

## FRANCHISE DISCLOSURE DOCUMENT



### Genius Kids Development, Inc.

a California corporation  
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Fremont, California 94538

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www.GeniusKidsOnline.com  
510-364-4033

The franchise offered is for the operation of a Genius Kids™ child learning center based on an interactive proprietary curriculum that incorporates multi-sensory learning methods for advanced development of fine motor and social skills, communication, critical thinking, and confidence for children in various age groups. The total investment necessary to begin operation of a Genius Kids child learning center based on 1 to 3 Curriculums is \$276,300 to \$909,000. This includes \$50,000 to \$73,000 that must be paid to the franchisor or its affiliates.

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 Rennu Dhillon, President of Genius Kids Development, Inc., or Shana Nijjar, Vice President of Genius Kids Development, Inc., 3645 Mowry Avenue, Fremont, California 94538 or call 510-364-4033 or email info@geniuskidsonline.com. There may also be laws on franchising in your state. Ask your state agencies about them.

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

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

**Issuance Date:** April 19, 2023

## How to Use This Franchise Disclosure Document

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

| QUESTION                                                                                 | WHERE TO FIND INFORMATION                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits F and G. |
| <b>How much will I need to invest?</b>                                                   | 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.                                                                         |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit H includes financial statements. Review these statements carefully.                                                                                                                                                                           |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                                     |
| <b>Will my business be the only Genius Kids child learning center in my area?</b>        | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                                    |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                             |
| <b>What's it like to be a Genius Kids franchisee?</b>                                    | Item 20 or Exhibit F and Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                    |
| <b>What else should I know?</b>                                                          | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in the disclosure document to better understand this franchise opportunity. See the table of contents.                                                           |

## **What You Need To Know About Franchising *Generally***

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

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

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risk(s) to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

**GENIUS KIDS  
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.....                                                 | 9  |
| Item 8.  | Restrictions on Sources of Products and Services.....                             | 12 |
| Item 9.  | Franchisee's Obligations.....                                                     | 15 |
| Item 10. | Financing.....                                                                    | 16 |
| Item 11. | Franchisor's Assistance, Advertising, Computer Systems and Training .....         | 16 |
| Item 12. | Territory .....                                                                   | 23 |
| Item 13. | Trademarks .....                                                                  | 25 |
| Item 14. | Patents, Copyrights and Proprietary Information.....                              | 26 |
| Item 15. | Obligation to Participate in the Actual Operation of the Franchise Business ..... | 27 |
| Item 16. | Restrictions on What the Franchisee May Sell .....                                | 27 |
| Item 17. | Renewal, Termination, Transfer and Dispute Resolution .....                       | 29 |
| Item 18. | Public Figures .....                                                              | 32 |
| Item 19. | Financial Performance Representations.....                                        | 32 |
| Item 20. | Outlets and Franchisee Information.....                                           | 33 |
| Item 21. | Financial Statements.....                                                         | 35 |
| Item 22. | Contracts .....                                                                   | 36 |
| Item 23. | Receipts .....                                                                    | 36 |

**ATTACHMENTS**

|            |                                                                                                                                                             |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit A. | State Addenda to Disclosure Document                                                                                                                        |
| Exhibit B. | List of State Agencies and Agents for Service of Process                                                                                                    |
| Exhibit C. | Franchise Agreement, Statement of Ownership and Management, Guaranty, Transfer Form, General Release, Lease Rider, and State Addenda to Franchise Agreement |
| Exhibit D. | Electronic Transfer of Funds Authorization                                                                                                                  |
| Exhibit E. | Operation Manual Table of Contents                                                                                                                          |
| Exhibit F. | List of Current Franchisees                                                                                                                                 |
| Exhibit G. | List of Former Franchisees                                                                                                                                  |
| Exhibit H. | Financial Statements                                                                                                                                        |
| Exhibit I. | Franchisee Disclosure Questionnaire                                                                                                                         |
| Receipts   |                                                                                                                                                             |

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

To simplify the language in this Disclosure Document, “Company,” “we,” “us,” “our,” or the “Franchisor,” means Genius Kids Development, Inc., a California corporation. The person or entity who buys the Franchise is referred to as “you,” “your,” or the “Franchisee”. If you are a limited liability company, partnership, or corporation (an “Entity”), certain provisions of the Franchise Agreement also apply to your owners (“Owners”) as noted.

**The Franchisor**

We are a California corporation, incorporated on April 20, 2010. We started offering franchises in October 2010. We do business under the same name as our corporate name and “Genius Kids.” Our principal business address is 3645 Mowry Avenue, Fremont, California 94538. We do not conduct business in any other line of business nor do we offer franchises in any other line of business. Our agents for service of process are disclosed in Exhibit B.

Our Predecessors and Affiliates

Our predecessor, Genius Kids, Inc., a California corporation (“GK”), began operations in May 2001. GK has the same principal business address as us. Although we have never operated a business of the type being franchised, GK first opened a Genius Kids child learning center in August 2001, and as of December 31, 2022, operates 2 company-owned Genius Kids child learning centers (which are substantially similar to the franchised Genius Kids child learning centers we offer under this Disclosure Document). GK also provides certain training and support services to Franchisees and is therefore an affiliate of ours.

Except as provided above, we have no parent companies or affiliates that offer franchises in any line of business or provide products or services to you. Except as provided above, we do not have any predecessors required to be disclosed in this Item 1.

**The Franchised Business**

The franchise offered is for a child learning center based on an interactive proprietary curriculum that incorporates multi-sensory learning methods for advanced development of fine motor and social skills, communication, critical thinking, and confidence for children in various age groups under the “Genius Kids” and “Genius Kids Child Development Center” service marks and logos. These businesses are referred to in this Disclosure Document as a “Center.” Each Center is a full-service learning center where children are dropped off and may include a full-size indoor and outdoor playground at your Center (depending on Curriculum), and typically range from 3,000 to 15,000 square feet with 5 to 7 classrooms and with a projected enrollment of up to 120 students. We typically require that your Center have at least 3 classrooms. Your Center will offer daily drop off rates in addition to weekly, monthly, and prepaid tuition programs, offering additional financial flexibility to parents. Your Center must be operated under the “Genius Kids” and “Genius Kids Child Development Center” service marks and logos and other trademarks, trade names, service marks, and commercial symbols we may authorize.

Curriculum

Your Center will offer indoor learning for children of certain age groups to develop and build life-long learning skills that encourages academic, social, emotional and motor skills, communication, confidence, physical development creativity and imagination in a safe, clean environment. Your Center is intended to support, stimulate, and enhance a child’s natural development during these formative and critical years of growth. Your Center’s playgrounds complement our proprietary learning programs and teaching methods with life-size adventure houses, puzzles, trains, and other features that can be customized to each Center. Your Center will offer a variety of supervised learning programs and activities that include phonics, reading, math, critical thinking, science, story time and comprehension, handwriting, public speaking, music, drama, and

arts and crafts to complement our proprietary multi-media, theme-based interactive learning programs tailored to specific age groups (“Curriculum”) and which we will license to you as part of your franchise. We currently offer franchisees 3 Curriculum options which may be offered through your Center: Infant and Toddler, Preschool and PreK, and Enrichment K and Afterschool. You must offer at least one of our Curriculum options through your Center, and may purchase licenses to offer additional Curriculum(s) to service children enrolled in your Center in other age groups.

The Genius Kids franchise system is characterized by a uniform business format featuring our proprietary Curriculum; a unique and recognizable exterior and interior layout, content, décor, color scheme, displays, play equipment and furnishings; a distinctive regional web page that is housed within the national website that may include interactive functionality; operational procedures and management and financial processes (including point of sale and enrollment systems); customer service guidelines; teaching methods and strategies; product and vendor specifications; procedures for safety and quality control; training, marketing support, and ongoing operational assistance; advertising and promotional programs; and other know-how, information, trade secrets, and confidential information, as well as our standards, designs, methods of trademark and service mark usage, and research and development (the “System”). By granting you a franchise, we are only granting you a right to use our System and marks in connection with the operation of a Center. We may change or otherwise modify the System at any time as we see fit.

You must sign our standard franchise agreement if we grant you a Genius Kids franchise in the form attached to this Disclosure Document as Exhibit C (“Franchise Agreement”). Your Center may only provide the services and products we authorize and you may only use the Curriculum we license to you. You must also follow all our other policies and procedures when performing services including using the products we specify. We can add to, modify, or delete any services or products or the Curriculums that you offer or sell at any time as we determine, and change and modify our policies.

The Franchise Agreement provides that your Center must at all times be under your direct, day-to-day, full-time supervision (or if you are an Entity, then a managing or majority Owner of the Entity, approved by us). You (or your managing or majority Owner if you are an Entity) must use his or her best efforts in the operation of the Center. If you are the owner-operator, you must be involved in the day-to-day operation of the Center and you must be the license holder as required by applicable state law. If you are an Entity, your managing or majority Owner must be involved in the day-to-day operation of the Center and this individual or the Entity may be the license holder, as permitted by applicable state law.

## **Market and Competition**

The target market for a Center includes parents, grandparents, and/or guardians of children who desire to enrich their children’s creativity development, social, thinking, communication and leadership skills, as well as government-subsidized families that need child care. You may have to compete with other businesses including franchised operations, national chains and independently owned companies offering developmental, educational and child care programs similar to those found at a Center, as well as developmental, educational or child care programs offered by schools and other government agencies. Generally, there is no seasonality to this business. The market for specialized accelerated educational assistance or after-school programs is established and competitive throughout the United States as the market is continuously changing and evolving.

## **Industry-Specific Regulations**

You must comply with all federal, state, and local laws and regulations that are applicable to your Center. Your Center and its employees are highly regulated. You, and your Owners if applicable, must be the Center’s license holder as required by the Department of Human Services, Department of Education, or other licensing entity in your state that licenses child care programs and development centers. You may also be required to obtain accreditation or approval from your state’s Department or Board of Education. Each state has laws specific to the childcare industry and education and will make the final determination of a Center’s student enrollment capacity, including student-to-teacher ratios. You and your employees must comply with all applicable child care licensing statutes and regulations and other laws enacted by your

state and local government regarding the protection and transportation of children and the operation of child care facilities. All of your staff, including any Supervisor, must undergo and pass background checks and your staff and Supervisors must meet certain requirements imposed by state and federal law. You must also comply with all zoning laws and regulations, as well as any state bonding requirements that apply to your Center.

In addition to the specific laws discussed above, your Center will be subject to federal, state, and local laws and regulations that apply to all businesses, such as the Americans With Disabilities Act, wage and hour laws, occupational health and safety, equal employment opportunity, taxes, business licensing requirements, and emergency laws that allow the government to restrict travel and/or require businesses to temporarily close during state or national emergencies. Federal, state, and local laws and regulations periodically change. It will be your responsibility to determine and comply with all federal, state, and local laws and regulations. You should consult with your attorney about laws and regulations that may affect your Center.

## **ITEM 2. BUSINESS EXPERIENCE**

### **President/CEO: Rennu Dhillon**

Rennu is our founder and has been our President since our formation in October 2010 and the President of GK since its formation in May 2001, located in Fremont, California. She has authored the book, "Raise Confident Children: Today's Kids, Tomorrow's Leaders," in November 2020.

### **Vice President: Shana Nijjar**

Shana has been the Vice President of us and GK since June 2009, located in Fremont, California.

### **Director of Training and Operations Support: Sheena Dhillon**

Sheena has been with Genius Kids since inception in 2001 as a part-time instructor for our after school and public speaking classes. She was a Manager or Director of GK's Genius Kids center located in Fremont, California from March 2020 to June 2022. She is currently our Director of Training and Operations Support, located in Fremont, California.

### **Operations Manager: Ria Das**

Ria has been with Genius Kids since June 2016 as a Manager at GK's Genius Kids center located in Fremont, California. From March 2020 to February 2022, she was the Executive Admin for GK, located in Fremont, California. She is currently our Operations Manager since February 2022, located in Fremont, California.

### **Training and Support: Kiran Gudoor**

Kiran is a franchisee of Genius Kids centers in Pennsylvania. He joined the Genius Kids as a franchisee in 2019 and is currently an independent consultant for training franchisees.

### **Training and Support Corporate Office: Sylvia Coronado**

Silvia, known as Phoebe, has been a teacher at GK's Fremont, California Genius Kids center since October 2019. She is currently our Training and Support Corporate Office, located in Fremont, California.



### **Training and Support Corporate Office: Anjani Verukonda**

Anjani has been with Genius Kids since June 2016. She is also the head lead teacher of Preschool & Pre-Kindergarten at GK's Fremont, California Genius Kids center. Anjali is currently our Training and Support Corporate Office since February 2022, located in Fremont, California.

### **ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4. BANKRUPTCY**

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

### **ITEM 5. INITIAL FEES**

#### **Initial Franchise Fee**

The initial franchise fee (the "Initial Franchise Fee") is \$50,000 for a single Center with access to a single Curriculum. You must pay the Initial Franchise Fee in a lump sum at the time the Franchise Agreement is signed, and it is deemed fully earned and non-refundable upon payment.

#### **Additional Curriculum Fees**

The Initial Franchise Fee includes a license to access a single Curriculum for use at your Center. If you request additional Curriculums that we may offer, in our discretion, for use at your Center for the initial term of your Franchise Agreement, you must pay us our current, non-refundable additional Curriculum fee (currently, \$10,000 per additional Curriculum). We currently offer 3 Curriculum options: Infant and Toddler, Preschool and PreK, and Enrichment K and Afterschool. Additional Curriculums expire upon termination or expiration of your Franchise Agreement, so if you renew your Franchise Agreement, you must pay our current additional Curriculum fee(s) upon renewal to continue offering each additional Curriculum at your Center.

#### **Extension Fee**

If you do not open your Center within 6 months of execution of the Franchise Agreement, regardless of the reason, we may, at our option, either terminate your Franchise Agreement or grant you an extension to open your Center if you pay us a non-refundable extension fee of \$500 per month until you open (prorated for any partial month), not to exceed 6 months.

#### **Referral Program**

We may offer a referral program where existing franchisees of ours in good standing can receive a referral fee of 5% of the Initial Franchise Fee in cash, services, or product credit for referring a third party franchise prospect to us, who ultimately becomes a Genius Kids franchisee. To participate in this referral program, if we offer it, you must comply with all program policies and are not authorized to act as our agent or

franchise broker and are not permitted to provide any information to prospects on our behalf. We retain the right in our sole discretion to modify or terminate this referral program at any time with or without notice. No referral program is offered in Washington, to residents or franchisees residing in Washington, or for Genius Kids child learning centers to be located in Washington.

**ITEM 6.  
OTHER FEES**

| Type of Fee                                 | Amount                                                                                                                                                              | Due Date                                                 | Remarks                                                                                                                                                                        |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalties                                   | The greater of 6% of monthly Gross Revenues or a minimum of \$1,000 per month                                                                                       | Due by the 10th day of each month for the previous month | Note 1.                                                                                                                                                                        |
| Local Advertising Minimum Spend Requirement | Minimum is \$500 per calendar month after opening, except for the first 3 months after opening, you must spend at least \$9,000 total for grand opening advertising | Monthly                                                  | If you do not spend these minimum amounts, we may require you to pay these amounts to us to spend on your behalf for local, regional, or national advertising as we determine. |
| Technology Fees                             | Varies based on the service provided to you; currently, \$65 to \$125 per hour for website modifications                                                            | As incurred                                              | This fee covers our provision to you of certain technology services, which may vary.<br><br>Note 2.                                                                            |
| Additional Curriculum Fee                   | Currently \$10,000 per each additional Curriculum offered at your Center                                                                                            | As incurred                                              | Note 3.                                                                                                                                                                        |
| Additional Training Fees                    | Currently \$300 per day per person, plus reimbursement of our expenses                                                                                              | Before training                                          | Payable for any required or optional training we provide or require. See Item 11.                                                                                              |
| Continuing Education Session Fees           | Currently \$300 per day per person, plus reimbursement of our expenses                                                                                              | Before training                                          | Payable if we offer continuing education sessions that we allow or require you to attend. See Item 11.                                                                         |

| Type of Fee                             | Amount                                                                                                                                                                                | Due Date                           | Remarks                                                                                                                                                                                             |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Genius Kids Conference Registration Fee | Conference fee (up to \$1,000 per person), plus travel, transportation, lodging, meals, and incidental expenses in addition to compensation of the people you send to any conferences | 90 days before a conference        | If we hold a conference for Genius Kids franchisees, you must pay this fee, regardless whether you attend the conference.                                                                           |
| Transfer Fee                            | \$10,000, plus additional training fees above if applicable                                                                                                                           | Before you transfer your franchise | You only pay this fee if you sell or transfer your franchise or an interest in it.                                                                                                                  |
| Renewal Fee                             | \$10,000                                                                                                                                                                              | Before you renew your franchise    | Payable only if you want to renew your franchise.                                                                                                                                                   |
| Relocation Fee                          | \$10,000                                                                                                                                                                              | Upon demand                        | Payable only if you seek to relocate your Center.                                                                                                                                                   |
| Insurance Reimbursement                 | Cost of premiums, plus reasonable service charge which will vary under circumstances                                                                                                  | Upon demand                        | If you fail to maintain, or fail to provide satisfactory evidence of maintaining, any insurance coverage we require, we may obtain the insurance coverage on your behalf and you must reimburse us. |
| Interest and Late Charges               | Lesser of 1.5% per month or highest rate of interest allowed by applicable law on the outstanding balance, plus \$50 administrative fee and collection costs                          | Upon demand                        | The maximum interest rate in California is 10% annually.<br><br>Note 4.                                                                                                                             |
| Reporting Failure Fee                   | \$500 per report that you fail to provide                                                                                                                                             | Upon demand                        | Payable only if you or your Owners fail to provide us any reports that we may request.                                                                                                              |
| Audit Expenses                          | Currently \$250 per hour plus our cost of audit, including the charges of any independent accountant and travel and lodging expenses                                                  | Upon demand                        | Payable if we elect to conduct an audit of your Center for any reason and discover an understatement of any fees payable to us.                                                                     |

| Type of Fee                    | Amount                                             | Due Date    | Remarks                                                                                                              |
|--------------------------------|----------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------|
| Cost of Enforcement or Defense | All costs including accounting and attorneys' fees | As incurred | Payable as incurred by us in obtaining injunctive relief for the enforcement of any item of the Franchise Agreement. |
| Indemnification                | Will vary under circumstances                      | Upon demand | You must reimburse us if we are sued or held liable for claims arising from your Center.                             |

All fees and other amounts in the chart above are paid to us or our affiliate as disclosed above and are non-refundable. All fees are uniform for all new franchisees. However, in the past we have charged different fees, we have added fees, and in certain situations reduced or waived fees. Existing franchisees who have signed earlier franchise agreements may have different fees.

You must pay fees and other amounts due to us or our affiliates via electronic funds transfer or other similar means. You must comply with our procedures and perform all acts and deliver and sign all documents, including authorization (in the form attached to this Disclosure Document as Exhibit D or other form that we may require) for direct debits from your business bank operating account. Under this procedure you authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owing. You will make the funds available to us for withdrawal by electronic transfer no later than the payment due date. If you have not timely reported the Gross Revenue to us for any reporting period, we can, at our option, withhold access to the Curriculum for the next month and debit your account for: (a) 110% of the fees transferred from your account for the last reporting period for which a report of the Gross Revenue was provided to us; (b) the amount due based on information we have regarding your business activities; or (c) 110% of the fees transferred from your account for the same period in the prior year.

"Gross Revenues" mean the total amount of revenues, income, receipts, and other fees received from all business activities (including under all Curriculums offered through the Center) taking place by or through the Center, including all fees or reimbursements paid from subsidy agencies or governmental agencies and all other services and products, if any, sold under the Genius Kids marks or otherwise related to the Center.

## Notes

**Note 1:** Your Royalty Fee payment obligations begin immediately once your Center is open. Each month, you must submit to us reporting forms in the format we require listing the Gross Revenues for that month, listing all students in attendance for that month and other enrollment information we require, and any and all revenue collected in that month including fees and reimbursements paid from subsidy agencies and government agencies, no later than 6:00 PM (local time) on the last day of every month. The Royalty Fee is then due and payable monthly on or before the 10th day of the next month for Gross Revenues received in the prior month. We may change the time and manner of payment for the Royalty Fee upon written notice to you.

If your Center is temporarily or completely closed, for any reason, and you do not collect any Gross Revenue, then, during the period of closure, you must pay us a monthly Royalty Fee equal to the greater of \$1,000 per month or the average monthly Royalty Fees you paid during the previous 12 months that the Center was operating (excluding any periods of temporary or complete closure).

If we terminate your Franchise Agreement, you are required to continue royalty payments for the remaining term of your Franchise Agreement or 36 months, whichever is less, based on the average monthly Royalty Fees you paid during the previous 12 months that the Center was operating (excluding any periods of temporary or complete closure) or, if the Center was not opened at the time of termination, then based on a Royalty Fee of \$1,000 per month.

**Note 2:** You must pay us our current Technology Fees on an hourly, daily, monthly, or annual basis as we require. These Technology Fees are for providing various technology and online services to you, which we may change at any time. These Technology Fees will vary depending on the type of service we provide. We reserve the right to change the Technology Fees upon 60 days' prior notice to you. These are not the only technology or technology services you will need to operate your Center and you are responsible for obtaining any additional technology and services.

As of the issuance date of this Disclosure Document, these services include a website listing for your Center on our or our affiliate's website. If you request us to update or revise the webpage on our website for your Center, you must pay either us, our affiliate, or our approved vendor, as we designate, the current hourly web site maintenance and promotion fee. Any requests for changes to your Center's webpage must be approved by us and performed by us, our affiliate, or our approved vendor. We will respond to you within 30 days of our receipt of your request for webpage changes. If we do not respond in that period, your request will be deemed disapproved.

**Note 3:** Our Curriculum is made up of various theme-based interactive learning programs that are specific to the type of Center you operate and the age group of students you enroll. Your user license(s) will provide you access to the Curriculum package necessary for the operation your Center. We currently offer 3 Curriculum options: Infant and Toddler, Preschool and PreK, and Enrichment K and Afterschool.

The Initial Franchise Fee includes 1 Curriculum for use at your Center. If you request additional Curriculum packages that we may offer, in our discretion, for use at your Center for the remaining term of your Franchise Agreement, you must pay us our current, full additional Curriculum fee (which is not prorated based on the remaining term of your Franchise Agreement). Additional Curriculums expire upon termination or expiration of your Franchise Agreement, so if you renew your Franchise Agreement, you must pay our current additional Curriculum fee(s) upon renewal to continue offering each additional Curriculum at your Center. You may not serve or enroll students who are not within the age group appropriate to the Curriculum(s) you have licensed from us.

The Initial Franchise Fee includes 1 user license to access our Curriculum. You will need or desire to purchase additional user licenses to access our Curriculum, including if you have users accessing the Curriculum from different static IP addresses or multiple classrooms. Each classroom at your Center must have a separate user license to access our Curriculum. Each additional user license is currently \$50 per month per Curriculum.

**Note 4:** Interest and late charges begin to accrue from the due date of payment. You must also pay any damages, expenses, collection costs, and reasonable attorney fees we incur in collecting any past due amounts.

