
r. Records/Reports	Sections 4, 6 and 10	6, 11
s. Inspections and Audits	Section 5, 6 and 10	6, 11
t. Transfer	Section 13	17
u. Renewal	Section 3	17
v. Post-Termination Obligations	Section 16	17
w. Non-Competition Covenants	Section 14	17
x. Dispute Resolution	Sections 19 and 21	17

ITEM 10 FINANCING

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

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

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

A. Pre-Opening Obligations

Prior to the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. We will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the Premises for each of your Franchised Business(es). We will also review any proposed lease or purchase agreement for each location that you propose as a Premises for any Franchised Business, and we may condition our approval of any

proposed Premises on the corresponding agreement containing certain terms we describe more fully in this Item. (Franchise Agreement, Section 2(B));

2. Once you secure an approved Premises from which to open and operate your Franchised Business, we will define your Designated Territory for that Franchised Business and include its boundaries in a Data Sheet attached as an Exhibit to your Franchise Agreement. (Franchise Agreement, Section 2(B));

3. We will provide you with online access to, or otherwise loan you, one (1) copy of our confidential and proprietary Manuals. You must operate your Franchised Business in accordance with the Manuals and all applicable laws and regulations. The Manuals may be amended or modified by us to reflect changes in the System. You must keep the Manuals confidential and current, and you may not copy any part of the Manuals. You are required to keep a copy of the Manuals at your Premises, and if there is a dispute relating to the contents of the Manuals, then the master copy (which we maintain at our corporate headquarters) will control. We reserve the right to disclose updates to the Manuals in writing in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System. The table of contents for our Manual(s) as of the Issue Date of this Disclosure Document is attached to this Disclosure Document, and the Manuals are collectively a total of approximately 117 pages. Please note that certain portions of the Manuals may be provided via update or communications from be set forth on a website or web portal that is controlled and/or registered to us (each, a “System Site”), and you will be solely responsible for ensuring compliance with these “online” portions of the Manuals as well. (Franchise Agreement, Section 5(D));

4. We will provide you with a list of our Required Items and Approved Suppliers (to the extent we have designated them) and specifications for the Required Items (to the extent we have them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Section 5(D));

5. We will review and approve the proposed layout and design of your Premises as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. (Franchise Agreement, Section 5(D)); and

6. We will provide our initial training program as described more fully under the following subsection of this Item.

B. Initial Training Program and Related Disclosures

1. Our Initial Training Program is currently comprised of: (i) certain “Classroom Training” that you and your management will have remote access to and must complete online via webinar or other learning management system we designate to (a) monitor/track participation and progress, and/or (b) test competency levels, if and as we determine appropriate (collectively, the “Remote Training” or “Phase 1”); (ii) additional “Classroom Training” and hands-on training that we will provide to you and your initial management that we provide at our corporate headquarters or other designated training location (currently in Pennsylvania and referred to as our “Corporate Training” or “Phase 2”); and (iii) on-site training you, your Director, initial teachers and personnel that will be involved in the initial operation of the Franchised Business (the “Initial Trainee Team”) must participate and complete to our satisfaction before you open and commence providing the Approved Services to any students (the “Initial On-Site Training” or “Phase 3”). Please note the following additional details related to this Initial Training Program:

a. Certain portions of the Classroom Training (regardless of Phase) may involve instruction provided by video or other digital technology while at our designated corporate training location.

b. We may condition your ability to attend our Corporate Training (Phase 2) and/or us providing you with any Initial On-Site Training (Phase 3) on you: (i) expending the required amounts on the marketing and pre-opening sales activities we designate or otherwise approve in connection with your initial marketing plan, your lead generation efforts and the Initial Training Team's participation in the Initial On-Site Training that will be provided at your Premises; (ii) undertaking all steps to establish and provide us with access to your EFT Account consistent with your Franchise Agreement, including providing Franchisor and/or its designee with a signed and completed copy of the authorization form attached to your Franchise Agreement as an Exhibit, as well as any other authorizations and approvals necessary for us or our designee to access such EFT Account; (iii) demonstrating that you have obtained all required insurance coverages as set forth in this Agreement and the Operations Manual; and (iv) providing us with completed and signed copies of all agreements and contracts that are attached as Exhibits to your Franchise Agreement, to the extent such documents have not been signed or need to be updated or completed at that time (collectively, the "On-Site Training Pre-Conditions").

c. If you are appointing a someone other than yourself (or, if your Operating Principal) as the Director for the Franchised Business, then this individual will need to participate in and complete all components of the initial training disclosed above that we designate in the Manual(s) or otherwise in writing.

d. You are responsible for all costs and expenses you (and your personnel) incur in connection with completing the appropriate Remote Training, Corporate Training and Initial On-Site Training, including employee wages.

e. We do not currently have a set training schedule, but we expect and intend to provide a given franchisee with: (i) access to Remote Training (Phase 1) within the first 60 to 90 days after you enter into a Franchise Agreement with us; (ii) Corporate Training (Phase 2) on an as-needed basis once each franchisee has completed the Remote Training and otherwise complied with the Pre-Training Conditions, typically around two to four months prior to your opening date; and (iii) Initial On-Site Training (Phase 3) on an as-needed basis to each franchisee and its Initial Trainee Team after the franchisee at issue has completed the Corporate Training and otherwise demonstrated that all other pre-opening requirements under that franchisee's Franchise Agreement have been satisfied. We expect to provide the Initial On-Site Training for approximately six business days, and the Phase 3 will not exceed eight business days. Phase 3 generally takes place approximately one to two months prior to opening, and continues approximately one to two months after opening.

f. Instructional materials, including components of the Manuals that you will be afforded access to via our System Site, will be provided to you and used as necessary as you proceed through the Initial Training Program. The initial training program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well as changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained.

g. We typically require that you and your management and other required trainees complete all required components of the Initial Training Program (other than On-Site Initial Training) at least 30 days prior to the contemplated opening of your Franchised Business. Failure to complete all such required initial training to our satisfaction prior to the date you are required to open your Center – or the Initial On-Site Training when we provide the same at the Premises of your Franchised Business – may result in termination of the Franchise Agreement.

h. As of the Issue Date, our Initial Training Program instruction is supervised by Jody Thompson and Lauren Gose. Jody is the founder and owner of our brand and franchise concept, and has over 30 years of experience with both (a) our brand/concept, and (b) the topics of instruction set forth in

the Training Charts above. Lauren is our Director of Operations and Training, and she has 4 years of experience with (a) our brand/concept/affiliates, and (b) the topics of instruction associated with our Initial Training Program. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will typically have at least one year in the subject matters that they teach.

i. We will provide you with access with one copy of our proprietary instructional materials prior to or upon your attendance at our Initial Training Program, which may include our Manuals and certain other instructional materials that we develop.

2. Once we provide you and your Initial Training Team with On-Site Training at your Premises, you or your Director will be solely responsible for training all subsequent personnel that works at your Franchised Business.

3. The details of our Initial Training Program are set forth in the Chart(s) that are detailed below:

TRAINING CHART(S)

PHASE 1 TRAINING

Phase 1 of our Initial Training Program is typically provided via remote instruction within 120 days of the date you enter into a Franchise Agreement with us, and is comprised of the following instructional topics:

Subject	Hours of Classroom Training*	Hours of On-The-Job Training	Location
Introduction to Ducklings	3	0	Remote, Online and/or Video Conferencing
Governing Agencies/Health & Safety	23	0	Remote, Online and/or Video Conferencing
Marketing, Advertising, and Public Relations	2	0	Remote, Online and/or Video Conferencing
Operations & Administrative Tasks	4	0	Remote, Online and/or Video Conferencing
TOTALS	32	0	

PHASE 2 TRAINING

Subject	Hours of Classroom Training*	Hours of On-The-Job Training	Location
Governing Agencies/Health & Safety & Ducklings Standards	6	0	West Chester, PA, or another location we designate
Classrooms and Curriculum	6	0	West Chester, PA, or another location we designate
Operations & Administrative Tasks	6	0	West Chester, PA, or another location we designate
Children & Families	6	0	West Chester, PA, or another location we designate
Personnel Management	6	0	West Chester, PA, or another location we designate
TOTALS	30	0	

PHASE 3 TRAINING

Subject	Hours of Classroom Training*	Hours of On-The-Job Training	Location
Governing Agencies/Health & Safety	0	8	Your Premises, another location we designate, or remote/virtual
Classrooms and Curriculum	0	16	Your Premises, another location we designate, or remote/virtual
Marketing, Advertising, and Public Relations	0	3	Your Premises, another location we designate, or remote/virtual
Operations & Administrative Tasks	0	4	Your Premises, another location we designate, or remote/virtual
Personnel Management	0	8	Your Premises, another location we designate, or remote/virtual
Children & Families	0	8	Your Premises, another location we designate, or remote/virtual
TOTALS	0	47	

Explanatory Notes to the Training Chart in this Item 11 Above:

1. Portions of any “Classroom” training may be provided to you via webinar or other online/electronic method that allows us to administer, provide, track report and deliver e-learning education courses and training via a software application (and, if applicable, confirm that you have passed any corresponding test in connection with such training).
2. In addition to the remote instruction/classes and the portion of our Initial Training Program that is provided at our training facility or corporate offices as described in the Training Chart above, we will send one (1) or more of our trainers to your Franchised Business to provide additional on-site instruction and assistance. This on-site assistance will typically take place at or close to the time you are authorized to open your Franchised Business, and such assistance will typically last a total of six business days, and will not exceed eight business days unless you pay our then-current fee for additional training (which is currently \$250 per trainer per day, plus travel and lodging expenses for the trainer. Please note, however, that (a) certain of the “On-the-Job” training described in the Training Chart above may be provided or covered during the training we provide at our designated training facility or corporate offices, and (b) certain portions of on-site assistance may be provided instead by remote instruction.
3. Any third-party Director of your Franchised Business (other than you or your operating principal), if applicable, must attend and complete, to our satisfaction, certain components of the Initial Training Program within 60 days of that Director’s hiring, whether prior to or after your open your Franchised Business and before that individual takes on any management/director-related roles or responsibilities within the Franchised Business.

C. Site Selection

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining and developing a Premises for your Franchised Business; and (ii) constructing, equipping, remodeling and/or building out the Premises for use as a Franchised Business, all in accordance with our System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Premises of your Franchised Business. We may require you to use our Approved Supplier for site-selection assistance.

In deciding whether to approve a site, we may also consider, among other things: (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, and the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other businesses selling similar grooming services and/or products within the area, along with the proximity of the Premises to these businesses and the nature of all other businesses in proximity to the proposed site; (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site.

We must also have the opportunity to any lease or purchase agreement for proposed Premises before you enter into such an agreement. We will have the right to review the lease and you must ensure that: (i) you and the landlord of the Premises enter into a form of addendum or otherwise integrate the terms of that addendum (collectively, the “Lease Addendum Terms”), which includes (without limitation) a collateral assignment of lease and other entry rights upon termination or expiration of your Franchise Agreement, into the lease or

other occupancy agreement for the Premises; and (ii) receiving a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business, including offering and selling the Approved Services and Approved Products, throughout the term of your Franchise Agreement. As part of the Lease Addendum Terms, we will have the option, but not the obligation, to assume or renew the lease for the Premises (the “Lease”) for all or part of the remaining term of the Lease if you are in material default of your Franchise Agreement and/or Lease and/or fail to timely cure that default.

We will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected. Our approval only means that the site meets our minimum requirements for a Franchised Business.

You must secure a Premises that we approve within six (6) months of executing your Franchise Agreement for that Franchised Business or we may terminate that Franchise Agreement.

Please note that your Site Selection Area will not be exclusive and other System franchisees may be afforded the right to search for an approved Premises within any portion of your Site Selection Area.

D. Time to Open

Single Franchised Business

Except as provided in this Item, you must (a) select a location for your Franchised Business that we approved within 120 days of signing your Franchise Agreement, (b) enter into a lease for your Franchised Business location no later than 180 days of signing your Franchise Agreement, and (c) open and commence operations of your Franchised Business within 24 months of signing your Franchise Agreement (collectively, the “Opening Timeline”). (Franchise Agreement, Sections 6(A)-6(C)). If you fail to meet these deadlines, we reserve the right to terminate your Franchise Agreement.

We estimate that it will take between 9 and 24 months to open your Franchised Business from the time you execute your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an acceptable Premises, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing any inventory or supplies needed prior to opening. If you do not open or operate your Franchised Business within the Opening Timeline disclosed above, then we may terminate your Franchise Agreement upon written notice (unless we agree to extend your opening deadline in a writing signed by both parties) (Franchise Agreement, Section 6(D)).

E. Post-Opening Obligations

After the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

1. We may offer, and require you and your Director to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion (“Additional Training”). While you have the option to attend any Additional Training we offer, subject to the availability of our classes, we may require that you and your Director attend up to five (5) days of Additional Training each year at our headquarters or other location we designate. You will be required to pay our then-current Additional Training Fee for any Additional Training you and your employees request to attend and any Remedial Training that we require. You will also be solely responsible for all expenses incurred in attending Additional Training. (Franchise Agreement, Section 5(A));

2. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, intranet communication, Zoom or any other communication channel, as we deem advisable and subject to the availability of our personnel. Certain of this advice and consultation may be provided based on certain reports, guest satisfaction surveys and other brand quality measurements we impose in connection with the operation of your Franchised Business, and such advice/consultation will be subject to your timely provision of any reports we require you to submit. (Franchise Agreement, Section 5(E-F));

3. We may also provide you with additional on-site assistance and/or training, subject to the availability of our field representatives and, upon our request, payment of our then-current Training Fee in connection with any: (i) additional training or on-site assistance that you request we provide; (ii) Remedial Training you or your personnel are required to attend; and/or (iii) training that we provide to any replacement personnel, including any Corporate Training that such personnel must receive prior to undertaking any corresponding duties or responsibilities at your Center. (Franchise Agreement, Section 5(F));

4. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(G));

5. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 6(L));

6. We may schedule and hold a franchise conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five (5) days each year, and it may be combined with our affiliate’s annual System conference for Center owners. You will responsible for the costs and expenses you incur in connection with any franchise conference and you will be required to pay our then-current attendance/registration fee (Franchise Agreement, Section 5(P));

7. We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote the brand, our Proprietary Marks and other Center locations, provided you are in compliance with the terms of your Franchise Agreement. Please see below in this Item 11 under the heading “Advertising and Marketing” for further information.

8. We currently administer and maintain a brand development fund (the “Fund”) for the benefit of the System. (Franchise Agreement, Section 9(E));

9. We may, as we deem appropriate in our discretion, establish and maintain a website or other online portal of any kind that will be accessible by our franchisees, which may be used for purposes of (a) providing updates, supplements and supplemental information that will constitute part of one (1) or more

Manual, (b) providing webinars and other training, including portions of our Initial Training Program, (c) providing advertising templates or other marketing/promotional materials, as well as information related thereto, and (d) otherwise communicate with our franchisees regarding the brand, System and/or specific operational/promotional aspects of a Franchised Business (collectively, the “System Site”). (Franchise Agreement, Section 5(D));

10. We may conduct, as we deem advisable in our sole discretion, inspections of the Premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of a System franchise, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. (Franchise Agreement, Section 5(K));

11. We may supplement, revise or otherwise modify the Manuals and/or a System Site as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail and our System-wide intranet. (Franchise Agreement, Section 5(D-E)); and

12. We may: (i) research and/or develop new curricula/education/syllabi, as well as other products and equipment and methods of providing the existing Approved Services – and subsequently provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and (ii) create and develop additional products and services to be offered or provided as Approved Products and Approved Services at and from your franchised Center, including proprietary/branded products and services that must be sold under the Proprietary Marks we designate. (Franchise Agreement, Section 5(C)).

F. Advertising and Marketing

1. *General Obligations.* All advertising and promotion that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. You will be required to purchase and display any signage in certain parts of your Franchised Business that have high visibility for purposes of notifying customers and prospective customers of specials/promotions regarding our Approved Products and Services. (Franchise Agreement, Section 9(A)). If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least 30 days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 15 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. Once approved, you may use the proposed materials for a period of 90 days, unless we: (i) prescribe a different time period for use; or (ii) require you to discontinue using the previously-approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 9(B)). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Designated Territory.

2. *Local Advertising Requirement (or “LAR”).* As of the Issue Date, we require that franchisees spend a minimum amount per month on local advertising and promotions (the “Local Advertising Requirement”) that, as of the Issue Date, amounts to one percent (1%) of the Gross Revenue generated by your Franchised Business in the preceding calendar month of operations. (Franchise Agreement, Section 9(D)). You may be required to expend all or any portion of your Local Advertising Requirement on materials, products and services that are provided by our Approved Suppliers.

3. *Initial Marketing Spend.* In addition to the Local Advertising Requirement, you will be required to expend a minimum of \$10,000 in connection with the initial marketing and other necessary activities for you and the personnel of your Franchised Business to be ready to open your Center and/or generate clientele/members prior to opening and after your “soft” opening. (Franchise Agreement, Section 9(C)). Typically, we expect for these amounts to be expended about 30 days prior to the contemplated opening of your Franchised Business and, if applicable, over the 30 days following said opening. We expect you will expend these amounts within the period that typically commences around 30 days prior to the contemplated opening of your Center and typically ending around 30-60 days following your soft opening. We may require that you expend any portion of these funds on products and services that you must purchase from our Approved Suppliers.

4. *Brand Development Fund.* We have established a brand development Fund for the benefit of the System and brand generally.

a. Currently, you must contribute to the Fund in an amount equal to one percent (1%) of the Gross Revenue generated by your Franchised Business over the preceding calendar month of operations, which we refer to as your Fund Contribution. (Franchise Agreement, Section 9).

b. We reserve the right to modify your Fund Contribution to an amount equal to up to three percent (3%) of the Gross Revenue generated by your Franchised Business over the preceding reporting period, upon 30 days’ prior written notice via the Manuals or otherwise. We will administer and use the Fund to meet certain costs related to maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System.

c. We will designate all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Fund may also be used to cover the costs and fees associated with: preparing and producing video, audio, and written materials and electronic media; website maintenance and development, internet advertising, administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, website, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

d. The Fund may be used for advertising materials/campaigns in printed materials or on radio or television for local, regional or national circulation, internet regional or national advertising, as we deem appropriate in our discretion. We and/or a regional or national advertising agency may be used to produce all advertising and marketing.

e. We will account for the Fund contributions separately from our other funds and not use the Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing

materials, and collecting and accounting for Fund contributions. The Fund is not our asset or a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Fund or any other reason.

f. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest, determined from time to time by Franchisor, which provides Franchisor with a return commensurate with the prevailing interest rate charged by persons in the business of lending money under similar circumstances) to cover deficits, or invest any surplus for future use. We will use interest earned on Fund contributions to pay costs before spending the Fund's other assets. We will not use Fund contributions for advertising that principally is a solicitation for the sale of franchises, except that we may use/display the phrase "Franchises Available" on any and all advertising/marketing that is covered by the Fund. We may incorporate the Fund or operate it through a separate entity if we deem appropriate.

g. Our Affiliate-owned Centers will contribute to the Fund in the same manner that each franchised Center is required to contribute.

h. We are not required to spend or expend any of your Fund Contributions in the Designated Territory you are granted under your Franchise Agreement, and we will provide you with an accounting of the Fund within 120 days after our fiscal year end (upon your written request). We will audit the fund on an annual basis and prepare an accounting of the Fund that will be available to you upon written request within 90 days after our fiscal year end. If we do not spend all Fund Contributions in a given year, we may rollover any excess contributions into the Fund for use during the following year. We will have the right to modify or discontinue the Fund, as we deem appropriate in our sole discretion. (Franchise Agreement, Section 9(E)).

i. As of our past fiscal year ending December 31, 2023, we expended the Fund Contributions we collected from System franchisees as follows: (i) marketing/advertising placement services – 45% (ii) production of marketing/advertising collateral and materials – 35%; and (iii) administration – 20%

4. *Advertising Council.* Currently, we have not established an advertising council (the "Advertising Council"), but we reserve the right to do so in the future. If we establish an Advertising Council, it will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Fund (if established in the future). At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve an Advertising Council (if created) at any time. (Franchise Agreement, Section 9(F)).