**ITEM 7.  
ESTIMATED INITIAL INVESTMENT**

| <b>YOUR ESTIMATED INITIAL INVESTMENT</b>   |               |             |                              |                                      |                                        |
|--------------------------------------------|---------------|-------------|------------------------------|--------------------------------------|----------------------------------------|
| <b>Type of Expenditure<br/>(Note 1)</b>    | <b>Amount</b> |             | <b>Method of<br/>Payment</b> | <b>When Due</b>                      | <b>To Whom<br/>Payment is<br/>Made</b> |
|                                            | <b>Low</b>    | <b>High</b> |                              |                                      |                                        |
| Initial Franchise Fee                      | \$50,000      | \$50,000    | Lump sum                     | Upon signing the Franchise Agreement | Us                                     |
| Additional Curriculum Fees (Note 2)        | \$0           | \$20,000    | As incurred                  | As agreed                            | Us                                     |
| Rent – 3 months (Note 3)                   | \$30,000      | \$60,000    | As incurred                  | Monthly                              | Landlord                               |
| Leasehold Improvements (Note 4)            | \$50,000      | \$450,000   | As incurred                  | Before opening                       | Landlord and vendors                   |
| Furniture and Fixtures (Note 5)            | \$20,000      | \$35,000    | Lump sum                     | Before opening                       | Vendors                                |
| Computers, Technology, and Security System | \$10,000      | \$30,000    | Lump sum                     | Before opening                       | Vendors                                |
| Playground Equipment (Note 6)              | \$65,000      | \$150,000   | Lump sum                     | Before opening                       | Vendors                                |
| Signage                                    | \$3,000       | \$5,000     | Lump sum                     | Before opening                       | Vendors                                |
| Classroom Supplies                         | \$2,000       | \$5,000     | Lump sum                     | Before opening                       | Vendors                                |
| Inventory and Other Supplies               | \$1,500       | \$4,000     | Lump sum                     | Before opening                       | Vendors                                |
| Local Marketing (Note 7)                   | \$9,000       | \$15,000    | As incurred                  | Monthly                              | Vendors or us                          |
| Insurance (Note 8)                         | \$2,500       | \$5,000     | Lump sum                     | As agreed                            | Vendors                                |
| Uniforms                                   | \$300         | \$1,000     | Lump sum                     | Before opening                       | Vendors                                |
| Licenses, Permits and Professional Fees    | \$2,500       | \$8,000     | Lump sum                     | As incurred                          | Vendors and government agencies        |
| Staffing Expenses – 3 Months (Note 9)      | \$10,500      | \$36,000    | Lump sum                     | As incurred                          | Employees                              |

| YOUR ESTIMATED INITIAL INVESTMENT        |                  |                  |                      |             |                                       |
|------------------------------------------|------------------|------------------|----------------------|-------------|---------------------------------------|
| Type of Expenditure<br>(Note 1)          | Amount           |                  | Method of<br>Payment | When Due    | To Whom<br>Payment is<br>Made         |
|                                          | Low              | High             |                      |             |                                       |
| Additional Funds – 3<br>Months (Note 10) | \$20,000         | \$35,000         | As incurred          | As incurred | Vendors and<br>government<br>agencies |
| <b>TOTAL (Note 11)</b>                   | <b>\$276,300</b> | <b>\$909,000</b> |                      |             |                                       |

## Notes

**Note 1:** These estimates are for a Center that is 3,000 to 15,000 square feet with 5 to 7 classrooms and with a projected enrollment of up to 120 students. We typically require that your Center have at least 3 classrooms. These estimates may vary if your Center is smaller or larger than we have assumed, including if your state's student-to-teacher ratios require more classrooms or teachers than we have assumed. None of these payments are refundable.

**Note 2:** The low estimate assumes you only offer one Curriculum through your Center, which is included in the Initial Franchise Fee. You must offer at least 1 of our Curriculum options. We currently offer 3 Curriculum options: Infant and Toddler, Preschool and PreK, and Enrichment K and Afterschool. The cost to add an additional Curriculum to your Center is currently \$10,000. The high estimate assumes you add 2 additional Curriculums to your Center.

**Note 3:** These estimates include 3 months' rent along with utility and security deposits based on prevailing rents in the Fremont, California market. Rents may vary in other markets. You may choose to purchase the land and build your own building rather than lease from a landlord. If you do, you will incur real estate acquisition costs that will vary depending on factors including where the land is purchased, the size, design, and location of your Center, the condition of the land and existing building, and the availability of financing on commercially reasonable terms. Our estimates assume you will lease a building for your Center. Regardless of whether you purchase land and build your own building or lease space, the preferred site is in an upscale metropolitan market or high-density affluent suburb. The site should be close to heavily trafficked retail complexes like malls, strip centers, and lifestyle centers and be in an area with heavy pedestrian and/or vehicle traffic and dense housing.

**Note 4:** We advise you to find a retail space needing minimal leasehold improvements or fixtures. In most cases you will need to alter the interior of your Center before you open for operation. The low estimate assumes you lease an existing child learning center that meets some or most of our space requirements. The high estimate reflects the potential need to build out additional child and adult restrooms, fire sprinklers, fire alarms, and add an HVAC system all of which entails mechanical, electrical and plumbing costs. You should investigate all these costs in the area in which you wish to establish a Center. These estimates do not include any sums for the purchase of real property. You will need to divide your Center into separate areas for indoor and outdoor playground activities, classrooms, private party accommodations (optional), and administrative space. The space must be an enclosed and separate from other businesses with its own locking door.

**Note 5:** This estimate includes items we would expect you to need for starting your Center, including lighting, file cabinets, bookcases, couches, toddler highchairs, desks, chairs,

tables, bench lockers, storage bins, display cases, paper goods and stationary, and general office supplies for the operation of your business. Actual furniture and fixture costs may vary due to build-out and size of your Center or if you are purchasing an existing furnished child learning center.

**Note 6:** These estimates include costs for outdoor and indoor playground equipment, one featured ride, and various children toys. This is an estimated cost, depending on the design of your outdoor and indoor playgrounds, to purchase playground equipment and various children's toys for the general operation of the business as specified in the Operations Manual. Costs also vary due to such factors as shipping distances, price differentials among vendors, and cost of installation, and the Curriculum(s) that you offer at your Center. You must purchase only approved playground equipment and children's toys that meet our specifications, which may change. The type of outdoor playground equipment you may purchase includes sand boxes, jungle gyms, swings, riding toys, and multi-function outdoor play centers. The type of indoor playground equipment and toys include one featured ride (carousel, train, obstacle course, or any other life-size ride); life-size doll houses, Lego® tables, or club houses; activity tables; ball pits; puppet theater; wooden block sets; toy musical instruments; toss and play games; books; magnetic foam letters; dress-up costumes; child-size bean bags; area rugs; rocking toys; and various soft toys. We will help you design your indoor and outdoor play areas and provide you with a list of approved vendors and playground equipment. These items may be purchased through us and/or our approved suppliers.

**Note 7:** Marketing will vary depending on several factors including your business plan, growth rate, cost of media in your area, and ability to attract customers. The low estimate assumes you only spend the minimum required amount for your Center's grand opening, which must be spent within the first 3 months of operation. The high estimate assumes you spend more than the minimum required amount. You must spend, during the first 3 months after opening, at least \$9,000 for grand opening advertising. If you do not spend these minimum amounts, we may require you to pay these amounts to us to spend on your behalf for local, regional, or national advertising as we determine.

**Note 8:** You must carry the types and amounts of insurance we specify. We currently require you to carry comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability, and fire damage coverage; "all risks" or "special form" coverage; child abuse liability insurance; automobile liability coverage, including coverage of owned, non-owned and hired vehicles; professional liability insurance; workers' compensation insurance; tenant's liability insurance (if applicable); builder's risks insurance and performance and completion bonds; and any other insurance required by the city or state in which the Center is located and operated and as required by your landlord. This estimated amount represents 12 months of pre-paid insurance premiums, but does not include workers' compensation insurance which varies by state, payroll, and classification. If you use a vehicle as part of your Center's activities, you will also need automotive liability coverage. Certain states may also require these vehicles be licensed with the state.

**Note 9:** These estimates are based on prevailing wages for our company-owned Genius Kids child learning centers in Fremont, California. Your salaries and wages may differ in other markets and depending on the number and qualification of your staff and the teacher-to-student ratio permitted in your state.

**Note 10:** These estimates include minimum working capital which is the amount that we recommend you have available upon the business opening to cover various expenses during the first 3 months of operation, including utility costs, permits and licensure, security and fire alarm system costs, maintenance and repair costs, landscaping costs, and vehicle lease costs. These estimates do not include real estate leasing costs, salaries and wages for you or



your staff, revenue generated by your Center or taxes payable by you, or fees payable to us.

**Note 11:** We have relied on the experiences of our affiliate in opening Genius Kids child learning centers in Fremont, California and the experiences of our franchisees to compile these estimates. We do not offer financing for any part of the initial investment. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, your relationship with local banks, your business experience, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest, or debt service obligations.

## **ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **Required Specifications**

You must adhere to the standards and specifications established periodically by us with respect to your Center's operational procedures, Curriculum, customer service, local advertising, vendors, services and products to be offered through your Center, and other items for the operation of your Center. You must operate the Center in strict conformity with the methods, standards, and specifications that we prescribe in the Operations Manual or otherwise in writing or electronically. You must offer and sell at all times only those services and products that meet our current standards and specifications. You must not deviate from these standards and specifications by the use or offer of non-conforming services or products, without obtaining our written consent first.

We currently maintain specifications for the construction and build out of your Center, leasehold improvements, storage, furnishings, fixtures, indoor/outdoor playground equipment, POS system, security system, signage and décor to be used in your Center. You may not install or permit to be installed on the Center premises any fixtures, furnishings, décor items, signs, games, vending machines, or other items without our written consent or that do not comply with our specifications. In addition, the educational and developmental programs and Curriculum offered through your Center; equipment (including playground equipment); supplies; furniture and fixtures; white boards and projectors; books and toys; landscaping; design and décor; signage; advertising; vehicles; computer hardware and software, technology, POS systems, phone systems and security and fire alarm systems; employee uniforms; and products you purchase for use or sale at your Center, must meet our specifications.

These specifications may include minimum standards for type, purity, composition, delivery, performance, design, appearance, and quality. We will issue the specifications to you before you begin operating. We may include these specifications in the Operations Manual or otherwise in writing or electronically, or we may issue them separately. You must obtain our prior approval to the use of any advertising materials you prepare, and before establishing or having established any website, web page, social media and/or social networking site, profile, account, or hashtag relating to or making reference to us, your Center, or to the System.

You can expect that the items you purchase to meet our specifications will represent over 90% of the total purchases you will make to begin operations. Once you begin operating, we expect the items you purchase that meet our specifications will represent between 40% and 50% of your total annual expenses.

### **Class and Instruction Specifications**

You must comply with the maximum number of students per class that we specify, subject to teacher-to-student ratios and enrollment capacities as permitted by local or state law applicable to your Center. You

may have multiple classrooms within the same Center, but you will be required to purchase additional user licenses to access the Curriculum for each classroom (see Item 6).

You are responsible for hiring qualified teachers for your Center. Your teachers must meet at least our minimum standards as to qualifications, education, health and safety certifications, and experience, as necessary to provide our proprietary Curriculum. However, you are ultimately responsible for all employment matters including hiring, training, paying, and disciplining your staff including your teachers.

#### Local Marketing Specifications

All marketing and promotion you conduct for your Center, in any medium, must meet our minimum standards and specifications, and include our specific logos and colors as we require. Before you use or conduct any marketing and promotion for your Center which has not been prepared or previously approved by us, you must submit samples of all materials to us for approval. We will generally notify you of our approval or disapproval within 30 days of our receipt of all the information and samples we request; if we do not respond within this time period, the request is considered disapproved. You may not use any marketing or promotional materials that we have disapproved.

#### **Required Purchases and Suppliers**

We may require you to purchase certain advertising or branded materials; products, food, and supplies; furniture, fixtures, and equipment; books and toys; educational and development programs and Curriculum; construction management, architecture, build-out, and technology services; and services used or offered by your Center and other items from suppliers we approve, in which case we will provide you with a list of approved suppliers. These suppliers may pay rebates to us. There are no caps or limitations on the amount of rebates we may receive from suppliers as a result of franchisee purchases. They may also provide us and our affiliates with discounts or credits on purchases we and our affiliates make from them based on the volume of purchases our franchisees make from them. For the fiscal year ended December 31, 2022, no affiliate received payments or other consideration from suppliers for purchases by franchisees. For the fiscal year ended December 31, 2022, we did not receive any revenue from franchisees for the payment of goods or services. This information was taken from our audited financial statements and from our affiliate's internal financial records. No officer of us has any interest in any of our suppliers, other than us or our affiliates.

#### Technology

We currently have a sole approved supplier for software required for recording student enrollments and tuition and sign-in and sign-out at your Center. You will need to register with this service provider and pay their annual subscription fees (currently, \$1,200 to \$1,440 per year per Center). You must also purchase and use at a minimum a POS system, computers, fax machine, printer, projectors, and approved smart board systems and stage/microphone systems. Typically each classroom will have at least one computer, smart board, and stage/microphone system. Each of the computers and hardware discussed above must contain the computer software and technology services we require, or have access to the software and technology services we require, and meet our specifications.

#### Insurance

Your insurance must meet our specifications, including type, amount, minimum deductibles, insurance carrier rating, additional insured designations, and subrogation waivers. Your insurance policies must name us as an additional named insured, and you must provide us a certificate of insurance before you open your Center. You must purchase "A" rated insurance policies. Each insurance policy must provide that it cannot be canceled without 30 days prior written notice to us and that we will receive at least 30 days prior written notice of its expiration. We currently require you to carry: comprehensive general liability insurance, including broad form contractual liability broad form property damage, personal injury, advertising injury, completed operations, products liability, and fire damage coverage (\$1,000,000 per occurrence and

\$2,000,000 aggregate); “all risks” or “special form” coverage (full cost of replacement of the Center premises and all other property in which we may have an interest); child abuse liability insurance (\$100,000 per occurrence and \$300,000 aggregate); automobile liability coverage, including coverage of owned, non-owned and hired vehicles (\$1,000,000 combined single limit); professional liability insurance (\$1,000,000 or an amount we reasonably specify); workers’ compensation insurance (amounts required by applicable law); tenant’s liability insurance (if applicable); builder’s risks insurance and performance and completion bonds; and any other insurance required by the city or state in which the Center is located and operated and as required by your landlord. If you own multiple Genius Kids child learning centers, we also require an umbrella liability policy of at least \$1,000,000.

### **Approval of Alternative Specifications or Suppliers**

If you want to purchase items for your Center that differ from our specifications, or from an unapproved supplier, you must notify us in writing. If we request, you must submit samples and other information we require for testing or to otherwise determine whether the product, material, or supply and supplier meets our specifications and quality standards. We may require suppliers to provide certain information, sign a nondisclosure agreement, and agree to guarantee our level of quality and produce sufficient samples to allow us to test the sample at your expense.

Although we do not make available the criteria we review when approving unapproved items or suppliers, we consider various factors including quality, safety, and value; whether the product or service is consistent with our concept and brand; if the product or service is already available through other sources; would approval of another vendor enhance competition or dilute our ability to maximize pricing benefits for our franchisees; the financial capabilities and reputation of the supplier; and is the product of a commercial quality with a proven record of durability. We will generally notify you and the supplier of our approval or disapproval within 30 days of our receipt of all the information and samples we request; if we do not respond within this time period, the request is considered disapproved. If we revoke approval of any supplier or any item offered by a supplier, we will send you written notice of our revocation of an approved supplier or item.

We are the sole supplier for the proprietary educational and development programs and Curriculum offered through your Center. We or our affiliates are also the sole approved supplier of training. We also only have one approved supplier for certain software and technology services you must use in your Center. We do not plan on approving any other suppliers from whom you can acquire or purchase these items or services. We intend to earn a profit on any items or services we sell to you, including those described above.

### **Negotiated Prices**

We may negotiate purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees.

### **Material Benefits**

We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of designated or approved suppliers.

### **Cooperatives**

We do not have any purchasing or distribution cooperatives as of the issuance date of this Disclosure Document.

**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 Franchise Disclosure Document.**

| <b>Obligation</b>                                          | <b>Section in Franchise Agreement</b>    | <b>Disclosure Document Item</b> |
|------------------------------------------------------------|------------------------------------------|---------------------------------|
| a. Site selection and acquisition/lease                    | Section 3                                | Items 7 and 11                  |
| b. Pre-opening purchases/leases                            | Sections 3, 6, 8(a), 9, and 13           | Items 7, 8, and 11              |
| c. Site development and other pre-opening requirements     | Sections 3, 8(a), and 9                  | Items 7 and 11                  |
| d. Initial and ongoing training                            | Section 8                                | Items 5, 6, and 11              |
| e. Opening                                                 | Sections 3 and 9                         | Items 7 and 11                  |
| f. Fees                                                    | Sections 2(b), 5 to 9, 12, 16, and 19(d) | Items 5, 6 and 7                |
| g. Compliance with standards and policies/operating manual | Sections 8 to 11                         | Items 8, 11, 15, and 16         |
| h. Trademarks and proprietary information                  | Sections 10, 12(d), and 14               | Items 13 and 14                 |
| i. Restrictions on products/services offered               | Sections 9 and 11                        | Items 8, 11, and 16             |
| j. Warranty and customer service requirements              | Section 9                                | Items 6 and 16                  |
| k. Territorial development and sales quotas                | Not applicable                           | Not applicable                  |
| l. Ongoing product/service purchases                       | Section 11                               | Items 5, 6, and 8               |
| m. Maintenance, appearance, and remodeling requirements    | Sections 3, 9, and 11                    | Items 5 and 6                   |
| n. Insurance                                               | Section 13                               | Items 7 and 8                   |
| o. Advertising                                             | Section 6                                | Items 5, 6, 7, and 11           |
| p. Indemnification                                         | Sections 3(j) and 21                     | Item 6                          |
| q. Owner's participation/management/staffing               | Sections 8 and 9                         | Item 15                         |
| r. Records and reports                                     | Section 12                               | Not applicable                  |

| <b>Obligation</b>                           | <b>Section in Franchise Agreement</b>            | <b>Disclosure Document Item</b> |
|---------------------------------------------|--------------------------------------------------|---------------------------------|
| s. Inspections and audits                   | Sections 12                                      | Not applicable                  |
| t. Transfer                                 | Section 16                                       | Item 17                         |
| u. Renewal                                  | Section 2                                        | Item 17                         |
| v. Post-termination obligations             | Section 19                                       | Item 17                         |
| w. Non-competition covenants                | Section 15                                       | Items 15 and 17                 |
| x. Dispute resolution                       | Section 20                                       | Item 17                         |
| y. Other: Guaranty of franchise obligations | Guaranty (which follows the Franchise Agreement) | Item 15                         |

## **ITEM 10. FINANCING**

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

## **ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

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

### **Pre-Opening Assistance**

Before you open your Center, we will:

1. Provide you a “search area” in which you must locate your Center (Franchise Agreement – Section 3(a)), if you do not have a site for your Center that we have approved at the time you sign the Franchise Agreement.
2. Review and approve or reject any proposed sites for your Center that you find within your search area and designate your Territory (Franchise Agreement – Sections 3 and 4).
3. Review your proposed lease for your Center to confirm that it contains the language required by the Franchise Agreement (Franchise Agreement – Section 3).
4. Provide you a sample layout of the interior of a typical Genius Kids child learning center, including typical preliminary plans and décor specifications (Franchise Agreement – Section 3).
5. Provide to up to 3 of your personnel (including you and your Supervisor), at our expense, the Initial Training Program (Franchise Agreement – Section 8(a)).
6. Loan you our Operations Manual that contains various information including mandatory and suggested specifications, standards, and procedures. We may modify any manual periodically in

our discretion. (Franchise Agreement – Section 8(g). As of the issuance date of this Disclosure Document, the Operations Manual contains 23 sections. A copy of the table of contents of the Operations Manual is attached to this Disclosure Document as Exhibit E.

7. Provide you with various forms and templates you may use in the operation of your Center, which you must modify to meet all laws and regulations applicable to your Center (Franchise Agreement – Section 8(i)).
8. Provide you with a list of the approved suppliers for certain equipment, technology, supplies, and services for your Center (Franchise Agreement – Section 11).
9. Provide you with a webpage or website listing on our or our affiliate's website for your Center (Franchise Agreement – Section 6).

### **Post-Opening Assistance**

During the term of the Franchise Agreement and so long as you are not in default under the Franchise Agreement, we will:

1. Be available during normal business hours to provide you with telephone support on operating issues you confront (Franchise Agreement –Section 8(c)).
2. Provide our Initial Training Program to any new Owner or Supervisor you retain at your Center, at your cost (Franchise Agreement – Section 8(b)).
3. Provide you with additional optional or required training and continuing education sessions as discussed below, at your cost (Franchise Agreement – Section 8).
4. License to you access to the Curriculum(s) you purchase for use at your Center (Franchise Agreement – Sections 2(a), 5(a), and 9(f)).
5. Provide you with various forms and templates you may use in the operation of your Center, which you must modify to meet all laws and regulations applicable to your Center (Franchise Agreement – Section 8(i)).
6. Provide you with a list of the approved suppliers for certain equipment, technology, supplies, and services for your Center (Franchise Agreement – Section 11).
7. Provide you with a webpage or website listing on our or our affiliate's website for your Center (Franchise Agreement – Section 6).

### **Training**

#### Initial Training Program

You, your Supervisor, and up to 1 additional key person that we designate and approve must successfully complete the Initial Training Program. The Initial Training Program must be completed by all required attendees at least 60 days before the expected opening of your Center. (Franchise Agreement Section – 8(a)). The Initial Training Program will usually be held in California at a location we specify or electronically or virtually, in our discretion. This Initial Training Program will be held on an as-needed basis as we sell franchises. There is no charge to you for this Initial Training Program for up to 3 attendees attending together, but you are responsible for all travel and living expenses you and your attendees incur in attending the Initial Training Program. If you or any other attendee fail to complete the Initial Training Program to our satisfaction, we may terminate the Franchise Agreement and we will not reimburse any fees to you, including the Initial Franchise Fee.

Our Initial Training Program as of the date of this Disclosure Document consists of approximately 10 days of training as follows:

| <b>INITIAL TRAINING PROGRAM</b>                           |                                    |                                     |                              |
|-----------------------------------------------------------|------------------------------------|-------------------------------------|------------------------------|
| <b>Subject</b>                                            | <b>Hours of Classroom Training</b> | <b>Hours of On-The-Job Training</b> | <b>Location</b>              |
| The Genius Kid System, Basic Standards and Introduction   | 2                                  | 1                                   | California or other location |
| Starting Your Business, Insurance, and Strategic Planning | 1                                  | 0                                   | California or other location |
| The Genius Kid Learning Philosophy                        | 1                                  | 1                                   | California or other location |
| Introduction to Curriculum                                | 1                                  | 2-3                                 | California or other location |
| Playground Equipment and Toys                             | 0-2                                | 0                                   | California or other location |
| Hiring Instructors, Assistants, and Aids                  | 0-2                                | 0-1                                 | California or other location |
| Offering Various Types of Learning Programs               | 2-3                                | 2-3                                 | California or other location |
| Offering Various Types of Activities                      | 2                                  | 2-3                                 | California or other location |
| Ratio of Instructors to Children                          | 1-2                                | 0                                   | California or other location |
| Teaching The Curriculum                                   | 2-3                                | 2-3                                 | California or other location |
| Classroom Observation                                     | 0                                  | 10-12                               | California or other location |
| Safety and Quality Control                                | 2-3                                | 1                                   | California or other location |
| Enrollment and Tuition Program Package Options            | 2                                  | 2                                   | California or other location |
| Marketing Your Business                                   | 2-4                                | 1                                   | California or other location |
| Disciplining Techniques and Handling Complaints           | 0                                  | 3                                   | California or other location |
| Computer, POS, and Software Training                      | 4                                  | 2                                   | California or other location |
| Staffing and Labor Costs                                  | 1-3                                | 0                                   | California or other location |
| Contracts, Forms, Waivers, and Administrative Procedures  | 6                                  | 0                                   | California or other location |

| INITIAL TRAINING PROGRAM                   |                             |                              |                              |
|--------------------------------------------|-----------------------------|------------------------------|------------------------------|
| Subject                                    | Hours of Classroom Training | Hours of On-The-Job Training | Location                     |
| Web Site Management                        | 1-2                         | 0                            | California or other location |
| Customer Service and Front Desk Operations | 0                           | 2                            | California or other location |
| Financial and Accounting Procedures        | 2-4                         | 0                            | California or other location |
| Offering Private Party Accommodations      | 1                           | 0                            | California or other location |
| Merchandise and Retail Items               | 2                           | 0                            | California or other location |
| Review Assessment of Teaching Curriculum   | 4-6                         | 0                            | California or other location |
| Review of Previous Topics (as needed)      | 0-2                         | 0                            | California or other location |
| <b>Total Training Time</b>                 | <b>39-58</b>                | <b>31-38</b>                 |                              |

The classroom training will be held in a conference room setting, or may be provided to you via webinar or other online/electronic method that allows us to administer, track, and deliver e-learning education courses and training via a software application. The on-the-job training will be held at a Genius Kids child learning center.

As of the issuance date of this Disclosure Document, the instructors in charge of our Initial Training Program are Rennu Dhillon, Shana Nijjar Sheena Dhillon, Kiran Gudoor, and Anjani Verukonda. We may also have additional employees of ours assist in providing the Initial Training Program. Ms. Rennu Dhillon is our founder and President, and created our Curriculum. Ms. Shana Nijjar is our Vice President and is responsible for daily operations of our affiliate-owned Genius Kids child learning center. Ms. Sheena Dhillon is our consultant for curriculum, and has been with us since 2001. Mr. Kiran Gudoor is a franchisee of ours since 2019 and assists with training franchisees on the East Coast. Ms. Sylvia Coronado is our Training and Support – Corporate Office and has been with Genius Kids since 2020 and focuses training for Genius Kids child learning centers serving students up to 3 years of age. Ms. Anjani Verukonda is our Training and Support – Corporate Office and has been with Genius Kids since 2021 and focuses training for Genius Kids child learning centers serving students between 3 to 5 years of age.

#### Additional Assistance and Optional Training

We will be available during normal business hours, and without charge to you, to provide you with reasonable telephone and email support on operating issues concerning your Center (Franchise Agreement – Section 8(c)). We may also provide additional training that you request and we agree to provide, at our current charges for additional training (Franchise Agreement – Section 8). Our current charge for any optional training is \$300 per person per day, plus you must reimburse us for any of our actual costs for the trainers including travel, lodging, and meal expenses. The cost for this training must be paid before the training begins. You are responsible for the travel and living expenses you and your staff incur in attending these optional trainings.