5. *Regional Advertising Cooperatives ("Cooperatives").* We reserve the right to establish regional advertising cooperatives that are comprised of a geographical market area that contain two or more Centers (whether a Franchised Business or Affiliate-owned) (each a "Cooperative"). If we assign your Franchised Business to a Cooperative we establish, you must work with the other Center owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all System Center(s) within the geographical boundaries of the Cooperative. If you are designated as a member of a Cooperative, you may be required to contribute to the Cooperative in an amount not to exceed the then-current Local Advertising Requirement. All amounts paid to a Cooperative will be credited toward your Local Advertising Requirement. We have not established any Cooperatives as of the Issue Date of this Disclosure Document. We reserve the right to establish the governing rules, terms, and operating

procedures of any Cooperative and make them available for Franchisee's review. (Franchise Agreement, Section 9(H)).

6. *Online Directories.* As another means of advertising, you must ensure that the Franchised Business is listed in appropriate Internet-based telephone directories that we designate. You must ensure that your Franchised Business has a dedicated telephone line that is not used for any other purpose.\

G. Computer System

We have the right to specify or require that you use certain brands, types, makes, and/or models of computer hardware and software in connection with the Franchised Business, which currently includes: (i) a computer or laptop that is capable of running all Required Software, including without limitation, the software for POS, CRM, inventory management, reporting and other functions; (ii) credit card scanner; (iii) a printer; and (iv) around 14 tables for mobile use within the Center (collectively, the "Computer System"). (Franchise Agreement, Sections 4(C) and 10(C)).

In addition to the Computer System above, we typically recommend (and may require) that each franchised System Facility acquire video camera(s) and other security system components. We reserve the right to approve all of the foregoing hardware before it is used in connection with your Franchised Business, and none of the foregoing hardware may be used for any other purpose other than operating your Franchised Business. You will also need to maintain Internet access via DSL or cable broadband connection. (Franchise Agreement, Sections 4(C) and 10(C)).

We estimate the costs to purchase our current Computer System to be around \$4,000 to \$7,000, which does not include (a) the Technology Fee(s) you must pay to us, or (b) any licensing fees payable in connection with any Required Software that you must license from our third-party Approved Supplier(s).

You must keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or Required Software as we direct from time to time in writing. We estimate that you will spend approximately \$700 to \$2,500 annually on maintenance and support contracts for your Computer System, which includes any upgrades to the Computer System. The Computer System range does not include the investment associated with the security or sound system you must purchase and utilize in connection your Center operations. Franchisor and its Affiliates have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to the Computer System.

You must have the components necessary to ensure that the entire Premises of the Franchised Business has access to the Internet via Wi-Fi connection. We may require that: (i) you comply with our standards and specifications for Internet access and speed; and (ii) the Computer System, including Business Management System, be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System (or for any other purpose we deem necessary), which may include customer information and information pertaining to the Franchised Business. There are no contractual limitations on our right to access the information and data on any component of your Computer System. We may also require you to use a Computer System and/or related software that is administered through us and provides us with automatic access to all data and reports that might be created by such Computer System and/or software, including any security camera footage. (Franchise Agreement, Section 6(R)).

You are also required to participate in any System-wide area computer network, including any System Site that you are provided access to as our System franchisee, that we implement, and may be required to use such

networks or System Site to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Manuals; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete certain components of any ongoing training we designate. (Franchise Agreement, Section 4(C)).

H. Website and Internet Use; System Site

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, Instagram, LinkedIn, Instagram, Pinterest, Twitter, YouTube or any other social media and/or networking site. Any such Internet website or presence is considered “advertising” and must be approved by us prior to use, as described in this Item. If we do permit you to establish one or more of the above presences on the Internet, you must: (i) establish and operate your World Wide Web or Internet site in accordance with System standards and any other policies we designate in the Manuals or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s).

We have the right to establish and maintain a primary website, that may, without limitation, promote the Proprietary Marks and/or the System (the “Website”), including the contact information of your Franchised Business. Provided you pay us the Business Technology Setup Fee and for so long as you remain compliant with your obligations under the governing Franchise Agreement, we agree to establish an interior or other page on our brand Website to display the contact information associated with the Franchised Business. We have sole control over all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We also have the right to discontinue operation of the Website at any time without notice to you. We have the right to modify our policies regarding your use of social media and Internet websites in connection with your Franchised Business as we deem necessary or appropriate in the best interest of the System. We (or our Affiliate) are the sole registrant of the Internet domain name www.ducklingselc.com, as well as any other Internet domain names that we or our affiliates register in the future. You must not register any Internet domain name that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words. You also agree and acknowledge that you will access and utilize any System Site we establish for use in connection with the System, including without limitation, to publish and circulate updates to the System Manual(s).

ITEM 12 **TERRITORY**

Approved Premises; Relocation of a Franchised Business

You may and must operate your Franchised Business from the Premises that you propose, we approve and you subsequently secure. Unless you have secured and we have approved your Premises at the time you enter into a Franchise Agreement with us with respect to a given Franchised Business, we will mutually agree upon and designate a geographical area wherein you may search for, locate and secure such Premises (your “Site Selection Area”). Your Site Selection Area will be designated in the Data Sheet attached to your Franchise Agreement at the time the parties execute the same.

You may not relocate the site of your Franchised Business without our express written permission. Should you attempt to relocate your Franchised Business without such permission the new location will be treated as an entirely new franchise sale subject to new initial franchise fees as provided in the Franchise Agreement and to such other provisions as would apply to a new franchise sale. If your landlord terminates your right to

possession of your Premises before the term of your Franchise Agreement expires, then you and we must determine a new location within 60 days.

Designated Territory Awarded under Franchise Agreement

Once you secure a Premises that we approve for the site of your Franchised Businesses, you will be awarded a geographical area around that Premises. Once we award your Designated Territory, which we will designate in the Data Sheet to your Franchise Agreement, we will not open or locate, or license any third party the right to open or locate, another Center that utilizes the Proprietary Marks and System from a physical location within that Designated Territory for so long as you are not in default of your Franchise Agreement, subject to our reserved rights set forth in this Item below.

Typically, your Designated Territory will be a radius around your Center premises but we may base your Designated Territory on an area around your Premises that contains a certain population. If your Designated Territory is not based on the population and other demographics of the region wherein your Center is located, then your radius will typically be between a radius of one (1) to three (3) miles around that premises, unless your approved Premises is located in (a) a city or other urban area, or (b) other densely-populated business district. If that is the case, your Designated Territory will typically be anywhere from 2 blocks to 1 mile around your Premises.

Upon termination or expiration of your Franchise Agreement, you will no longer have any rights within the Designated Territory. We may also terminate your territorial rights within your Designated Territory in lieu of terminating your Franchise Agreement if your Franchise Agreement is subject to termination. Otherwise, the territorial rights granted within your Designated Territory under a Franchise Agreement are not contingent upon achieving a certain sales volume, market penetration, or any other contingency and cannot be altered.

The size of your Designated Territory may vary from other System franchisees based on the location and demographics surrounding your Premises. The factors that we consider in determining the size of your Designated Territory include current and projected market demand, demographics and population based on our research and experience, median household income, presence of other businesses, location of competitors, traffic patterns, access and visibility, location of other Centers, our future development and other market conditions.

The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

Your Designated Territory is protected only to the extent that no one may locate another Center utilizing our then-current Proprietary Marks and System from a physical location within the boundaries of your Designated Territory. With that said, we and our affiliates do reserve the right to open and operate, or license a third party the right to open or operate, another Center within your Designated Territory if it is located at a Non-traditional Site (as described more fully below in this Item). For this reason, we must disclose the following under applicable pre-sale disclosure laws:

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

Permitted and Restricted Sales and Advertising Activities

All Centers may sell their products and services to any customer that visits the Center location, regardless of whether that customer resides within the Designated Territory granted in connection with that Center.

Each Franchised Business, however, is to be operated solely as a retail Center business, and you agree not to: (i) offer or sell any items through any alternative channels of distribution, including e-commerce, telemarketing, mail order catalogs, computer and/or Internet marketing or any other system (in other words, in any fashion other than selling to the patrons visiting your Center, unless we authorize a specific off-site event that your Center may service); or (ii) to sell any product at a lower price to persons who do not dine in your Center than you charge at the time in connection with regular dine-in customers (to the extent this is enforceable under applicable laws).

Reserved Rights under Franchise Agreement

We and our affiliates reserve the right to open and operate, as well as license third parties the right to open and operate, any Center or other location that utilizes the Proprietary Marks and System at non-traditional locations such as academic campuses or corporate buildings (collectively, the “Non-traditional Sites”), within or outside the Designated Territory. If we develop any Non-traditional Sites in your Designated Territory, you will not be entitled to any compensation.

We also reserve the exclusive right to: (i) own and operate franchised businesses at any location outside of the Designated Territory under the Proprietary Marks, or to license others the right to own and operate Centers at any location outside of the Designated Territory under the Proprietary Marks and System; (ii) own and operate or license others to own and operate businesses under marks other than the Proprietary Marks at any location inside or outside of the Designated Territory; (iii) develop, use and license the use of any marks other than Proprietary Marks in connection with the operation of a program or system that offers services which are the same as or similar to those offered under the System, on any terms and conditions, without giving you any rights in those marks; (iv) use the Proprietary Marks and System in connection with offering and selling services and products, promotional and marketing efforts, or related items, in alternative channels of distribution, including the sale of any Approved Products or, without limitation, any educational materials, educational software or programs, or other merchandise under the Proprietary Marks or other marks, in wholesale and retail stores or via the Internet, without regard to location; (v) within and outside the Designated Territory, (1) co-brand with other businesses to provide products and services that are the same or similar to those offered under the System and that use the Proprietary Marks, and (2) acquire or merge with, and then own and operate and license others to own and operate any business of any kind operating under marks other than the Proprietary Marks, including businesses that provide similar products and services to those offered under the System, and to convert any of these acquired businesses to operation under the System and Proprietary Marks; and (vi) use the Proprietary Marks and System, and license others to use the Marks and System to engage in any other activities not expressly prohibited in the Franchise Agreement.

The Franchise Agreement does not grant you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders inside your Designated Territory, provided such orders are fulfilled via one (1) or more of the alternative channels of distribution noted in the paragraph above. We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to operate Centers at Non-Traditional Sites, either directly or through our affiliates, licensees, or designees, and you will not be entitled to any compensation as a result of our operation of Centers at Non-Traditional Sites.

Other Relevant Disclosures

Except as described in Item 1 of this Disclosure Document, neither we nor our affiliates sell similar goods or services to the Approved Products and Approved Services offered by Franchised Businesses under our Proprietary Marks or a different mark or brand. We reserve the right to do so in the future.

The Franchise Agreement does not provide you with any right or option to open and operate additional Franchised Businesses. Regardless, each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

The Franchise Agreement does not grant you any option, right of first refusal, or similar rights to acquire additional franchises within the Territory or otherwise – other than the franchise(s) specifically identified in such agreements. You may purchase additional franchises from us on our then-current terms, provided you meet our then-current criteria for a new franchisee. Besides the rights listed here, you have no other rights of first refusal or option rights on additional territory.

ITEM 13 **TRADEMARKS**

Our affiliate, J. Thompson Child Services, Inc. (“TM Owner”) is the owner of the Proprietary Marks, and we have the right to use the Proprietary Marks and license to others the right to use the Proprietary Marks in the operation of a Duckling Early Learning Center in accordance with the System. As of the Issue Date, TM Owner owns the following marks that are (a) registered or pending registration on the Principal Register of the United States Patent and Trademark Office (or “USPTO”), and (b) used to principally identify our current System Centers:

Mark	Registration Number	Registration Date
DUCKLINGS EARLY LEARNING CENTER	4950737	May 3, 2016
HERE WE GROW CURRICULUM	4823332	September 29, 2015
OFF WE GO! CURRICULUM	5099036	December 16, 2016
SHAKE A TAIL FEATHER! CURRICULUM	Serial Number: 98248401	n/a

We have worked with, and will continue to work with, TM Owner to ensure all required affidavits necessary to maintain and/or renew the above registration (and any future registrations we determine appropriate) are filed, as and how we and TM Owner determine appropriate for the System moving forward.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Mark or other Proprietary Marks. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will reimburse you for all expenses you reasonably incur in any legal proceeding challenging your authorized use of the Principal Mark or other Proprietary Marks. We have the option to control any administrative proceedings or litigation involving the Principal Mark or other Mark licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

We reserve the right to substitute different Proprietary Marks if we can no longer use the current Proprietary Marks, or if we determine that substitution of different Proprietary Marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any Mark, including the Principal Mark, or to use one or more additional or substitute Proprietary Marks.

You must not directly or indirectly contest TM Owner's or our right to any of the registered marks disclosed in this Item above and/or any of the other Proprietary Marks we may supplement, substitute and/or otherwise integrate and license as part of the System in the future.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Proprietary Marks. There is no pending infringement, opposition or cancellation. There is no pending material federal or state court litigation involving the Principal Mark or other Proprietary Marks.

There are no currently effective agreements that significantly limit Licensor's or our rights to use or license the use of the Principal Mark or other Proprietary Marks in a manner material to the franchise. As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in our curricula, lesson plans, Operations Manual and the contents of our website.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect that limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights that could materially affect your use of them.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights and other proprietary materials. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will reimburse you for all expenses you reasonably incur in any legal proceeding challenging your authorized use of our copyrights and other proprietary materials. We have the option to control any administrative proceedings or litigation involving our copyrights and other proprietary materials licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of your Franchised Business; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the System; the Operations Manual; methods of advertising and promotion; instructional materials; marketing plans, business methods, research, development or know-how, any other information which we may or may not specifically designate as "confidential" or "proprietary", and the components of our System whether or not such

information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the “Confidential Information”). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Any and all of your personnel who have access to our Confidential Information must sign our then-current form of confidentiality and restrictive covenant agreement in a substantially similar form to Agreement.

ITEM 15

OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement requires that you personally supervise your Franchised Business on a full-time basis. In addition to your direct management of the Franchised Business, you must appoint a Director that meets our qualifications. Your Director must successfully complete our Initial Management Training Program and all other training courses we require. Your Director must devote their full time and best efforts to the job and cannot have (i) an interest or business relationship with any of our competitors or (ii) other employment. We do not allow a semi-absentee ownership structure, but your Director is not required to have an equity interest in the franchisee entity if the Director otherwise meets our approval.

Your Director and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Non-Disclosure/Non-Competition Agreement, which is attached to our Franchise Agreement as Attachment 10. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you are a married individual, your spouse must sign our Personal Guaranty attached as an Exhibit to each Franchise Agreement you enter into with us.

ITEM 16

RESTRICTION ON WHAT FRANCHISEE MAY SELL

You must offer and sell all products and services that are part of the System, and all services and products which we incorporate into the System in the future.

You may not use our Proprietary Marks for any other business, and you may not conduct any other business at or through your System Center. You cannot engage in any other business that competes with your System Center, with us or our affiliates, or with System Centers owned by other franchisees, whether such business is inside or outside of the Designated Market Area.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications. There are no other limits on our rights to make these changes.

You may only solicit sales from customers in your Designated Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory, provided that you do not advertise in any medium whose primary circulation is within the territory awarded in connection with any other System Center (whether affiliate-owned or franchised). You may provide the Approved Services to a client that resides outside of your Designated Territory if they patronize or inquire about attendance at your franchised Center, provided that you did not solicit that prospective client or its child

in any manner outside of your Designated Territory (or otherwise in violation of your Franchise Agreement and any Manual directives).

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

A. Franchise Agreement

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 3(A)	Term is 10 years
b.	Renewal or extension of the Term	Section 3(B)	If you are in good standing as defined below, you can sign a successor agreement for up to an additional term of ten (10) years, unless we have determined, in our sole discretion, to withdraw from the geographical area where your Franchise is located.
c.	Requirements for franchisee to renew or extend	Sections 3(A)(1-7)	Be in full compliance, have no more than three (3) events of default during current term, provide written notice to us at least six months before the end of the term, execute a new franchise agreement, continue to have the right to occupy the premises or have received approval from us to relocate, remodel your Franchised Business location, execute a general release, comply with then-current qualifications and training requirements, including completion of additional training, pay the Successor Agreement Fee of 25% of the then-current initial franchise fee. You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.
d.	Termination by franchisee	None	You may seek termination upon any grounds available by state law.
e.	Termination by franchisor without cause	Section 13	The Franchise Agreement will terminate upon your death or permanent disability and the Franchise must be transferred within six months to a replacement franchisee that we approve.
f.	Termination by franchisor with cause	Section 15	We may terminate only if you default. The Franchise Agreement describes defaults throughout. Please read it carefully.

	Provision	Section in Franchise Agreement	Summary
g.	“Cause” defined – curable defaults	Section 15	You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Franchise Agreement and described in h. immediately below).
h.	“Cause” defined - non-curable defaults	Sections 15(B) and (C)	The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days. We may terminate the Franchise Agreement upon notice to you if you: do not acquire a site, do not complete construction and/or open the Franchised Business within required time frames; falsify any report to us; cease operations for 5 days or more, unless the premises are damaged and you apply to relocate; lose possession of the premises, unless you are not at fault for loss and you timely apply to relocate; fail to restore and re-open the Franchised Business within 180 days after a casualty; fail to comply with applicable laws; default under any lease for the premises; understate Gross Revenue two (2) or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of the Proprietary Marks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of the Proprietary Marks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; fails to obtain or maintain accreditation; refuse an inspection or audit by us; use the Proprietary Marks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations three (3) or more times during the term or receive two (2) or more default notices in any 12-month period; default under any other agreement with us or our affiliate; have insufficient funds to honor a check or EFT two (2) or

	Provision	Section in Franchise Agreement	Summary
			more times within any twelve (12)-month period; or terminate the Franchise Agreement without cause.
i.	Franchisee's obligations on termination/ non-renewal	Section 16	Upon termination, you must: cease operations; cease to identify yourself as a System Center franchisee; cease to use the Proprietary Marks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorneys' fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Franchised Business; and assign, at our option, your telephone numbers, software accounts, directory and social media listings and the lease for the location.
j.	Assignment of contract by franchisor	Section 13(G)	No restrictions on our right to assign.
k.	"Transfer" by franchisee defined	Section 13(E)	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity).
l.	Franchisor approval of transfer by franchisee	Section 13(E)	No transfer is allowed without our consent, which we will not unreasonably withhold.
m.	Conditions for franchisor approval of a transfer	Section 13(E)	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee and its general manager successfully complete our Initial Training Program; you have paid us and third-party creditors all amounts owed; you and the transferee sign a General Release in the form of Attachment 4 to the Franchise Agreement; our approval of the material terms and conditions of the transfer; you shall subordinate any claims you have against the transferee to us; you will indemnify us for a period of 3 years following the transfer; landlord's consent of a lease assignment, if applicable; payment of a transfer fee equal to 75% of the then-current initial franchise fee, or 50% of the then-current initial franchisee fee for a transfer to an existing franchisee in good standing, \$1,500 for transfer to a new entity or shareholder or member of the franchisee

	Provision	Section in Franchise Agreement	Summary
			entity that does not change management control, or \$3,500 for a transfer to a spouse, parent or child upon death or permanent disability.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 13(D)	You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.
o.	Franchisor's option to purchase franchisee's business	Section 16(H)	Upon termination of the Franchise Agreement, we have the option to purchase your furniture, equipment, signs, advertising materials, supplies and inventory at your cost or fair market value, whichever is less.
p.	Death or disability of franchisee	Sections 13(B)	The Franchise Agreement will terminate upon your death or permanent disability and the Franchise must be transferred within six months to a replacement franchisee that we approve.
q.	Non-competition covenants during the term of the franchise	Section 14(A)(3)	You may not: divert, or attempt to divert, customers of any System Center outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business; do any act that could damage the goodwill of the Proprietary Marks or System, or disrupt or jeopardize our business or that of our franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 14(B)	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any System Center outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within 25 miles of your former System Center outlet location or any other System Center outlet location; do any act that could damage the goodwill of the Proprietary Marks or System, or disrupt or jeopardize our business or that of our franchisees.
s.	Modification of the agreement	Sections 2(E) and 7(G)	No oral modifications generally, but we may change the Operations Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Proprietary Marks at any time upon written notice to you.
t.	Integration/merger clause	Section 23	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to

	Provision	Section in Franchise Agreement	Summary
			applicable state law.) Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any Franchise Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 21	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters.
v.	Choice of forum	Section 21(E)	Litigation takes place in Pennsylvania, subject to applicable state law.
w.	Choice of law	Section 21(A)	Pennsylvania law applies, subject to applicable state law.