### Additional Required Training and Continuing Education

Any new owner of you and any new Supervisor must attend and successfully complete all or a portion of the Initial Training Program as we require before starting to work at your Center (Franchise Agreement – Section 8(b)). Each of these trainings is provided at the locations and times we specify. Our current charge for any required training is \$300 per person per day, plus you must reimburse us for any of our actual costs for the trainers including travel, lodging, and meal expenses. The cost for this training must be paid before the training begins. You are responsible for the travel and living expenses you and your staff incur in attending these required trainings.

We may also provide mandatory training and continuing education (Franchise Agreement – Section 8(e)). If we provide it, you or one of your staff members that we approve must attend these trainings or continuing education sessions. If you request additional on-site training, or you do not meet our standards, we may require you to have additional on-site training (Franchise Agreement – Section 8(f)). Our current charge for any required training or continuing education sessions is \$300 per person per day, plus you must reimburse us for any of our actual costs for the trainers including travel, lodging, and meal expenses. The cost for these trainings or continuing education sessions must be paid before the training begins. These trainings or continuing education sessions will be held periodically depending upon the need.

You must provide to each of your Center's staff members a training program meeting our requirements, including any new staff members and Supervisors (Franchise Agreement – Section 9(d)). This training must occur before the staff begin performing services on your behalf.

### **Site Selection and Opening**

You must operate your Center from a single location we approve in your Territory. If you do not have a location that we have approved for your Center at the time you sign the Franchise Agreement, we will assign you a non-exclusive "search area" in which you must locate your Center. We do not provide you with any site selection assistance. Although we provide you with prototypical plans and specifications for a Center, we do not conform the premises to local ordinances and building codes or obtain any required permits for you, and we do not construct, remodel or decorate the premises.

You must submit to us information and materials we require, obtain our approval of the site for your Center, and enter into a lease or purchase the approved site within 3 months after the date you sign your Franchise Agreement (Franchise Agreement – Section 3). If we have not approved a site within this time period we can terminate your Franchise Agreement and retain any fees you have paid. We take various factors into consideration when reviewing a site, such as whether the site is located in a metropolitan area, the location and proximity of the site to a residential neighborhood and to parks, whether the site is on a main thoroughfare, size of the proposed premises, parking availability, and whether the site is a one-level building. The site must generally be between 3,000 to 15,000 square feet with an indoor and outdoor playground area with 5 to 7 classrooms and with a projected enrollment of up to 120 students. We typically require that your Center have at least 3 classrooms. It must also have ample parking spots as designated by the local city ordinance, unless it has on-street parking in close proximity to the Center. The premises must be capable of accommodating at least 2 age groups served by our Curriculum (currently, Infant and Toddler, Preschool and PreK, and Enrichment K and Afterschool) and also have adequate space for a laundry room if needed, reception area, office and storage area, a kitchen, an indoor play area, and a breakroom for your employees. You must also provide us with a copy of your lease or sublease so that we can confirm that it meets the requirements of the Franchise Agreement.

You may not open your Center until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) you and any other person we require have completed our Initial Training Program to our satisfaction and you certify that you have provided all of your employees with the training we require; (3) you have furnished us with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums we request; (4) you notify us that all approvals and conditions in the Franchise Agreement have been met; and (5) you have obtained all required permits and licenses, including those required by the licensing agency having

jurisdiction over the Center. If an individual is required to be the license holder you must be that individual. If you are an entity the license holder may be the entity or your majority owner, subject to compliance with state law. You must open your Center within 6 months from the date you sign your Franchise Agreement (Franchise Agreement – Section 3(d)). If you do not, we can, at our option, either grant you an extension to open your Center of up to 6 months upon payment of an extension fee equal to \$500 per month (prorated for any partial month) or we can terminate your Franchise Agreement and retain all amounts you have paid to us.

We estimate that the typical length of time between signing of the Franchise Agreement and the opening of your Center will be 3 to 12 months. Some factors that may affect this timing are whether you need to remodel your site, the amount of time it takes you to obtain licensure, and your ability to secure any necessary financing.

We may require you to remodel, modernize, or redecorate your Center at any time according to standards and specifications we determine.

## **Computer Systems and Technology Services**

### Computer Hardware

You must purchase and use at a minimum, a POS system, computers, 1 fax machine, 1 printer, projectors, and approved smart board systems and stage/microphone systems. Typically each classroom will have at least 1 computer, smart board, and stage/microphone system. All of these items must meet our specifications, including those related to model, brand, and functionality, but can be purchased from any vendor although we may require the smart boards to be purchased from our approved vendor. The number of items specified above is based upon a Center with projected enrollment of up to 120 students with 5 to 7 classrooms. If the number of students projected for your Center is greater than this number or actual enrollment of your Center is greater, you will need to purchase additional computer hardware to be used by your students and teachers. You must also purchase the hardware required for a building security system, including camera surveillance, a speaker system, and a fire alarm system meeting our requirements.

You will use the computers to send invoices, perform accounting functions, process payroll and tuition payments, complete enrollment forms and immunization reporting, log student attendance, play training videos, maintain financial information, produce daily reports, and email correspondence with parents, us, suppliers, and others.

### Computer Software and Technology Services

Each of the computers and tablets discussed above must contain or have the ability to access the applications and software we require, including the technology service we require for recording student enrollments and tuition and sign-in and sign-out at your Center. You must maintain on your computer the most current versions of QuickBooks, Microsoft Office, and certain anti-virus software that meets our specifications. Many times these items will come preloaded on a computer. If they are not preloaded on your computer you will need to purchase them and load them on your computer. You must also maintain certain music playlists. You must also purchase the software required for a building security system, including a camera and key card system and fire alarm system meeting our requirements. You must renew your licenses on a yearly basis.

### Ongoing Maintenance and Use

We are not obligated to provide you with ongoing maintenance, repairs, upgrades, or updates to the technology discussed above. Although most new computers come with a limited warranty we are not aware of any third parties with an obligation to upgrade or maintain these items. We anticipate that you will be required to upgrade or update your technology during the term of the franchise, and there are no contractual

limitations on the frequency and cost of the obligation. We do not have any contractual obligation to upgrade or update any of your hardware or software during the term of this franchise. We estimate the total cost for the computer hardware and software and technology services above to be between \$10,000 and \$30,000 (including the security system), with annual software and subscription costs between \$2,000 to \$5,000 (excluding the security system). This does not include music licensing costs, which will vary, nor does it include processing fees, and these amounts may increase over time based on the software and subscription costs charged by these suppliers.

## **Advertising and Marketing**

### System-Wide Marketing

We do not currently have a system-wide marketing or brand fund, and do not require that you pay any fee into a system-wide marketing or brand fund. Because we do not have such a fund, we did not collect any amounts in this fund in our fiscal year ending December 31, 2022. We do not have an advertising council that advises us on advertising policies.

### Local Marketing

You must conduct your own local marketing of your Center. You must spend at least \$9,000 on pre-approved grand opening marketing for your Center during the first 3 months after opening the Center for business. Thereafter, you must spend at least \$500 per month on pre-approved local advertising (the "Monthly Local Advertising Requirement") to promote your Center. These expenditures must be on advertising that we have approved. You must submit to us receipts of expenditures spent on the grand opening program and to meet the Monthly Local Advertising Requirement by the 10th day of each month for the prior month. Indirect costs you incur in managing your local advertising campaigns, such as salaries and benefits of your employees, will not count towards these minimum expenditure requirements. Additionally, any costs you incur for advertising conducted at your Center, such as in-Center materials and signage or banners, will not count towards these minimum expenditure requirements. If you fail to meet either expenditure requirement, you must pay the shortfall to us immediately upon demand and we may use such amounts for local, state, or national advertising for the Genius Kids system, without regards to any benefit to you and in our discretion.

You are prohibited from soliciting and marketing in general to students by any means outside of your Territory (see Item 12) and must not specifically engage in Target Marketing of students within the territory of another franchised or company-owned Genius Kids child learning center. "Target Marketing" means a concerted effort to solicit and obtain students through any type of advertisement or marketing, directed at all or a portion of another Genius Kids child learning center's territory. However, we do not monitor any alleged Target Marketing activities or otherwise enforce these standards except in our discretion. Any Target Marketing that you have engaged in does not count towards these minimum expenditure requirements.

You must obtain our prior approval of all local marketing you engage in for your Center. Use of our marks and other materials identifying our brand must be consistent with our approved standards. You may not use our marks or other materials identifying our brand on items to be sold or services to be provided without our prior written approval. You must also obtain our approval before establishing, or having established, any websites, application, online directory, hashtags, profiles, or accounts relating to or making reference to us, your Center, or to the System. You are ultimately responsible for ensuring that your advertising complies with all applicable laws before using it.

## **ITEM 12. TERRITORY**

You must only operate your Center at the specific location we have approved and identified in your Franchise Agreement. You must locate a site for your Center, at your expense, and obtain our approval before leasing or purchasing the site. If you lease your site, you must provide us a copy of your lease or sublease at least 10 days before execution for our review. We will allow you to relocate your site within your market, if it is not within the territory of another Genius Kids child learning center and the new site meets our other then-current requirements for a site, and you pay us a relocation fee of \$10,000 and sign a general release. We may change your Territory to our current standards for the grant of similar territories if we approve your relocation.

### **Search Area**

If you do not have a site for your Center when you sign your Franchise Agreement that we have approved, we will list a general "search area" in your Franchise Agreement. You do not acquire any exclusive rights in this area. It is only the area in which you will look for a site for your Center. We may grant other people a Genius Kids franchise, or open ourselves or through our affiliates a Genius Kids child learning center, in this search area as well, and other franchisees may be searching for sites in this search area. Once you identify a site for your Center, and we approve that site, we will then update your Franchise Agreement to identify the approved site for your Center.

### **Territory**

Upon approval of your site and your possession of the site, we will grant you a limited protected territory around the site (the "Territory"). Your Territory will generally encompass a 2-mile radius around your Center, not to exceed the city limits in which your Center is located. For example, if your city limits are closer to your Center than this 2-mile radius, your Territory will end at the city limits; however, if the city limits are further out than this 2-mile radius, your Territory will be limited to the 2-mile radius. The approval of your site and exact size of your Territory will depend upon various factors including whether your Center is located in a metropolitan area, the population and demographics in the market area, the size of your Center, the number of students you are licensed to care for in your Center, traffic patterns, convenient drop off and/or pick-up, available parking, and proximity to major roads. We may also restrict your Center to the age groups that the city or state license restricts you to. Your Territory may overlap with the territory of another Genius Kids child learning center.

As long as you are in compliance with your Franchise Agreement and any other agreements with us and any of our affiliates, we will not operate or grant a third party the right to operate under the Genius Kids name, a child learning center physically located in your Territory. Other than this limitation there are no other prohibitions on us in your Territory. For example, we can operate or allow others to operate similar or identical businesses within the Territory if such businesses do not operate under the Genius Kids marks, and to operate similar or identical business outside of your Territory under any trademarks even if the businesses compete with your Center in your Territory. We can also operate or allow others to operate businesses inside the Territory under the Genius Kids marks so long as the businesses are not competitive with your Center. We can sell any products we or our affiliates provide to you for use or resale in your Center to any person, whether in or outside your Territory, whether under the Genius Kids marks or otherwise. We can offer or sell our Curriculum or other educational or development programs or classes in any medium now or later developed, whether in or outside your Territory, whether under the Genius Kids marks or otherwise. We can develop additional educational or developmental programs or curriculum in any subject for children of any age using methods similar to or different than the Curriculum, and operating and marketing those programs under the Genius Kids marks or otherwise, including in English or any other language as a second or foreign language program. We can sell or grant third parties the right to sell goods or services competitive with those sold by your Center under the Genius Kids marks or otherwise through other distribution channels including the Internet, catalog sales, telemarketing, or other direct marketing, inside and out of your Territory. We can acquire businesses in the Territory that are similar to your Center or sell our business whether through a sale of assets or stock to anyone, regardless whether they operate

or franchise the operation of businesses similar to your Center. We can also operate or allow others to operate businesses located inside or outside of your Territory that sell to locations in or outside of your Territory our Curriculum, either under the Genius Kids marks or otherwise.

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

We do not pay any compensation to you from the sale of our services, Curriculum or products, including over the Internet or through other similar venues, by alternative means of distribution, advertising cooperative programs, and outlets, businesses that are not substantially similar to the franchised business or any business that does not use the marks. For clarity, the Franchise Agreement grants you no rights to sell or distribute products and provide services through any alternative channels of distribution (other than our approved list of channels of distribution) without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

### **Customer and Marketing Restrictions**

You may service students and sell Franchisor-approved products and services to students, parents, and families who live outside your Territory only if such activity does not result from any Target Marketing activities by you, if you are licensed to provide the applicable products or services to these customers and you may only operate the franchise from the approved site for the Center. You are prohibited from soliciting and marketing in general to students by any means outside of your territory and must not specifically engage in Target Marketing of students within the territory of another franchised or company-owned Genius Kids child learning center. However, we do not monitor any alleged Target Marketing activities or otherwise enforce these standards except in our discretion.

If you are asked to provide services to students who live in a geographical territory in which there is another franchisee or company-owned Genius Kids child learning center, you must immediately refer the student to the franchised or company-owned Genius Kids child learning center in that territory or directly to us. If the other franchised or company-owned Genius Kids child learning center determines it is in the best interest of the student for you to provide services, then you can service the student. If there is not a franchised or company-owned Genius Kids child learning center in the area in which the student lives, then you can immediately service the student (subject to applicable licensure), however you must be prepared to refer the student to another Genius Kids child learning center when the unassigned area is developed. We and other franchisees must refer students that live within your Territory to you and also reserve the same right to provide services to students who may live within your Territory if it is determined to be in the student's best interest. If you are unable to serve promptly and properly any of your students due to unavailable teachers or classrooms or other cause, you must refer that student to another Genius Kids child learning center or to us. If you fail to comply with our student referral policies, we may terminate your Franchise Agreement or, in lieu of termination, we may modify or completely eliminate any rights that you may have with respect to exclusivity in your Territory, effective 10 days after delivery of written notice to you. We encourage all Genius Kids child learning centers in close proximity to each other, when owned by different operators, to develop a referral relationship and an advertising strategy. You must notify us of all such arrangements.

Your Territory is not dependent upon achievement of certain sales volume, market penetration, or any other contingency and may not be altered for any reason (except, as provided above, in the event of a relocation). We do not pay any compensation for soliciting or accepting orders from customers.

### **Competing Brands**

We have not yet established, but may establish, other franchises or company-owned businesses that offer our Curriculum under a trade name or trademark different from our Genius Kids marks.

## Options and Rights of First Refusal

You will not receive any options, rights of first refusal, or similar rights to acquire additional franchises. You may not operate an additional Centers, whether in your Territory or elsewhere, unless you acquire additional franchise rights from us and sign another Franchise Agreement.

## ITEM 13. TRADEMARKS

The Franchise Agreement gives you the right to operate a Center under the trade names, trademarks, and service marks that we establish or have a right to license. We obtained the rights to use the principal marks and all other marks, logos, commercial symbols, and other intellectual property owned by our founder, and to license others to use these items, under an Intellectual Property License Agreement dated May 19, 2022 between us and our founder. Under the terms of that Intellectual Property License Agreement, our founder may continue to operate her own businesses under these or other marks, provided she does not operate her businesses from a site physically located within any Territory granted to any of our franchisees. We are not limited in how we may use or license this intellectual property and the length of the Intellectual Property License Agreement is indefinite. We therefore essentially have all the rights as the owner of the intellectual property to license others to use the intellectual property. If this Intellectual Property License Agreement were terminated you would have to stop using the marks and all other intellectual property licensed to us under the Intellectual Property License Agreement.

### Principal Marks

Our founder has applied for registration of the following trademarks on the Principal Register of the United States Patent and Trademark Office ("USPTO"), which we consider to be our principal marks:

| Mark                                                                                | Serial Number | Application Date |
|-------------------------------------------------------------------------------------|---------------|------------------|
| Genius Kids Child Development Center Play Learn Grow                                | 97418793      | May 19, 2022     |
|  | 97418841      | May 19, 2022     |

In addition, we also consider the service mark "Genius Kids" to be a principal mark.

There are no currently effective material determinations by the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings, or any pending material litigation involving any of our marks which are relevant to the use of these marks. No currently effective litigation affects our use or rights in any of these marks. Except as disclosed above, no currently effective agreement limits our right to use or license the use of these marks. Once registered, all affidavits required to preserve and renew the registrations for the principal marks disclosed above will be filed. We do not know of any infringing uses that could materially affect your use of these marks.

You must follow our standards when you use our marks. You may not use any of our marks alone or with modifying words, designs, or symbols as part of a corporate or business name or in any form on the Internet, including URLs, domain names, social media accounts or profiles, review or business profiles sites, hash

tags, e-mail addresses, locators, links, metatags, or search techniques. You may not use any of our marks for the sale of any unauthorized product or service or in a manner we have not authorized in writing.

We have an obligation to protect and maintain your rights to use the marks against encroachment, misuse, or unauthorized use or against any challenges to any rights of use. You must notify us immediately when you learn about an infringement of or challenge to your use of these marks. We may take the action necessary, in our sole discretion, to prevent the unauthorized use of the marks, including bringing actions against third parties regarding the use of any of the marks, but the Franchise Agreement does not require us to take any specific affirmative action. We will control any administrative proceedings or litigation involving the marks. You must cooperate with us and take all actions we require to carry out the defense or prosecution. We are not required to defend you against a claim based on your use of the marks.

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. Additionally, we may change the marks and require you to adopt new marks as if they were part of the Franchise Agreement at the time you sign it. You must comply with these changes immediately after we notify you that we have discontinued, modified, or changed one or more of the marks. We will have no liability or obligation because of the discontinuation, modification, or change.

You must not directly or indirectly contest the validity of the marks or our right to use or license the marks, trade secrets, confidential information, or business techniques that are part of our System. You must use the designations of ®, ™, and SM in advertising and promotions using the marks, as we designate.

#### **ITEM 14.**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We claim copyright and trade secret protection of our System, business procedures, educational and developmental programs, Curriculum, software, manuals, and all related materials including advertisement and promotional materials although these materials have not been registered with the United States Copyright Office. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in your Franchise Agreement for the operation of your Center. We reserve the right to register any of our copyrighted materials at any time we deem appropriate.

There currently are no effective determinations of the Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state.

We are not required by any agreement to protect or defend any patent, trade secret, or copyright. You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials, patents, or trade secrets, or claim by any person of any rights in any copyright, trade secret, or patent which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to exclusively control any litigation, Copyright Office proceeding, or other administrative proceeding.

We possess certain confidential information including educational and developmental learning programs, Curriculum, teaching notes, teaching tools, workbooks and worksheets, student folders and learning materials, music, software, operational procedures, standards, techniques, teaching methods and strategies, product and vendor specifications, procedures for safety and quality control, customer service guidelines, marketing materials, business systems and knowledge of, and experience in, the operation and franchising of a Center. We will disclose confidential information to you during trainings, seminars, workshops, continuing education sessions, and conventions sponsored by us, in the Operating Manual,

and in guidance furnished to you during the term of your Franchise Agreement. You may use these materials, in the manner we approve, in the operation of your Center during the term of your Franchise Agreement. The Franchise Agreement provides that you will not acquire any interest in the confidential information other than the right to use it in the development and operation of your Center during the term of your Franchise Agreement, and that the use or duplication of the confidential information in any other business would constitute unfair competition. You also agree that the confidential information is proprietary to us and is disclosed to you solely on the condition that you (1) will not use the confidential information in any other business or capacity; (2) will maintain the absolute confidentiality of the confidential information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the confidential information disclosed in written or electronic form; and (4) will adopt and implement all reasonable procedures required by us to prevent unauthorized use or disclosure of the confidential information.

#### **ITEM 15.**

##### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

The Franchise Agreement provides that your Center must at all times be under your direct, day-to-day, full-time supervision (or if you are an Entity, then a managing or majority Owner of the Entity, approved by us). This person must have successfully completed our Initial Training Program. You (or your managing or majority Owner if you are an Entity) must use his or her best efforts in the operation of the Center. If you are the owner-operator, you must be involved in the day-to-day operation of the Center and you must be the license holder as required by applicable state law. If you are an Entity, your managing or majority Owner must be involved in the day-to-day operation of the Center and this individual or the Entity may be the license holder, as permitted by applicable state law.

You are required to retain a manager (referred to as “Supervisor”) for the daily operation and management of your Center. The Supervisor may, but need not, be you or an Owner if you are an Entity. The Supervisor must comply with all local and state regulations and meet all of our standards and criteria as set forth in the Operations Manual. These individuals must also satisfy the applicable training requirements as outlined in the Franchise Agreement.

Each of your Supervisors, employees, service providers, agents, principals, and affiliates must sign a confidentiality agreement containing substantially the same protections as provided in the form agreement contained in the Operations Manual (although you are responsible for ensuring its adequacy and enforceability under local law). Your Supervisors must also sign non-competition agreements that restrict him or her to the same extent as you are restricted under the Franchise Agreement.

If you are an Entity, each Owner must personally guarantee your obligations under the Franchise Agreement, and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, agree to be bound by the confidentiality provisions and non-competition provisions of the Franchise Agreement, and agree to certain restrictions on their ownership interests.

#### **ITEM 16.**

##### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer the services we specify, and you may not sell other products or services in your Center without our prior written approval. This means that we can limit the type of items that you may sell. We can also change the services and products we allow you to offer at any time. You must follow our policies, procedures, methods, and techniques and comply with all of our mandatory standards and specifications when providing services through your Center. You must follow our Curriculum when providing educational



services. You cannot operate other businesses from your Center. You must maintain proper permits and licenses to operate a Center and perform services in your area. You must not engage in any trade, practice, or other activity that is harmful to our goodwill or reflects unfavorably on our reputation, that constitutes deceptive or unfair competition, or that is in violation of any applicable law.

## **Curriculum**

We currently offer 3 Curriculum options: Infant and Toddler, Preschool and PreK, and Enrichment K and Afterschool. You must offer at least 1 of our Curriculum options.

You are required to offer only our approved services, Curriculum, and products specified by us that include educational and developmental learning programs and activities such as phonics, reading, math, numbers, colors, science, art, public speaking, drama, painting, arts and crafts, toys and any other child-related products, programs, and services as authorized by us or developed by us. You must offer all educational and developmental programs or classes and Curriculum required by us in the manner and style we specify. You must not deviate from our standards and specifications without first obtaining our written consent. You must discontinue offering any educational and developmental program, class, and/or curriculum, service, or product that we may disapprove in writing at any time. If we grant you authorization to offer other services, educational, and developmental programs and/or curriculum, and we later develop a program that we add to our Curriculum offering a similar activity, you will be required to switch to our program and pay any additional Curriculum fees (if applicable). We may change the types of Curriculum, services, and products we authorize. There are no limits on our right to do so. You may offer additional services and products that are unique to your area in an effort to blend in with your community; however, you must obtain our written approval before offering these services and products. You must discontinue offering any educational programs, curriculum, services, or products we may disapprove in writing at any time.

There are no restrictions on the prices or rates at which you may offer services or products, except that we may suggest pricing and rate strategy. We can also implement pricing policies, such as minimum or maximum price policies, minimum advertised price policies, and unilateral minimum price policies, and you must abide by these policies.

You may not serve or enroll students who are not within the age group appropriate to the Curriculum(s) you have licensed from us. Each part of our Curriculum has been designed for targeted age groups. However certain programs in our Curriculum may be appropriate for certain children who are older or younger than the targeted age groups. You must not offer programs that deviate from the targeted age group of your Center without obtaining our written consent first, which request we will respond to within 30 days of our receipt of your request. If we do not respond within such time period, the request will be deemed disapproved. Further restrictions and guidelines on offering additional programs to children who are older or younger than the targeted age group of your Center will be provided in the Operations Manual.

You may not give, loan, or sell any part of our educational and developmental programs, Curriculum, teaching notes, worksheets and workbooks, student folders, music, marketing materials, or any of our confidential information to any person or entity except as permitted through your Center under your Franchise Agreement. You may use or sell the marketing materials and student folders and utilize the Curriculum only through your Center and only to customers who have enrolled in programs for your Center. You cannot copy, reproduce, modify, translate, reverse engineer, decompile, or disassemble our Curriculum in any way.

## **Target Marketing**

You may service students and sell Franchisor-approved products and services to students, parents, and families who live outside your Territory only if such activity does not result from any Target Marketing activities by you, provided that you are licensed to provide the applicable products or services to these customers and you may only operate the franchise from the approved site for the Center. You are prohibited from soliciting and marketing in general to students by any means outside of your Territory and must not specifically engage in Target Marketing of students within the territory of another franchised or company-

owned Genius Kids child learning center. However, we do not monitor any alleged Target Marketing activities or otherwise enforce these standards except in our discretion.