ITEM 18 **PUBLIC FIGURES**

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

ITEM 19 **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This financial performance representation is based on historical data and discloses the Gross Revenue, as well as the payroll/labor, occupancy and other primary operating costs and expenses, of each based on the past performance of the: (i) two (2) affiliated locations that were actively open and operating over the entirety of the 2023 calendar year by the same ownership group (the “Affiliate Locations”); and (ii) eight (8) franchised locations (the “Franchised Locations”) that were actively open and operating by the same ownership over the same measurement period (the “Measurement Period”). Collectively, we will refer to these ten (10) locations as the “System Centers”. We have excluded one affiliate location that operates from a non-traditional site that is owned by our development partner and does not have the dedicated classroom space or layout (as compared to the overall size of the premises) that we would approve for one of our franchisees.

The information disclosed in this Item is based on the actual reports provided to us by the owners of each System Center for the 2023 calendar year of operations.

Written substantiation of the data used in preparing these figures will be made available to you upon reasonable request.

Table 1 - 2023 Gross Revenue and Primary Operating Costs for System Centers

	Franchise Location No. 1 ⁸	Franchise Location No. 2	Franchise Location No. 3	Franchise Location No. 4	Franchise Location No. 5
<i>Opening Year</i> <i>(A = affiliate; F = franchised)</i> ¹	A – 2008 F – 2023	A – 2014 F – 2019	A – 2020 F – 2021	A – 2020 F – 2022	F – 2020
Gross Revenue	\$2,026,512.75	\$1,382,048.00	\$2,069,121.00	\$2,030,978.01	\$1,555,900.69
Payroll/Labor ²	\$910,213.51	\$748,716.74	\$985,765.70	\$1,078,180.00	\$861,116.88
Rent/Occupancy	\$317,000.04	\$220,818.93	\$294,650.16	\$443,799.98	\$281,167.76
Other Primary Operating Costs and Expenses ³	\$166,129.49	\$201,837.48	\$275,700.09	\$198,549.65	\$197,518.13
Net Revenue⁴	\$633,169.71	\$210,674.85	\$513,005.05	\$310,448.38	\$216,097.92
<i>Royalty Fee⁵</i>	<i>\$121,591.05</i>	<i>\$82,886.89</i>	<i>\$124,147.56</i>	<i>\$121,858.69</i>	<i>\$93,593.94</i>
<i>Brand Fund Contribution⁵</i>	<i>\$20,265.17</i>	<i>\$13,820.45</i>	<i>\$20,691.21</i>	<i>\$20,309.78</i>	<i>\$15,566.00</i>
Net Revenue Less Fees⁶	\$491,313.49	\$113,967.51	\$368,166.28	\$168,279.91	\$106,937.98

	Franchise Location No. 6	Franchise Location No. 7	Franchise Location No. 8	Affiliate Location No. 1	Affiliate Location No. 2
<i>Opening Year</i> <i>(A = affiliate; F = franchised)</i> ¹	F – 2022	F – 2022	F – 2022	A – 2017	A – 2017
Gross Revenue	\$1,417,921.00	\$1,700,845.88	\$1,626,630.00	\$1,677,344.00	\$1,476,128.00
Payroll/Labor ²	\$718,184.50	\$894,373.40	\$833,143.00	\$751,872.00	\$627,630.64
Rent/Occupancy	\$229,632.55	\$352,968.59	\$373,629.52	\$318,548.00	\$282,837.00
Other Primary Operating Costs and Expenses ³	\$134,612.43	\$145,636.62	\$152,566.25	\$197,677.38	\$162,632.99
Net Revenue⁴	\$335,491.52	\$307,867.27	\$267,291.23	\$409,246.62	\$403,027.37
<i>Royalty Fee⁵</i>	<i>\$85,075.28</i>	<i>\$76,884.70</i>	<i>\$97,597.80</i>	<i>\$100,640.64</i>	<i>\$88,567.75</i>
<i>Brand Fund Contribution⁵</i>	<i>\$14,179.21</i>	<i>\$17,008.46</i>	<i>\$16,266.30</i>	<i>\$16,773.45</i>	<i>\$14,761.21</i>
Net Revenue Less Fees⁶	\$236,237.03	\$213,974.11	\$153,427.13	\$291,832.53	\$299,698.41

Table 2 – 2023 Net Margin Percentage for System Centers

	Opening Year ¹	Net Margin % ⁷
Franchise Location No. 1⁸	A – 2008; F – 2023	24%
Franchise Location No. 2	A – 2014; F – 2019	8%
Franchise Location No. 3	A – 2020; F – 2021	18%
Franchise Location No. 4	A – 2020; F – 2022	16%
Franchise Location No. 5	F – 2020	7%
Franchise Location No. 6	F – 2022	17%
Franchise Location No. 7	F – 2022	13%
Franchise Location No. 8	F – 2022	9%
Affiliate Location No. 1	A – 2017	17%
Affiliate Location No. 2	A – 2017	20%

Notes

1. System Centers that have two dates listed were originally operated as affiliate locations and then were later sold to franchisees as of the year noted next to an “F” in the table above.

2. Payroll/Labor includes payroll taxes, but does not include the cost of any health insurance or retirement/401k expenses as these are not required expenses of our System Centers. Any grant money received has been subtracted from Payroll/Labor.
3. Other Primary Operating Costs and Expenses includes activities expenses, curriculum expenses, merchant fees, staff training and licensing expenses, school supplies, advertising expenses, computer and Internet expenses, dues and subscriptions, equipment rental, insurance, janitorial expenses, office expenses, uniforms, diapers, payroll fees, repairs and maintenance costs, security system costs, utilities, and technology fees. Your business may incur other expenses in addition to the categories listed above.
4. Net Revenue is equal to Gross Revenue subtracted by Payroll/Labor, Rent/Occupancy, and Other Primary Operating Costs and Expenses.
5. The Royalty Fee and Brand Fund Contributions figures represent actual amounts paid by both our affiliate and franchise locations. Though our affiliate locations do not operate under a Franchise Agreement, we currently require them to pay a Royalty Fee and Brand Fund Contribution to us.
6. Net Revenue Less Fees is equal to Net Revenue subtracted by the Royalty Fee and Brand Fund Contribution paid to us.
7. Net Margin % is calculated by dividing Net Revenue Less Fees by Gross Revenue, and converting the amount into a percentage.
8. Franchise Location No. 1 is owned by Jackie Hicks, who is disclosed in Item 2 of this Disclosure Document.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jody Thompson, 1414 Lenape Road, West Chester, Pennsylvania 19382, (484) 607-8248, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years 2021 to 2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	2	3	+1
	2022	3	7	+4
	2023	7	8	+1

Company – Owned*	2021	5	4	-1
	2022	4	4	0
	2023	4	3	-1
Total Outlets	2021	7	7	0
	2022	7	11	+4
	2023	11	11	0

*These locations are owned by one of our affiliates.

Table No. 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

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

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
Pennsylvania	2021	2	1	0	0	0	0	3
	2022	3	4	0	0	0	0	7
	2023	7	1	0	0	0	0	8
Total	2021	2	1	0	0	0	0	3
	2022	3	4	0	0	0	0	7
	2023	7	1	0	0	0	0	8

Table No. 4
Status of Company Owned* Outlets
For Years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Pennsylvania	2021	5	0	0	0	1	4
	2022	4	1	0	0	1	4
	2023	4	0	0	0	1	3

Total	2021	5	0	0	0	1	4
	2022	4	1	0	0	1	4
	2023	4	0	0	0	1	3

**These locations are owned by one of our affiliates.*

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

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company Owned Outlets in the Next Fiscal Year
Delaware	2	2	0
Pennsylvania	3	3	1
Total	5	5	1

Exhibit E lists the location of each System franchisee that has an active and in-term franchise agreement with us as of December 31, 2023.

Exhibit E also discloses any formed System franchisee that, during our last fiscal year, had an outlet terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or has not communicated with us within 10 weeks of the date of this Disclosure Document.

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

As of the Issue Date, there are no trademark-specific franchisee organizations associated with our franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

ITEM 21 **FINANCIAL STATEMENTS**

Exhibit C to this Disclosure Document contains our audited financial statements for our fiscal years ending December 31, 2023, 2022 and 2021. Our fiscal year end is December 31.

ITEM 22 **CONTRACTS**

The following documents attached to this Disclosure Document must be signed by you and other System franchisees in connection with acquiring the right to own and operate a Franchised Business:

1. 2024 Form of Franchise Agreement (and Exhibits);
2. Sample Form of Relesae;
3. Franchisee Questionnaire; and
4. One (1) copy of the Receipt Pages (as disclosed more fully in Item 23 below).

ITEM 23
RECEIPTS

A receipt in duplicate is attached to this Disclosure Document as Exhibit J. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to J. Thompson Learning Centers, LLC, 1414 Lenape Road, West Chester, Pennsylvania 19382.

EXHIBIT A

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360

State	State Agency	Agent for Service of Process
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau, Franchise Section 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8211 Phone (212) 416-6042 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501

State	State Agency	Agent for Service of Process
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B

FRANCHISE AGREEMENT

J. THOMPSON LEARNING CENTERS, LLC
FRANCHISE AGREEMENT

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
BACKGROUND	1
1. PREAMBLES, ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE	2
2. GRANT OF FRANCHISE	4
3. TERM AND RENEWAL	5
4. FEES AND PAYMENTS	6
5. DUTIES OF FRANCHISOR	11
6. DUTIES OF FRANCHISEE	15
7. PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS	22
8. OPERATIONS MANUALS AND CONFIDENTIAL INFORMATION	25
9. ADVERTISING	27
10. ACCOUNTING AND RECORDS	31
11. INSURANCE	33
12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION	34
13. TRANSFER AND ASSIGNMENT	34
14. COVENANTS	38
15. DEFAULT AND TERMINATION	40
16. POST-TERM OBLIGATIONS	43
17. TAXES AND INDEBTEDNESS	45
18. WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT	45
19. ENFORCEMENT	46
20. NOTICES	46
21. GOVERNING LAW AND DISPUTE RESOLUTION	47
22. SEVERABILITY AND CONSTRUCTION	50
23. ACKNOWLEDGMENTS	50

Exhibit A: Data Sheet

Exhibit B: Personal Guaranty

Exhibit C: Collateral Assignment and Assumption of Lease

Exhibit D: EFT Authorization Form

Exhibit E: Confidentiality and Restrictive Covenant Agreement

Exhibit F: Conditional Assignment of Telephone Numbers and Domain Names

J. THOMPSON LEARNING CENTERS, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into on this ____ day of _____, 202__ (“Effective Date,”) by and between: (i) J. Thompson Learning Centers, LLC, a Pennsylvania limited liability company, with its principal business address at 1414 Lenape Road, West Chester, Pennsylvania, 19382 (the “Franchisor”); and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the “Franchisee”).

BACKGROUND

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the “System”) related to the establishment and ongoing operation of a center (each, a “Center”) that features, offers and provides (a) specialized and age-specific curricula designed to educate and otherwise promote development for children that are typically between 6 weeks to 6 years in age that we designate or otherwise authorize, (b) associated care services to such children during such time frame(s) when they are on-site at the Center premises, and (c) any other services we authorize for provision to the students of the Center and/or their respective parents or other responsible caretaker(s) (collectively, the “Approved Services”), as well as any branded apparel, other merchandise and/or educational products that we authorize for sale at the Center that may or may not be ancillary to the Approved Services (collectively, the “Approved Products”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a System and/or franchised Center; standards and specifications for the supplies, inventory and methodology associated with storing, preparing, offering and providing the Approved Services, including without limitation, proprietary curricula, lesson plans, educational materials and instructional content and/or syllabi; directives, standards and/or specifications for advertising and marketing, design and layout of the a Center, furniture, fixtures and equipment necessary to build out or otherwise develop a Center; established relationships with approved or designated suppliers for certain products and services that must be utilized in connection with an Franchised Business, including certain proprietary and/or branded items; proprietary training programs, courses and training materials; Franchisor’s confidential and proprietary operations manual and, at Franchisor’s option, other instructional manuals that have been reduced to writing (collectively, the “Manuals”); and standards and specifications for promotion, operations, bookkeeping, sales and other aspects of establishment and ongoing operation of a Franchised Business. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information that makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C. The System and Franchised Businesses are identified by the Franchisor’s then-current proprietary marks, which may include Franchisor’s current primary mark DUCKLINGS EARLY LEARNING CENTER®, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the “Proprietary Marks”). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, advertising, and System.

D. Franchisor is in the business of granting qualified individuals and entities a franchise for the right to independently own and operate a single Franchised Business utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

E. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor's high and uniform standards of quality, appearance, and service to the value of the System.

F. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single Franchised Business, and has submitted an application to obtain such a franchise from Franchisor.

G. Franchisor is willing to grant Franchisee the right to operate a Franchised Business based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. PREAMBLES, ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE. Franchisee agrees and acknowledges the following regarding the franchise offering and rights detailed in this Agreement:

- A. The business venture contemplated by this Agreement involves business risks.
- B. Franchisee's success in connection with the franchise granted hereunder will be largely dependent upon Franchisee's ability as an independent businessperson.
- C. Franchisee has received and had an opportunity to read and review this Agreement and any attachment with its principals and/or any business advisors.
- D. The industry in which the Approved Services are offered and provided are highly competitive with changing market conditions including, but not limited to, the risks associated with local, state and federal regulatory agencies and the corresponding licensing and/or permits associated with opening and operating a Center that provides the Approved Services to children from ages 6 months to 6 years of age.
- E. Franchisee has had the opportunity to request that Franchisor fully and adequately explain each provision of this Agreement to Franchisee's satisfaction, and Franchisor has provided all responsive information to Franchisee's satisfaction prior to entering into this Agreement.
- F. Any written inquiries made to Franchisor by Franchisee pertaining to the nature of this franchise were answered in writing to the satisfaction of Franchisee.
- G. Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and

provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects).

- H. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing.
- I. Neither Franchisee nor its principals (nor any other individual they have appointed to serve as the “Director” of the Franchised Business) presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing and accounted for via an addendum to this Agreement.
- J. Neither Franchisee nor its principals will attempt to contest, directly or indirectly, Franchisor’s ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-how, or advertising techniques which are part of Franchisor’s business, or contest Franchisor’s sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques.
- K. Neither Franchisee nor its principals are a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- L. Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including those related to the provision of early education/childcare and/or any Approved Services, that are necessary to operate the Franchised Business within the Designated Territory (defined below); and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located at all times during the term of this Agreement. Franchisee specifically agrees and acknowledges that it will ensure that only appropriate staff and personnel of the Franchised Business provide the Approved Services and receive all training required in connection with the System both before and after commencing their provision of Approved Services on behalf of the Franchised Business.
- M. Franchisee will obtain such license/certification prior to operating the Franchised Business in any manner, with the understanding that Franchisor shall have no liability in the event the development or operation of the Franchised Business violates any law, ordinance or regulation.
- N. Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of an Franchised Business, and the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties’ duty to comply with the terms of this Agreement.
- O. The parties agree and acknowledge that all provisions and information set forth in the “Background” portion of this Agreement above, including all definitions and representations set forth therein, are hereby incorporated by reference as if fully set forth herein.

P. Franchisee agrees and acknowledges as follows:

1. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.
2. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractor, nor vice versa.

2. **GRANT OF FRANCHISE**

A. **Grant of Franchise.** Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single franchised Center that will be authorized to provide the Approved Services and Approved Products that Franchisor authorizes in writing (the "Franchised Business").

B. **Approved Premises; Designated Territory**

1. *Approved Premises.* Franchisee may only operate the Franchised Business from a site that Franchisee proposes to Franchisor in writing and that Franchisor approves in writing (the "Premises").
2. *Site Selection Area.* Unless Franchisor has approved the Premises as set forth in this Agreement prior to the execution of this Agreement, the parties will mutually agree upon a geographical area wherein the Franchisee may and must search and secure said Premises within the six (6) month period as described more fully in Section 6 of this Agreement (the "Site Selection Area"), which will be set forth in Section 1 of the data sheet attached to this Agreement as Exhibit A (the "Data Sheet"). Once the Premises is approved and secured by Franchisee it will be placed in Section 2 of the Data Sheet.
3. *Designated Territory.* Once Franchisee has secured an approved Premises, consistent with the site selection procedure set forth in Section 6, Franchisor will designate a geographical area surrounding the approved Premises wherein Franchisor agrees that it will not (a) open and operate, and/or (b) license a third party the right to open or operate, another System Center under the Proprietary Marks (the "Designated Territory").

C. **Rights Not Granted.** Franchisee acknowledges and agrees that this Agreement does not grant Franchisee any right or option to open any additional Franchised Businesses nor does this Agreement provide Franchisee with any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for

any purpose other than promoting and operating the Franchised Business at the Premises and within the Designated Territory. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Franchised Businesses, each of which will be governed by a separate form of Franchisor's then-current franchise agreement.

- D. **Reservation of Rights.** Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) own and operate franchised businesses at any location(s) outside of the Designated Territory under the Proprietary Marks, or to license others the right to own and operate System Centers at any location(s) outside of the Designated Territory under the Proprietary Marks and System; (ii) the right to own and operate businesses under different marks at any location(s) inside or outside of the Designated Territory, or license to others the right to own and operate such businesses, under different marks at any location(s) inside or outside of the Designated Territory; (iii) use the Proprietary Marks and System in connection with services and products, promotional and marketing efforts, or related items, or in alternative channels of distribution, including the sale of any Approved Products via pop-up locations and/or in wholesale and retail stores, via the Internet, and through mail order catalog, without regard to location; (iv) use the Proprietary Marks and System, and license others to use the Marks and System to engage in any other activities not expressly prohibited in this Agreement.
- E. **Modification of System.** Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee's fundamental rights under this Agreement. Moreover, Franchisor will provide Franchisee with a reasonable amount of time to comply with any change or modification to the System once Franchisee has been notified of such change/modification in writing (via the Manuals or otherwise).