If you are asked to provide services to students who live in a geographical territory in which there is another franchisee or company-owned Genius Kids child learning center, you must immediately refer the student to the franchised or company-owned Genius Kids child learning center in that territory or directly to us. If the other franchised or company-owned Genius Kids child learning center determines it is in the best interest of the student for you to provide services, then you can service the student. If there is not a franchised or company-owned Genius Kids child learning center in the area in which the student lives, then you can immediately service the student (subject to applicable licensure), however you must be prepared to refer the student to another Genius Kids child learning center when the unassigned area is developed. We and other franchisees must refer students that live within your Territory to you and also reserve the same right to provide services to students who may live within your Territory if it is determined to be in the student's best interest. If you are unable to serve promptly and properly any of your students due to unavailable teachers or classrooms or other cause, you must refer that student to another Genius Kids child learning center or to us. If you fail to comply with our student referral policies, we may terminate your Franchise Agreement or, in lieu of termination, we may modify or completely eliminate any rights that you may have with respect to exclusivity in your Territory, effective 10 days after delivery of written notice to you. We encourage all Genius Kids child learning centers in close proximity to each other, when owned by different operators, to develop a referral relationship and an advertising strategy. You must notify us of all such arrangements.

## 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 Franchise Disclosure Document.**

| Provision                                  | Section in Franchise or Other Agreements | Summary                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term            | Section 2(a)                             | 10 years                                                                                                                                                                                                                                                                                                                                                |
| b. Renewal or extension of the term        | Sections 2(b)                            | If you are in good standing and you meet our conditions, you can renew your franchise for an additional 10-year period.                                                                                                                                                                                                                                 |
| c. Requirements for you to renew or extend | Section 2(b)                             | Give written notice; sign new franchise agreement (which may have materially different terms and conditions than your original Franchise Agreement); upgrade and remodel your Center to comply with then-current standards; provide us with evidence of property control; provide us with evidence of licensure; sign general release; pay renewal fee. |
| d. Termination by you                      | Section 19(b)                            | You may terminate only if we default and do not cure our default after receiving notice from you (subject to state law).                                                                                                                                                                                                                                |

| <b>Provision</b>                               | <b>Section in Franchise or Other Agreements</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| e. Termination by us without cause             | Not applicable                                  | Not applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| f. Termination by us with cause                | Sections 19(a) and 19(c)                        | We may terminate only if you default.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| g. "Cause" defined – curable defaults          | Section 19(a)                                   | Most defaults are curable and you will have 30 days to cure (10 days for monetary defaults and to cure citations related to your license), subject to state law variations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| h. "Cause" defined – non-curable defaults      | Sections 9(b) and 19(a)                         | You fail to timely obtain a license necessary to operate the Center; you lose the right to occupy the premises for your Center; you fail to timely obtain a site for your Center; you fail to timely open your Center; you abandon the business; you or any of your owners are convicted of, or plead guilty or no contest to, certain crimes; you operate the Center in a way that presents a safety or health hazard or engage in conduct that presents a reckless disregard for the well-being of children or others; you lose a license necessary to operate the Center; you engage in certain prohibited Targeted Marketing or violate our student referral policies; you maintain false books or records or submit any false or misleading application, statement, or report to us; you misuse the Marks or materially impair the value of, or the goodwill associated with the Marks or the System. |
| i. Your obligations on termination/non-renewal | Sections 19(d) and 19(e)                        | Stop operating the Center; stop using our names and the Marks (including in any corporate or business name or assumed name); return information to us; assign to us or cancel certain registrations, listings, telephone numbers, websites, and domain names; pay all amounts you owe us; pay us an early termination fee based on the average monthly Royalty Fees in the previous 12 months for up to 36 months; and provide us an option to purchase your inventory, equipment, supplies, signs, and branded items.                                                                                                                                                                                                                                                                                                                                                                                     |
| j. Assignment of contract by us                | Section 16(a)                                   | No restriction on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| k. "Transfer" by you – defined                 | Section 16(b)                                   | Includes transfer of the Franchise Agreement or Center, or transfer of majority control of the Franchise Agreement or of the Center.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| l. Our approval of transfer by franchisee      | Section 16(c)                                   | We must approve all transfers, but will not withhold our consent if all of the requirements for the transfer are met.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| <b>Provision</b>                                                          | <b>Section in Franchise or Other Agreements</b>     | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| m. Conditions for our approval of transfer                                | Section 16(c)                                       | Transferee must meet our requirements, including sign a new franchise agreement on our then-current form for the remaining term of your Franchise Agreement (which may contain materially different terms and conditions than your Franchise Agreement, but we will not require the transferee to pay us a new initial franchise fee). You must also pay a Transfer Fee and sign a release (subject to state law). The transferee must have a valid license to operate the Center.                                                                                                                                                                                                                                             |
| n. Our right of first refusal to acquire your business                    | Section 17                                          | We can match any offer for your Center or an interest in the Center, including a sale between owners or between an owner and you.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| o. Our option to purchase your business                                   | Section 19(e)<br>Lease Rider to Franchise Agreement | We have the option to purchase any or all of your approved inventory, equipment, supplies, signs, and branded items at fair market value. We also have the option to assume the lease for your Center premises or require you to assign it to another franchisee of ours.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| p. Your death or disability                                               | Section 16(c)(2)                                    | Your heirs can assume your rights, but if they do, they must meet the transfer requirements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| q. Non-competition covenants during the term of the franchise             | Section 15(a)(1)                                    | No involvement in any center, business, website or other digital or electronic presence, or other venture that primarily conducts or offers educational or developmental programs for children under the age of 12 years, whether in a classroom or in-person setting or virtually.                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| r. Non-competition covenants after the franchise is terminated or expires | Section 15(a)(2)                                    | For 2 years, no involvement in any center, business, website or other digital or electronic presence, or other venture that primarily conducts or offers educational or developmental programs for children under the age of 12 years, whether in a classroom or in-person setting or virtually, and that is located, operating, or serving students at the approved location of your Center, in your Territory, a radius of 25 miles from the approved location of your Center, or a radius of 25 miles from any other Genius Kids child learning center (or the search area given to you and a radius of 50 miles around the search area if we had not yet approved the location of your Center at the time of termination). |
| s. Modification of the agreement                                          | Section 23(h)                                       | No modifications without consent by both you and us, but our manuals are subject to change.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| <b>Provision</b>                                  | <b>Section in Franchise or Other Agreements</b> | <b>Summary</b>                                                                                                                                                                                                                                |
|---------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| t. Integration/merger clause                      | Section 23(l)                                   | Only the terms of the Franchise Agreement and other written agreements are binding (subject to applicable state law). Any representations or promises outside of this disclosure document and the Franchise Agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | Section 20                                      | Except for certain disputes, all disputes must be first mediated, and if not settled by mediation, are then subject to arbitration.                                                                                                           |
| v. Choice of forum                                | Section 20                                      | Subject to state law, arbitration must be in California.                                                                                                                                                                                      |
| w. Choice of law                                  | Section 23(b)                                   | Subject to state law, California law generally applies.                                                                                                                                                                                       |

#### **ITEM 18. PUBLIC FIGURES**

We currently do not use any public figure to promote the sale of franchises.

#### **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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Rennu Dhillon, 3645 Mowry Avenue, Fremont, California 94538, (888) 545-4364, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20.**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years 2020 to 2022 (Note 1)**

| <b>Outlet Type</b>        | <b>Year</b> | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |
|---------------------------|-------------|-----------------------------------------|---------------------------------------|-------------------|
| Franchised                | 2020        | 30                                      | 28                                    | -2                |
|                           | 2021        | 28                                      | 26                                    | -2                |
|                           | 2022        | 26                                      | 24                                    | -2                |
| Company-Owned<br>(Note 2) | 2020        | 5                                       | 2                                     | -3                |
|                           | 2021        | 2                                       | 1                                     | -1                |
|                           | 2022        | 1                                       | 2                                     | +1                |
| <b>Total Outlets</b>      | <b>2020</b> | <b>35</b>                               | <b>30</b>                             | <b>-5</b>         |
|                           | <b>2021</b> | <b>30</b>                               | <b>27</b>                             | <b>-3</b>         |
|                           | <b>2022</b> | <b>27</b>                               | <b>26</b>                             | <b>-1</b>         |

**Note 1:** The numbers for each year are as of December 31.

**Note 2:** These outlets were or are owned by our affiliate, GK.

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**For Years 2020 to 2022 (Note 1)**

| <b>State</b> | <b>Year</b> | <b>Number of Transfers</b> |
|--------------|-------------|----------------------------|
| California   | 2020        | 0                          |
|              | 2021        | 0                          |
|              | 2022        | 1                          |
| <b>Total</b> | <b>2020</b> | <b>0</b>                   |
|              | <b>2021</b> | <b>0</b>                   |
|              | <b>2022</b> | <b>1</b>                   |

**Note 1:** The numbers for each year are as of December 31.

**Table No. 3  
Status of Franchised Outlets  
For Years 2020 to 2022 (Note 1)**

| State        | Year        | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations – Other Reasons | Outlets at End of Year |
|--------------|-------------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|------------------------|
| California   | 2020        | 30                       | 0              | 0            | 0            | 0                        | 2                                 | 28                     |
|              | 2021        | 28                       | 2              | 0            | 0            | 0                        | 5                                 | 25                     |
|              | 2022        | 25                       | 0              | 0            | 0            | 0                        | 2                                 | 23                     |
| Pennsylvania | 2020        | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                      |
|              | 2021        | 0                        | 1              | 0            | 0            | 0                        | 0                                 | 1                      |
|              | 2022        | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                      |
| <b>Total</b> | <b>2020</b> | <b>30</b>                | <b>0</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>2</b>                          | <b>28</b>              |
|              | <b>2021</b> | <b>28</b>                | <b>3</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>5</b>                          | <b>26</b>              |
|              | <b>2022</b> | <b>26</b>                | <b>0</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>2</b>                          | <b>24</b>              |

**Note 1:** The numbers for each year are as of December 31.

**Table No. 4  
Status of Company-Owned Outlets  
For Years 2020 to 2022 (Note 1)**

| State               | Year        | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---------------------|-------------|--------------------------|----------------|------------------------------------|----------------|----------------------------|------------------------|
| California (Note 2) | 2020        | 5                        | 0              | 0                                  | 2              | 1                          | 2                      |
|                     | 2021        | 2                        | 0              | 0                                  | 1              | 0                          | 1                      |
|                     | 2022        | 1                        | 1              | 0                                  | 0              | 0                          | 2                      |
| <b>Total</b>        | <b>2020</b> | <b>5</b>                 | <b>0</b>       | <b>0</b>                           | <b>2</b>       | <b>1</b>                   | <b>2</b>               |
|                     | <b>2021</b> | <b>2</b>                 | <b>0</b>       | <b>0</b>                           | <b>1</b>       | <b>0</b>                   | <b>1</b>               |
|                     | <b>2022</b> | <b>1</b>                 | <b>1</b>       | <b>0</b>                           | <b>0</b>       | <b>0</b>                   | <b>2</b>               |

**Note 1:** The numbers for each year are as of December 31.

**Note 2:** These outlets were or are owned by our affiliate, GK. The address and telephone number of these outlets are:

3645 Mowry Avenue  
Fremont, California 94538  
510-364-4033

8065 Elk Grove Florin Rd.  
Sacramento, California 95829  
916-829-5543

**Table No. 5  
Projected Openings  
As of December 31, 2022 (Note 1)**

| <b>State</b> | <b>Franchise Agreements Signed But Outlet Not Opened</b> | <b>Projected New Franchised Outlet in 2023</b> | <b>Projected New Company-Owned Outlet in 2023</b> |
|--------------|----------------------------------------------------------|------------------------------------------------|---------------------------------------------------|
| California   | 2                                                        | 2-3                                            | 1                                                 |
| New York     | 0                                                        | 0-2                                            | 0                                                 |
| <b>Total</b> | <b>2</b>                                                 | <b>2-5</b>                                     | <b>1</b>                                          |

The franchised Genius Kids child learning centers open as of December 31, 2022 are listed in Exhibit F to this Disclosure Document. Exhibit G to this Disclosure Document lists the name, city and state, and the current business telephone number or, if unknown to us, the last known home telephone number, of the 3 franchisees who transferred their franchises or had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily stopped doing business under their Franchise Agreement during the fiscal year ended December 31, 2022, or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experiences in the Genius Kids franchise system or their experiences with us. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have not created, sponsored, or endorsed any franchise organization and no independent franchisee organization has asked to be included in this Disclosure Document.

## **ITEM 21. FINANCIAL STATEMENTS**

Our audited financial statements for the fiscal years ending December 31, 2020, December 31, 2021, and December 31, 2022 are attached to this Disclosure Document as Exhibit H. Our fiscal year end is December 31.



**ITEM 22.**  
**CONTRACTS**

The following agreements and other required exhibits are attached to this Disclosure Document:

- Exhibit C. Franchise Agreement, Statement of Ownership and Management, Guaranty, Transfer Form, General Release, Lease Rider, and State Addenda to Franchise Agreement
- Exhibit D. Electronic Transfer of Funds Authorization
- Exhibit I. Franchisee Disclosure Questionnaire

**ITEM 23.**  
**RECEIPTS**

The last 2 pages of this Disclosure Document are detachable documents acknowledging receipt of this Disclosure Document. Please sign both receipt pages and return one to us.

**EXHIBIT A**  
**STATE SPECIFIC ADDENDA TO DISCLOSURE DOCUMENT**

**ADDENDUM TO  
GENIUS KIDS  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE  
STATE OF CALIFORNIA**

Notwithstanding anything to the contrary in the Genius Kids Franchise Disclosure Document or Franchise Agreement, the following provisions shall supersede and apply to Genius Kids franchises offered and sold in the state of California:

This California Addendum is only applicable if you are a resident of California or if your business will be located in California.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 14 DAYS PRIOR TO THE RECEIPT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST.
2. Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
3. Section 31125 of the California Corporations Code requires us to give you a disclosure document approved by the Commissioner of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement. We have or will comply with all of the requirements under California Corporations Code, Section 31109.1, with respect to negotiated sales.
4. Item 3 of the Franchise Disclosure Document is supplemented by the additional paragraph:

“Neither Genius Kids Development, Inc. nor any person described in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. 78a et seq. suspending or expelling such persons from membership in such association or exchange.”
5. Item 17 of the FDD is amended by the insertion of the following:

“The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043), provides franchisees with additional rights concerning transfer, termination and non-renewal of the Franchise Agreement and certain provisions of the Franchise Agreement relating to transfer, termination and non-renewal may be superseded by the Act. There may also be court decisions which may supersede the Franchise Agreement and your relationship with us, including the areas of transfer, termination and renewal of your franchise. If the Franchise Agreement is inconsistent with the law, the law will control.”

“The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).”

6. The Franchisor has or will comply with all of the requirements under California Corporations Code, Section 31109.1, with respect to negotiated sales.
7. The provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under Title 11, United States Code, Section 101.
8. The highest interest rate allowed by law in California for late payments is 10% annually.
9. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.**
10. No statement, questionnaire, or acknowledgment signed or agreed to by 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 Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of this addendum to the Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this addendum.

**ADDENDUM TO  
GENIUS KIDS  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE  
STATE OF NEW YORK**

Notwithstanding anything to the contrary set forth in the Genius Kids Franchise Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all Genius Kids franchises offered and sold or operated in the State of New York.

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

2. The following is 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 the “Summary” sections of Item 17I, titled “Requirements for franchisee to renew or extend,” and Item 17(m), titled “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.

5. 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.

6. 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.

7. Each provision of this addendum to the Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of Article 33 of the General Business Law of the State of New York are met independently without reference to this addendum.

**EXHIBIT B**  
**LIST OF STATE AGENCIES AND**  
**AGENTS FOR SERVICE OF PROCESS**

| <b>State</b> | <b>State Administrator</b>                                                                                                                                                                                                   | <b>Agent for Service of Process</b>                                                |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| California   | Department of Financial Protection and Innovation<br>2101 Arena Boulevard<br>Sacramento, CA 95834<br>Tel: 1-866-275-2677                                                                                                     | Commissioner of Financial Protection and Innovation<br>Same Address                |
| Connecticut  | Securities and Business Investment Division<br>Connecticut Department of Banking<br><br>260 Constitution Plaza<br>Hartford, CT 06103<br>Tel: 860-240-8230                                                                    |                                                                                    |
| Florida      | Department of Agriculture & Consumer Services<br>Division of Consumer Services<br><br>Mayo Building, Second Floor<br>Tallahassee, FL 32399-0800<br>Tel: 850-245-6000                                                         |                                                                                    |
| Georgia      | Office of Consumer Affairs<br><br>2 Martin Luther King Drive, S.E.<br>Plaza Level, East Tower<br>Atlanta, GA 30334<br>Tel: 404-656-3790                                                                                      |                                                                                    |
| Hawaii       | Hawaii Commissioner of Securities<br>Department of Commerce and Consumer Affairs<br>Business Registration Division<br><br>King Kalakaua Building<br>335 Merchant Street, Room 205<br>Honolulu, HI 96813<br>Tel: 808-586-2744 |                                                                                    |
| Illinois     | Franchise Division<br>Office of the Attorney General<br><br>500 South Second Street<br>Springfield, IL 62706<br>Tel: 217-782-4465                                                                                            |                                                                                    |
| Indiana      | Securities Commissioner<br>Indiana Securities Division<br><br>302 West Washington Street, Room E 111<br>Indianapolis, IN 46204<br>Tel: 317-232-6681                                                                          | Indiana Secretary of State<br>200 West Washington Street<br>Indianapolis, IN 46204 |

| State     | State Administrator                                                                                                                                                                                                                     | Agent for Service of Process                                                              |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Iowa      | Iowa Securities Bureau<br>Second Floor<br><br>Lucas State Office Building<br>Des Moines, IA 50319<br><br>Tel: 515-281-4441                                                                                                              |                                                                                           |
| Kentucky  | Kentucky Attorney General's Office<br>Consumer Protection Division<br><br>1024 Capitol Center Drive<br>Frankfort, KY 40602<br><br>Tel: 502-696-5389                                                                                     |                                                                                           |
| Louisiana | Department of Urban & Community Affairs<br>Consumer Protection Office<br><br>301 Main Street, 6 <sup>th</sup> Floor<br>One America Place<br>Baton Rouge, LA 70801<br><br>Tel: 504-342-7013 (gen. info.)<br>Tel: 504-342-7900            |                                                                                           |
| Maine     | Department of Business Regulations<br><br>State House – Station 35<br>Augusta, ME 04333<br><br>Tel: 207-298-3671                                                                                                                        |                                                                                           |
| Maryland  | Office of the Attorney General<br>Maryland Division of Securities<br><br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br><br>Tel: 410-576-7786                                                                                        | Maryland Securities Commissioner<br><br>Same Address<br><br>Tel: 410-576-6360             |
| Michigan  | Michigan Department of Attorney General<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br><br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>525 W. Ottawa Street<br>Lansing, MI 48909<br><br>Tel: 517-373-7117 | Michigan Department of Commerce<br>Corporations and Securities Bureau<br><br>Same Address |
| Minnesota | Minnesota Department of Commerce<br><br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101<br><br>Tel: 651-296-6328                                                                                                         | Minnesota Commissioner of Commerce<br><br>Same Address<br><br>Tel: 651-539-1600           |



| State          | State Administrator                                                                                                                                                                          | Agent for Service of Process                                                                                                                        |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Nebraska       | Department of Banking and Finance<br>1526 K Street, Suite 300<br>Lincoln, NE 68508<br>P.O. Box 95006<br>Lincoln, Nebraska 68509-5006<br>Tel: 402-471-2171                                    |                                                                                                                                                     |
| New Hampshire  | Attorney General<br>Consumer Protection and Antitrust Bureau<br><br>State House Annex<br>Concord, NH 03301<br>Tel: 603-271-3641                                                              |                                                                                                                                                     |
| New York       | NYS Department of Law<br>Investor Protection Bureau<br><br>28 Liberty St., 21 <sup>st</sup> Floor<br>New York, NY 10005<br>Tel: 212-416-8222                                                 | New York Secretary of State<br><br>One Commerce Plaza<br>99 Washington Avenue, 6 <sup>th</sup> Floor<br>Albany, New York 12231<br>Tel: 212-416-8236 |
| North Carolina | Secretary of State's Office/Securities Division<br>2 South Salisbury Street<br>Raleigh, NC 27601<br>Tel: 919-733-3924                                                                        |                                                                                                                                                     |
| North Dakota   | North Dakota Securities Department<br>600 East Boulevard Avenue<br>State Capitol – 5 <sup>th</sup> Floor<br>Bismarck, ND 58505-0510<br>Tel: 701-328-4712<br>Fax: 701-328-0140                | North Dakota Securities Commissioner<br>Same Address                                                                                                |
| Ohio           | Attorney General<br>Consumer Fraud & Crime Section<br>State Office Tower<br><br>30 East Broad Street, 15 <sup>th</sup> Floor<br>Columbus, OH 43215<br>Tel: 614-466-8831<br>Tel: 800-282-0515 |                                                                                                                                                     |
| Oklahoma       | Oklahoma Securities Commission<br><br>2915 Lincoln Blvd.<br>Oklahoma City, OK 73105<br>Tel: 405-521-2451                                                                                     |                                                                                                                                                     |

| State          | State Administrator                                                                                                                                                                           | Agent for Service of Process                                                                                              |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Oregon         | Department of Insurance and Finance<br>Corporate Securities Section<br><br>Labor and Industries Building<br>Salem, OR 96310<br><br>Tel: 503-378-4387                                          |                                                                                                                           |
| Rhode Island   | Rhode Island Department of Business Regulation<br>Securities Division<br><br>1511 Pontiac Avenue<br>John O. Pastore Center – Building 68-2<br><br>Cranston, RI 02920<br><br>Tel: 401-222-3048 | Director, Rhode Island Department of<br>Business Regulation<br><br>Same address                                           |
| South Carolina | SC Secretary of State's Office<br><br>1205 Pendleton St., Suite 525<br><br>Columbia, SC 29201<br><br>Tel: 803-734-0367                                                                        |                                                                                                                           |
| South Dakota   | Department of Labor and Regulation<br>Division of Insurance<br>Securities Regulation<br><br>124 S. Euclid, Suite 104<br>Pierre, SD 57501<br><br>Tel: 605-773-3563                             |                                                                                                                           |
| Texas          | Secretary of State<br>Statutory Documents Section<br><br>P.O. Box 12887<br>Austin, TX 78711-2887<br><br>Tel: 512-475-1769                                                                     |                                                                                                                           |
| Utah           | Utah Department of Commerce<br>Consumer Protection Division<br><br>160 East 300 South (P.O. Box 45804)<br>Salt Lake City, UT 84145-0804<br><br>Tel: 801-530-6601<br>Fax: 801-530-6001         |                                                                                                                           |
| Virginia       | State Corporation Commission<br>Division of Securities and Retail Franchising<br><br>1300 E. Main Street, 9 <sup>th</sup> Floor<br>Richmond, VA 23219<br><br>Tel: 804-371-9051                | Clerk of the State Corporation Commission<br><br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, Virginia 23219 |

| State      | State Administrator                                                                                                                                  | Agent for Service of Process                                                                                 |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Washington | Department of Financial Institutions<br>Securities Division<br>P.O. Box 9033<br>Olympia, WA 98507<br>Tel: 360-902-8760                               | Director, Dept. of Financial Institutions<br>Securities Division<br>150 Israel Rd S.W.<br>Tumwater, WA 98501 |
| Wisconsin  | Wisconsin Dept. of Financial Institutions<br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, WI 53705<br>Tel: 608-266-8557 | Wisconsin Commissioner of Securities<br>Same Address                                                         |

**EXHIBIT C**  
**FRANCHISE AGREEMENT, STATEMENT OF OWNERSHIP AND MANAGEMENT, GUARANTY,**  
**TRANSFER FORM, GENERAL RELEASE, LEASE RIDER, AND STATE SPECIFIC ADDENDA TO**  
**FRANCHISE AGREEMENT**



## FRANCHISE AGREEMENT

### TABLE OF CONTENTS

| SECTION |                                                                    | PAGE |
|---------|--------------------------------------------------------------------|------|
| 1       | Definitions .....                                                  | 2    |
| 2       | Grant of Franchise; Renewal of Franchise .....                     | 3    |
| 3       | Search Area; Location; Construction .....                          | 4    |
| 4       | Territory .....                                                    | 7    |
| 5       | Fees .....                                                         | 8    |
| 6       | Marketing and Promotion .....                                      | 9    |
| 7       | Method of Payment; Late Payment Charges .....                      | 11   |
| 8       | Assistance; Training; Ongoing Support .....                        | 12   |
| 9       | Opening and Operation of the Center .....                          | 14   |
| 10      | Names and Marks .....                                              | 18   |
| 11      | Furniture, Fixtures, and Equipment; Supplies and Services .....    | 19   |
| 12      | Information, Reports, Inspections, and Audits .....                | 20   |
| 13      | Insurance .....                                                    | 21   |
| 14      | Confidentiality and Improvements by Franchisee .....               | 21   |
| 15      | Restrictive Covenants .....                                        | 22   |
| 16      | Assignment .....                                                   | 23   |
| 17      | Right of First Refusal .....                                       | 25   |
| 18      | Pre-Termination Options of Franchisor; Management Assistance ..... | 26   |
| 19      | Termination .....                                                  | 26   |
| 20      | Enforcement .....                                                  | 30   |
| 21      | Independent Contractors; Indemnification .....                     | 33   |
| 22      | Franchisee Representations .....                                   | 33   |
| 23      | Miscellaneous .....                                                | 34   |

### ATTACHMENTS

Rider  
 Statement of Ownership and Management  
 Guaranty  
 Franchise Assignment, Sale, and Transfer to Entity Owned by Original Franchisee  
 General Release  
 Lease Rider  
 State Specific Addenda to Franchise Agreement

## GENIUS KIDS™

### FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** ("Agreement") is made as of the "Effective Date" set forth on the Rider attached hereto (the "Rider"), by and between GENIUS KIDS DEVELOPMENT, INC., a California corporation ("Franchisor"), and the "Franchisee" set forth on the Rider ("Franchisee").

### INTRODUCTION

Franchisor and its affiliates have developed certain policies, procedures, and techniques for the operation of child learning centers, under the "Genius Kids" and "Genius Kids Child Development Center" trademarks and logos, based on an interactive proprietary curriculum that incorporates multi-sensory learning methods for advanced development of fine motor and social skills, communication, critical thinking, and confidence for children in various age groups. Franchisor desires to grant to qualified persons franchises to use the concepts, programs, and methods of promotion developed by Franchisor and its predecessors and affiliates to develop and operate a Center (as defined herein). Franchisee has applied to Franchisor for a Franchise (as defined herein) and the application has been approved by Franchisor in reliance on all the representations made in the application.

NOW, THEREFORE, in consideration of the mutual promise of the parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

#### 1 DEFINITIONS

Capitalized terms used in this Agreement have the meanings given below:

- (a) "Center" shall mean the child learning center franchised under this Agreement to operate using the System of Operation and the Names and Marks and under Franchisee's child care or educational development license.
- (b) "Competitive Business" shall mean any center, business, website or other digital or electronic presence, or other venture that primarily conducts or offers educational or developmental programs for children under the age of twelve (12) years, whether in a classroom or in-person setting or virtually.
- (c) "Curriculum" shall mean the proprietary learning programs and activities developed or offered by Franchisor and licensed by Franchisee that include phonics, reading, math, critical thinking, science, story time and comprehension, handwriting, public speaking, music, drama and arts and crafts to complement Franchisor's proprietary multi-media, theme-based interactive learning programs for specific age groups, all of which may be changed, improved, and further developed from time to time by Franchisor.
- (d) "Franchise" shall mean the right granted to Franchisee by Franchisor under this Agreement to use the System of Operation and the Names and Marks selected, used, and promoted by Franchisor to develop and operate a child learning center based on an interactive proprietary Curriculum licensed by Franchisor that incorporates multi-sensory learning methods for advanced development of fine motor and social skills, communication, critical thinking, and confidence for children.
- (e) "Gross Revenue" shall mean the total amount of revenues, income, receipts, and other fees received from all business activities (including under all Curriculums offered through the Center) taking place by or through the Center, including all fees or reimbursements paid from subsidy agencies or governmental agencies and all other services and products, if any, sold under

the Genius Kids marks, or otherwise related to the Center. There shall be excluded from "Gross Revenue" customer refunds Franchisee actually makes and amounts collected and remitted by Franchisee to any governmental taxing authority in satisfaction of sales or occupation taxes, but no other amounts incurred by Franchisee, and in no event shall credit card merchant or processing fees or any other expenses decrease Gross Revenue.

(f) The term "including" shall mean "including, but not limited to."

(g) "Names and Marks" shall mean the commercial trade names, trademarks, service marks, domain names, and other commercial symbols, including associated logos, now or hereafter selected, used or promoted by Franchisor and licensed to Franchisee for use in connection with the System of Operation.

(h) "Restricted Area" shall mean the approved location of the Center, the Territory, a radius of twenty five (25) miles from the approved location of the Center, and a radius of twenty five (25) miles from any other Genius Kids child learning center in existence as of the date of termination, expiration, or assignment of this Agreement. If Franchisor has not approved the location of the Center at the time of termination or assignment of this Agreement, the Restricted Area shall mean the Search Area and a radius of fifty (50) miles from the Search Area.

(i) "System of Operation" shall mean the business plans and methods developed by Franchisor and its predecessors and affiliates to be used in connection with the operation of child learning centers based on an interactive proprietary Curriculum licensed by Franchisor that incorporates multi-sensory learning methods for advanced development of fine motor and social skills, communication, critical thinking, and confidence for children. The "System of Operation" includes the Curriculum, standards, specifications, methods, procedures, techniques, sourcing, proprietary items, technology, and management systems, all of which may be changed, improved, and further developed from time to time by Franchisor, but specifically excludes any employee policies or procedures that Franchisor may make available to Franchisee for its optional use during the Term of the Franchise.

(j) "Term of the Franchise" shall mean the initial term of the Franchise.

(k) "Territory" shall mean the area described as such and identified in the Rider.

## 2 GRANT OF FRANCHISE; RENEWAL OF FRANCHISE

(a) **Grant of Franchise; Initial Term.** Subject to the provisions of this Agreement, Franchisor grants to Franchisee a Franchise for an initial term of ten (10) years, commencing on the Effective Date, to use the System of Operation in the operation of a child learning center, under the Names and Marks, based on an interactive proprietary Curriculum licensed by Franchisor to Franchisee that incorporates multi-sensory learning methods for advanced development of fine motor and social skills, communication, critical thinking, and confidence for children and under Franchisee's child care or educational development license.

(b) **Renewal.** Franchisee may renew the Franchise for one (1) additional term of ten (10) years, provided that Franchisee must satisfy such conditions for renewal as Franchisor may impose, including that upon expiration of the Term of the Franchise, Franchisee shall have:

(1) complied with all provisions of this Agreement;

(2) operated the Center exclusively under the Names and Marks and using and conforming to the System of Operation;

- (3) upgraded and remodeled the Center, including signs, design and décor, and furniture, fixtures, and equipment, to meet Franchisor's then-current standards;
- (4) provided Franchisor with evidence of control of the premises for the Center for the renewal term;
- (5) provided Franchisor with evidence of all licenses and permits required to continue operating the Center;
- (6) provided Franchisor at least two hundred ten (210) days' prior written notice of its election to renew the Franchise; and
- (7) Within thirty (30) days after delivery to Franchisee of all agreements and documents required by Franchisor for renewal:
  - (a) executed Franchisor's then-current form of franchise agreement offered to prospective new franchisees, as amended to reflect that the Franchise is a renewal and not a grant of a new Franchise, and all other agreements and legal instruments and documents then customarily employed by Franchisor in the grant of Genius Kids franchises to prospective new franchisees, including a general release; and
  - (b) paid to Franchisor a renewal fee of Ten Thousand Dollars (\$10,000), plus Franchisor's then-current "Additional Curriculum Fee" for the second and each additional Curriculum(s) Franchisee offers through its Center.

Franchisee acknowledges that the right of renewal set forth herein does not give Franchisee the right to renew any specific provisions of this Agreement, and Franchisee recognizes that the terms of franchise agreements used by Franchisor upon renewal are likely to be substantially different than the terms offered by Franchisor as of the date hereof. Franchisee further acknowledges that the failure to meet any conditions of renewal imposed by Franchisor, including those set forth herein, shall be deemed an election by Franchisee not to renew the Franchise.

(c) **Holdover.** If Franchisee does not sign a new franchise agreement prior to expiration of the Term of the Franchise, and Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of Franchisor this Agreement shall be deemed to: (1) have expired as of the date of its stated expiration, with Franchisee then operating without a Franchise to do so and in violation of Franchisor's rights; or (2) be continuing on a month-to-month basis (the "Interim Period") until one party provides the other with written notice of such party's intention to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. Notwithstanding anything set forth herein to the contrary, all obligations of Franchisee shall remain in full force and effect during the Interim Period as if the Term of the Franchise had not expired and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

### 3 SEARCH AREA; LOCATION; CONSTRUCTION

(a) **Search Area.** Franchisor shall provide general guidelines to Franchisee for the selection of potential locations for the Center. If the site has not been approved as of the date Franchisor executes this Agreement, the Center must be located in the non-exclusive "Search Area" set forth on the Rider. Franchisee acknowledges that Franchisor may grant others the right to seek sites within the foregoing Search Area or the Search Area may be reduced by Franchisor as territories are granted to other franchisees, in its sole discretion, and that Franchisee acquires no exclusive or priority rights in such Search Area.



(b) **Site Selection; Location.** Franchisee shall operate the Center from one (1) location approved by Franchisor. The Center must be located at a site selected by Franchisee and approved by Franchisor. It shall be the responsibility of Franchisee to identify prospective sites for the Center and to obtain Franchisor's approval of any proposed site for the Center before obtaining possession of the site. As Franchisee identifies prospective sites, it shall notify Franchisor, and Franchisor will review criteria regarding such prospective sites as Franchisor deems appropriate. Franchisee shall assist Franchisor by providing Franchisor any information Franchisor may request regarding any prospective sites. Franchisor only reviews proposed sites to ensure the site meets Franchisor's current requirements for a site under the System of Operation, and not the viability or potential success of the site. Franchisor makes not representation or warranty as to the viability or success of any such site identified by Franchisee, regardless of Franchisor's approval. Franchisee shall not use the Center or approved location to operate any business other than the Franchise.

(1) **Site Control.** Franchisee shall enter into a lease or purchase the approved location of the Center on or before the "Site Control Date" set forth on the Rider.

(2) **Leasing.** Franchisor reserves the right to review and approve any lease or sublease for the location of the Center and Franchisee shall provide to Franchisor a final version for review at least ten (10) days prior to execution. Franchisee shall ensure that the Lease Rider attached to this Agreement is executed by the Franchisee and the landlord for the Center contemporaneous with the execution of the lease or sublease for the Center. Franchisee shall provide Franchisor within five (5) days of execution or amendment, a copy of the lease or sublease, including the Lease Rider, and any amendments to any of the foregoing; provided, however, that Franchisor shall have no responsibility to review the lease or sublease for the Center or to make any recommendations regarding the terms thereof.

(3) **Rider.** Upon approval of the location of the Center, Franchisor shall complete, and Franchisee hereby expressly consents to Franchisor completing, the Rider indicating the address of the Center and the Territory, and Franchisee shall secure possession of the location for the Center.

(c) **Design.** Franchisor shall provide to Franchisee a sample layout for the interior of a typical Genius Kids child learning center, including décor specifications. Franchisee shall, at its own expense, employ architects, engineers, or others as may be necessary to complete, adapt, and modify the sample plans and specifications for the Center to fit the location, including local and state laws and regulations. Franchisee shall submit to Franchisor a complete set of final plans and specifications prior to commencing construction of the Center. Franchisor shall review such plans and specifications and approve or provide comments to Franchisee on the plans and specifications. Franchisee shall not commence construction of the Center until Franchisor approves in writing the final plans and specifications to be used in constructing the Center. Franchisor may consult with Franchisee, to the extent that Franchisor deems necessary, on the construction and equipping of the Center, but it shall be and remain the sole responsibility of Franchisee to diligently design, construct, equip, and otherwise ready and open the Center on a timely basis.

(d) **Construction Obligations of Franchisee.** Franchisee shall use a licensed general contractor satisfactory to Franchisor to perform construction work at the Center. Franchisor shall not be responsible for delays in the construction, equipping, or decoration of the Center or for any loss resulting from the design or construction since Franchisor has no control over the landlord or contractor or the numerous construction and/or related problems which could occur and delay the opening of the Center. Franchisor must approve in writing any and all changes in any plans prior to construction of the Center or the implementation of such changes. Franchisor shall have access to the location of the Center while work is in progress and may require such reasonable alterations or modifications of the construction of the Center as Franchisor deems necessary. Franchisee shall not open the Center if the Center does not conform to the plans and specifications approved

by Franchisor, including changes thereof approved by Franchisor. Franchisee shall correct any unauthorized variance from the approved plans and specifications promptly.

(e) **Specifications.** Franchisor shall provide to Franchisee specifications for leasehold improvements, design and décor, furniture, fixtures, and equipment, technology, and toys, supplies, and inventory for the Center. All leasehold improvements used in the Center shall be constructed according to the exact specifications of Franchisor in effect at the time the improvements are made. All leasehold improvements, design and décor, and furniture, fixtures, and equipment installed in the Center, technology, and toys, supplies, and inventory must also meet the exact specifications of Franchisor, if any, including brand and model number, where designated. Franchisor may designate specific or approved suppliers from whom such items can be purchased. If Franchisor designates a specific supplier for any items, Franchisee must purchase the items from the specific, designated supplier. Franchisee acknowledges that designated, specific suppliers may include Franchisor or its affiliates.

(f) **Exterior and Interior Signs.** All signs used in the Center must conform to Franchisor's sign criteria as to type, color, size, design, and location. All signs must be approved in writing by Franchisor prior to installation. Franchisee may not open the Center until an approved sign is installed at the Center. Franchisor may require Franchisee to display signage in the Center advertising Franchisor's franchises for sale, at Franchisor's cost and expense. Franchisee shall, at all times, place and maintain such signage at the location inside its Center as Franchisor may designate from time to time. Franchisee shall ensure that all signage complies with all applicable state and local laws and regulations at all times.

(g) **Alterations.** During the Term of the Franchise, the floor plan, interior and exterior design and decor, and furniture, fixtures, and equipment of the Center shall not be altered or modified, without the prior written approval of Franchisor.

(h) **Remodeling.** Franchisor may require Franchisee to periodically make reasonable capital expenditures to remodel, modernize, and re-decorate the Center so that the premises reflect the current image intended to be portrayed by Genius Kids child learning centers. All remodeling, modernization, and redecoration of the Center must be done in accordance with the standards and specifications prescribed by Franchisor from time to time and with the prior written approval of Franchisor. All replacements must conform to Franchisor's then-current quality standards and specifications and must be approved by Franchisor in writing. Franchisor may inspect, but shall not be obligated to inspect, such work at any time to determine that the work is done in accordance with Franchisor's approved plans and specifications. In addition to the foregoing remodel requirement, at any time, Franchisor may require Franchisee to update or acquire any furniture, fixtures, and equipment, design and décor, and technology and to repair or replace furniture, fixtures, and equipment, design and décor, and technology used in the Center as provided in Section 11(a).

(i) **Relocation.** During the Term of the Franchise, Franchisee shall not change the site of the Center without Franchisor's prior written consent, which consent shall not be unreasonably withheld; provided, however, if Franchisor approves a change in the location of the Center, Franchisor may also change the Territory to conform to its then-current standards for the grant of similar territories. If Franchisee desires to operate the Center from a location other than that indicated in the Rider, and Franchisor approves the new location, Franchisee authorizes Franchisor to amend the Rider to change the location to the address of the new site approved by Franchisor and the Territory, Franchisee shall pay Franchisor a relocation fee of Ten Thousand Dollars (\$10,000), and Franchisee shall sign Franchisor's form of general release of Franchisor. If Franchisor approves a change in the location of the Center, Franchisee shall be solely responsible for obtaining applicable state and local regulatory approvals which may be required prior to the location change.

(j) **Indemnification of Franchisor.** Franchisee is strictly responsible for the acts or omissions of its contractors regarding compliance with all specifications and requirements provided by Franchisor, and Franchisor shall have no responsibility for such acts or omissions. Franchisor shall not be liable for any loss or damage arising from the design or plan of the Center. Franchisee shall indemnify Franchisor for any loss, cost, or expense, including attorneys' fees, that may be sustained by Franchisor because of the acts or omissions of Franchisee's contractors or arising out of the design or construction of the Center.

#### 4 TERRITORY

(a) **Territory.** During the Term of the Franchise, and provided that Franchisee is not in default under this Agreement, Franchisor will not grant to anyone else a Franchise to operate, and will not itself operate, under the Names and Marks, a child learning center that is physically located in the Territory, except as provided below. Franchisee acknowledges that the foregoing restrictions do not prevent Franchisor or its affiliates from any activity not specifically set forth in such restrictions, including:

- (1) Operating, or allowing others to operate, similar or identical businesses physically located outside the Territory, whether under the Names and Marks or other trade or service marks, even if the businesses compete with the Center;
- (2) Operating, or allowing others to operate, businesses inside the Territory under the Names and Marks or other trade or service marks that are not child learning centers;
- (3) Selling products to third parties even if the same or similar products are sold or provided to Franchisee for use or resale in the Center, whether located in the Territory or otherwise and whether under the Names and Marks or other trade or service marks;
- (4) Selling goods or services, or granting others the right to sell goods or services, similar to or competitive with those used in or sold by the Center, whether using the Names and Marks or other trade or service marks, through other distribution channels (including through retail, the Internet, catalog sales, telemarketing, or other direct marketing) both inside and outside the Territory;
- (5) Offer or sell our Curriculum or other educational or development programs, materials, or classes in any medium now or hereinafter developed, whether located in the Territory or otherwise and whether under the Names and Marks or other trade or service marks (including, for example, selling books or other materials based on the Curriculum through retail stores or elsewhere, or offering or selling any of the foregoing through the Internet, including within the Territory);
- (6) Developing additional educational or developmental programs or curriculum in any subject for children of any age using methods similar to or different than the Curriculum, and operating and marketing those programs under the Genius Kids m Names and Marks arks or other trade or service marks, including in English or any other language as a second or foreign language program;
- (7) Operating or allowing other to operate businesses located inside or outside of the Territory that sell to locations inside or outside of the Territory Franchisor's Curriculum, whether under the Names and Marks or other trade or service marks; or
- (8) Acquiring businesses that are similar to the Center or the sale of Franchisor or substantially all of its assets, to any third party regardless whether such third party operates, or franchises the operation of, businesses similar to the Center.

Franchisee acknowledges that the restrictions set forth in this Section 4 do not prevent Franchisor or its affiliates from any activity not specifically set forth in such restrictions.

(b) **Target Marketing.** Franchisee may service students and provide Franchisor-approved products and services to students, parents, and families who live outside the Territory only if such activity does not result from any Target Marketing activities by or on behalf of Franchisee, provided that it is licensed to provide the applicable products or services to these customers and Franchisee may only operate the Franchise from the approved site for the Center. Franchisee is prohibited from soliciting and marketing in general to students, parents, and families by any means outside of the Territory and must not specifically engage in Target Marketing of students, parents, and families within the territory of another franchised or company-owned Genius Kids child learning center. Notwithstanding the foregoing, Franchisee acknowledges and agrees that Franchisor does not monitor any alleged Target Marketing activities or otherwise enforce these standards except in Franchisor's discretion, and Franchisee specifically waives any claim it may have against Franchisor resulting from any Targeted Marketing activities by another Genius Kids franchisee. "Target Marketing" means a concerted effort to solicit and obtain students, parents, and families through any type of advertisement or marketing, directed at all or a portion of another Genius Kids child learning center's territory.

(c) **Student Referral Policy.** Franchisee must abide by any and all student referral policies adopted by Franchisor. Without limiting the foregoing, if Franchisee is asked to provide services to students who live in a territory in which there is another franchisee or company-owned Genius Kids child learning center, Franchisee must immediately refer the student to the franchised or company-owned Genius Kids child learning center in that territory or directly to Franchisor. If the other franchised or company-owned Genius Kids child learning center determines it is in the best interest of the student for Franchisee to provide services, then Franchisee can service that student. If there is not a franchised or company-owned Genius Kids child learning center in the area in which the student lives, then Franchisee can immediately service the student (subject to applicable licensure), however Franchisee must be prepared to refer the student to another Genius Kids child learning center when the unassigned area is developed. Franchisor and other franchisees must refer students that live within Franchisee's Territory to Franchisee and also reserve the same right to provide services to students who may live within Franchisee's Territory if it is determined to be in the student's best interest. If Franchisee is unable to serve promptly and properly any of its students due to unavailable teachers or classrooms or other cause, Franchisee must refer that student to another Genius Kids child learning center or to Franchisor. If Franchisee fails to comply with Franchisor's student referral policies, Franchisor may terminate this Agreement or, in lieu of termination, Franchisor may modify or completely eliminate any rights that Franchisee may have with respect to exclusivity in the Territory, effective ten (10) days after delivery of written notice to Franchisee.

## 5 FEES

(a) **Initial Franchise Fee.** In consideration for the grant of the Franchise to Franchisee, Franchisee shall pay to Franchisor the "Initial Franchise Fee" set forth on the Rider. The Initial Franchise Fee shall be due and payable upon execution of this Agreement. The Initial Franchise Fee shall be deemed to have been earned by Franchisor upon execution of this Agreement, and shall not be refundable. The Initial Franchise Fee includes the right to use one (1) Curriculum. Franchisee must at all times during the Term of the Franchise offer at least one (1) Curriculum through the Center.

(1) **Additional Curriculum Fee.** If Franchisee is in compliance with this Agreement and Franchisee meets Franchisor's requirements to offer the additional Curriculum (including maintaining any appropriate licenses or permits required by any governmental agency and purchasing for use at the Center, at Franchisee's expense, such furniture, fixtures, and equipment and toys, inventory, and other supplies or other items required by Franchisor), Franchisee may license additional Curriculum(s) that Franchisor may offer, in

its discretion, to offer through the Center for the Term of the Franchise upon payment to Franchisor of Franchisor's then-current, nonrefundable "Additional Curriculum Fee" for each such additional Curriculum. Any additional Curriculums licensed by Franchisee hereunder expire at the end of the Term of the Franchise, and if Franchisee renews the franchise under Section 2(b), Franchisee shall pay Franchisor its then-current "Additional Curriculum Fee" for the second and each additional Curriculum(s) Franchisee offers through its Center.

(b) **Royalty Fee.** On or before the tenth (10th) day of each month, Franchisee shall pay to Franchisor a monthly nonrefundable royalty fee (the "Royalty Fee") equal to the greater of six percent (6%) of the Gross Revenue of the Center for the prior month or One Thousand Dollars (\$1,000) per month. The Royalty Fee shall be due and payable beginning on the tenth (10th) day of each month following the first full month after the opening of the Center for the prior full month and any prior partial month and continuing thereafter for each subsequent month. Notwithstanding the foregoing, if the Center is temporarily or completely closed, for any reason, and Franchisee does not collect any Gross Revenue, then, during the period of closure, Franchisee shall pay Franchisor a monthly Royalty Fee equal to the greater of One Thousand Dollars (\$1,000) per month or the average monthly Royalty Fees Franchisee paid during the previous twelve (12) months that the Center was operating (excluding any periods of temporary or complete closure).

(c) **Technology Fee.** Franchisor may provide Franchisee with certain technology services from time to time. These services may include the provision of a certain number of email addresses for the Center, a website or subpage for the Center, and use of certain software or other technology services to assist in the management and operation of the Center. Franchisee shall pay Franchisor at the times specified by Franchisor the then-current "Technology Fee" charged for these services, which fees Franchisor may change upon sixty (60) days' prior notice to Franchisee and which may be flat fees or per hour, day, month, or annual fees depending on the service provided. Franchisor may modify or terminate these technology services at any time. These are not the only technology or technology services Franchisee will need to operate its Center and Franchisee is responsible for obtaining such technology and services.

## 6 MARKETING AND PROMOTION

(a) **Marketing Supplies and Materials.** Franchisor has no obligation to create marketing or promotional materials for use by Franchisee in conducting marketing for its Center. However, Franchisor may from time to time produce and make such materials available to Franchisee to purchase at such prices as are set by Franchisor from time to time. Any alterations, other than the insertion of the name and address of the Center, and the prices charged by Franchisee, must be approved by Franchisor prior to use as provided in Section 6(b). Ownership and rights, whether in the nature of copyrights or otherwise, in and to any altered or modified marketing materials or reproductions of Franchisor's marketing materials, shall vest in Franchisor and Franchisor shall be free to use and to offer or sell to others the use of any of the foregoing materials without restriction.