3. **TERM AND RENEWAL**

- A. **Term.** Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years ("Initial Term") commencing as of the Effective Date.
- B. **Renewal.** Franchisee may submit a request to renew this Agreement for up to one (1) additional, consecutive term of ten (10) years, and must provide such in writing to Franchisor no less than six (6) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:
1. Franchisee must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal; and (ii) received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date;

2. Franchisee pays Franchisor a renewal fee amounting to \$10,000 (the “Renewal Fee”) for the renewal and any related training associated with said renewal as described in Section 3(B)(4) hereof;
3. Franchisee must execute Franchisor’s then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor’s then-current form of franchise agreement;
4. At Franchisor’s option, Franchisee and its Director (as defined in this Agreement and as applicable) attends a prescribed training refresher course at least thirty (30) days before the expiration of the then-current term of this Agreement. Franchisee will be responsible for all expenses incurred in connection with attending this refresher training;
5. Franchisee executes a general release under seal, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising under any federal, state, or local law, rule, or ordinance;
6. Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor;
7. Franchisee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and/or other furniture/fixtures/equipment used in connection with the Franchised Business within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor’s then-current System standards, specifications, and design criteria for a newly opened Franchised Business.

4. FEES AND OTHER AMOUNTS DUE IN CONNECTION WITH FRANCHISE

- A. **Fees.** In consideration of the rights and license granted herein, Franchisee agrees and acknowledges that it must pay the following amounts to Franchisor or, as noted below, Franchisor’s designated supplier:
 1. *Initial Franchise Fee.* Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee amounting to \$55,000 (the “Initial Franchise Fee”), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment.
 2. *Site Development Support Fee.* Upon Franchisor’s approval the Premises, Franchisee must pay Franchisor a site development support fee amounting to \$26,500 (the “Site Development Support Fee”), which fee shall be deemed fully

earned and non-refundable under any circumstances upon payment. In the event the Premises has already been built out in material conformance with Franchisor's then-current standards, as determined by Franchisor in its sole discretion, Franchisor may elect to waive all or a portion of the Site Development Support Fee.

3. *Training Assistance and Opening Support Fee.* Prior to attending the Initial Training Program described in Section 5(A)(1) of this Agreement, Franchisee must pay Franchisor a training assistance and opening support fee amounting to \$26,500 (the "Training Assistance and Opening Support Fee"), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment.
4. *Initial Marketing Spend.* Upon execution of this Agreement, Franchisee must expend a minimum of \$10,000 (the "Initial Marketing Spend") that will be used on certain digital and other marketing efforts associated with the System. Currently, Franchisee must pay Franchisor this amount. Franchisor reserves the right to require that Franchisee expend any portion of the Initial Marketing Spend to engage an Approved Supplier to provide marketing materials or services. The Initial Marketing Spend will be in addition to any designated promotional materials that Franchisee may be required to expend prior to or around opening.
5. *Royalty Fee.* Once the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee will pay Franchisor a continuing monthly royalty fee amounting to: (i) three percent (3%) of the Gross Revenue (as defined in this Section 4(A)(9) below) generated by the Franchised Business over the preceding calendar month of operations for Franchisee's first three (3) months of operation; and six percent (6%) of the Gross Revenue generated by the Franchised Business over the preceding calendar month of operations for the remainder of the Initial Term of this Agreement (the "Royalty Fee"). Notwithstanding the foregoing, the reduced Royalty Fee of three percent (3%) of Gross Revenues during the first (3) months of operation will only apply to new Centers. If Franchisee acquires an existing Center via transfer of purchase, the Royalty Fee shall be equal to six percent (6%) of the Gross Revenue of the Franchised Business immediately upon transfer or purchase.
6. *Fund Contribution.* Franchisee shall make weekly contributions to the brand development fund established by Franchisor (the "Fund") in an amount equal to up to three percent (3%) of the Gross Revenue generated by the Franchised Business over the preceding reporting period (the "Fund Contribution"). The Fund Contribution must be remitted to Franchisor at the same time and in the same manner as payment of the Royalty Fee.
7. *Technology Fee.* Franchisee must pay Franchisor or its Approved Supplier a technology fee in connection with technology products or services Franchisor determines to (a) associate or utilize in connection with the System, and (b) use the Technology Fee to cover all or certain portion of the corresponding costs (the "Technology Fee").
8. *Initial and Ongoing Other Inventory Purchases.*

- a. Franchisee must pay the then-current start-up package fee for the initial package of business supplies such as uniforms, marketing brochures, letterhead and business cards to use in the operation of its Franchised Business.
 - b. Franchisee will be required to purchase ongoing inventory, including certain proprietary and/or branded retail and/or operational inventory and other products necessary to provide the Approved Services (collectively, the “Proprietary Products”), as in the amounts initially required by Franchisor and otherwise as needed to meet client demand for the Approved Services.
 - c. Franchisor may designate one (1) or more suppliers (each, an “Approved Supplier”) from which Franchisee must purchase a given Proprietary Product or any other item or services designated for use in connection with the Franchised Business (collectively, the “Required Items”).
9. *Definition of Gross Revenue.* In addition to the fees above, Franchisee will be required to pay Franchisor certain ongoing fees that may be based on gross sales. As used in this Agreement, “Gross Revenue” include all: (a) revenue from the sale of all products and performance of services from the Franchised Business, whether for cash, credit or barter, and regardless of collection in the case of credit, and income of every kind and nature related to the Franchised Business; and (b) any rebates or other consideration that Franchisee receives from third-party vendors/suppliers. “Gross Revenue” from customers will not include sales tax that Franchisee must collect and submit to the appropriate taxing authority. In computing the Gross Revenue, the Franchisee shall be permitted to deduct the amount of cash refunds to, and coupons used by customers at or prior to the time the customer has paid the full balance owed to Franchisee, provided such amounts have been included in sales. Franchisee shall also be permitted to deduct amounts associated with employee discounts, provided such discounts are provided in accordance with Franchisor’s then-current standards and requirements. In the event Franchisee participates in any discount program, including but not limited to Groupon® (which Franchisor must approve in writing), Gross Revenue will include the full retail value of the goods or services rendered to the customer before any discounts or commission.
10. *Other Amounts.* Franchisee will also be responsible for the other costs associated with establishing and operating the Franchised Business in accordance with System standards and specifications that Franchisee may be required to pay to Franchisor’s approved or designated supplier (which may include Franchisor or its affiliates): (a) local advertising and promotion of the Franchised Business; (b) training/tuition fees; (c) evaluation costs; (d) ongoing software licensing fees for software that Franchisor designates for use in connection with the Franchised Business, including the System-based required software (collectively, the “Required Software”); (g) any marketing and advertising materials, or any other item/service that Franchisee is required to acquire and/or lease in connection with the establishment and/or operation of the Franchised Business (each, a “Required Item”), including any items that must be purchased from an supplier or provider that Franchisor designates or otherwise approves in writing (each, an “Approved Supplier”).

B. Method of Payment; Bank Accounts.

1. *Method of Payment.* With the exception of the Initial Franchise Fee (which should be paid by bank check or wire transfer), Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the “EFT Program”), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program (the “EFT Account”). Upon Franchisor’s written request, Franchisee must make all such payments described in this Section by bank or certified check.
 2. *Use of EFT Account for Operational Funds.* Franchisee must immediately deposit all revenue collected in connection with the operation of the Franchised Business, including all fees/tuition paid in connection with the provision of the Approved Services, into the EFT Account it has noticed to Franchisor account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee’s bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee’s bank, all documents, including Franchisor’s form of EFT Authorization Form attached as Exhibit D to this Agreement, necessary to effectuate the EFT Program and Franchisor’s ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee’s banking relationship, including any change to the EFT Account.
- C. **Access to Computer System.** Franchisor may, without notice to Franchisee, have the right to independently and remotely access any proprietary software program and the computer system that Franchisee is required to use in connection with the Franchised Business or will be required to use in the future (the “Computer System”), via the Internet other electronic means, in order to obtain any financial and/or Client information that is related to the operation of the Franchised Business, including without limitation, Gross Revenue and Client contact and property information. Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribed for use in connection with the Franchised Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System. Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement.
- D. **Operational Reports; Right to Modify Payment Interval.**
1. Franchisee shall provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor: (i) a signed Gross Revenue report each month for Gross Revenue generated during the immediately preceding calendar month (or subsequently-designated reporting period) (a) Gross Revenue of the Franchised Business, (b) Franchisee’s calculated Royalty Fee and, if applicable, Fund Contributions due for that period of operations, (c) at Franchisor’s request, such

evidence that Franchisee has made its local advertising expenditures required by Franchisor under this Agreement, the Manual, policy, or otherwise in writing; (ii) on or before the twentieth (20th) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month; (iii) within sixty (60) days of each calendar quarter, an unaudited balance sheet reflecting the financial position of the Franchised Business as of the end of that calendar quarter; (iv) within sixty (60) days of Franchisor's request, a financial statement that details the total assets and liabilities of the Franchised Business (and, if appropriate Franchisee and personal guarantors under this Agreement); (v) within sixty (60) days after the close of each fiscal year of Franchisee, financial statements which must include a statement of income and retained earnings, a statement of changes in financial position, and a balance sheet of the Franchised Business, all as of the end of such fiscal year; and (vi) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request.

2. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee's Royalty Fee, Fund Contribution and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a monthly rather than weekly basis). In such event, Franchisee's reporting obligations may also be modified by Franchisor accordingly.
3. Franchisee hereby grants Franchisor permission to report and distribute Franchisee's gross sales, gross sales mix, cost of material and labor and other certain expenses to other existing franchisees of Franchisor with such additional information as Franchisor may deem appropriate, including the identification of Franchisee, the location of Franchisee's franchised premises, and such other information as may make the gross sales/gross sales mix information a useful business aid to Franchisee and other franchisees of Franchisor. Franchisee will save and hold harmless Franchisor against and from any and all claims, liabilities, or suits resulting from or in connection with any acts or omission of Franchisor in the aforementioned reporting of sales.

E. **Late Payments and Corresponding Fees and/or Interest.** If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest to the Franchisor, in addition to the overdue amount, at a rate of one and a half percent (1.5%), or higher, as permitted by applicable law in the state where the Franchised Business is located, beginning from the date of non-payment or underpayment, until paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay \$75 in addition to the interest set forth above for each late payment. Franchisee further agrees to pay \$50 for each check given or electronic transfer made to Franchisor that is dishonored, fails to process, or is returned.

F. **Taxes Owed by Franchisee.** No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor, including, but not limited to, all required lodging

taxes. If Franchisee fails to timely pay taxes to the appropriate taxing authority, Franchisor may pay the taxes for Franchisee and Franchisee shall reimburse Franchisor and pay Franchisor's then-current tax reimbursement fee.

- G. **Inability to Operate Franchised Business.** If Franchisee is unable to operate the Franchised Business due to damage or loss to the Premises and/or the Mobile Unit(s) and any equipment located thereon caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor will waive the Royalty Fee due under this Agreement for a period of time that Franchisor reasonably determines is necessary for the Franchised Business to repair the damage/loss to the Premises and resume operations (or relocate the Franchised Business to a different location within the Designated Territory), with said waiver period not to exceed ninety (90) days commencing from the date Franchisee gives Franchisor notice of the damage or loss.

5. **DUTIES OF FRANCHISOR**

A. **Initial Training.**

1. *Initial Training Prior to Opening Subject to Payment of the Initial Training Fee.* Franchisor will provide (a) its initial training program (the "Initial Training Program") to Franchisee (or its operating principal if Franchisee is an entity), and (b) the appropriate components of the Initial Training Program to each additional individual that Franchisee expects or intends to provide certain Approved Services at or in connection with the Franchised Business. The parties agree and acknowledge that: (i) certain portions of the Initial Training Program will be provided by Franchisor remotely via telephone calls, webinars or other online learning management system/technology; (ii) other portions of the Initial Training Program must be attended and completed at Franchisor's headquarters or other designated training facility for the time period Franchisor prescribes or otherwise approves; and (iii) Franchisee shall bear all its costs and expenses incurred by Franchisee and all other trainees in connection with the Initial Training Program, including without limitation, travel, lodging, meals, local transportation and wages for the Center Director any personnel.
2. *Center Director.* As detailed more fully in Section 6, Franchisee must appoint one (1) individual – which may be an operating principal of the Franchisee – that meets the following criteria to serve as the director of the franchised Center to manage and oversee the provision of all educational and other Approved Services at the Franchised Business: (i) at least a Bachelor of Arts degree in education; and (ii) at least two (2) years of experience managing and/or supervising a business that provides early learning center services that are similar to the kind of Approved Services that the Franchised Business is authorized to provide (the "Director"). Franchisor will provide the Initial Training Program to the appointed Director, as well as at least one (1) of the Franchisee's operating principals that will be involved in the day-to-day management and/or operations of the Franchised Business tuition-free, provided such individuals attend (or participate in) such training and complete it at the same time prior to or around the time of the opening of the Franchised Business..
3. *Replacement Personnel.* Franchisor will also provide the Initial Training Program or appropriate portions thereof to any replacement personnel that will serve as Franchisee's Director of the Franchised Business, provided Franchisee pays Franchisor's then-current training fee for such initial training (as well as any costs and

expenses incurred) and subject to the schedule and availability of Franchisor's training staff.

4. *Training Pre-Conditions; Acknowledgement of Completion.* The parties agree and acknowledge that: (i) Franchisee must satisfy the training pre-conditions set forth in Section 6(N) of this Agreement (the "Training Pre-Conditions") before Franchisee or any of its personnel can attend any portion of the Initial Training Program that is provided at Franchisor's headquarters and/or other designated training facility (non-remote training); and (ii) upon completion of the Initial Training Program and/or any appropriate components thereof, Franchisee or the individual that completed such training may be required to sign an acknowledgement that it received such training from Franchisor consistent with this Agreement.

B. **Initial On-Site Training.** Subject to Franchisee and its appropriate personnel attending and completing all necessary training to commence operations of the Franchised Business and satisfaction of all Training Pre-Conditions, Franchisor will provide on-site training at the Franchised Business or otherwise within the Designated Territory that is provided immediately prior to or around the time the Franchised Business is ready to open and begin soliciting potential clients/students.

C. **Additional and Refresher Training.**

1. *Required Additional Training.* Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its Director to attend up to five (5) days of additional training per year at Franchisor's headquarters, or any other location or through any other medium Franchisor designates ("Additional Training"). Franchisor may require Franchisee to pay its then-current training fee in connection with any Additional Training that Franchisor requires under this Section. Franchisee will be responsible for the costs and expenses incurred in connection with Franchisee and its designated personnel attending such training, which may take place at a training facility that Franchisor designates.
2. *Requested Additional Training and/or On-Site Assistance.* Franchisor may also provide Additional Training or other on-site assistance at Franchisee's reasonable written request, subject to: (i) the schedule and availability of Franchisor's training personnel; and (ii) Franchisee paying Franchisor's then-current training fee for each trainer that is provided in connection with the requested Additional Training, as well as Franchisee covering the costs and expenses that such personnel incur in providing such training. Franchisor will provide Additional Training under this Section as it deems appropriate in its discretion.
3. *Remedial Training.* In addition to any Additional Training and only if applicable in connection with Franchisee's default hereunder, Franchisor may require Franchisee to attend up to five (5) days of remedial training that Franchisor reasonably determines Franchisee and appropriate personnel must undertake in response to (a) the failure of Franchisee's operating principal(s), Director and/or any other required personnel to sufficiently complete the Initial Training Program or any type of Additional Training that Franchisor requires under Section 5(C)(1) above, or (b) Franchisee's failure to operate the Franchised Business in accordance with the terms of the Franchise Agreement or meet Franchisor's then-current quality assurance standards (each, an instance of "Remedial Training"). Franchisor reserves the right to charge its then-

current training fee for any Remedial Training that is provided to Franchisee and/or its personnel at any location. Franchisee must cover the costs and expenses incurred by Franchisor and its personnel in providing such Remedial Training if such training is provided at a location other than Franchisor's headquarters.

- D. **Manuals.** Franchisor will provide access to, or otherwise loan, Franchisee one (1) copy of the Manuals prior to the opening of the Franchised Business. Franchisor will also loan Franchisee a list of: (i) all furniture, fixtures, equipment, inventory, supplies and other items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively, the "Required Items"); (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items, which may be Franchisor or its affiliates (collectively, the "Approved Suppliers"); and (iii) a list of the Approved Products and Approved Services that Franchisee is authorized to offer, sell or provide at and from the Franchised Business, including membership programs and services. The foregoing lists may be provided as part of the Manuals or otherwise in writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to Franchisee. Franchisor may also establish and maintain a website portal or other intranet for use by Franchisee and other Franchised Business owners (a "System Site"), wherein Franchisor may post content that will automatically become part of, and constitute a supplement to, the Manuals, all of which Franchisee must strictly comply with promptly after such content is posted or otherwise listed on the System Site. In the event Franchisee or its personnel saves or prints out a hard copy of any Manual, then such electronic/hard versions of said Manuals must be immediately returned upon expiration or termination of this Agreement for any reason (and never used for any competitive purpose). The provisions of this Section shall survive the term of this Agreement
- E. **Initial Marketing Assistance.** Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the Initial Marketing Spend (as defined and described more fully in Section 9 of this Agreement), which program will be conducted at Franchisee's expense.
- F. **Continuing Assistance.**
1. Franchisor may, as it deems appropriate and advisable in its sole discretion, provide continuing advisory assistance in the operation of the Franchised Business. Franchisor's determination not to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement.
 2. Franchisor may provide such assistance via telephone, e-mail, webinar, Zoom, or other communication channel Franchisor deems appropriate, subject to the availability and schedules of Franchisor's personnel.
 3. Franchisor may make available to Franchisee information regarding any new product, service or suppliers or any updated methods of doing business.
 4. In the event Franchisee requests that Franchisor provide any type of assistance or training on-site at the Franchised Business, then Franchisee may be required to pay Franchisor's then-current training tuition fee in connection with such training (in

addition to reimbursing Franchisor for any costs/expenses that Franchisor's personnel incurs in connection with providing such assistance).

- G. **Review of Proposed Marketing/Advertising Materials.** Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.
- H. **Website.** For so long as Franchisor has an active website containing content designed to promote the Franchisor's brand, System and Proprietary Marks (collectively, the "Website"), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee is not in material default under this Agreement.
- I. **Email Addresses.** Franchisor will provide Franchisee with at least one (1) email address, which: (i) Franchisee is required to use in connection with the Franchised Business; and (ii) must be the only email addresses used in connection with the Franchised Business.
- J. **Private Label Products.** Franchisor may directly, or indirectly through Franchisor's affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks to be used by Franchisee and/or offered and sold by Franchisee as part of the Approved Services that are provided at the Franchised Business. Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier that Franchisor designates.
- K. **Inspections of the Premises.** Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and, upon 48 hours' notice of the Premises to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Such inspections may include: (i) inspections of the Premises and inspecting any and all books and records; (ii) conducting mystery shop services and/or inspections designed to evaluate the Approved Products and Approved Services provided by the Franchised Business and any pre-sale activities involved with the same. Inspections of the Premises will only occur during normal business hours and, with respect to the Premises, will only involve the physical area that is specifically devoted to the Franchised Business. Franchisee is solely responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations. If Franchisor conducts a mystery shop, Franchisee must pay the then-current fee charged by the third-party provider of such service.
- L. **Administration of Fund.** Franchisor will administer the Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9 of this Agreement.
- M. **No Assumption of Liability.** Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site approval or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its designee in relation to the selection or development of the Premises is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of

error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.

- N. **Delegation of Duties.** Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.
- O. **Pre-Opening Obligations Acknowledgement.** If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within sixty (60) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.
- P. **Annual Conference.** Franchisor may establish and conduct an annual conference for all franchise owners and may require Franchisee (or its Director) to attend this conference, but for no more than five (5) days each year. Franchisee will be solely responsible for all expenses incurred in attending the annual conference (including any employee wages), and Franchisor reserves the right to require Franchisee to pay Franchisor its then-current convention contribution fee approximately 120 days prior to attending.