(b) **Grand Opening; Local Marketing.** Prior to using any marketing or promotional materials, advertisements, or other advertising not prepared by or at the direction of Franchisor, Franchisee shall submit such items to Franchisor for its prior approval. If Franchisor does not approve the use of such materials by Franchisee within thirty (30) days after its receipt of such materials, they shall be deemed to have been rejected. Franchisor may revoke approval of any previously approved materials at any time. Franchisee shall spend at least Nine Thousand Dollars (\$9,000) on pre-approved grand opening marketing for the Center during the first three (3) months after opening the Center for business. Thereafter, Franchisee shall spend at least Five Hundred Dollars (\$500) per month on pre-approved local advertising (the "Monthly Local Advertising Requirement") to promote the Center. These expenditures must be on advertising that Franchisor has approved. Franchisee shall submit to Franchisor receipts of expenditures spent on the grand opening program and to meet the Monthly Local Advertising Requirement by the tenth (10th) day of each month for the prior month. Indirect costs Franchisee incurs in managing its local advertising campaigns,

such as salaries and benefits of its employees, will not count towards these minimum expenditure requirements. Additionally, any costs Franchisee incurs for Target Marketing or for advertising conducted at the Center (such as in-Center materials and signage or banners) will not count towards these minimum expenditure requirements. If Franchisee fails to meet either expenditure requirement, Franchisee shall pay the shortfall to Franchisor immediately upon demand and Franchisor shall use such amounts for local, state, or national advertising for the Genius Kids system, without regards to the benefit to Franchisee or its Center.

(c) **Social Media Presence.** Franchisor shall list the Center on Franchisor's or its affiliate's website. Franchisee shall be responsible for providing content required by Franchisor for this website listing, which may include Center contact and address information, hours of operation, and products and services offered through the Center. Any and all content and any changes to the same must be approved by Franchisor prior to being made and the website listing may contain only such information as Franchisor may approve from time to time. Other than this website listing on Franchisor's or its affiliate's website, Franchisee shall not establish or maintain, or have established or maintained on its behalf, either alone or in concert with others, any other digital or electronic medium or method of communication, including a website, home page, HTML document, Internet site, web page, online directory or online business profile, review and opinion web pages or sites, or social media or social networking site, profile, avatar, account or username relating to or making reference to Franchisor or the Center (each, a "Social Media Presence"), unless otherwise approved by Franchisor. Franchisee may not use all or part of any of the Names and Marks, or any similar name, word, symbol, or variant thereof, in a domain name, email address, account name, username, profile, or URL. Franchisor reserves the right at any time, in its sole discretion, to require Franchisee to remove, delete, or modify any Social Media Presence, or any information, content, or post thereon. Franchisor will retain sole ownership of any Social Media Presence, as well as any domain name related thereto and all content thereon, which includes all or a portion of any of the Names and Marks, or any word, phrase, or symbol confusingly similar thereto or variant thereof, as part of the domain name, username, account name, profile, or page reference. Franchisee must provide Franchisor with all passwords and access to any such Social Media Presence.

Franchisee may not offer, promote, or sell any products or services or make use of any of Franchisor's Names and Marks, the Center, or the System of Operation, via any Social Media Presence without Franchisor's prior written approval. Franchisee acknowledges that Franchisor may also impose prohibitions on Franchisee posting or blogging of comments about Franchisor, the Center, or the System of Operation. The foregoing prohibition includes personal blogs, common social networks like Facebook, Instagram, TikTok, Twitter, Snapchat, and Pinterest; professional networks, business profiles, or online review or opinion sites like LinkedIn, Google Business Profile, or Yelp; live-blogging tools like Twitter and Snapchat; virtual worlds, metaverses, file, audio and video-sharing sites, and other similar social networking or media sites or tools.

(d) **Franchisor-Identified Social Media Presence.** Franchisee will comply with all directives from Franchisor with respect to any Social Media Presence approved by Franchisor, including those related to materials posted on any Social Media Presence, links to and from any Social Media Presence, the use of the Names and Marks on any Social Media Presence, provision to Franchisor of passwords and any log-in credentials needed to access, remove, delete, or modify any Social Media Presence, and security for any Social Media Presence. In addition, any Social Media Presence approved by Franchisor must be operated and maintained by Franchisee in compliance with all provisions of this Agreement, including those regarding the use of confidential and proprietary information, as well as any and all operating procedures, policies, standards, and requirements that Franchisor may specify from time to time. Franchisee must also maintain any Social Media Presence approved by Franchisor in compliance with all applicable laws, rules, and regulations, including those applicable to copyright and trademark, privacy, anti-defamation, and advertising and endorsements. Franchisor reserves the right at any time, in its sole discretion, to itself, or require Franchisee to, remove, delete or modify any Social Media Presence, or any information, content or post thereon. Franchisor will retain sole ownership of any Social Media

Presence, as well as any domain name related thereto and all content thereon, which includes all or a portion of any of the Names and Marks, or any word, phrase or symbol confusingly similar thereto or variant thereof, as part of the domain name, username, account name, hashtag, profile or page reference (a "Franchisor-Identified Social Media Presence").

(e) **Security.** Franchisee is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and Franchisee waives any and all claims Franchisee may have against Franchisor or its affiliates as the direct or indirect result of such disruptions, failures, or attacks. If Franchisee suspects or knows of a security breach, Franchisee shall immediately give notice of such security breach and promptly identify and remediate the source of any compromise of security breach at its expense. Franchisee assumes all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories, and transactions concerning customers of the Center, unless otherwise directed by Franchisor. Franchisee shall comply with all standards, laws, rules, regulations, or any equivalent thereof relating to personal and financial information, data privacy, and data protection, including but not limited to, as applicable, the California Consumer Privacy Act, Cal. Civ. Code Section 1798.100 et seq., and must comply with any privacy policies or data protection and breach response policies Franchisor may periodically establish.

(f) **Photos and Videos of the Center.** Franchisor shall have the right to take photographs and videos of the Center and associated signage and premises and to use such photographs and videos in any advertising or promotional material, in any form or medium now existing or later developed. Franchisor may use the foregoing without providing notice to Franchisee or receiving Franchisee's consent, and Franchisor shall not be obligated to make attribution or to compensate Franchisee for use of the foregoing. Upon the request of Franchisor, Franchisee shall cooperate with Franchisor in taking and arranging for such photographs and videos and for obtaining the necessary consents of or assignments from individuals depicted in or involved in such photographs or videos. Franchisee irrevocably assigns to Franchisor all of its right, title, and interest, if any, in and to all such photographs and videos, together with all related intellectual property rights.

## **7 METHOD OF PAYMENT; LATE PAYMENT CHARGES**

(a) **Electronic Funds Transfer.** Franchisee shall remit Royalty Fees, Technology Fees, and other amounts due to Franchisor or its affiliates via electronic-funds transfer or other means as required by Franchisor. Franchisee shall comply with all procedures specified by Franchisor in this Section 7 and in the Confidential Manual(s) with respect to such transfers, and deliver and execute such documents as may be necessary to facilitate or accomplish payment by the method described in this Section 7.

(1) On or before 6:00 PM (local time) on the last day of every month throughout the Term of the Franchise, beginning for the month the Center opens for business, Franchisee shall report to Franchisor on a form required by Franchisor or electronically, as required by Franchisor, the true and correct Gross Revenue of the Center during that month and listing all students in attendance for that month and such other enrollment information as Franchisor requires. Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of Royalty Fees, Technology Fees, and any other amounts payable to Franchisor or its affiliates under this Agreement or in connection with the Franchise. Franchisee shall make the funds available to Franchisor for withdrawal by electronic transfer no later than 10:00 a.m. pacific time on the tenth (10th) day of each month, or if that day is not a banking business day, then by 10:00 a.m. pacific time on the next banking business day. If Franchisee fails to timely report Gross Revenue for any period, Franchisor withhold access to the Curriculum(s) until such amounts are paid in full and may debit Franchisee's account for: (i) one hundred ten percent (110%) of the Royalty Fees and any other amounts payable to Franchisor or its affiliates that were paid by Franchisee for the last period for which a Gross Revenue report was provided; (b) the amount due for Royalty Fees and any other

amounts payable to Franchisor or its affiliates based upon information Franchisor has regarding the Center; or (c) one hundred ten percent (110%) of the Royalty Fees and any other amounts payable to Franchisor or its affiliates that were paid by Franchisee for the same period in the prior year.

(2) If, at any time, Franchisor determines that Franchisee has under-paid Royalty Fees, Technology Fees, or other amounts payable to Franchisor or its affiliates, Franchisor shall be authorized to initiate immediately a debit to Franchisee's account in the appropriate amount in accordance with the foregoing procedure, plus late payment charges as provided for in this Agreement. Any overpayment shall be credited to Franchisee's account through a credit effective as of the first reporting date after Franchisee and Franchisor determine that such credit is due. If the amount debited is less than the actual amount owed, Franchisee shall pay the remaining amount owing, plus a late payment charge thereon as set forth in this Agreement. If Franchisor is unable for any reason to debit the full amount permitted under this Agreement, Franchisee shall remit the remaining amount owing within five (5) days of notice by Franchisor, plus a late payment charge thereon as set forth in this Agreement.

(b) **Minimum Account Balance.** Franchisee shall at all times maintain a minimum balance in the designated checking or savings account for payments of Royalty Fees, Technology Fees, and any other amounts payable by Franchisee to Franchisor or its affiliates in an amount specified by Franchisor.

(c) **Late Payment Charges.** All fees or payments of any type whatsoever owed by Franchisee to Franchisor or its affiliates that are not received when due will be subject to the imposition of late payment charges equal to the maximum rate permitted by law, not to exceed one and one-half percent (1 1/2%) per month.

(d) **No Setoff.** Franchisee shall not withhold or escrow any amounts due to Franchisor under this Agreement, or set off any such amounts against any amounts claimed to be due to Franchisee.

(e) **Taxes.** If any withholding, sales, excise, use, or privilege tax is imposed or levied by any government or governmental agency on account of any amounts payable under this Agreement, Franchisee shall pay to Franchisor as an additional fee, a sum equal to the amount of such tax (but this provision shall not apply to any income taxes imposed upon Franchisor).

(f) **Timing of Payment.** Unless specifically set forth herein to the contrary, all amounts owed to Franchisor or its affiliate shall be due and payable to Franchisor within ten (10) days following Franchisee's receipt of an invoice therefor. Royalty Fees, Technology Fees, and any other periodic fees shall be due and payable as set forth in this Agreement. Franchisor reserves the right, upon at least sixty (60) days' prior notice to Franchisee, to charge and collect any monthly fees on a weekly basis.

(g) **Fees.** Franchisor may at any time in its sole discretion, upon notice to Franchisee, modify any prices or other amounts charged by Franchisor or an affiliate for products or services, other than the Royalty Fee.

## **8 ASSISTANCE; TRAINING; ONGOING SUPPORT**

(a) **Initial Training Program.** Franchisor shall provide, at a suitable location of its choice or virtually or electrically, at Franchisor's option, an initial training program consisting of approximately ten (10) days of training for Franchisee and up to two (2) additional key persons (including Supervisor) as determined and approved by Franchisor (the "Initial Training Program"). The Initial Training Program will be provided without charge for up to three (3) individuals attending together, but travel and living expenses incurred by individuals attending training on Franchisee's behalf in



connection with the Initial Training Program shall be the responsibility of Franchisee. Franchisee and all other required attendees shall attend and satisfactorily complete the Initial Training Program at least sixty (60) days before the Center is expected to open for business to the general public. If a required attendee fails to satisfactorily complete the Initial Training Program by such date, Franchisor may terminate the Franchise Agreement and retain all amounts paid by Franchisee.

(b) **New Owner/Supervisor Training.** Any new owners of Franchisee and any new Supervisors who have not previously completed the Initial Training Program must attend and satisfactorily complete such portions (or all) of the Initial Training Program as required by Franchisor within thirty (30) days of their start of employment or when they begin managing the Center, whichever is earlier. Franchisor will charge its current charge for such additional training, and Franchisee must pay the charge for such training prior to the beginning of such training. Travel and living expenses incurred by individuals attending training on Franchisee's behalf in connection with the Initial Training Program shall be the responsibility of Franchisee.

(c) **Ongoing Support.** Franchisor will be available during normal business hours, and without charge to Franchisee, to provide Franchisee with reasonable telephone and email support on operating issues concerning the Center.

(d) **Additional Optional Training.** Upon the request of Franchisee, at reasonable times determined by the parties, Franchisor will provide additional training to Franchisee on topics requested by Franchisee and agreed to by Franchisor. Such training shall be held at a location determined by Franchisor or may be provided virtually or electronically. Franchisor shall charge its then-current training fee, if any, plus all of Franchisor's actual costs for the trainers including travel, lodging, and meal expenses, and such fees must be paid prior to the time such training begins.

(e) **Additional Required Training and Continuing Education.** From time to time Franchisor may require Franchisee to undergo certain training or continuing education on various topics, including operations to be implemented at the Center, new procedures, new product or service offerings, new teaching methods, Curriculums, and other educational or development programs at the Center. Such training or continuing education sessions shall be held at a location determined by Franchisor or may be provided virtually or electronically. Franchisor shall charge its then-current training fee or continuing education fee, if any, plus all of Franchisor's actual costs for the trainers including travel, lodging, and meal expenses, and such fees must be paid prior to the time such training or continuing education session begins.

(f) **On-Site Training.** Upon the request of Franchisee, at reasonable times determined by the parties, Franchisor will provide additional training at the Center to Franchisee on topics requested by Franchisee and agreed to by Franchisor. If Franchisee fails to provide services that meet Franchisor's standards, specifications, or procedures, Franchisor shall have the right to assign such person or persons that it deems necessary to provide additional training to Franchisee or its personnel at the Center to assure that such standards of quality and service are maintained. Franchisor shall charge its then-current training fee, if any, plus all of Franchisor's actual costs for the trainers including travel, lodging, and meal expenses, and such fees must be paid prior to the time such training begins.

(g) **Confidential Manual(s).** Franchisor shall loan or license access to Franchisee one or more manuals for use in the Center, which manuals may consist of brand standards, operations, and Curriculum manuals, or otherwise (the "Confidential Manual(s)"), and which may be provided electronically only. The Confidential Manual(s) are not to be copied in whole or in part, shall remain the property of Franchisor, shall always be kept in safekeeping, and Franchisee shall at all times maintain the most current or updated Confidential Manual(s). Franchisor may, from time to time, add to or modify some or all of the Confidential Manual(s) to supplement or to improve the System of Operation and the contents and methods of promotion franchised hereunder.

(h) **Conferences.** Franchisor may conduct an annual or bi-annual conferences for all franchisees operating under the Names and Marks. If Franchisor chooses to hold such a conference, Franchisee must attend such conference or send a representative approved by Franchisor. Regardless whether Franchisee attends the conference, it shall pay to Franchisor one (1) conference registration fee at least ninety (90) days prior to the start of the conference.

(i) **Forms and Templates.** Franchisor may provide to Franchisee various example forms and templates Franchisee may use in the operation of the Center. Franchisor makes no representation or warranty as to the enforceability of any contracts or other forms or templates provided to Franchisee for use in its Center, or whether any such forms or templates meet the legal requirements of the jurisdiction in which Franchisee does business. Franchisee acknowledges that it is Franchisee's responsibility to modify such forms and templates to meet all laws and regulations applicable to the Center and to use no contract that does not comply with applicable law. Franchisor may from time to time update the forms and templates provided to Franchisee. Upon provision of an updated form or template to Franchisee, Franchisee must immediately discontinue use of any prior version and only use the new version of the form or template thereafter.

(j) **Level of Performance; Delegation.** Franchisor is not obligated to perform any services to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge, and judgment. In addition, Franchisor shall have the right to subcontract or delegate any of its duties and responsibilities under this Agreement; provided, however, Franchisor shall be responsible for the performance of such duties, notwithstanding such subcontract or delegation, to the same extent as if Franchisor had not subcontracted or delegated such duties, unless such subcontract or delegation is in connection with an assignment pursuant to Section 16.

(k) **Notice of Deficiencies.** If Franchisee believes Franchisor has failed to adequately provide any services required to be provided to Franchisee in regard to the training, support, or any other matter affecting the establishment of the Center, Franchisee shall so notify Franchisor in writing within thirty (30) days following opening of the Center. Absent the timely provision of such notice to Franchisor, Franchisee shall be deemed to conclusively acknowledge that all pre-opening and opening services required to be performed by Franchisor were sufficient and satisfactory in Franchisee's judgment.

## 9 OPENING AND OPERATION OF THE CENTER

(a) **Opening of the Center.** Franchisee may not commence operation of the Center until Franchisee has satisfied all conditions set forth in this Agreement required to be satisfied by Franchisee prior to opening the Center, including successful completion of the Initial Training Program and obtaining all insurance policies, licenses, permits, and certifications necessary to operate the Center. Franchisee shall provide Franchisor with at least fifteen (15) days' written notice of the proposed opening date of the Center.

(1) Franchisee shall open the Center on or before the date that is six (6) months from the Effective Date. The Center shall be deemed to be opened on the date certified as such by Franchisor; provided, however, that failure by Franchisor to certify the Center has opened shall not relieve Franchisee from its obligation to pay any fees or other amounts hereunder.

(2) If Franchisee fails to timely open the Center, for any reason, Franchisor may, in its sole discretion, either (1) terminate this Agreement and retain all amounts Franchisee has paid to Franchisor or its affiliates; or (2) grant Franchisee an extension to open the Center, not to exceed six (6) months, upon payment by Franchisee of an extension fee equal to \$500 per month (prorated for any partial month).

(b) **Management of the Center; Owners.** Franchisee shall employ an on-site supervisor who is responsible for the general operation and management of the Center and for establishing,

implementing, monitoring, and enforcing Franchisor's policies (the "Supervisor"). Franchisee (or an owner of Franchisee if Franchisee is not an individual) may be the Supervisor. Notwithstanding the foregoing, Franchisee shall at all times be held responsible for the day-to-day operation and management of the Center. At the time this Agreement is executed by Franchisee, Franchisee shall also complete the Statement of Ownership and Management attached hereto, and, if Franchisee is a corporation, partnership, or limited liability company, each owner as of the date hereof, as well as any future owners, must sign Franchisor's then-current Guaranty at the time such individual becomes an owner of Franchisee. Franchisee shall immediately notify Franchisor of any change in any of the information in the Statement of Ownership and Management last submitted to Franchisor. Further, upon request of Franchisor, Franchisee shall provide Franchisor with an updated Statement of Ownership and Management.

(c) **Personnel.** All instructors, Supervisors, and other teaching assistants and aids of the Center must meet Franchisor's minimum specifications related to qualifications, education, health and safety certifications and training, and experience, as necessary to provide the proprietary Curriculum and to meet Franchisor's quality and safety standards. Franchisee shall conduct background checks on all employees prior to their hire, as may be required by Franchisor. Franchisee shall otherwise hire all personnel of the Center, and be exclusively responsible for the terms of their relationships with Franchisee, including compensation, education and training, discipline, and termination. Furthermore, Franchisee shall require each Supervisor, as a condition to their employment, to enter into a noncompetition and confidentiality agreement, enforceable by Franchisor, restricting the disclosure of confidential information and competition with Franchisee and Franchisor to the same extent as Franchisee is restricted under this Agreement. If there is a violation of that agreement, Franchisee shall take all action necessary to enforce that agreement. If Franchisee fails to enforce that agreement, it shall be liable to Franchisor for any damages, costs, and losses suffered by Franchisor, including any attorneys' fees Franchisor may incur if it elects to attempt to enforce that agreement on Franchisee's behalf. In such event, Franchisee shall execute all documents reasonably requested by Franchisor in connection with such enforcement attempt. Franchisee shall provide Franchisor an executed copy of each such agreement immediately upon execution by Franchisee and a Supervisor. Franchisee shall post a notice in the Center, conspicuous to Franchisee's employees, notifying Franchisee's employees that they are employees of Franchisee and not of Franchisor. Franchisee shall also obtain from each of its personnel an acknowledgment signed by such personnel providing that such individual understands, acknowledges, and agrees that he or she is an employee of Franchisee and not Franchisor and that such individual shall look solely to Franchisee for his or her compensation and for all other matters related to their relationship with Franchisee.

(d) **Training.** Franchisee shall provide to each of its staff members a training program meeting Franchisor's requirements, including any new staff members and Supervisors. Franchisee shall also provide such other periodic training to such individuals as is required by Franchisor. Franchisee shall provide to Franchisor, upon Franchisor's request, a certification that all of such individuals have successfully completed the training programs. To the extent Franchisor offers or conducts any such training, Franchisee shall pay Franchisor's then-current training fees, plus all of Franchisor's actual costs for the trainers including travel, lodging, and meal expenses, and such fees must be paid prior to the time such training begins.

(e) **Maintenance of High Quality Service.** Franchisee shall utilize its best efforts, skill, and diligence to ensure that Franchisee and Franchisee's employees, contractors, and agents establish and maintain high quality service to all doing business with the Center, including students, parents, and vendors. At all times, Franchisee shall conduct its business in a manner that will preserve and enhance the goodwill associated with the Names and Marks.

(f) **Products and Services; Curriculum.** Franchisee shall not offer any products and services through the Center or under the Names and Marks that are not approved by Franchisor (in its sole discretion) or that are not permitted to be offered under Franchisee's licenses and permits from any governmental agency. Franchisee shall at all times during the Term of the

Franchise offer at least one (1) Curriculum licensed by Franchisor to Franchisee. Franchisee shall not serve or enroll students who are not within the age group appropriate to the Curriculum(s) that Franchisee has licensed from Franchisor. Franchisee may not offer any other educational or developmental programs, classes, and/or curriculum at the Center or under the Names and Marks that are not approved by Franchisor, in its sole discretion. All such products and services must meet Franchisor's standards and specifications. Franchisee may not use the Center to operate any business, or offer any products or services, that have not been approved by Franchisor. Franchisee shall purchase and use any additional toys, books, supplies, products, inventory, furniture, fixtures, and equipment necessary to offer any products or services that Franchisor may from time to time require Franchisee to offer and sell through its Center, including for any additional Curriculum(s) that Franchisee offers through its Center.

(1) Franchisee may only take the forms of payment for its products and services that Franchisor may specify from time-to-time, subject to applicable law. Franchisee shall set its own pricing for the products and services it offers in the Center; provided, however, Franchisee shall adhere to any minimum and maximum prices prescribed by Franchisor for services or products offered by Franchisee, in accordance with applicable law.

(2) Franchisee shall keep the Center open for business during the days of the week and hours of service specified by Franchisor, subject to applicable law. Franchisee shall not provide products or services outside of such days and/or hours specified by Franchisor.

(g) **Compliance with Specifications and Procedures.** Franchisee acknowledges that the Confidential Manual(s) are designed to protect Franchisor's standards and System of Operation, and the Names and Marks, and not to control the day-to-day operation of the business or the employment practices of Franchisee. Franchisee shall comply with all rules, regulations, and directives specified by Franchisor as well as all mandatory standards, specifications, and procedures contained in the Confidential Manual(s), as amended from time to time, and shall adopt and adhere to the policies of Franchisor. Franchisor specifically reserves the right to modify or change such rules, regulations, and directives.

(h) **Technology Systems.** Franchisee must subscribe, at Franchisee's expense, to an Internet service provider or other electronic communication provider or service and obtain and use, at Franchisee's expense, and in the manner and form and meeting such minimum standards as Franchisor may approve or require, computer equipment, point-of-sale system, operating software, communication services, sign-in and sign-out devices, projectors, stage/microphone equipment, smart boards, and other electronic and computer systems, and the like, for communicating, reporting, managing, and operating the Center. Franchisee must subscribe, at Franchisee's expense, to such technology services that Franchisor may require for Genius Kids child learning centers, including any services for student sign-ins and sign-outs, accounts, enrollment and tuition, and records. Franchisor shall have independent access to all of Franchisee's computer systems, excluding any employment records, and Franchisee shall provide Franchisor upon request with any passwords or login ability to access all such computer systems. Franchisor may require that any and all communications between Franchisee and Franchisor be made through the Internet or such other electronic medium as Franchisor may designate, and Franchisee may be required to access the Internet or other electronic information on a regular basis to obtain full benefit of the System of Operation. Franchisee shall maintain a working email address to communicate with Franchisor. Franchisor is not liable for any damage to Franchisee including lost profits, which occur as a result of any outage or delay related to electronic transmission of information, whether by the Internet or otherwise, or as a result of Franchisee's failure to access the information. Franchisor may, in its sole discretion, make use of any information furnished by it to Franchisee in the conduct of its business, excluding any employment records.

(i) **Technology Upgrades.** Notwithstanding anything set forth in this Agreement to the contrary, Franchisor may require Franchisee to upgrade any technology used by Franchisee in the Center at any time and without regard to any expenditure or frequency limitations. Additionally,

there shall be no limit on Franchisor's right to require Franchisee to replace its computer system, to replace or upgrade hardware, software, or technology services used by Franchisee in the Center, or to require Franchisee to purchase additional hardware, software, or technology services that Franchisor may require for use in the Center.

(j) **Provision of Information.** Franchisee acknowledges and agrees that any and all information provided to Franchisee by Franchisor or any affiliate of Franchisor under this Agreement may be provided in such manner and by such media as Franchisor may determine, including, without limitation, by electronic and/or computer means. Franchisee also specifically agrees that Franchisor and any affiliate of Franchisor or any third-party supplier approved by Franchisor may communicate with Franchisee by fax, email, or other electronic communications.

(k) **Franchisee Control of the Center.** Franchisee acknowledges that it is responsible for the day-to-day operation of its Center, including hiring; setting the conditions of employment; supervising, discipline, and termination of all personnel; purchases or leases and maintenance of equipment and supplies; maintenance of employment records and student records; and daily maintenance, safety, security, and the achievement of compliance with the System of Operation. Franchisor's ability to approve certain matters, to inspect the Center and its operations, and to enforce its rights, exists only to the extent necessary to protect its interest in the System of Operation and the Names and Marks. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters that are clearly reserved to Franchisee. Franchisee's employees are not Franchisor's agents or employees and Franchisor is not a joint employer of these individuals. Franchisee is solely responsible for performing all administrative functions at the Center, including payroll and providing workers' compensation insurance. Franchisee acknowledges that it is not economically dependent on Franchisor, and that Franchisor does not provide facilities, equipment, or house or transport Franchisee's employees or provide to Franchisee's employees tools or materials required for Franchisee's employees to perform services for Franchisee.

(l) **Taxes.** Franchisee shall promptly pay when due all taxes levied or assessed by reason of its operation and performance under this Agreement, and Franchisee shall provide Franchisor a copy of any and all tax returns filed and related to the Center within thirty (30) days of filing. Franchisee further shall secure and pay premiums on a workers' compensation policy covering all of its employees and, if applicable, shall pay all state unemployment taxes, state sales taxes, and all other taxes and expenses of operating the Center. In the event of any bona fide dispute as to the liability for any taxes assessed against Franchisee, Franchisee may contest the validity or amount of the tax in accordance with procedures of the taxing authority. In no event, however, shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant to occur against the Center, or any part thereof.

(m) **Programs.** Franchisee must participate in, comply with all terms and conditions of, and pay all charges related to, all programs Franchisor may require Franchisee to participate in from time to time, including any gift card, gift certificate, rewards, coupon, customer satisfaction, or frequent customer or other membership or loyalty programs. The terms and conditions of any such programs, as well as the programs themselves, may be modified or terminated at any time by Franchisor in its sole and absolute discretion. Franchisee shall not create or issue its own gift card, gift certificate, rewards, coupon, customer satisfaction, or frequent customer or other membership programs.

(n) **Compliance with Laws.** Franchisee shall comply with all laws applicable to its Center including all laws applicable to a child care facility as well as all zoning laws. For the avoidance of any doubt, Franchisee shall ensure that: (1) the operation of its Center complies with all applicable laws including those related to the provision of educational materials and food to the students and student-to-teacher ratios; and (2) all employees of the Center are licensed to perform the services they are performing on behalf of Franchisee, including compliance with any child care licensure requirements.

(o) **Quality Assessment; Accreditation.** Franchisee shall apply for and obtain accreditation with the National Association for the Education of Young Children or such other child care education organization specified by Franchisor and state quality assessment organization meeting Franchisor's standards. Franchisee shall have obtained from such state quality assessment organization and maintain during the Term of the Franchise a quality assessment approval or rating meeting Franchisor's standards.

## 10 NAMES AND MARKS

(a) **Display of Names and Marks.** Franchisee shall operate under, and prominently display, the Names and Marks in the operation of the Center in the manner specified by Franchisor, and pursuant to the standards made available to Franchisee by Franchisor. Franchisee shall use no commercial trade names, service marks, or other commercial symbols, including associated logos, that do not satisfy the criteria established by Franchisor. If this Agreement is assigned to, or Franchisee is a, corporation, partnership, or limited liability company, Franchisee may not use all or part of the Names and Marks as part of the name of the corporation, partnership, or limited liability company (except to the extent required by applicable law), and Franchisee must obtain Franchisor's prior written approval of the name of the corporation, partnership, or limited liability company prior to incorporation, formation, or organization, as applicable. Franchisee may not use all or part of any of the Names and Marks, or any similar name, word, symbol, or variant thereof, in a domain name, account name, profile, or URL, except as specifically approved by Franchisor.

(1) If Franchisor deems it advisable, Franchisee shall file for and maintain a "Certificate of Trade Name" or "Assumed Name" in the county or state, or other appropriate jurisdiction, in which the Center is located.

(2) Franchisee shall not use any of the Names and Marks in combination with other words, letters, prefixes, suffixes, logos, or designs, other than in the manner authorized by Franchisor.

(b) **Change of Names and Marks.** From time to time, Franchisor may elect to discontinue the use of certain Names and Marks and to commence use of new Names and Marks. Franchisee shall pay all expenses incurred in connection with discontinuing the use of existing Names and Marks in the Center and commencing the use of new Names and Marks therein.

(c) **Ownership of Marks and Goodwill.** Franchisee acknowledges that Franchisor owns the Names and Marks. Franchisee's right to use the Names and Marks is under a license derived solely from this Agreement and all such usage and any goodwill established thereby shall inure to the exclusive benefit of Franchisor. Franchisee waives any right to challenge Franchisor's entitlement or ownership of the Names and Marks.

(d) **Cessation of Use.** Franchisee agrees that, upon the expiration or termination of the Term of the Franchise for any reason whatsoever, Franchisee shall immediately discontinue the use of the Names and Marks, and thereafter shall no longer use, or have the right to use, the Names and Marks. Franchisee agrees that, if any of the Names and Marks (including the words "Genius Kids" or any other similar words) are contained in its legal name or "Certificate of Trade Name" or "Assumed Name", Franchisee shall immediately take all necessary steps to change its legal name and cancel all "Certificate of Trade Names" and "Assumed Names" upon the expiration or termination of this Agreement for any reason.

(e) **Notification of Infringement.** Franchisee shall immediately notify Franchisor of any infringement of or challenge to Franchisee's use of present and future Names and Marks and shall not communicate with any other person in connection with any such infringement, challenge, or claim. Franchisor shall have sole discretion to take such action as it deems appropriate, including the exclusive control of any litigation or any trademark office or other administrative proceeding arising out of any such infringement, challenge, or claim relating to any of the Names and Marks.

## 11 FURNITURE, FIXTURES, AND EQUIPMENT; SUPPLIES AND SERVICES

(a) **Maintenance and Replacement.** Franchisee shall maintain all furniture, fixtures, and equipment, toys and supplies, inventory, design and décor, and technology used in the Center in excellent working condition. As such items become damaged, worn, obsolete, unsafe, or mechanically impaired to the extent they require repair or replacement, Franchisee shall repair or replace such items with either the same or substantially similar types and kinds of furniture, fixtures, or equipment, toys and supplies, inventory, design and décor, or technology as are being installed or used in other, similar businesses franchised by Franchisor, or opened by Franchisor or its affiliates, at the time repair or replacement becomes necessary. Franchisee shall purchase, install, and use any additional furniture, fixtures, and equipment, toys and supplies, inventory, design and décor, and technology necessary to offer any products or services that Franchisor may from time to time require Franchisee to offer or sell through its Center. All such furniture, fixtures, and equipment, toys and supplies, inventory, design and décor, and technology used in the Center shall meet the specifications of Franchisor and shall be approved by Franchisor prior to installation or use thereof.

(b) **Specifications and Approved Suppliers.** Unless Franchisor otherwise approves, the furniture, fixtures, and equipment, design and décor, branded items and signage, computer hardware and software, smart boards, technology and security systems, student record and enrollment recordkeeping, payment processing services, products, inventory and supplies Franchisee purchases for use or sale at the Center, insurance, and advertising and marketing materials, must meet Franchisor's specifications as they may be provided to Franchisee from time to time. From time to time, Franchisor shall provide Franchisee a list of approved suppliers of furniture, fixtures, and equipment, products, inventory and supplies, technology, software and hardware, insurance, and other items or services necessary to operate the Center. The approved source of supply for any individual item or service may be Franchisor, an affiliate of Franchisor, or an independent third party. Franchisor, an affiliate, or an unrelated third party may be the sole source of supply for an item or service, including any products, inventory, and supplies used in the Center.

(c) **Approval of Alternative Suppliers.** Franchisee shall obtain the written approval of Franchisor prior to the use of any supplier not previously approved by Franchisor and, as a precondition to the granting of such approval, Franchisor may require the proposed supplier to submit to Franchisor samples of products it proposes to provide to Franchisee for use in the Center and any other information Franchisor requires. Franchisor shall have thirty (30) days from its receipt of all such information to approve or reject such supplier. Any supplier not approved in such time period shall be deemed rejected.

(d) **Liability.** Franchisor shall not be liable to Franchisee for damages caused by the failure of Franchisor, its affiliates, or an approved supplier to make available for purchase any item or service, unless the failure is the result of factors within Franchisor's reasonable control. FRANCHISOR MAKES NO WARRANTIES REGARDING ANY PRODUCTS OR SERVICES SOLD BY ANY THIRD PARTIES, INCLUDING ANY APPROVED OR PREFERRED SUPPLIERS OF FRANCHISOR, AND HEREBY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND TITLE/NON-INFRINGEMENT. FRANCHISOR MAKES NO WARRANTY THAT ANY PRODUCTS OR SERVICES SOLD BY ANY THIRD PARTIES WILL BE BUG FREE, VIRUS FREE, OR FREE OF TROJAN HORSES OR WORMS. Any claim with respect to any supplier-related and/or similar matters shall be made only against the applicable supplier. Franchisee shall provide Franchisor with written notice prior to taking any action in connection with such a claim. Franchisor will use diligent efforts to assist Franchisee in resolving any disputes with suppliers approved or designated by Franchisor.

## 12 INFORMATION, REPORTS, INSPECTIONS, AND AUDITS

(a) **Books and Records; Financial Reports.** Franchisee shall maintain its books and records in the manner reasonably required by Franchisor. Franchisee shall provide Franchisor with such operational, financial, enrollment, and sales information relating to the business of Franchisee as from time to time may be reasonably required by Franchisor, including revenue and sales information, enrollment information, and inventory counts all in the forms as required by Franchisor. Franchisee shall provide to Franchisor such monthly and/or annual financial reports as Franchisor may specify. The financial and sales information shall be delivered to Franchisor, at the time, in the form and by the means of communication authorized by Franchisor. Franchisor may use such financial information in any manner and for any purpose it, in its sole and absolute judgment, deems appropriate. Franchisor has the right to share any such financial information and other information Franchisee provides to Franchisor with other Genius Kids franchisees and to publicly disclose and include Franchisee's financial information in Franchisor's franchise disclosure document. Except for the foregoing rights, Franchisor will keep such financial information confidential, unless the information is: (1) requested by tax authorities; or (2) used as part of a legal proceeding. Franchisee, and if Franchisee is a limited liability company, corporation, or partnership, the owners of Franchisee, shall also submit to Franchisor, upon request, copies of their annual income and sales tax returns, if any. If Franchisee or any owner fails to provide Franchisor with the information, records or reports in such form and at such times as are required by Franchisor from time-to-time, Franchisor may charge Franchisee a "Reporting Failure Fee" in the amount of Five Hundred Dollars (\$500) per report that Franchisee had failed to provide. The Reporting Failure Fee shall be due and payable by Franchisee on demand of Franchisor. The foregoing shall be in addition to any other rights of Franchisor hereunder.

(b) **Audit Rights.** Franchisor shall have the right to audit or cause to be audited the sales reports and financial statements delivered to Franchisor, and the books, records, enrollment information, and sales and income tax returns of Franchisee, and if Franchisee is a limited liability company, corporation, or partnership, the owners of Franchisee, excluding any employment records. If any audit discloses that Franchisee has failed to pay to Franchisor any Royalty Fees or other amounts owed to Franchisor based upon an understatement of Gross Revenue or otherwise, Franchisee, within ten (10) days of receipt of the audit report, shall pay to Franchisor the Royalty Fees and other amounts due Franchisor, plus late payment charges from the due date at the maximum rate permitted by law, not to exceed one and one-half percent (1 1/2%) per month. In addition, if an understatement of any fees payable to Franchisor are discovered as a result of the audit for any period, Franchisee shall reimburse Franchisor at Franchisor's current hourly rate (which shall be no less than \$250 per hour) plus the cost of the audit, including the charges of any independent accountant and the travel expenses and room and board incurred by Franchisor or its representatives and agents to make the audit.

(c) **Inspection Rights.** Franchisee shall permit Franchisor and its representatives, whenever Franchisor reasonably may deem necessary, during normal business hours, to enter, remain on, and inspect the Center and its technology systems, data, and servers (wherever located).

(d) **Client Satisfaction/Surveys.** Franchisor and its representatives may, without notice to Franchisee, interview parents of children to whom Franchisee has provided services. Franchisee shall participate in all client satisfaction programs Franchisor requires, including any client surveys and shall provide Franchisor with such assistance and information as reasonably required by Franchisor in connection with such programs and surveys. If Franchisor receives a client complaint, or Franchisee fails to respond to a complaint within the time Franchisor specifies, Franchisor may resolve the complaint or respond for Franchisee.

(e) **Ownership of Information.** All information Franchisor obtains from Franchisee or about or related to the Center (collectively, the "Information"), and all revenues Franchisor derives from such Information, shall be Franchisor's property, excluding any employment and student records (which shall belong solely to and be the responsibility of Franchisee). Franchisee may use



information that it acquires from third parties in operating the Center at any time during the Term of the Franchise to the extent lawful and at its sole risk and responsibility, but only in connection with operating the Center for the purposes hereunder. The Information (except for information Franchisee provides to Franchisor with respect to it and its affiliates) shall become the confidential information of Franchisor, which Franchisor may use for any reason it deems necessary or appropriate. Franchisee and Franchisor shall comply with all applicable laws pertaining to the privacy and security of personal information, including, without limitation, local, regional, and national requirements applicable to the Center. Further, Franchisee recognizes and agrees that between Franchisee and Franchisor, Franchisor owns all rights to and all interest in and to any data, whether customer data, click-stream data, user data or otherwise, hits or other information collected via any electronic medium or method of communication, including via a website, home page, HTML document, Internet site, online directory, web page, or social media or social networking site, or application, whether web-based or otherwise, related to the Genius Kids system or the Names and Marks. Such information is deemed by Franchisor to be and constitutes its confidential information. Franchisee further agrees that Franchisor may disclose Franchisee's and its owner's contact information and financial information of the Center in Franchisor's Franchise Disclosure Document to the extent required or permitted by applicable law.

## **13 INSURANCE**

(a) **Type of Coverage.** At all times during the Term of the Franchise, Franchisee shall maintain in force, at its sole expense, on a primary and non-contributory basis, at a minimum, comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage; "all risks" or "special form" coverage; child abuse liability insurance; automobile liability coverage, including coverage of owned, non-owned and hired vehicles; professional liability insurance; workers' compensation insurance; tenant's liability insurance (if applicable); builder's risks insurance and performance and completion bonds; and any other insurance required by the city or state in which the Center is located and operated and as required by the Center's landlord; and such other types of insurance and all in such amounts as may be specified by Franchisor from time to time.

(1) The insurance coverage shall be maintained under one (1) or more policies of insurance containing the amounts and types of coverage from time to time prescribed by Franchisor and insured by insurance companies meeting Franchisor's requirements.

(2) All insurance policies shall name Franchisor as an additional insured and provide for a waiver of subrogation, other than workers compensation. All insurance policies shall provide that Franchisor receive ten (10) days' prior written notice of termination, expiration, reduction, or cancellation of any such policy.

(3) Franchisee shall submit to Franchisor, annually, a copy of the certificate of or other evidence of the renewal or extension of each such insurance policy.

(b) **Failure to Obtain.** If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor, or fails to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may obtain such insurance coverage on behalf of Franchisee, and any costs of premiums incurred by Franchisor in connection therewith shall be paid by Franchisee on demand.

## **14 CONFIDENTIALITY AND IMPROVEMENTS BY FRANCHISEE**

(a) **Maintenance of Confidence.** Franchisee acknowledges that all of the information it has now or obtains in the future concerning the System of Operation, including the Curriculum(s), Confidential Manual(s), and the concepts and methods of promotion franchised hereunder, is derived from Franchisor pursuant to this Agreement, and that such information will be treated in

confidence and shall only be used for the purposes of operating a Center as set forth in this Agreement. Franchisee agrees never to, directly or indirectly, engage in or abet the misappropriation (as the term "misappropriation" is defined in the California Uniform Trade Secrets Act, Cal. Civil Code Sections 3426-3426.11), or the disclosure, divulgence, or distribution of all or any part of the System of Operation and the concepts and methods of promoting Franchises hereunder.

(b) **Curriculum and Software.** Franchisee shall use the Curriculum solely in connection with the operation of the Center, and Franchisee shall not, and shall ensure its employees and agents do not, (1) make copies of any Curriculum or other proprietary software provided by Franchisor to Franchisee; (2) translate, reverse engineer, revise compile, disassemble, or create derivative works based on any such Curriculum or software or any portion thereof or rights therein; or (3) sublicense, rent, lease, sell, or otherwise transfer any such Curriculum or software or any portion thereof or rights therein.

(c) **Improvements.** If Franchisee, during the Term of the Franchise, conceives or develops any improvements or additions to the System of Operation, including any new products or services, educational programs, courses or classes, or curriculums, trade names, trade and service marks and other commercial symbols related to the Center, trade dress or designs, or any advertising, promotion, or marketing ideas related to the Center ("Improvements"), Franchisee shall fully disclose the Improvements to Franchisor without disclosure of the Improvements to others and shall obtain Franchisor's written approval prior to the use of such Improvements. Any such Improvement approved by Franchisor may be used by Franchisor and its affiliates and all other franchisees of Franchisor without any obligation to Franchisee for royalties or similar fees. Franchisee shall assign to Franchisor, and hereby does assign to Franchisor, without charge, all rights to such Improvements, together with the goodwill associated with the Improvements, including the right to grant sublicenses to any such Improvements. Franchisor, at its discretion, may make application for and own copyrights, trade names, trademarks, and service marks relating to any such Improvements. Franchisor also may consider such Improvements as the property and trade secrets of Franchisor. Franchisor shall authorize Franchisee to utilize any Improvement authorized generally for use by other franchisees.

## 15 RESTRICTIVE COVENANTS

(a) **Covenants.** Franchisee acknowledges Franchisor must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance and trade secrets in direct competition with Franchisor. Franchisee therefore agrees that it shall not:

(1) During the Term of the Franchise, either directly or indirectly: (a) operate, own, manage, or be employed by or consult with, any Competitive Business other than one operated under a valid franchise agreement with Franchisor, or any business or venture that is granting franchises or licenses for the operation of a Competitive Business; or (b) divert or attempt to divert any student or potential student to any competitor of the Genius Kids system.

(2) For a period of two (2) years following the expiration, termination, or assignment of this Agreement, either directly or indirectly operate, own, manage, be employed by or consult with any Competitive Business, other than one operated under a valid franchise agreement with Franchisor, or any business or venture that is granting franchises or licenses for the operation of a Competitive Business, that is located, operating, or serving students in the Restricted Area. In the event of the violation of this Section 15(a)(2) by Franchisee following expiration, termination, or assignment of this Agreement, the period of time Franchisee shall be required to abide by the breached obligation shall be extended to a period of three (3) years after Franchisee is no longer in breach of such obligation.

(b) **Franchisee Acknowledgments.** Franchisee agrees that the restrictions contained in this Section 15 are reasonable and necessary to protect the interests of Franchisor and other franchisees of Franchisor. Franchisee further acknowledges that because of the narrow scope of the limitations, the foregoing restrictions do not unduly restrict Franchisee's ability to engage in gainful employment. If Franchisee violates these restrictions, then in addition to damages incurred by Franchisor for which Franchisee shall be liable, Franchisor shall be entitled to injunctive relief to prevent the continuation of such breach.

## 16 ASSIGNMENT

(a) **By Franchisor.** This Agreement is fully assignable by Franchisor without the consent of or prior notice to Franchisee, and shall inure to the benefit of any assignee or other legal successor in interest of Franchisor.

(b) **General Prohibition on Franchisee Assignment.** No Franchisee, partner (if Franchisee is a partnership), shareholder (if Franchisee is a corporation), or member (if Franchisee is a limited liability company), without the prior written consent of Franchisor, by operation of law or otherwise, shall sell, assign, transfer, convey, give away, lease, have redeemed, or encumber to any person, trust, firm, corporation, partnership, or company, its interest in this Agreement or its interest in the Franchise granted hereby or its interest in any proprietorship, partnership, corporation, or limited liability company which, directly or indirectly, owns any interest in the franchise, or its interest in the Center, or the assets of the Center. Any purported assignment not having the necessary consent shall be null and void and shall constitute a material default hereunder.

(c) **Conditions to Franchisee Assignment.** Franchisor shall not unreasonably withhold its consent to any assignment provided the following conditions and requirements shall first be satisfied:

(1) If Franchisee desires to assign or transfer all of its rights to a partnership, corporation, or limited liability company controlled by Franchisee:

(a) the transferee shall be newly organized and its charter shall provide that its activities are confined exclusively to operating the Center;

(b) the transferee shall have or obtain all licenses and permits necessary to operate the Center, and Franchisee shall obtain all regulatory approvals required of such assignment or transfer;

(c) Franchisee, if a natural person, shall be and shall remain the principal executive officer of the transferee;

(d) Franchisee shall be and shall remain in control of the transferee and shall be and shall remain the owner of not less than fifty one percent (51%) of the issued and outstanding voting stock or membership interests of the transferee corporation or limited liability company or, in the case of a partnership, of fifty one percent (51%) of the voting control of the transferee partnership (or such higher ownership amounts as required by state law);

(e) each stock or membership certificate of the transferee corporation or limited liability company, or the partnership agreement of the transferee partnership, shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer of any interest therein is subject to, all restrictions imposed upon assignments by this Agreement;

(f) no new voting interest in the transferee shall be issued to any person or entity without obtaining Franchisor's prior written consent;

(g) the transferee shall enter into a written agreement with Franchisee and Franchisor, in a form satisfactory to Franchisor, assuming all of Franchisee's obligations hereunder;

(h) all the partners, shareholders, or members of the transferee shall enter into a written agreement in a form satisfactory to Franchisor jointly and severally guaranteeing the full payment and performance of the transferee's obligations to Franchisor and agreeing to be personally bound by all covenants and restrictions imposed upon the transferee under this Agreement; and

(i) all accrued money obligations of Franchisee to Franchisor and its subsidiaries, affiliates, and assigns shall be satisfied prior to assignment or transfer.

(2) If an assignment (other than an assignment as set forth in Section 16(c)(1)), alone or together with other previous, simultaneous, or proposed transfers, would have the effect of transferring control of Franchisee, the Franchise created hereby, or the Center:

(a) the transferee, and every person with a financial, profit-sharing, or management interest in the Center, shall meet Franchisor's then-current standards and application requirements for the issuance of a Franchise, meet Franchisor's minimum liquid capital amounts, pass all background checks, credit checks, and interviews required by Franchisor, be of good moral character and reputation, be properly licensed and in good standing with the state in which the Center is located, and shall have such other credit rating, financial capabilities, and competent business qualifications reasonably acceptable to Franchisor. Franchisee shall provide Franchisor with the information it may reasonably require to make a determination concerning each proposed transferee;

(b) the transferee shall have or obtain all licenses and permits necessary to operate the Center, and Franchisee shall obtain all regulatory approvals required of such assignment or transfer;

(c) the transferee, including all shareholders, members, and partners of the transferee, shall jointly and severally execute a new franchise agreement with Franchisor, on the terms then offered by Franchisor to new franchisees, for the remaining term of this Agreement, except that all pre-opening obligations of the parties shall be waived, other than the transferee's obligation to complete the Initial Training Program to Franchisor's satisfaction or such other additional training as Franchisor may require at Franchisor's current additional training fee;

(d) the purchase price paid by the transferee for the Center shall be reasonable as determined in Franchisor's sole discretion, and exclude any goodwill of the Center;

(e) if the transferee is a corporation, limited liability company, or partnership, each stock or membership certificate, or the partnership agreement, shall have conspicuously endorsed upon it a statement that it is held subject to, and further assignment or transfer of any interest therein is subject to, all restrictions imposed upon assignments by this Agreement;

(f) if the transferee is a corporation, partnership, or limited liability company, no new voting interest in the transferee shall be issued to any person or entity without obtaining Franchisor's prior written consent;

(g) Franchisee shall have fully paid and satisfied all of Franchisee's obligations to Franchisor and its affiliates, and Franchisee shall pay to Franchisor a transfer fee of Ten Thousand Dollars (\$10,000).