6. **DUTIES OF FRANCHISEE**

- A. **Securing a Premises.** Franchisee must identify a Premises that Franchisor approves in accordance with the site selection proposal procedure described herein within one-hundred twenty (120) days of the Effective Date of this Agreement.
- B. **Site and Lease Review; Lease-Related Conditions to Site Approval.** If Franchisee must enter into a lease for the Premises (the “Lease”), then Franchisor has the right to (review the lease) and (b) condition its approval of the proposed location on: (i) Franchisee and Franchisee’s landlord executing the form of Lease Addendum and Collateral Assignment of Lease (attached as Exhibit C to this Agreement) granting Franchisor the right, but not the obligation, to assume the Lease upon the Franchisee’s default under the Lease or the termination, transfer, or expiration of this Agreement. Franchisee must enter into a Lease within one-hundred eighty (180) days of the Effective Date of this Agreement.
- C. **Time to Launch and Commence Operations.** The parties agree and acknowledge that:
 - 1. Franchisee shall use a qualified licensed, general contractor or construction supervisor to oversee construction or modification of the Franchised Business and completion of all improvements, unless Franchisor agrees otherwise in writing.
 - 2. Franchisee will ensure that the buildout of the Franchised Business and Premises is consistent with all System standards and specifications, including the design and layout plans noticed to and approved by Franchisor prior to the buildout commencing.
 - 3. Franchisee must ensure the Premises complies with all applicable laws necessary to serve as the premises of the Franchised Business before notifying Franchisor that it is ready to proceed with opening. Franchisor must provide its prior written

approval before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the Premises prior to the opening date.

4. Franchisee must ensure the Premises is suitable for operations, complete all other pre-opening obligations under this Agreement and open the Franchised Business no later than twenty-four (24) months from the Effective Date of this Agreement, unless Franchisor agrees otherwise in a separate agreement.
5. Should Franchisee fail to open the Franchised Business for operation within the prescribed period or, if applicable, within an extension of time approved in writing by Franchisor, then Franchisor will have the right to terminate this Agreement upon written notice.
6. If Franchisee fails to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice to Franchisee from Franchisor.

- D. **Licenses and Permits for Franchised Business.** Prior to actively soliciting prospective clientele and/or providing the Approved Services, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Premises and within the Designated Territory, including all required licenses and permits related to the offer and sale of the Approved Services.
- E. **Licensing Requirements for Personnel (if any).** Franchisee must ensure that the applicable Approved Services provided at the Franchised Business are only conducted by individuals that have the necessary licenses and/or other certifications or approval, if any, necessary to provide the Approved Services at issue.
- F. **Approved Products and Approved Services.** Franchisee must only offer and sell only the Approved Products and Approved Services at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specification related to the manner in which the Approved Services and Approved Products are offered and sold, unless Franchisor provides its prior written consent. Franchisor has the right to add additional, delete or otherwise modify certain of the Approved Services or Approved Products from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute. If Franchisee uses an unauthorized product or service, Franchisor may Franchisee its then-current fee for such use of the unauthorized product or service.
- G. **Maintenance of Franchised Business, Signs, and Inventory.** Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Franchised Business and all equipment, fixtures, furnishings, signs, artwork, décor items and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also

make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires. At Franchisor's request, which shall not be more often than once every five (5) years, Franchisee shall refurbish and upgrade any equipment and other components of the Franchised Business at its expense, to conform to the building design, trade dress, color schemes, and presentation of Proprietary Marks consistent with Franchisor's then-current standards and conditions for the System, including without limitation, redecoration, remodeling, and modifications to existing improvements.

- H. **Compliance with Applicable Laws.** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto.
- I. **Other Required Items.** Franchisee must: (i) purchase, lease, and/or maintain any and all Required Items that Franchisor designates for use in connection with the Franchised Business that may include, without limitation, the Computer System, equipment, supplies, inventory; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchise designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.
- J. **Required Purchases of Inventory and Supplies.** Franchisee must purchase all inventory and supplies required to sell and provide the Approved Products and Approved Services, as well as thereafter maintain such inventory/supply levels, as Franchisee deems reasonably necessary and appropriate to meet current customer demand and any anticipated customer demand in the near future.
- K. **Inspection of Items.** Franchisee shall permit Franchisor or its agents, at any reasonable time, to remove from the Franchised Business samples of items without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent, certified laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor, or if the sample fails to conform to Franchisor's specifications.
- L. **Alternative Supplier Approval.** If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor may charge an evaluation fee in connection with evaluating an alternative supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within 120 days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with

Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

M. Training Completion and Conference Attendance.

1. Franchisee must ensure that at least one (1) or its operating principals, Director of the Center (appointed), and other personnel that will initially be providing the Approved Services at and from the Franchised Business upon opening, attend and successfully complete the Initial Training Program, or the appropriate portions thereof as Franchisor designates in the Manuals or otherwise, prior to opening the Franchised Business.
2. Franchisee agrees and acknowledges that Franchisor may require Franchisee and its personnel to complete the components of the Initial Training Program that are provided via remote participation within 120 days of the date this Agreement is executed.
3. Franchisee agrees and acknowledges that Franchisee must complete and/or satisfy the following Training Pre-Conditions before Franchisor will approve Franchisee or any of its designated trainees to attend the components of the Initial Training Program that are provided at Franchisor's headquarters or other designated training facility:
 - i. undertake all steps to establish the EFT Account, as described in Section 4(B) of this Agreement, including providing Franchisor and/or its designee with all authorizations and approvals necessary to access such EFT Account;
 - ii. demonstrate that Franchisee has obtained all required insurance coverages required by this Agreement and the Manuals;

- iii. provide Franchisor with completed copies of all agreements and contracts that are attached as Exhibits to this Agreement that are signed by Franchisee and/or appropriate third party(ies), to the extent such documents have not been signed, completed or need to be updated as of that date; and
 - iv. with regards to the Initial On-Site Training, that Franchisee has obtained all required state, local and/or other licensing necessary to actively operate the Center and provide the Approved Services from the Premises.
 - 4. Franchisee must also ensure that Franchisee and its Director attend and complete any Additional Training or Remedial Training that may be required pursuant to this Agreement.
 - 5. Franchisee agrees and acknowledges that it will be solely responsible for: (i) all costs associated with Franchisee and/or its designated personnel attending any initial or ongoing training provided by Franchisor or any third-party trainer pursuant to this Agreement; and (ii) paying Franchisor its then-current Training Fee for any (a) Additional Training requested by Franchisee, (b) Remedial Training that Franchisee is required to complete as part of its cure actions with respect to a default hereunder, or (c) any replacement or new personnel that needs to attend any portion of the Initial Training Program, as set forth in this Agreement.
 - 6. Any failure by Franchisee, or its Director, to (a) attend and complete the Initial Training Program, or (b) any other training/conferences that such individual(s) are required to attend and/or complete hereunder will constitute a material default of this Agreement and grounds for termination if not cured within the appropriate cure period set forth in this Agreement.
- N. **Training of Personnel.** Franchisee or at least one (1) of Franchisee's personnel that has successfully completed the entire Initial Training Program must conduct training classes for, and properly train, all of Franchisee's teachers and other personnel with respect to the provision of Approved Services, sales, advertising/marketing, maintenance of the Premises, the POS and computer system, as well as any other information that is relevant to each individual's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing.
- O. **Required Personnel on Site at Premises during Center Operations.** Further, the Director and/or at least one (1) person that has completed the entire Initial Training Program – whether completed prior to opening of the Franchised Business or thereafter – must manage the Franchised Business at all times. Franchisee must ensure that any individuals that provide any of the Approved Services.
- P. **Hours of Operation.** Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.
- Q. **Image.** Franchisee shall maintain the image of the Franchised Business, as well as the Premises used in connection with the Franchised Business, at all times in accordance with

Franchisor's standards and specifications, including: (i) ensuring that the Franchised Business and related components are routinely maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures used in connection with the Franchised Business remains in good, clean condition.

R. **Client/Student Lists and Data/Agreements; Privacy Laws.**

1. Franchisee must (i) maintain a list of all of its current and former clientele, as well as their children (students) and their corresponding contract(s) for any Approved Services to be provided via the Franchised Business (the "Client Information"), at the Premises; and (ii) make such lists and contracts available for Franchisor's inspection upon request. Franchisee must promptly return this information to Franchisor upon expiration or termination of this Agreement for any reason. This Client Information is deemed "Confidential Information" (as later defined in this Agreement) and Franchisor's exclusive property hereunder, including all Approved Services contracts with such Clients. Franchisee acknowledges that Franchisor may have automatic access to any or all of this information via the Computer System and related software that Franchisor requires for use in connection with the Franchised Business.

2. Franchisee agrees to comply with all applicable laws pertaining to the privacy of the customer, employee, and transactional information ("Privacy Laws"). Franchisee further agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee will: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor in determining the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent.

S. **Promotional Prices; Pricing Guidelines.** To the extent permitted under applicable law, Franchisee must use commercially reasonable efforts to follow Franchisor's general pricing guidelines, including any promotional prices set by Franchisor for a particular Approved Product or Approved Service. As an independent contractor, however, the parties agree and acknowledge that Franchisee may exercise flexibility in meeting competition with respect to the pricing of the Approved Products and Approved Services.

T. **Operation of Franchised Business, Customer Service, and Warranty Programs.** Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing.

- U. **Access for Inspections/Audit.** To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (ii) allow Franchisor to inspect photograph, or videotape the Franchised Business, equipment, or operations therein; (iii) interview or survey personnel and Clients of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken) and take such steps as may be necessary to immediately correct the deficiencies detected during any such inspection. If Franchisor exercises any of these rights, Franchisor will use commercially reasonable efforts to not unreasonably interfere with the operation of the Franchised Business.
- V. **Personal Participation by Franchisee.** Franchisee must personally participate in the direct management of the operation of the Franchised Business on a full-time basis. Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept.
- W. **Credit Cards and Payment Methods.** Franchisee must accept credit cards in connection with the Franchised Business to facilitate sales, including Visa, MasterCard, American Express, and Discover and any other major credit cards designated by Franchisor. Franchisee may also accept cash and/or checks in connection with the Franchised Business. Franchisee agrees to comply with the then-current Payment Card Industry Data Security Standards (“PCI DSS”), as such standards may be revised and modified by the PCI Security Standards Council (see www.pcisecuritystandards.org), or any successor organization or standards that Franchisor may reasonably specify. Franchisee’s requirements include, but are not limited to, implementing the enhancement, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- X. **Payments to Franchisor.** Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier.
- Y. **Franchisee’s Sole Responsibility for Employment and Other Personnel Decisions.** Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee’s employees must be competent, conscientious, and properly trained.
- Z. **Evidence of Procuring Required Licensing/Permits.** To the extent applicable, Franchisee must ensure it provides Franchisor with copies of all required licensing, permits and/or other approvals from the state or local municipality where the Premises is located that are necessary to demonstrate that Franchisee has the right to open and commence provision of the Approved Services at that Premises, as a condition to Franchisor approving the Franchisee to open the Franchised Business from that Premises.

7. **PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A. **Ownership of Proprietary Marks.** Franchisee acknowledges the ownership and/or right to use the Proprietary Marks is vested by Franchisor and/or its affiliates/principal, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.
- B. **Permitted Use.** It is understood and agreed that the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.
- C. **Use of Proprietary Marks in Advertising and Signage.** To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:
1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals;
 2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.
 3. Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark, DUCKLINGS EARLY LEARNING CENTER®, under a license agreement with J. Thompson Learning Centers, LLC."
- D. **Proprietary Marks are Sole Property of Franchisor.** Franchisee acknowledges that the Proprietary Marks, System, Manuals, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, signage, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary

rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.

- E. **Legal Action Involving Proprietary Marks.** Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.
- G. **Modification or Substitution of Marks by Franchisor.** If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Proprietary Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages
- H. **Modification of Proprietary Marks by Franchisee.** Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.
- I. **Non-Exclusive Use of Proprietary Marks.** Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.
- J. **Acknowledgements.** With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:
 - 1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;
 - 2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in

any way make Franchisor liable therefor without Franchisor's prior written consent; and

4. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.

- K. **Use Outside Scope.** Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.
- L. **Notification of Infringement.** Franchisee shall notify Franchisor within three (3) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.
- M. **Indemnification Regarding Marks.** Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section 7. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section shall be limited to no more than the Initial Franchise Fee paid under this Agreement.
- N. **Other Obligations of Franchisee.** In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:
1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the Internet or otherwise online, except as approved in writing by Franchisor; and
 2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name

or other identification of Franchisee as Franchisor may direct in writing from time to time.

8. **OPERATIONS MANUALS AND CONFIDENTIAL INFORMATION**

- A. **Manuals**. Franchisor will loan or provide online access to one (1) copy of the Manuals to Franchisee. The Manuals shall at all times remain the sole property of Franchisor and any and all copies (hard copies or electronic files) of the Manuals must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement. In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals. In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.
- B. **Control of Franchised Business**. Franchisee acknowledges any Manual(s) provided by Franchisor to Franchisee are intended to protect Franchisor's standards, systems, names, and marks, and are not intended to control day-to-day operation of Franchisee's Center. Franchisee further acknowledges and agrees that the Franchised Business will be under the control of the Franchisee at all times, and that Franchisee will be responsible for the day-to-day operation thereof.
- C. **Confidential Information**. In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business. Franchisee agrees that it will have no proprietary interest in any work product developed or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments.
- D. **Scope of Confidential Information**. The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and Confidential Information includes the following:
1. The Manuals and/or any training materials or Center-related directives that Franchisee is provided with access to in connection with the Center development and/or operations, including all designated curricula, training/education materials,

syllabi and/or other information that Franchisee has access to via Franchisor's System Site(s);

2. All Client information and data, including the names, contact information, and any other information concerning users of the Approved Services, except for credit card numbers, bank information or other financial data related to the transaction of funds between the (a) Franchisee, and (b) Clients and their respective child(ren)/student(s) (as previously defined herein as part of the "Client Information";
3. Any and all information and materials, including all items covered by copyright or any other intellectual property, associated with any proprietary software used in connection with the system;
4. Any information or materials, whether technical or non-technical, that is used in connection with or otherwise related to the establishment and operation of a Franchised Business or the System that is not commonly known by, or available to, the public, including without limitation, any proprietary software; and
5. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the "Confidential Information").

E. **Confidential Information as Property of Franchisor.** Franchisee acknowledges and agrees that the Confidential Information, which includes the Customer Data, and any business goodwill of the Franchise are Franchisor's sole and exclusive property and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information will be immediately turned over by Franchisee, at Franchisee's sole expense, to Franchisor or to Franchisor's authorized representative.

F. **Information Not Confidential.** Excepted from Confidential Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as defined in Section 8(H) below) is information that:

1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or
2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.

G. **Reasonable Efforts to Maintain Confidentiality.** Franchisee shall at all times treat the Confidential Information as confidential and shall use all reasonable efforts to keep such information secret and confidential, including without limitation, all logins/passwords/keys necessary to access any component of the Computer System or related software used in connection with the Franchised Business. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee's employees. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or

otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.

- H. **Prevention of Unauthorized Use or Disclosure.** Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must ensure and require that (a) the Director, and (b) all of its other officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, “Restricted Persons”) execute Franchisor’s prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit E (the “Confidentiality and Restrictive Covenant Agreement”). Franchisee must obtain a signed copy of the Confidentiality and Restrictive Covenant Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee’s spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Restrictive Covenant Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Restrictive Covenant Agreement within ten (10) days of Franchisor’s request. If Franchisee is not able to provide a signed form for any Restricted Person within that 10 day period and Franchisee is not able to cure such a breach of its obligations by having that Restricted Person sign and return the Confidentiality and Restrictive Covenant Agreement, then Franchisor reserves the right to charge Franchisee a penalty fee amounting to \$1,000 in addition to any other remedies that Franchisor may have under this Agreement or applicable law.
- I. **Improvements.** Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the “Improvements”), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor’s interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

9. **MARKETING AND ADVERTISING**

- A. **Marketing and Advertising Generally; Promotional Programs.** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the Franchised Businesses operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or

make copies of (and Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.

- B. **Franchisor Approval for all Non-Designated Marketing/Advertising Materials.** All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials twenty (20) days prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have fifteen (15) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Once approved, Franchisee may use the proposed materials for a period of ninety (90) days, unless Franchisor prescribes a different time period for use or requires Franchisee to discontinue using the previously-approved materials in writing. Franchisor may revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase "Franchises Available" and references to Franchisor's telephone number and/or website.
- C. **Initial Marketing Spend.** Franchisee must expend a minimum \$10,000 that will serve as the Initial Marketing Spend designed to promote the Franchised Business within the Designated Territory utilizing Franchisor's Approved Suppliers and/or specified System standards, practices and methodologies for initial marketing campaigns and efforts. Franchisor has the right to collect the Initial Marketing Spend upon execution of this Agreement or any time thereafter upon written notice. Franchisee may be required to expend all or any portion of the Initial Marketing Spend on marketing/advertising services and/or related Required Items that must be acquired from one (1) or more of Franchisor's then-current Approved Suppliers.
- D. **Local Advertising Requirement (or "LAR"); Scope of Advertising and Promotional Rights in Connection with Franchised Business.** Franchisee shall comply with the following requirements in regard to local advertising:
1. Franchisee must expend a minimum amount each calendar month in connection with the local advertising, marketing and promotion of the Franchised Business within the Designated Territory amounting to up to three percent (3%) of the Gross Revenue generated by the Franchised Business over the preceding calendar month, in accordance with Franchisor's then-current System standards and specifications (the "Local Advertising Requirement" or "LAR").
 2. Franchisor reserves the right to require Franchisee to expend any portion of the Local Advertising Requirement on (a) the specific products or services Franchisor directs or approves via the Manuals or otherwise in writing, or (b) services that Franchisee must acquire from an Approved Supplier that Franchisor designates.

3. Franchisor may require that Franchisee expend any portion of the Local Advertising Requirement on services, content and other products/items that must be purchased from one (1) or more Approved Suppliers, and (ii) collect the Local Advertising Requirement and pay such Approved Supplier directly as part of its support services and control rights described hereunder.
 4. At Franchisor's option, Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only; and (ii) the Franchised Business is listed in the appropriate Internet-based directories and Chamber(s) of Commerce that Franchisor designates. Franchisee shall obtain at least three (3) telephone numbers solely dedicated to the Franchised Business, which Franchisee shall assign to Franchisor, at Franchisor's option, upon termination, expiration, or transfer of this Agreement. Franchisee must list and advertise the telephone number(s) for the Franchised Business in the "White pages" telephone director and the classified or "yellow pages" telephone directory distributed in its trade area and under such categories as Franchisor may specify from time to time. Franchisee must place the classified directory advertisement and listings together with other System Centers operating within the distribution area of the directory. If a joint listing is obtained, all System Centers listed together shall pay a pro rata share of the cost of all advertisements and listings.
 5. Furthermore, Franchisee shall obtain listings and/or advertise with Franchisor and other franchisees of the System on electronic yellow pages directory and other online directors as Franchisor may designate, including Google Local, Google Center, Angie's List or similar online directory. In the event Franchisee does not comply with Franchisor's requests regarding such online listings or advertisement, Franchisor reserves the right to place, modify, or remove such listings and advertisements on behalf of Franchisee. For any listings or advertisements that Franchisor posts on behalf of Franchisee due to Franchisee's non-compliance under this Section, Franchisee shall promptly pay, upon demand by Franchisor, its pro rata share of the costs of such listings or advertisements. Upon termination, transfer, or expiration of this Agreement, Franchisee agrees to take any and all steps necessary to assist Franchisor in removing or assigning control of all listing under this Section to Franchisor.
 6. Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and that area has not been granted in connection with any other Franchised Business, or (b) Franchisor otherwise provides its prior written consent in writing. Nothing in this Section shall prevent or otherwise affect Franchisee's right to continue servicing and corresponding with any Existing Account that Franchisee has assumed in accordance with the terms of this Agreement.
- E. **Brand Development Fund.** Franchisor has the right to establish and administer a brand development Fund, as it determines appropriate in its discretion, designed to promote the System, Proprietary Marks and the brand generally. Franchisee is required to contribute to a Fund Contribution each payment period amounting to up to three percent (3%) of the Gross Revenue generated by the Franchised Business over the preceding reporting period.

The Fund will be maintained and administered by Franchisor or Franchisor's designee as follows:

1. Franchisor will use the fund and all contributions to it and any earnings on it, for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Proprietary Marks, and Approved Products or Services.
2. Franchisor is not obligated to spend monies from Fund in any particular Franchisee's market in proportion to the payments to the Fund made by the Franchisee in that market. Franchisor does not represent that it will spend any particular amount of advertising funds locally, regionally, or nationally.
3. The Fund may be used to meet any and all costs of: maintaining, administering, directing, and preparing advertising, including any and all digital marketing/advertising content, as well as employing training, technology and/or other developmental tools designed to enhance the System or that is otherwise associated with training tools designed to assist franchisees. This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining the Franchisor's Website, employing advertising and public relations agencies, purchasing promotional items, providing other marketing materials and services to the Franchised Businesses operating under the System, and any other activities that Franchisor determines appropriate to develop the brand and/or System. These costs may include the proportionate salary share of Franchisor's employees that devote time and render services for advertising and promotion or the administration of the Fund, including administrative costs, salaries, and overhead expenses related to administering the Fund and its programs. No part of the Fund shall be used by Franchisor to defray any of its general operating expenses, other than those Franchisor allocates to the advertising described in this Section or other activities reasonably related to the administration or direction of the Fund.
4. Franchisor may spend all Fund contributions during Franchisor's fiscal year within which such contributions are made; however, Franchisor has no obligation or duty to do so. If excess amounts remain in any Fund at the end of such fiscal year, these excess amounts will roll over into the Fund for the following fiscal year.
5. Franchisor has the right to suspend or terminate the Fund at any time.
6. An unaudited accounting of the operation of the Fund shall be prepared annually and shall be available to Franchisee upon written request after the unaudited accounting is prepared at least 120 days after Franchisor's fiscal year end at issue. Franchisor retains the right to have the Fund reviewed or audited and/or reported on, at the expense of the Fund, by an independent certified public accountant selected by Franchisor, but Franchisor is under no obligation to do so.
7. Franchisee agrees and acknowledges that the Fund is not a trust and the Franchisor has no fiduciary duty to Franchisee in administering the Fund.

- F. **Advertising Council.** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Fund and various other advertising/marketing matters (an “Advertising Council”). If Franchisor establishes an Advertising Counsel, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor’s affiliate-owned Franchised Businesses, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.
- G. **Website.** Franchisor may establish an interior page on its corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) this Agreement is not subject to termination. If Franchisor creates and includes any information about Franchisee on a website, then Franchisor may require Franchisee to prepare all or a portion of the page, at Franchisee’s expense, using a template that Franchisor provides. Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor’s prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor’s policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed “advertising” under this Agreement, and will be subject to (among other things) Franchisor’s approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor’s prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee’s use of separate websites and social media, as Franchisor determines necessary or appropriate. Franchisee must follow Franchisor’s social media policies and directives as set forth in the Manuals.
- H. **Multi-Center Cooperatives.** Franchisor may establish regional advertising cooperatives that are comprised of multiple Franchised Business owners located within a geographical region that Franchisor designates (each, a “Cooperative”) that contains two (2) or more System Centers. If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in a weekly specified amount. All amounts paid to a Cooperative will be credited towards Franchisee’s Local Advertising Requirement, and Franchisor may require that Franchisee expend up to an amount equal to Franchisee’s LAR in connection with a Cooperative. Franchisor may specify the governing rules, terms, and operating procedures of any Cooperative.

10. **ACCOUNTING AND RECORDS**

- A. **Maintenance of Records.** Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for the duration of this Agreement and for a period of at least three (3) years thereafter. Upon Franchisor’s request, Franchisee must furnish Franchisor with copies of any or all product

or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor's disclosure documents).

If Franchisee fails to input all prospects, students and/or other Approved Service information, sales and other information designated in the Required Software and/or Manuals, Franchisor reserves the right to charge Franchisee a fee amounting to \$100 per infraction.

- B. **Examination and Audit of Records.** Franchisor and its designated agents shall have the right to examine and audit Franchisee's records, accounts, books, computer files and data, including the any proprietary software used in connection with the System, at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Revenue of the Franchised Business (or any amount due to Franchisor) by two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must: (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit; and (ii) immediately pay any amount due and owing Franchisor as a result of Franchisee's underreporting, along with any accrued interest on said amounts.
- C. **Computer System for Records.** Franchisee shall record all transactions of the Franchised Business on a Computer System designated or approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4(C) of this Agreement.
- D. **Computer System Files and Passwords.** Franchisee shall not install or load any computer software on the hard disks of the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement. Consistent with the other provisions of this Agreement, Franchisee agrees and acknowledges that Franchisor may have automatic access to Franchisee's specific passwords/keys/logins through the Computer System components and related software that Franchisor requires Franchisee to use in connection with the Franchised Business.
- E. **Current Contracts, Listings and Projects.** At any time and upon request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current contracts, listings, agreements, and projects related to Clients and/or properties that Franchisee is involved in or working with.

- F. **Tax Returns.** Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct.
- G. **Right to Require Audit if Franchisee Underreports.** In the event a prior audit or inspection conducted by Franchisor (or its designee) has revealed that Franchisee has underreporting the Gross Revenue of the Franchised Business by two percent (2%) or more for any reporting period as described in Section 10(B), then Franchisor may require Franchisee to provide, at the Franchisee's expense, audited financial statements that comply with GAAP and GAAS for Franchisee's fiscal year within 120 days of Franchisee's fiscal year end.
- H. **Change to Ownership of Franchisee.** In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any authorized change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as the Director of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisor is required to first notify Franchisor and obtain its approval prior to making any such change.

11. **INSURANCE**

- A. **Required Insurance.** Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks, or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing (whether the Franchised Business is open or not). This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time, with Franchisor having the right to designate such insurance coverage updates in the Manuals at any time upon written notice. Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional insureds, and provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification or cancellation. The cost of Franchisee's premiums will depend on the insurance carrier's charges, terms of payment, and Franchisee's insurance and payment histories. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. **Failure to Procure and Maintain Insurance.** If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.

12. **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

- A. **No Fiduciary Relationship.** In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. **Independent Contractor Relationship.** It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar): "This Franchised Business is independently owned and operated pursuant to a license agreement."
- C. **Indemnification.** Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, shareholders, affiliates (including any affiliate supplier), subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's (a) breach or attempted breach of, or misrepresentation under, this Agreement, and/or (b) ownership, construction, development, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

13. **TRANSFER AND ASSIGNMENT**

- A. **No Transfer by Franchisee Without Franchisor's Approval.** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein.

B. Death or Disability.

1. In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's principals/owners/guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as "Franchisee" under this Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity (the "90 Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.
2. Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor's sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.
3. Franchisor will not collect any transfer fee if there is a transfer under this Section 13(B) to an immediate family member of the Franchisee that Franchisor approves pursuant to Section 13(E).

- C. Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's ownership shares/stock or any increase in the number of outstanding shares/stock of Franchisee's ownership/membership units that results in a change of ownership; (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer of any interest in the limited

liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D) so long as there is no change in control (ownership or otherwise) with respect to Franchisee.

- D. **Right of First Refusal.** If (a) Franchisee proposes to transfer any of its interest in this Agreement or the Franchised Business or any interest in its lease for the Premises, or (b) Franchisee's owners propose to transfer any interest in Franchisee if Franchisee is an entity (other than a corporation or limited liability company as set forth in Section 13(C) hereof or in the event of Franchisee's death/disability as set forth in Section 13(B)), then Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.
- E. **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or any other acts of transfer described in Section 13(C) upon satisfaction of the following occurrences:
1. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;
 2. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;
 3. Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities;
 4. Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and

schedules, including transferee's assumption of an agreement to faithfully perform all of Franchisee's obligations under this Agreement;

5. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;
6. The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, with transferee's term commencing on the date the transferee executes the then-current franchise agreement;
7. Franchisee or transferee shall pay Franchisor a transfer fee in the amount of \$15,000, except in the case of (i) a transfer to a corporation formed for the convenience of ownership, or (ii) for approved intra-family transfers or for a transfer which arises upon death or mental incompetency, in which case Franchisor may charge its then-current administrative fee;
8. The transferee shall satisfactorily complete Franchisor's Initial Training Program within the time frame Franchisor sets forth without paying an additional tuition fee, but the transferee will be responsible for all costs and expenses associated with attending the Initial Training Program;
9. Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;
10. The transferee must demonstrate that it has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business;
11. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer; and
12. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises.

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not operate as a release of any liability of the transferring party nor shall such approval constitute a waiver of any claims Franchisor may have against the transferring party. Furthermore, Franchisor agrees that Franchisee will not be required to pay any transfer fee in the event: (i) Franchisee wishes to transfer its rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by

Franchisee and established solely for purposes of operating the Franchised Business under the Franchise Agreement; or (ii) Franchisee is required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest thereto) in order to receive SBA or other traditional bank financing, provided Franchisor otherwise approves of the transfer.

- F. **Transfer from an Individual Franchisee to Center Entity.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) the entity at issue is wholly owned by Franchisee (and no other party); (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.
- G. **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

14. **COVENANTS**

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

- A. **During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Director, nor any immediate family of Franchisee, its principals, owners, guarantors or Director, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with, any other business that: (i) offers and/or provides (a) childcare or early education services to children, and/or (b) other services that are similar to the Approved Services that System Centers are authorized to provide (each, a "Competing Business"); or (ii) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include: (y) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (z) any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;

2. Subject to and as permitted by applicable law, employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or
3. Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

B. After the Term of this Agreement.

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.
2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
 - a. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business:
 - i. within the Designated Territory;
 - ii. within a 25-mile radius of the Designated Territory; or
 - iii. within a 25-mile radius of any other System Center that is open and operating as of the date this Agreement expires and/or is terminated.
 - b. Subject to and as permitted by applicable law, solicit business from Clients of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.

- C. Intent and Enforcement.** It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any

such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 14 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 14 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation on the restrictive covenants set forth in Section 14(B) shall be tolled during any default under this Section 14.

- D. **Confidentiality and Restrictive Covenant Agreement.** Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Restrictive Covenant Agreement (which will be in substantially the same form as the document attached to the Franchise Disclosure Document). Franchisee must furnish Franchisor a copy of each executed agreement.
- E. **No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

15. **DEFAULT AND TERMINATION**

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

- A. **Automatic Termination.** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:
1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
 2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;
 3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;
 4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;

5. A final judgment in excess of \$10,000 against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or
6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.

B. **Termination Upon Written Notice for Non-Curable Defaults.** Franchisor has the right to terminate this Agreement upon written notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults:

1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application;
2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
3. If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C) of this Agreement during any twelve (12) month period, whether or not these breaches were timely cured;
4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
5. If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);
6. If Franchisee misuses the any proprietary software that Franchisor designates for use in connection with the Franchised Business;
7. If Franchisee or any of Franchisee's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
8. If Franchisee defaults under the lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases

where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);

9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;
10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Approved Services that Franchisor authorizes at the Franchised Business; (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business; (iii) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates;
11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term "abandon" means: (i) failure to actively operate the Franchised Business for more than two (2) business days without Franchisor's prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;
12. If Franchisee fails to provide Franchisor with access, or otherwise blocks Franchisor's access, to Franchisee's Computer System as required under this Agreement, and fails to remedy this default within forty-eight (48) hours of being notified by Franchisor;
13. If Franchisee fails to pay Franchisor, its affiliates and/or any Approved Supplier any amount that is due and owing that party within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;
14. If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;
16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the reasonable opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;
17. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;

18. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period;
 19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or customers;
 20. If Franchisee, on three (3) or more occasions, fails to comply with the standards and specifications set forth in the Manuals during any eighteen (18) month period, whether or not these failures were timely cured; or
 21. If Franchisee or its personnel provide any Approved Services without the proper training or licenses.
- C. **Termination upon Notice and 30 Days' Cure.** Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee: (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised Business as set forth in the Manuals; and (ii) fails to cure such breach or violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor.
- D. **Step-In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must (a) pay Franchisor a management fee amounting to greater of (a) two (2) times that actual costs we incur in connection with providing personnel to step in and manage your Franchised Business, and (b) 10% of the Gross Revenue of the Franchised Business over any step-in period of operations, plus the costs and expenses Franchisor incurs during the time period that Franchisor's representatives are operating the Franchised Business (the "Management Fee"), and (b) reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

16. **POST-TERM OBLIGATIONS**

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. **Cease Ownership and Operation of Franchised Business; Cease Affiliate with Franchisor and Brand Generally.** Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. If this Agreement is terminated for cause by Franchisor, then Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of an Franchised Business (unless Franchisor agrees otherwise in writing);
- B. **Return Manuals and Confidential Information.** Return to Franchisor the Manuals and all trade secrets, Confidential Information (including all Client lists and Approved Services agreements) and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;
- C. **Assignment of Approved Services Contracts, Telephone/Facsimile Numbers and Domain Names.** Take such action as may that Franchisor designates to: (i) provide and assign to Franchisor the then-current and up-to-date (a) Client and property lists, and (b) any Approved Services contracts and other agreements between Clients and the former Franchised Business; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the former Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Exhibit F.
- D. **Cease Using Proprietary Marks.** Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest, and cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System.
1. Remove all trade dress, then Franchisee must remove physical characteristics, color combinations, and other indications of operation under the System from the Premises (and provide documentation thereof to Franchisor as set forth in Section 16(G) below).
 2. Upon Franchisor's request, Franchisee must provide all materials bearing the Proprietary Marks to Franchisor upon expiration or termination of this Agreement for any reason, without cost to Franchisor; and
- E. **Compliance with Post-Term Covenants.** Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement;
- F. **Payment of Amounts Due.** Pay Franchisor, as well as each of Franchisor's Approved Suppliers, any and all amounts owed under this Agreement or otherwise in connection with the former Franchised Business within 10 days of the termination or expiration date.

- G. **Written Evidence of Compliance.** Provide Franchisor with written evidence that they have complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and
- H. **Purchase of Operating Assets.** Franchisor shall have the option, but not the obligation, within sixty (60) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's operating assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).
- I. **Collateral Assignment of Lease Rights.** Franchisee must ensure that Franchisor is afforded all collateral assignment of lease and other rights with respect to the Premises, as set forth in the Collateral Assignment of Lease and Lease Addendum documents. Franchisee must ensure the landlord of the Premises signs or otherwise integrates into the Lease prior to executing the same.

17. **TAXES AND INDEBTEDNESS**

- A. **Taxes.** Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, lodging, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.
- B. **Debts and Obligations.** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

18. **WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT**

- A. **Franchisor's Approval.** Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request.
- B. **No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by

Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.

- C. **Terms of Other Franchise Agreements.** No warranty or representation is made by the Franchisor that all franchise agreements heretofore or hereafter issued by Franchisor in connection with a Franchised Business do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. **Modification of System and Manuals.** Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. **No Disclaimers of Franchise Disclosure Document.** Nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor has made in the franchise disclosure document.

19. **ENFORCEMENT**

- A. **Injunctive Relief.** The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the System, which constitutes a danger to other franchise owners, employees, customers, or the public or which may impair the goodwill associated with the Proprietary Marks.
- B. **No Withholding of Payments.** Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- C. **Costs and Attorneys' Fees.** If Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

20. **NOTICES**

Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested, or delivered by a recognized courier service, receipt acknowledged. Notices must be provided to each party at the respective addresses set forth below:

To Franchisor: J. Thompson Learning Centers, LLC
Attn: Kim Collier
1414 Lenape Road
West Chester, Pennsylvania, 19382

With a copy to: Fisher Zucker, LLC
Attn: Lane Fisher, Esq.
21 South 21st Street
Philadelphia, PA 19103

To Franchisee: _____

With a copy to: _____

Any notice complying with the provisions hereof will be deemed delivered at the earlier of: (i) three (3) days after mailing; or (ii) the actual date of delivery or receipt (as evidenced by the courier). Each party shall have the right to designate any other address for such notices by providing the other party(ies) with written notice thereof at the addresses above, and in such event, all notices to be mailed after receipt of such notice shall be sent to such other address.

21. **GOVERNING LAW AND DISPUTE RESOLUTION**

- A. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to this state's conflict of laws principles.
- B. **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.
- C. **Mediation.** At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to non-binding mediation to take place at Franchisor's then-

current headquarters (currently, West Chester, PA) under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor’s rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee’s payment obligations under this Agreement.

- D. **Injunctive Relief.** Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee’s violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee’s use of the Proprietary Marks and Confidential Information (including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee’s obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor’s rights with respect to confidentiality and/or non-disclosure obligations under this Agreement with regards to Franchisor’s Confidential Information; and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor’s franchise system or threatens other franchisees of Franchisor. Franchisee’s only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.
- E. **Venue.** Subject to Sections 21(B) through 21(D) above, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to West Chester, Pennsylvania or, if appropriate, the United States District Court for the Eastern District of Pennsylvania. Franchisee acknowledges that this Agreement has been entered into in the Commonwealth of Pennsylvania, and that Franchisee is to receive valuable and continuing services emanating from Franchisor’s presence in Pennsylvania, including but not limited to

training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Pennsylvania as set forth in this Section.

- F. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, owners, members, managers, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- G. **Notice Requirement.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- H. **No Withholding of Payments.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.
- I. **Limitation of Actions.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.
- J. **Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.
- K. **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS

WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

- L. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

22. **SEVERABILITY AND CONSTRUCTION**

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.
- B. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

23. **ACKNOWLEDGMENTS**

- A. Franchisee acknowledges that it received a complete copy of this Agreement for a period not less than fourteen (14) calendar days, during which time conducted an independent investigation of the business licensed hereunder to the extent of Franchisee's desire to do so. Franchisee recognizes and acknowledges that the business venture contemplated by

this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, that Franchisee will be successful in this venture or that the business will attain any level of sales volume, profits, or success. Franchisee acknowledges that this Agreement, the franchise disclosure document (“FDD”), and the exhibits hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.

- B. Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor’s obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor’s sole responsibility and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor’s representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.

FRANCHISOR:

J. THOMPSON LEARNING CENTERS, LLC

By: _____
JoAnn Thompson, CEO

Date: _____

FRANCHISEE:

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

**IF A PARTNERSHIP, CORPORATION, OR
OTHER ENTITY:**

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT

DATA SHEET AND STATEMENT OF OWNERSHIP

1. **Site Selection Area.** The geographical area wherein the Franchisee may search for and secure the approved Premises is as set forth below (or in the map attached to this Exhibit at the time the Franchise Agreement is signed):

2. **Premises.** The Franchised Business shall be located at the following approved Premises:

3. **Designated Territory.** The Designated Territory awarded under this Agreement is as set forth below (or in the map attached to this Exhibit that is signed by both parties at or around the time the Franchisee secures an approved Premises for the Franchised Business):

4. **Franchisee Contact Person.** The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

Name: _____

Telephone No.: _____

E-mail Address: _____

4. **Statement of Ownership.** If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

THE PARTIES SIGNING THIS DATA SHEET BELOW AGREE AND ACKNOWLEDGE THAT THIS DATA SHEET, BY ITSELF, DOES NOT CONSTITUTE A FRANCHISE AGREEMENT OR OTHERWISE CONFER ANY FRANCHISE RIGHTS UPON FRANCHISEE. THIS DATA SHEET PROVIDES CERTAIN DEAL-SPECIFIC INFORMATION IN CONNECTION WITH THE FRANCHISE THAT IS GOVERNED BY THE FRANCHISE AGREEMENT TO WHICH THIS DATA SHEET IS AN EXHIBIT.

THE PARTIES AGREE AND ACKNOWLEDGE THAT THE FOREGOING FRANCHISE AGREEMENT MUST BE EXECUTED PRIOR TO OR CONTEMPORANEOUS WITH THIS DATA SHEET FOR ANY RIGHTS TO BE CONFERRED.

IN WITNESS WHEREOF, the undersigned has duly executed this Exhibit to the Franchise Agreement on this ____ day of _____, 20____.

FRANCHISEE

By: _____

Name: _____

Title: _____

FRANCHISOR

J. THOMPSON LEARNING CENTERS, LLC

By: _____
JoAnn Thompson, CEO

EXHIBIT B TO THE FRANCHISE AGREEMENT

PERSONAL GUARANTY

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/PARTNERS/ETC.) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY. IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE'S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE'S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

ARTICLE I PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to J. THOMPSON LEARNING CENTERS, LLC (the "Franchisor") that you are all the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named _____ (the "Franchisee"), as well as their respective spouses, as of the date this Personal Guaranty (the "Personal Guaranty" or "Guaranty") is executed.

In consideration of the grant by Franchisor to the Franchisee as herein provided, each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing J. Thompson Learning Centers, LLC Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

ARTICLE II CONFIDENTIALITY

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Confidential Information, trade secrets and/or confidential information, including without limitation: (i) site-selection criteria; (ii) methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor and its affiliates have developed (the "System") for the establishment and operation of a Ducklings Center (each, a "Franchised Business") and/or franchise (each, a "Franchised Business"); (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business; (iv) knowledge of specification for and suppliers of, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business (v) knowledge of the operating results and financial performance of other Franchised Businesses; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) Franchisor's proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (viii) information regarding the development of Franchisor's proprietary marks (the

“Proprietary Marks”); (ix) information generated by, or used or developed in, an Franchised Business’s operation, including client names, properties and related contracts of any kind, addresses, telephone numbers and related information and any other information contained in the Franchised Business’s computer system or proprietary software system; (x) Franchisor’s proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (xi) as well as any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement (collectively, “Confidential Information”). You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: Franchisor’s copyrighted materials; price marketing mixes related to the Approved Services and Products (as defined in the Franchise Agreement); standards and specifications for providing the Approved Services and Products and other merchandise or services offered or authorized for sale by System franchisees; methods and other techniques and know-how concerning the of operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee’s obligations under the Franchise Agreement. You also acknowledge and agree that the following also constitutes “Confidential Information” under this Section: (i) former, current and prospective client information, including customer names and addresses, contracts/agreements (collectively “Client Information”), and (ii) sources and pricing matrices of any approved or designated suppliers; and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential.

ARTICLE III NON-COMPETITION

You acknowledge that as a participant in the Franchisor’s System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor’s franchisees, you agree as follows:

1. During the Term of the Franchise Agreement and this Guaranty. During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1.1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money, lease space or extend credit to (or otherwise have any interest in or involvement with), any other business that offers, provides, manufactures, distributes, or sells any kind of products and services in connection with any business that: (i) offers, provides or sells products or services in the field of early childhood learning (each, a “Competing Business”); or (ii) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include: (y) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (z) any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;

1.2. Subject to and as permitted by applicable law, employ or seek to employ any person who is at that time employed by Franchisor, Franchisor’s affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

1.3. Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

2. **After the Term of the Franchise Agreement and this Guaranty.**

2.1 For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date the Franchise Agreement is terminated or expires.

2.2 For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

2.2.1 Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business:

- (i) within the Designated Territory;
- (ii) within a 25-mile radius of the perimeter of the Designated Territory; or
- (iii) within a 25-mile radius of any System Center that is open or under development as of the date the Franchise Agreement expires and/or is terminated.

2.2.2 Subject to as permitted by applicable law, solicit business from Clients of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.

3. **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

ARTICLE IV DISPUTE RESOLUTION

1. **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the Commonwealth of Pennsylvania.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, to be conducted at Franchisor's headquarters or nearby location that Franchisor otherwise agrees to within the Commonwealth of Pennsylvania, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any arbitration proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

4.1. *Excepted Claims.* The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information; (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the "Excepted Claims").

5. **Jurisdiction and Venue.** Subject to Sections 3 and 4 above, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in any state court of competent jurisdiction located in West Chester, Pennsylvania or, if appropriate, the United States District Court for the Eastern District of Pennsylvania. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute

resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7. **Right to Injunctive Relief.** Nothing contained in this Guaranty will prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or arbitration proceeding, or pending the trial or handing down of a decision or award pursuant to any mediation or arbitration proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES/AGENTS/REPRESENTATIVES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

9. **Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

10. **Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11. **Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

12. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by us respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be

cumulative. Your election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor’s obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be Franchisor’s sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty. Do not sign this Agreement if there is any question concerning its contents or any representations made.

14. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

15. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

16. **Successors.** References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ heirs, successors, assigns or transferees.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.

PERSONAL GUARANTORS

[Insert Signature of Guarantor]

[Insert Signature of Spouse]

[Insert Signature of Guarantor]

[Insert Signature of Spouse]

EXHIBIT C TO THE FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE (this “Assignment”) is made, entered into and effective on this ___ day of _____, 20___ Effective Date,) by and between: (i) J. THOMPSON LEARNING CENTERS, LLC, a Pennsylvania limited liability company, with its principal business address at 1414 Lenape Road, West Chester, Pennsylvania, 19382 (the “Franchisor”); and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the “Franchisee”).

BACKGROUND INFORMATION

The Franchisor entered into that certain Franchise Agreement (the “Franchise Agreement”) dated as of _____, 20___ with the Franchisee, pursuant to which the Franchisee plans to own and operate a Ducklings Early Learning Center franchised business (the “Franchised Business”) located at _____ (the “Site”). In addition, pursuant to that certain Lease Agreement (the “Lease”), the Franchisee has leased or will lease certain space containing the Franchised Business described therein from _____ (the “Lessor”). The Franchise Agreement requires the Franchisee to deliver this Assignment to the Franchisor as a condition to the grant of a franchise.

OPERATIVE TERMS

The Franchisor and the Franchisee agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information set forth above.
2. **Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Franchise Agreement.
3. **Indemnification of Franchisor:** Franchisee agrees to indemnify and hold Franchisor and its affiliates, stockholders, directors, officers, principals, franchisees/licensees and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, Franchisee’s breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.
4. **Conditional Assignment:** Franchisee hereby grants to the Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchisee’s rights, title and interest in and to the Lease as conditional for the payment of any obligation, liability or other amount owed by the Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of the Franchisee’s breach of the Lease, then such payment by the Franchisor, or such breach or default by the Franchisee, shall at Franchisor’s option be

deemed to be an immediate default under the Franchise Agreement, and the Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of the Franchisee in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of the Franchisee in and to the Lease until satisfaction in full of all amounts owed by the Franchisee to the Franchisor. In addition, the rights of the Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of the Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination:** Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. The Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of the Franchisor. Any attempt at termination, modification or amendment of any of the terms of the Lease without such written consent is null and void.

6. **Exercise of Remedies:** In any case of default by the Franchisee under the terms of the Lease or under the Franchise Agreement, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

- a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;
- b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of the Franchisee;
- c) to exclude the Franchisee, its agents or employees from the Site;
- d) as attorney-in-fact for the Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to the Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;
- e) to cancel or terminate any unauthorized agreements or subleases entered into by the Franchisee, for any cause or ground which would entitle the Franchisor to cancel the same;
- f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of the Franchisor; and
- g) to insure and reinsure the same for all risks incidental to the Franchisor's possession, operation and management thereof; and/or
- h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately

terminated as of the date of Franchisee defaults under the Lease and fails to cure said default within the applicable cure period (if any).

The parties agree and acknowledge that Franchisor is not required to assume the Lease, take possession of the Site or otherwise exercise of its other rights described in this Assignment. In the event Franchisor elects to exercise its right to assume the Lease and/or take possession of the Site, it will provide written notice to Franchisee in writing and undertake the other necessary actions at issue. Nothing in this Assignment may be construed to impose an affirmative obligation on the part of Franchisor to exercise any of the rights set forth herein.

7. **Power of Attorney:** Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as the Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon the Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of the Franchisor.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies. Franchisor is not required to exercise any of its rights set forth in Section 6 hereof, but shall have the irrevocable right to do so.

9. **Binding Agreements:** This Assignment and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words “Franchisor” and “Franchisee” when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorneys’ Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys’ fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing party.

12. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section

or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the Parties have caused this Assignment to be executed as of the day and year first above written.

FRANCHISEE

By: _____

Name: _____

FRANCHISOR

J. THOMPSON LEARNING CENTERS, LLC

By: _____
JoAnn Thompson, CEO

The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.

LESSOR

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT D TO THE FRANCHISE AGREEMENT

EFT AUTHORIZATION FORM

Bank Name: _____
ABA# : _____
Acct. No.: _____
Acct. Name: _____

Effective as of the date of the signature below, _____ (the “Franchisee”) hereby authorizes J. THOMPSON LEARNING CENTERS, LLC (the “Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated on or around _____ (the “Franchise Agreement”) for the franchised business located at: _____ (the “Franchised Business”): (i) all Royalty Fees; (ii) Fund Contributions, as well as other advertising/marketing amounts that Franchisee is required to expend in connection with the Franchised Business; (iii) any initial amounts that Franchisee is required to pay to Franchisee prior to the opening of the Franchised Business, as well as all amounts due and owing the Company or its affiliates in connection with technology (including Technology Fee), marketing materials or other supplies or inventory that is provided by Company or its affiliates on an ongoing basis once the Franchised Business is open and operating; and (iv) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement. The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. Franchisee shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

FRANCHISEE

By: _____

Name (Print): _____

Its: _____

FRANCHISOR APPROVAL

J. THOMPSON LEARNING CENTERS, LLC

By: _____

JoAnn Thompson, CEO

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

EXHIBIT E TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

(for Designated Managers and other management personnel, as well as any officers, directors, or owners of the Franchisee that did not sign the full Personal Guaranty)

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of _____ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from J. THOMPSON LEARNING CENTERS, LLC (the “Company” or “Franchisor”) to: (i) establish and operate a franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Proprietary Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of Franchised Business businesses (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: _____ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Manuals and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manuals”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other Franchised Businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of Franchised Business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manuals, and other general assistance during the term of this Agreement.

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

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such

information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that: (i) offers, provides or sells products or services in the field of early childhood learning (a "Competing Business"); or (ii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more Competing Business. I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Director of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a Director of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 25-mile radius of the Premises; or (ii) within a 25-mile radius of any other Franchised Business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two (2) year period following the termination or expiration of my employment with the Franchisee.

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

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the

Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF **[INSERT STATE WHERE FRANCHISEE IS LOCATED]** AND MYSELF HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO THE PREMISES OF THE FRANCHISED BUSINESS OR, IF APPROPRIATE, THE FEDERAL COURT CLOSED TO SUCH PREMISES. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY **[INSERT STATE]** OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice.

For notices to Franchisor, the notice shall be addressed to

J. THOMPSON LEARNING CENTERS, LLC
Attn: JoAnn Thompson
1414 Lenape Road
West Chester, Pennsylvania, 19382

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Center day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.

UNDERSIGNED

Signature: _____

Name: _____

Address: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By: _____

Title: _____

EXHIBIT F TO THE FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES

1. _____, doing business as Franchised Business (the “Assignor”), in exchange for valuable consideration provided by J. THOMPSON LEARNING CENTERS, LLC (the “Assignee”), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its franchised business operating under the Assignee’s proprietary marks that is located at _____ (collectively, the “Assigned Property”). The Assigned Property includes the following:

Telephone Number(s): _____
Domain Name(s)/Social Media Listings (as permitted by Franchisor under the Franchise Agreement):

2. The conditional agreement will become effective automatically upon termination, expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

ASSIGNOR

[INSERT FRANCHISEE NAME]

By: _____

Date: _____

Title: _____

ASSIGNEE

J. THOMPSON LEARNING CENTERS, LLC

By: _____
JoAnn Thompson, CEO

Date: _____

EXHIBIT C
FINANCIAL STATEMENTS

J. THOMPSON LEARNING CENTERS, LLC

FINANCIAL REPORT

AS OF DECEMBER 31, 2023



J. THOMPSON LEARNING CENTERS, LLC

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Balance Sheets	5
Statements of Operations	6
Statements of Changes in Members' Equity (Deficit)	7
Statements of Cash Flows	8
Notes to Financial Statements	9



Independent Auditor's Report

To the Members
J. Thompson Learning Centers, LLC
West Chester, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of J. Thompson Learning Centers, LLC as of December 31, 2023, and 2022 and the related statements of operations, members' equity (deficit) and cash flows for the years ended December 31, 2023, 2022 and 2021, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of J. Thompson Learning Centers, LLC as of December 31, 2023, and 2022 and the results of their operations and their cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 J. Thompson Learning Centers, 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 J. Thompson Learning Centers, 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.

Handwritten signature in blue ink that reads "Reese CPA LLC".

Ft. Collins, Colorado
March 25, 2024

J. THOMPSON LEARNING CENTERS, LLC
BALANCE SHEETS

	AS OF DECEMBER 31,	
	2023	2022
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	\$ 110,746	\$ 326,884
Accounts receivable	146,373	238,392
Prepaid expense	-	11,840
Franchise acquisition costs, current	7,568	7,193
TOTAL CURRENT ASSETS	264,687	584,309
NON-CURRENT ASSETS		
Franchise acquisition costs, less current portion	51,129	58,147
Property and equipment	9,000	9,000
Intangible assets, net	25,900	24,918
TOTAL ASSETS	\$ 350,716	\$ 676,374
LIABILITIES AND MEMBERS' EQUITY (DEFICIT):		
CURRENT LIABILITIES		
Accounts payable	\$ 79,561	\$ 72,580
Deferred franchise revenue, current	55,833	53,333
TOTAL CURRENT LIABILITIES	135,394	125,913
LONG-TERM LIABILITIES		
Deferred franchise revenue, less current portion	396,709	440,375
TOTAL LIABILITIES	532,103	566,288
MEMBERS' EQUITY (DEFICIT)		
Members' Equity	61,485	110,086
Due from affiliates, net	(242,872)	-
TOTAL MEMBERS' EQUITY (DEFICIT)	(181,387)	110,086
TOTAL LIABILITIES AND		
MEMBER'S EQUITY (DEFICIT)	\$ 350,716	\$ 676,374

The accompanying notes are an integral part of these financial statements.

J. THOMPSON LEARNING CENTERS, LLC
STATEMENT OF OPERATIONS

	FOR THE YEARS ENDED DECEMBER 31,		
	2023	2022	2021
REVENUES			
Royalties	\$ 1,060,552	\$ 812,802	\$ 314,054
Franchise fees	36,166	29,000	37,334
Brand fund revenues	180,960	150,290	53,325
Management fee revenues	214,632	22,117	157,000
Technology and other revenues	111,322	101,418	33,754
TOTAL REVENUE	1,603,632	1,115,627	595,467
OPERATING EXPENSES			
Payroll and related expenses	882,220	391,818	287,081
General and administrative	210,325	227,612	115,876
Brand fund expenses	146,227	155,585	117,468
Professional fees	121,646	112,679	61,338
Franchise-related costs	116,233	73,670	3,725
Advertising and promotion	32,321	-	-
Amortization expense	17,686	12,459	12,459
TOTAL OPERATING EXPENSES	1,526,658	973,823	597,947
OPERATING INCOME (LOSS)	76,974	141,804	(2,480)
INTEREST EXPENSE	(9,682)	(4,508)	(1,618)
NET INCOME (LOSS)	\$ 67,292	\$ 137,296	\$ (4,098)

The accompanying notes are an integral part of these financial statements.

J. THOMPSON LEARNING CENTERS, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	<u>Member Contributions</u>	<u>Retained Earnings</u>	<u>Total Members' (Deficit)</u>
BALANCE, DECEMBER 31, 2020	\$ 45,070	\$ (68,182)	\$ (23,112)
Net loss	-	(4,098)	(4,098)
BALANCE, DECEMBER 31, 2021	<u>45,070</u>	<u>(72,280)</u>	<u>(27,210)</u>
Net income	-	137,296	137,296
BALANCE, DECEMBER 31, 2022	<u>45,070</u>	<u>65,016</u>	<u>110,086</u>
Member distributions	-	(115,893)	(115,893)
Net income	-	67,292	67,292
BALANCE, DECEMBER 31, 2023	<u><u>\$ 45,070</u></u>	<u><u>\$ 16,415</u></u>	<u><u>\$ 61,485</u></u>

The accompanying notes are an integral part of these financial statements.

J. THOMPSON LEARNING CENTERS, LLC
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 67,292	\$ 137,296	\$ (4,098)
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	17,686	12,459	12,459
Recognition of deferred franchise costs	6,643	4,768	3,725
Recognition of deferred revenue	(36,166)	(29,000)	(37,334)
Changes in operating assets and liabilities:			
Accounts receivable	92,019	(141,995)	48,603
Prepaid expense	11,840	(11,840)	-
Deferred franchise costs	-	(24,500)	(25,275)
Accounts payable	6,981	55,020	(8,516)
Deferred revenue	(5,000)	245,000	95,000
Net cash provided by (used in) operating activities	<u>161,295</u>	<u>247,208</u>	<u>84,564</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	(18,668)	-	-
Purchase of property and equipment	<u>-</u>	<u>(9,000)</u>	<u>-</u>
Net cash provided by investing activities	<u>(18,668)</u>	<u>(9,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Member distributions	(115,893)	-	-
Due to related party	<u>(242,872)</u>	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>(358,765)</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	(216,138)	238,208	84,564
CASH, BEGINNING	<u>326,884</u>	<u>88,676</u>	<u>4,112</u>
CASH, ENDING	<u><u>\$ 110,746</u></u>	<u><u>\$ 326,884</u></u>	<u><u>\$ 88,676</u></u>
SUPPLEMENTAL DISCLOSURES			
Cash paid for interest	\$ 9,682	\$ 4,508	\$ 1,618
Cash paid for taxes	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

J. THOMPSON LEARNING CENTERS, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Thompson Learning Centers, LLC (the "Company") was formed on June 23, 2015, in the State of Pennsylvania as a limited liability company. The Company offers franchises for the right to operate a business that is an early education program providing a high-quality year-round education program for children aged 6 weeks to 6 years, using our Marks and our proprietary Here We Grow curriculum® and a proprietary Off We Go curriculum® that celebrates childhood with a family first philosophy that incorporates the entire family while encouraging kids to be kids. You will operate your Ducklings Early Learning Center using our distinctive operating procedures and standards in a designated territory.

Affiliate

J. Thompson Child Services, Inc. was incorporated on November 10, 1994, in the State of Pennsylvania. J. Thompson Child Services, Inc. is the owner of the Marks and has licensed the use of the Marks to the Company and its franchisees. J. Thompson Child Services, Inc. has operated four Ducklings Early Learning Centers since 1994, acquired one franchised location in 2021 and transferred one location to a franchisee in 2022.

Summary of Outlets

The following table summarizes the number of locations open and operating for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Locations in operation, beginning	11	7	7
Locations opened	-	4	-
Locations terminated or closed	-	-	-
Locations in operation, ending	11	11	7
Franchised locations	7	7	3
Affiliate owned locations	4	4	4

A summary of significant accounting policies follows:

Use of Estimates

Preparation of the Company's financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and 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 with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2023, and 2022.

J. THOMPSON LEARNING CENTERS, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing. Management evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any allowance for doubtful accounts as of December 31, 2023, and 2022 and did not charge-off any accounts receivable during the years ended December 31, 2023, 2022 and 2021.

Property and Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to seven years). Property and equipment consist of construction in progress at December 31, 2023, and 2022 of \$9,000 and \$9,000.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives (such as franchise development cost) no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable.

Income Taxes

The members of the Company have elected to be taxed as a partnership under the provisions of the Internal Revenue Code. Under those provisions, taxable income and losses of the Company are reported on the income tax returns of its members and no provisions for federal or state income taxes have been recorded on the accompanying balance sheets.

The Company adopted ASC 740-10-25-6 "Accounting for Uncertainty in Income Taxes", that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold upon examination by taxing authorities.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the Company's members. The Company's evaluation was performed for the years ended December 31, 2023, 2022 and 2021 for U.S. Federal income tax and the state of Pennsylvania income taxes.

J. THOMPSON LEARNING CENTERS, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company's revenue mainly consists of franchise fees and royalties.

Each franchise agreement is comprised of several performance obligations. The Company has concluded that these items represent a single performance obligation and recognize the initial franchise fees over the term of the respective franchise agreement from the date the agreement is executed. Unearned initial fee revenues from franchisee sales are recorded as deferred revenue and recognized as revenue over the term of the contract which is currently 10 years from the date of the executed franchise agreement, unless otherwise amended.

When a franchisee purchases a franchise, the Company grants the franchisee the right to use the proprietary methods, techniques, trade dress, trademarks, and logos ("license"). The license is symbolic intellectual property. Revenues related to the license are continuing royalties are based on gross revenues and are 6%. These revenues will be used to continue the development of the Company's brand, the franchise system and provide on-going support for the Company's franchisees. The royalties are billed monthly and are recognized as revenue when earned.

Brand Fund Contribution

The Company has established a brand fund to develop, produce and place advertising, marketing, promotional and public relations materials, and programs for the benefit of the franchisees. The brand fee is 1% of the gross revenue and is billed monthly and is recognized as revenue when earned up to the amount spent on marketing activities as defined in the franchise disclosure document. Funds collected, but not yet spent are recorded as deferred revenue on the balance sheet. As of December 31, 2023, and 2022, \$0 and \$0 were included in deferred revenue, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2023, 2022 and 2021 were \$32,321, \$0, and \$0.

Fair Value of Financial Instruments

For the Company's financial instruments, which consist of cash and cash equivalents, the carrying amounts approximate fair value due to their short maturities.

Recently Adopted Accounting Guidance

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

J. THOMPSON LEARNING CENTERS, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CONTRACT BALANCES

The Company recorded an asset for the incremental costs and a liability for unearned revenue associated with the performance obligation of the Company’s franchise agreements. The account balances and activity at December 31 are as follows:

	December 31, 2023	2022
Franchise Acquisition Costs:		
Balance Beginning of Year	\$ 65,340	\$ 45,608
Deferral of franchise acquisition costs	-	24,500
Recognition of franchise acquisition costs	(6,643)	(4,768)
Balance at End of Year	<u>\$ 58,697</u>	<u>\$ 65,340</u>

Deferred Franchise Revenue:

Balance Beginning of Year	\$ 493,708	\$ 277,708
Deferral of deferred revenue	(5,000)	245,000
Recognition of deferred revenue	(36,166)	(29,000)
Balance at End of Year	<u>\$ 452,542</u>	<u>\$ 493,708</u>

Estimated Recognition of Deferred Franchise Costs and Fees

Estimated expenses and revenues to be recognized in future periods related to deferred franchise costs and revenues fees as reported at December 31, 2023, is as follows:

	Franchise Acquisition Costs	Non-refundable Franchise Fees
Year ending December 31:		
2024	\$ 7,568	\$ 55,833
2025	7,568	55,833
2026	7,568	55,833
2027	7,568	55,833
2028	7,568	55,833
Thereafter	20,857	173,377
	<u>\$ 58,697</u>	<u>\$ 452,542</u>

J. THOMPSON LEARNING CENTERS, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CONTRACT BALANCES (CONTINUED)

Disaggregation of Revenues

Disaggregated revenues based on the satisfaction of performance obligations in the Company's contracts with franchisees for the years ended December 31, 2023, 2022 and 2021 is as follows:

	2023	2022	2021
Performance obligations satisfied at a point in time	\$ 1,567,466	\$ 1,086,627	\$ 558,133
Performance obligations satisfied through the passage of time	36,166	29,000	37,334
Total revenues	<u>\$ 1,603,632</u>	<u>\$ 1,115,627</u>	<u>\$ 595,467</u>

NOTE 3 – INTANGIBLE ASSETS, NET

Intangible assets consist of the following at December 31:

	2023	2022
Franchise development costs	\$ 80,963	\$ 62,295
Less accumulated amortization	55,063	37,377
	<u>\$ 25,900</u>	<u>\$ 24,918</u>

Amortization expense was \$17,686, \$12,459, and \$12,459, for the years ended December 31, 2023, 2022 and 2021. Estimated amortization expense for the next two succeeding years is expected to be \$12,950 per year.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company receives a fee for providing support services to their affiliate. There is not a formal agreement and revenues of \$214,632, \$22,117, and \$157,000 were recorded as management fee revenue for the years ended December 31, 2023, 2022 and 2021.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 6 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through March 25, 2024, the date on which the financial statements were available to be issued.

EXHIBIT D

OPERATIONS MANUAL - TABLE OF CONTENTS



Contents of Operations Manual

See Each Section for Detailed Contents of That Section

Section A: Preface & Introduction

Section B: Administrative Procedures

Section C: Personnel

Section D: Daily Procedures

Section E: Classrooms & Curriculum

Section F: Selling, Marketing, and Enrollment



CONTENTS

Contents of Operations Manual	2
CONTENTS	3
SECTION A: PREFACE	5
CORRESPONDENCE AND COMMUNICATION	5
MISSION, VISION & CORE VALUES	6
Mission Statement	6
Vision Statement	6
Core Values	6
GENDER STATEMENT	7
HOW THE MANUAL IS ORGANIZED	8
Manual Organization	8
Page Layout	8
Separate Electronic Files	9
Statement of Confidentiality	9
STATEMENT OF CONFIDENTIALITY	10
MANUAL REVISIONS	12
COMMUNICATING WITH THE FRANCHISOR	13
Communications Policy	13
Open Lines of Communications	13
Contact Information	13
SUGGESTED POLICY OR PROCEDURE CHANGE	14
MANUAL OVERVIEW	15
LIMITATIONS OF THE MANUAL	16
SECTION A: INTRODUCTION	17
WELCOME LETTER FROM YOUR DUCKLINGS EARLY LEARNING	
CENTERS MANAGEMENT TEAM	17
SERVICES OF THE FRANCHISE ORGANIZATION	19



Ongoing Training Opportunities	19
Operations Consulting	19
Advertising Materials and Sales Aids	19
Business Coaching	20
Franchisee Networking Association	21
Helpline	21
Website	21
Social Media	22
Electronic Newsletter	22
RESPONSIBILITIES OF A DUCKLINGS EARLY LEARNING CENTER	
FRANCHISE OWNER	23
Our Dedication	23
Our Shared Responsibilities	23
Responsibilities to Your Customers	23
Responsibilities to Your Fellow Franchisees	24
Responsibilities to Your Employees	24
Responsibilities to the Franchisor	25
VISITS FROM THE CORPORATE OFFICE	26
Your Field Consultant	26
Classroom and Curriculum Support	27
Quality Assurance Visits	27
FIELD VISIT SUMMARY	30
THE CUSTOMER SURVEY	31



CONTENTS

CONTENTS	1
SECTION B: ADMINISTRATIVE PROCEDURES	3
BUSINESS SPECIFICS	3
Status as an Independent Franchisee	3
Record Keeping	3
Key Documents	4
Monthly Reporting	5
RELATIONSHIPS	6
Recommended Business Relationships	6
Required and Preferred Vendors	6
YOUR STATUS AS A FRANCHISEE	7
Business Name	7
INSURANCE	8
Required Insurance	8
Commitment to Digital Workflow	9
Required Hardware and Software	9
Data Security Policies	9
Asset Furniture and Fixture Requirements	10
Due Care of Equipment and Brand	10
Special Licenses and Permits	11
Business Office Tasks	12
Daily/Weekly Tasks	12
Bi-Weekly Tasks	12
Monthly Tasks	12
Quarterly Tasks	12
Annual Tasks	13
Business Operations with Clients	15



Business Practices for Billing Clients	15
Business Operations with Franchisor	17
Reporting	17
Royalty Fee FAQ	18
Brand Fund Fee	19
Calculation of Required Minimum Expenditure for Local Marketing	20
Technology Fee	20
Timing of Fees	20
Late Payment Policies	20



CONTENTS

Section C: Ducklings Early Learning CENTERS PERSONNEL	2
INTRODUCTION	2
CONTACTING THE U.S. DEPARTMENT OF LABOR AND LOCAL STATE	
LABOR BUREAUS	3
COMPLYING WITH THE DEPARTMENT OF HOMELAND SECURITY	4
New Hire Reporting	4
POLICY ON SEXUAL HARASSMENT	5
Hiring Your Staff	6
Recruiting Candidates	6
JOB DESCRIPTIONS	8
CREATING PERSONNEL FILES	9
ORIENTATION AND TRAINING OF PERSONNEL	10
Steps for New Employees	10
Sample Employee onboarding checklist	11
THE Ducklings Early Learning Center UNIFORM / DRESS CODE	15
ESTABLISHING PERSONNEL POLICIES	16
Employee Handbook	16
Non-Disclosure Agreement	16
EVALUATING EMPLOYEES	17
DISCIPLINE AND TERMINATION	18
How to Discipline Your Employees	18
The Steps to Progressive Discipline	19
Suggested Grounds for Immediate Termination	20



CONTENTS

Section D: Ducklings Early Learning Centers Daily Procedures	1
CONTENTS	1
INTRODUCTION	2
SUGGESTED BUSINESS HOURS	3
DAILY PROCEDURES	4
CONDUCTING CUSTOMER SERVICE	7
HANDLING CUSTOMER COMPLAINTS	8
JOB SAFETY	11
Safety and Health Requirements/Safety Hazard Citation	11
Accident and Incident Reporting	13
Minor First Aid Treatment	13
Emergency Medical Treatment	14
Emergency Phone Numbers	14
Workers' Compensation	14
SAFETY RULES	15
General Safety Rules	15
Fire Safety	15



CONTENTS

CONTENTS	1
SECTION E: CLASSROOMS & CURRICULUM	2
CURRICULUM STATEMENT	2
Overview	2
Nurturing the Whole Child	2
Learning Through Play	4
The Importance of Imagination	5
Mastery Learning	6
Kindergarten Readiness	7
Core Principles	7
The Role of the Teacher	9
Family Engagement	10
CLASSROOM SCHEDULES	11
General Schedule Inclusions	11
LESSON PLANNING	13
Lesson Plan Requirements	13
CURRICULUM RESOURCES IN THE POND	15
CLASSROOM DISPLAY & DECOR	16
SPECIAL EVENTS	17



CONTENTS

Section F: Selling, Marketing, and Enrollment

CONTENTS

The DUCKLINGS MARKETING PROGRAM

Brand Fund Contribution

Local Advertising Requirements

Cooperative Advertising

GUIDELINES FOR USING DUCKLINGS EARLY LEARNING CENTERS

MARKS

THE DUCKLINGS SALES PROCESS

Phone Protocol

Touring Prospective Families

Sample Tour Script

THE ENROLLMENT PROCESS

Registration

Deposit

New Enrollment Packet

Prior to Child's First Day

On the Child's First Day

Ongoing Child File Maintenance for Compliance

1
1
2
2
3
3
2
5
5
5
5
10
10
10
10
11
12
13

EXHIBIT E

LIST OF FRANCHISEES AND FORMER FRANCHISEES AS OF 12/31/2023

List of Current Franchisees as of December 31, 2023

Franchisee	City/State	Contact Information
Megan & Jonathan Gardea	Great Valley, PA	megangardea@ducklingselc.com 610-424-3111
Jackie Hicks	Kennett Square, PA	jackiehicks@ducklingselc.com 610-388-1520
Amanda & Karlo Gesner	Lancaster, PA	amgesner@ducklingselc.com 717-527-2179
Deborah & Amanda Bellino	Oxford, PA	debellino@ducklingselc.com 610-467-1031
Matthew Petrin	S. Chester County, PA	mpetrin@ducklingselc.com 484-672-8310
Josephine Waldman	Spring City, PA	josiwaldman@ducklingselc.com 484-940-3030
Halley Perrupato-Scarpignato & Edward Scarpignato	Wallingford, PA	hpscarnpignato@ducklingselc.com 610-936-9400
Nicole Frees	Westtown, PA	nfrees@ducklingselc.com 484-887-8664

Franchise Agreements Signed But Outlet Not Open as of December 31, 2023

Franchisee	City/State	Contact Information
Bryan Bookout	Middletown, DE	bbookout@ducklingselc.com 302-676-7410
Courtney & Santi Hernandez	Middletown, DE	chernandez@ducklingselc.com 302-588-5679
Pam & Sheena Patel	Wilmington, DE	rpatel@ducklingselc.com 610-357-2038
Darshika & Hitesh Sanghani	Downingtown, PA	dsanghani@ducklingselc.com 484-292-4600
Brie' Anna Gricco	Parkesburg, PA	bgricco@ducklingselc.com 267-809-9549

List of Former Franchisees as of December 31, 2023

None.

EXHIBIT F

**STATE-SPECIFIC ADDENDA TO DISCLOSURE DOCUMENT AND/OR
FRANCHISE AGREEMENT**

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND

The following applies to residents of the State of Maryland and to franchises to be operated in the State of Maryland:

1. Item 17 is amended to state:

(a) Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.

(b) Any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Law.

(c) Our right to terminate you upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

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

2. 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.

3. Item 5 is amended to state:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

AMENDMENT TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated thereunder, the parties to the attached Ducklings Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. Notwithstanding anything in the Franchise Agreement requiring Franchisee to execute a general release upon renewal, sale or assignment of the franchise rights awarded thereunder, the parties agree and acknowledge as follows:

“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.”

2. To the extent of any inconsistencies, Section 15(A)(1) of the Franchise Agreement is hereby amended to further state:

“Our right to terminate you upon your bankruptcy, however, may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).”

3. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.”

4. To the extent of any inconsistencies, the Franchise Agreement and the Franchisee Acknowledgement Statement, are hereby amended to further state:

All representations 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. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., are met independently without reference to this Amendment.

6. Sections 1 and 23 of the Franchise Agreement are hereby deleted in their entirety.

7. 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.

8. Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

9. Sections 1 and 23 of the Franchise Agreement are hereby deleted.

IN WITNESS WHEREOF, the parties hereto have duly executed this Maryland Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR

J. THOMPSON LEARNING CENTERS, LLC

By: _____

FRANCHISEE:

By: _____

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934,

suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

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

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

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.

VIRGINIA ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

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.

The following statement is added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

The following statement is added to Item 5:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

EXHIBIT G

SAMPLE FORM OF RELEASE

In consideration for the consent of J. Thompson Learning Centers, LLC (the “Franchisor”), to the assignment by _____ (“Franchisee”) of its interest in that certain franchise agreement entered into by and between Franchisor and Franchisee dated _____ (the “Franchise Agreement”), Franchisee hereby remises, releases, and forever discharges Franchisor, its officers, directors and employees and agents, and their respective successors, assigns, heirs and personal representatives, from all debts, covenants, liabilities, actions, and causes of action of every kind and nature, including but not limited to those arising out of or existing under the Franchise Agreement, the offer and sale of the franchised business described therein, and out of the franchise relationship between the parties hereto, whether in law or in equity, from the beginning of time to the date hereof. Franchisee acknowledges that this Release is intended to release all claims held by any person against the parties to be released, arising out of any of the matters to be released.

This Release has been entered into and agreed to as of the _____ day of _____, 20____

FRANCHISEE:

By: _____

Print Name: _____

By: _____

Print Name: _____

EXHIBIT H

FRANCHISEE QUESTIONNAIRE

As you know, J. Thompson Learning Centers, LLC (“we”, “us”), and you are preparing to enter into a Franchise Agreement for the right to open and operate a Ducklings franchise (a “Franchised Business”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You must sign and date this certification the same day you sign the Franchise Agreement, and pay us the appropriate franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE):

FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, SUCH PROSPECTIVE FRANCHISEE SHOULD NOT COMPLETE THIS QUESTIONNAIRE OR RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

- Yes____ No ____ 1. Have you received and personally reviewed the Franchise Agreement, as well as each exhibit or schedule attached to these agreements that you intend to enter into with us?
- Yes____ No ____ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes____ No ____ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes____ No ____ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes____ No ____ 5. Have you had the opportunity to review the Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business(es) with these professional advisor(s)?
- Yes____ No ____ 6. Do you understand the success or failure of your Franchised Business(es) will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes____ No ____ 7. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 8. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 9. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)

EXHIBIT I

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registrations in the following states having franchise disclosure laws, with the following effective dates:

<u>STATE</u>	<u>EFFECTIVE DATE</u>
Maryland	Pending Registration
New York	Pending Registration
Virginia	June 28, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J

RECEIPT(S)

**RECEIPT
(YOUR COPY)**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully. J. Thompson Learning Centers, LLC offers you a franchise, J. Thompson Learning Centers, 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. New York requires you to receive this Franchise Disclosure Document 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.

If J. Thompson Learning Centers, 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, DC 20580 and to your state authority listed on Exhibit A. The name and principal business address and telephone number of each franchise seller offering the franchise is:

Kim Collier c/o J. Thompson Learning Centers, LLC 1414 Lenape Road, West Chester, PA 19382 484-607-8248	
--	--

Issuance Date: April 17, 2024.

I received a Disclosure Document dated April 17, 2024 that included the following Exhibits:

- EXHIBIT A: List of State Agencies and Agents for Service of Process
- EXHIBIT B: Franchise Agreement (and Attachments)
- EXHIBIT C: Financial Statements of Franchisor
- EXHIBIT D: Operations Manual Table of Contents
- EXHIBIT E: List of Current Franchisees and Former Franchisees that Exited System in Past Year
- EXHIBIT F: State-Specific Addenda to Disclosure Document and Agreements (as applicable)
- EXHIBIT G: Sample Form of Release Agreement
- EXHIBIT H: Franchisee Questionnaire
- EXHIBIT I: State Effective Dates Page
- EXHIBIT J: Receipts

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

KEEP FOR YOUR RECORDS

**RECEIPT
(OUR COPY)**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully. J. Thompson Learning Centers, LLC offers you a franchise, J. Thompson Learning Centers, 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. New York requires you to receive this Franchise Disclosure Document 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.

If J. Thompson Learning Centers, 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, DC 20580 and to your state authority listed on Exhibit A. The name and principal business address and telephone number of each franchise seller offering the franchise is:

Ms. Kim Collier c/o J. Thompson Learning Centers, LLC 1414 Lenape Road, West Chester, PA 19382 484-607-8248	
--	--

Issuance Date: April 17, 2024.

I received a Disclosure Document dated April 17, 2024 that included the following Exhibits:

- EXHIBIT A: List of State Agencies and Agents for Service of Process
- EXHIBIT B: Franchise Agreement (and Attachments)
- EXHIBIT C: Financial Statements of Franchisor
- EXHIBIT D: Operations Manual Table of Contents
- EXHIBIT E: List of Current Franchisees and Former Franchisees that Exited System in Past Year
- EXHIBIT F: State-Specific Addenda to Disclosure Document and Agreements (as applicable)
- EXHIBIT G: Sample Form of Release Agreement
- EXHIBIT H: Franchisee Questionnaire
- EXHIBIT I: State Effective Dates Page
- EXHIBIT J: Receipts

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

**PLEASE COMPLETE, SIGN AND RETURN BACK TO US AS SOON AS POSSIBLE ONCE YOU
HAVE RECEIVED A COPY OF THIS DISCLOSURE DOCUMENT**