(h) Franchisee shall have executed an agreement in form satisfactory to Franchisor in which it agrees to: (a) release any claims it has against Franchisor and its affiliates; (b) subordinate any claims it may have against the transferee to any amounts owed by the transferee to Franchisor; and (c) comply with the post-term obligations set forth herein, including the non-competition and confidentiality provisions;

(i) if the transferee is a corporation, limited liability company, or partnership, all the shareholders, members, or partners of the transferee, and their spouses, shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing the full payment and performance of the transferee's obligations to Franchisor and agreeing to be personally bound by all covenants and restrictions imposed upon the transferee under the terms of this Agreement; and

(j) if the assignment or transfer is caused by the death or incapacity of Franchisee (or in the case of a partnership, corporation, or limited liability company, by the death or incapacity of one controlling more than forty-nine percent (49%) of the voting interest of Franchisee), the provisions of this Section 16(c)(2) must be met with regard to the heir or personal representative of Franchisee succeeding to Franchisee's interest hereunder; provided, however, if the heir or personal representative assigns, transfers, or sells its interest in the Franchise within one hundred twenty (120) days after the death or incapacity of Franchisee, the person to whom the interest is assigned, transferred, or sold, and not Franchisee's heir or personal representative, must comply with the provisions of this Section 16(c)(2) as transferee.

(d) **Non-Controlling Transfers.** Notwithstanding anything set forth herein to the contrary, Franchisee may not transfer a portion of its rights or obligations hereunder or a portion of the Center, or a non-controlling interest in Franchisee, the Franchise created hereby, or the Center, without Franchisor's approval and the satisfaction of the conditions set forth in Section 16(c)(2) as Franchisor may require.

(e) **Disclosure.** Franchisee consents to Franchisor releasing to any proposed transferee and regulatory agency any information concerning the Center, whether provided by Franchisee or otherwise obtained by Franchisor.

## 17 RIGHT OF FIRST REFUSAL

(a) If, at any time during the Term of the Franchise, Franchisee receives a bona fide offer to purchase or lease the Center, including the Center or the property upon which the Center is located, or any owner of Franchisee receives an offer to purchase any interest in Franchisee, either directly or indirectly, which offer Franchisee or such owner is willing to accept, Franchisee shall communicate in writing to Franchisor the full terms of the offer and the name of the offeror, and Franchisee shall provide to Franchisor any and all information, documents, or agreements reasonably requested by Franchisor, including the executed purchase or lease agreement and past financial statements of Franchisee or related to the Center, as prepared by an independent accountant. Franchisor, or a third party identified by Franchisor, may elect to purchase or lease

the business, the property, or the interest, as applicable, on the terms set forth in the offer. If Franchisor elects to exercise such option, it shall give Franchisee written notice of the election within sixty (60) days after Franchisor receives Franchisee's complete and accurate communication of the offer (including all information, documents, or agreements requested by Franchisor). If Franchisor fails to give written notice of election within such sixty (60) day period, Franchisee or the owner, as the case may be, may sell or lease to the offeror on the terms offered, subject to Section 16. The sale or lease must, however, be completed within sixty (60) days of the termination of the sixty (60) day period during which Franchisor may give written notice of election to purchase or lease; otherwise, an additional notice must be given to Franchisor and an additional option period must expire prior to any such transfer. If Franchisor elects to exercise its rights hereunder, it shall have the right to substitute equivalent cash for any noncash consideration included in the bona fide offer and Franchisor and Franchisee or Franchisee's owner, as the case maybe, will use their best efforts to complete the transaction within sixty (60) days from the date of Franchisor's notice of election to exercise its rights hereunder.

(b) Franchisor may assign, transfer, or sell its rights under this Section 17 to any third party, including another franchisee of Franchisor.

## **18 PRE-TERMINATION OPTIONS OF FRANCHISOR; MANAGEMENT ASSISTANCE**

(a) **Rights in Addition to Termination.** Prior to the termination of this Agreement, if Franchisee fails to pay any amounts owed to Franchisor or its affiliates or fails to comply with any term of this Agreement or any other agreement between Franchisor and Franchisee or an affiliate of Franchisor and Franchisee, then in addition to any right Franchisor may have to terminate this Agreement or to bring a claim for damages, Franchisor shall have the option to:

- (1) Prohibit Franchisee from attending any trainings, conventions, meetings, or seminars held or sponsored by Franchisor or taking place on the premises of Franchisor;
- (2) Remove any listing of the Center from any advertising and Franchisor-Identified Social Media Presence;
- (3) Revoke access to any Curriculum; and
- (4) Suspend the provision of any or all of the services or the sale of any or all products, inventory, or supplies provided by or through Franchisor or its affiliate to Franchisee.

(b) **Continuation of Franchisor Options.** Franchisor's actions, as provided in this Section 18, may continue until Franchisee has brought its accounts current, cured any default, and complied with Franchisor's requirements, and Franchisor has acknowledged the same in writing. Franchisee acknowledges and agrees that the taking by Franchisor of any of these actions shall not deprive Franchisee of a substantial portion of the benefits provided to it under this Agreement and therefore the taking of any of the actions permitted in this Section 18 shall not suspend or release Franchisee from any obligation that would otherwise be owed to Franchisor or its affiliates under the terms of this Agreement, or otherwise, nor shall Franchisee assert that the taking of any such actions shall act as an actual or constructive termination of this Agreement.

## **19 TERMINATION**

(a) **By Franchisor.** In addition to Franchisor's other termination rights in this Agreement, Franchisor may terminate this Agreement effective immediately upon receipt by Franchisee of notice of termination, if Franchisee:

- (1) Loses the right to occupy the Center's premises;

- (2) Voluntarily abandons the Franchise relationship;
- (3) Loses any license or permit required by applicable law and necessary for the operation of the Center, or receives a citation related to any education or child care license which is not cured to the satisfaction of Franchisor and the appropriate governmental agency within ten (10) days after notice to Franchisee;
- (4) Or any owner of Franchisee is convicted in a court of competent jurisdiction of, or pleads guilty or no contest to, an offense directly related to the Center, including any offense that indicates unsuitability for the provision of educational or child care services;
- (5) Fails to comply with any federal, state, or local law or regulation applicable to the operation of the Center;
- (6) Operates the Center in a manner that presents a safety or health hazard to students or others in violation of any law or regulation or operating standard of Franchisor (including child abuse or endangerment; failure to properly screen, hire, and train instructors or other employees; or adherence to mandated student-to-teacher ratios);
- (7) Exhibits a reckless disregard for the physical or mental well-being of children, employees, customers, Franchisor or its representatives, or the public at large, including battery, assault, sexual harassment or discrimination, racial harassment or discrimination, and alcohol or drug abuse or other forms of threatening;
- (8) Fails to cure a default under this Agreement which materially impairs the goodwill associated with the Names and Marks after Franchisee has received written notice to cure at least twenty four (24) hours in advance of the notice of termination;
- (9) Violates Franchisor's student referral policies or engages in Target Marketing to solicit and obtain students by any type of advertising or marketing outside Franchisee's Territory; or Franchisee fails to provide Franchisor, or, if the unassigned area has been purchased by another franchisee, the franchisee or company-owned business whose territory the student is located in, information regarding the student's contact information as required; or Franchisee refuses to refer students to another franchisee or company-owned business if (i) such student lives outside the Territory and within the territory of another franchisee or company-owned business; or (ii) Franchisee is unable to provide prompt service to students due to unavailable teachers or classrooms or any other cause;
- (10) Submits to Franchisor two (2) or more sales reports, financial statements, other information or supporting records in any period of twelve (12) consecutive months, which understates by two percent (2%) or more the Gross Revenue of the Center, or otherwise materially distorts any other material information;
- (11) Consistently fails to submit when due sales reports or financial statements to Franchisor;
- (12) Fails to pay when due any fees or other payments due to Franchisor and such failure continues for ten (10) days after notice to Franchisee;
- (13) Consistently fails to remit when due payments to suppliers or other creditors of the Center, and such failure continues for ten (10) days after notice to Franchisee;
- (14) Makes an assignment for the benefit of creditors or an admission of its inability to pay its obligations as they become due;

(15) Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution, or similar relief under any law, admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated bankrupt or insolvent;

(16) Makes an unauthorized assignment or transfer of this Agreement, the Center, or the Franchise;

(17) Has made material misrepresentations on its application for the Franchise;

(18) Fails to offer the educational and developmental programs or Curriculum in the manner and style Franchisor specifies or fails to conduct classes, teach the Curriculum, or operate the Center in accordance with Franchisor requirements and such failure continues for thirty (30) days after notice to Franchisee;

(19) Is in breach of any other agreement with Franchisor or any of its affiliates and such failure continues for thirty (30) days after notice to Franchisee; or

(20) Otherwise materially breaches this Agreement or fails to comply with any provision of this Agreement or any specification, standard, or operating procedure prescribed by Franchisor and does not correct such failure within thirty (30) days after notice to Franchisee.

(b) **By Franchisee.** Franchisee may terminate this Agreement and the Franchise granted hereunder effective ten (10) days after delivery to Franchisor of notice of termination, if Franchisee is in compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure the breach within thirty (30) days after written notice of the breach is delivered to Franchisor.

(c) **Compliance with Applicable Law.** The foregoing notwithstanding, to the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal, or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, be superseded by said law, and Franchisor shall comply with applicable law in connection with each of these matters.

(d) **Actions Upon Expiration or Termination.** Franchisee agrees, upon expiration, termination, or assignment of the Franchise:

(1) To immediately return to Franchisor all copies of all Confidential Manual(s) that have been loaned to it by Franchisor and any material marked as property of Franchisor or as confidential;

(2) To immediately pay to Franchisor such Royalty Fees, Technology Fees, and other charges as have or will thereafter become due hereunder and are then unpaid including amounts due for printed materials, forms, advertising material, supplies, products, and services supplied by Franchisor;

(3) To immediately pay to Franchisor (only in connection with a termination of this Agreement by Franchisor, for any reason), not as a penalty but in consideration of the early termination of this Agreement and as brand damages in partial consideration of the reputational and brand damage that results from the closure of the Center to the Genius Kids system, an amount equal to the product of (a) the average monthly Royalty Fees Franchisee paid during the previous twelve (12) months that the Center was operating (excluding any periods of temporary or complete closure), or if the Center was not open at the time of termination, then based on a Royalty Fee of One Thousand Dollars (\$1,000)



per month; *times* (b) the number of months remaining in the Term of the Franchise or thirty six (36) months, whichever is less;

(4) To immediately take such action as may be required to properly cancel or change all corporate, business, or other legal names and assumed name or equivalent registrations relating to the use of or containing any of the Names and Marks, and notify the telephone company, any domain name registrar, any Internet service provider, and all listing agencies of the expiration or termination of Franchisee's right to use any domain names, profiles, accounts, user names, telephone numbers, and classified and other directory listings associated with any Franchisor-Identified Social Media Presence, or that include any portion of the Names and Marks, and authorize the telephone company, domain name registrars, Internet service providers, and listing agencies to transfer to Franchisor all such telephone numbers, registrations, profiles, accounts, and directory listings, along with access thereto. Franchisee acknowledges that, as between Franchisor and Franchisee, Franchisor has the sole right to and interest in all telephone numbers, directory listings, domain names profiles, user names, and accounts associated with the Names and Marks, or any word, phrase or symbol confusingly similar to any of the Names and Marks, including any Franchisor-Identified Social Media Presence, as well as any content thereon. Franchisee authorizes Franchisor, and appoints Franchisor its attorney-in-fact, to direct the telephone company, domain name registrars, internet service providers, and all listing agencies to transfer telephone numbers, domain names, accounts and listings to Franchisor, as well as provide access to Franchisor to any such account or registration;

(5) To not indicate directly or indirectly, in any manner, that it is or ever was affiliated with Franchisor in any capacity, identify itself or any business as a member of Franchisor's system, or as otherwise associated with Franchisor, or use, in any manner or for any purpose, any of the System of Operation, concepts, and methods of promotion, or Names and Marks, or any other indicia of a business operated under the Names and Marks; and

(6) To immediately cause all signs using the Names and Marks to be removed. If Franchisee fails to remove such signage, Franchisor shall be entitled to remove and destroy the signage, without prior notice to Franchisee, and Franchisee shall be obligated to reimburse Franchisor for all costs associated with such removal and destruction.

(e) **Option to Purchase.** Upon the expiration or termination of the Term of the Franchise, Franchisor shall have the first option (but not an obligation), exercisable for sixty (60) days, to purchase from Franchisee at fair market value (excluding any goodwill associated thereto) the location or premises for the Center (if owned by Franchisee or its affiliate) and/or any or all of the approved inventory, furniture, fixtures, and equipment, supplies, signs, and branded items owned by Franchisee and used in the operation of the Center. If Franchisor and Franchisee cannot agree on the fair market value of any such item, such items shall be valued by an independent business appraiser appointed by Franchisor, at Franchisor's sole cost, who shall determine the fair market value of such items excluding any goodwill associated thereto. Franchisor may assign, transfer, or sell its rights under this Section 19(e) to any third party, including to another franchisee of Franchisor.

(f) **Survival of Provisions.** All obligations of Franchisor and Franchisee that expressly or by their nature survive the termination, expiration, or assignment of the Franchise, including the post-termination rights and obligations, non-competition, confidentiality, indemnification, and enforcement and dispute resolution provisions herein, shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement until they are satisfied in full or by their nature expire.

(g) **Communication with Third Parties.** After Franchisor provides Franchisee with notice of any default hereunder, Franchisor can notify any third parties, including any landlords, lenders, and

customers, of the default and communicate with such third parties regarding Franchisee and the Center.

## 20 ENFORCEMENT

(a) **Injunctive Relief.** Either party may apply for injunctive or other equitable relief to: (1) enforce its right to terminate this Agreement; and (2) prevent or remedy a breach of this Agreement if such breach could materially impair the goodwill of such party's business, including to enforce the obligations of a party to be performed following the termination of this Agreement, and enforcement of the non-competition and confidentiality provisions of this Agreement. Each party shall be entitled to the entry of temporary restraining orders and temporary and permanent injunctions enforcing its aforementioned rights.

(b) **Mediation.** Except with respect to matters for which a party believes it necessary to seek injunctive or equitable relief, Franchisee and Franchisor shall be required to enter into mediation of all disputes involving this Agreement, or any other aspect of the relationship between them, for a minimum of four (4) hours, prior to the initiation of any arbitration against the other.

(1) Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select an independent entity that regularly provides mediation services to franchisors and franchisees to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such an organization within ten (10) business days from the date the notice of intention to mediate is received, then the other party may forego mediation of the issue(s) and commence an arbitration hearing or, at its option, make the selection of the organization to provide mediation services. If one party selects an organization that is unwilling to serve as mediator or does not meet the requirements of this Section 20(b)(1), then the other party may select the organization. Once the organization is designated and agrees to accept appointment as mediator, the organization shall be directed to schedule a mediation proceeding at a time mutually convenient to Franchisor and Franchisee. The mediation shall be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. The actual mediator shall be a person who has had at least ten (10) years of experience as either franchisee or franchisor (or as an officer of such an entity), or in franchise law.

(2) The parties shall equally share the cost of the mediator. The mediator shall select the location for the mediation, giving due consideration to the location that will minimize the total expenses of the mediation; provided, however, that unless agreed to by both Franchisor and Franchisee, the mediation shall be held in a metropolitan area having a population of at least two hundred fifty thousand (250,000) persons that is not located within two hundred (200) miles of the Center or the principal office of Franchisor.

(3) Except with respect to matters for which a party is permitted to seek injunctive or equitable relief, if either party initiates arbitration without complying with their obligation to mediate in accordance with this Section 20(a) (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section 20(a)), then upon petition of any party named as a respondent in such arbitration, the arbitrator shall dismiss the action without prejudice, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to such party's attorneys' fees and costs incurred in seeking dismissal. If the arbitrator refuses for any reason to dismiss the arbitration, then regardless of the outcome of such arbitration, or of any award given by the arbitrator in such arbitration, the party initiating the action shall be responsible for all attorneys' fees and costs incurred throughout the action by the other party as damages for failing to comply with the provisions of this Section 20(a).

(c) **Arbitration.** Except insofar as either party elects to enforce this Agreement by judicial process and injunction as provided in this Agreement, all disputes and claims arising out of or relating to the offer or sale of the Franchise, this Agreement or any provision hereof, or to any specification, standard, or operating procedure, of Franchisor or to the breach thereof (including any claim that this Agreement, any provision thereof, any specification, standard, or operating procedure or any other obligation of Franchisee or Franchisor is illegal, unenforceable, or voidable under any law, ordinance, or ruling) shall be settled by arbitration at the office of the American Arbitration Association located in or nearest Alameda County, California, in accordance with the United States Arbitration Act (9 U.S.C. § 1 et seq.), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise license agreements, if any, otherwise, the general rules of commercial arbitration).

(1) Any arbitrator appointed to arbitrate a dispute under this Agreement shall have at least ten (10) years' experience in franchise matters and shall have the right to award or include in any award the specific performance of this Agreement.

(2) The arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers, and limitations of this Agreement. The arbitrator shall have no authority to add, delete, or modify in any manner, the terms and provisions of this Agreement. All findings, judgments, decisions, and awards of the arbitrator will be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator may not award any relief that was not specifically requested by the parties prior to the start of the arbitration hearing. The arbitrator shall file a reasoned brief with his or her award.

(3) If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for which either party seeks an injunction in accordance with Section 20(a), the arbitrability of such claim shall be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim brought by either party against the other, the decision as to whether or not the claim is subject to arbitration shall be made by the arbitrator appointed in accordance with this Agreement.

(4) Any award from the arbitrator may be appealed under the Optional Rules of the American Arbitration Association. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. The award shall be binding, final, and nonappealable except as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section 20(c). Unless this Agreement is terminated in accordance with the provisions of Section 19, during the pendency of the arbitration proceeding, Franchisee and Franchisor shall fully perform this Agreement.

(5) If, after Franchisor or Franchisee institutes an arbitration proceeding, one or the other asserts a claim, counterclaim, or defense, the subject matter of which, under statute or current judicial decision is nonarbitrable for public policy reasons, the party against whom the claim, counterclaim, or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims, or defenses or to proceed to litigate all claims, counterclaims, or defenses in a court having competent jurisdiction.

(6) All arbitration proceedings will be individual proceedings between Franchisor and Franchisee, and will not be conducted on a "class basis," or include any of Franchisor's other franchisees as named parties unless Franchisor and Franchisee each agree.

(d) **Venue.** Franchisor and Franchisee (and Franchisee's owners and guarantors) each agree that if litigation is commenced, the sole forum for resolving disputes under this Agreement or any aspect of the relationship between the parties shall be the state and federal courts of California. Such actions shall be exclusively venued in the Alameda County Court of California, or the United

States District Court for the Northern District of California, and the parties waive any objections they may have to either the jurisdiction or the venue in such courts and hereby consent to personal jurisdiction and venue in such courts. The only exception to the foregoing shall be: (1) if the courts of California would have no jurisdiction over a named party in the litigation, and such party's involvement in the litigation is integral to the underlying claims and not principally for the purpose of circumventing the intent of the parties to name California as the exclusive venue for any actions, then the action may be venued in any court having jurisdiction over all the parties and a significant nexus to the parties; and (2) to the extent that either party believes it is necessary to seek injunctive relief against the other, the party seeking relief may initiate that action in the county in which the other party has its principal office (which in the case of an action against Franchisee, shall be the county in which Franchisee is domiciled, or the county in which the Center is located).

(e) **Costs.** If Franchisor secures any injunction against Franchisee, or any other relief by arbitration or otherwise against Franchisee, or is successful in defending a claim brought against it by Franchisee in an arbitration or otherwise, Franchisee shall pay Franchisor an amount equal to the aggregate of Franchisor's costs of obtaining such relief and defending such claim, including reasonable attorneys' fees, costs of investigation and proof of facts, filing fees and other costs, other litigation or arbitration expenses, and travel and living expenses.

(f) **Waiver of Certain Damages.** Franchisor and Franchisee (and Franchisee's owners and guarantors) hereby waive, to the fullest extent permitted by law, any right to, or claim for, any punitive, consequential, special, or exemplary damages against the other and any affiliates, owners, employees, or agents of the other and agree that in the event of a dispute between or among any of them, each shall be limited to the recovery of any actual damages sustained by it and any equitable relief to which it might be entitled.

(g) **Waiver of Collateral Estoppel.** The parties agree they should each be able to settle, mediate, arbitrate, litigate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between Franchisor and Franchisee. Franchisor and Franchisee therefore each agree that a decision of an arbitrator or court of law in a dispute to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any subsequent action between Franchisor and Franchisee. The parties therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.

(h) **WAIVER OF JURY TRIAL.** EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL ACTION, PROCEEDING, CAUSE OF ACTION OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) IT HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) IT MAKES THIS WAIVER KNOWINGLY AND VOLUNTARILY, AND (D) IT HAS DECIDED TO ENTER INTO THIS AGREEMENT IN CONSIDERATION OF, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 20(h).

(i) **Remedies Cumulative.** All remedies provided to Franchisor under this Agreement are cumulative. No exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder or which Franchisor or Franchisee is entitled by law to enforce.

## 21 INDEPENDENT CONTRACTORS; INDEMNIFICATION

(a) **Independent Contractor; Evidence of Relationship.** Franchisee is a franchisee of Franchisor. Franchisee shall be conspicuously identified in all dealings with all prospective and current customers, students, parents, vendors, and others, as a franchisee. Franchisee shall not represent or imply to any person that this Agreement authorizes Franchisee to act as agent for Franchisor.

(1) Without limiting the foregoing, Franchisee and its employees shall hold themselves out to the public as an independent contractor by, without limitation: (a) clearly identifying itself in all dealings with third parties as a franchised, independently owned and operated entity, including on all public records, checks, stationery, forms, receipts, marketing materials, envelopes, letterhead, business cards, employment applications or other employment documents, invoices, and other communications, electronic or otherwise; (b) displaying a sign in the lobby area of the Center so as to be clearly visible to the general public indicating that the Center is independently owned and operated as a franchised business; and (c) maintaining a notice on the employee bulletin board clearly visible to employees at the Center, identifying the correct name of their employer and clearly stating that neither Franchisor nor any of its affiliates is the employer and if required by Franchisor, obtaining from each of its employees an acknowledgment acknowledging that their employer is Franchisee and not Franchisor.

(2) Neither Franchisor nor Franchisee shall be obligated by any agreement, representation, or warranty made by the other, nor shall Franchisor be obligated for damages to any person or property directly or indirectly arising out of the operation of the Center, or caused by Franchisee's negligence, willful action, or failure to act.

(b) **Franchisee Indemnification.** Franchisee agrees to indemnify Franchisor against, and to reimburse Franchisor for, all obligations and damages for which Franchisor is liable and for all costs reasonably incurred by Franchisor in the defense of any such claim brought against it, or in any such action in which it is named as a party, arising out of any act or omission of Franchisee, its personnel or contractors, or as a result of any activities occurring at, by, or through the Center, including the Center, its operation, design, or construction, or otherwise, the sale or provision of any products or services, the hiring of any employees, licensing and permitting, and any advertising conducted by Franchisee. Such indemnification shall include reasonable attorneys' fees, costs of investigation or proof of facts, court costs, other litigation expenses, and travel and living expenses (collectively, "Costs"). Franchisor shall have the right to defend any such claim against it.

(c) **Franchisor Indemnification.** Franchisor agrees to indemnify Franchisee against, and to reimburse Franchisee for, any obligation or liability for damages payable to persons other than Franchisee or its owners attributable to agreements, representations, or warranties of Franchisor, or caused by the gross negligence or willful action of Franchisor, and for Costs reasonably incurred by Franchisee in the defense of any claim brought against it as a result of the foregoing or in any such action in which it is named as a party. Franchisor shall have the right to participate in and to control any litigation or proceeding which might result in liability of or expense to Franchisee subject to indemnification by Franchisor.

## 22 FRANCHISEE REPRESENTATIONS

To induce Franchisor to accept Franchisee's application for a Franchise and to execute this Agreement, Franchisee hereby represents and warrants to Franchisor as follows:

(a) **Standards for Service.** Franchisee recognizes and acknowledges the importance of maintaining Franchisor's standards for service, and further recognizes and acknowledges the importance of following the System of Operation.

(b) **Disclosure Document.** Franchisee has received a copy of Franchisor's Franchise Disclosure Document, together with copies of all contracts relating to the sale of the Franchise, at least fourteen (14) days prior to the execution of this Agreement and at least fourteen (14) days prior to its payment of any money to Franchisor. Franchisee has read and understands all such documents.

(c) **Business Risks.** Franchisee has the entire control and direction of the Center, subject only to the conditions and covenants established by this Agreement. Franchisee further acknowledges that the business to be operated under this Agreement involves business risks, and that Franchisee's success shall be largely determined by its own skill and efforts as an independent business person. Franchisee further acknowledges that if it fails at any tasks that are vital to the operation of the Center, the Center may fail and Franchisee shall be solely responsible for any such failure.

(d) **Franchisee Advisors; Independent Investigation.** Franchisee has been advised to consult with its own advisors with respect to the legal, financial, and other aspects of this Agreement, and that Franchisee has had the opportunity to consult with such advisors and also has had the opportunity to independently investigate the opportunity offered under this Agreement. Franchisee has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to profits which Franchisee might be expected to realize, nor has anyone made any other representation to induce Franchisee to accept the Franchise granted hereunder and to execute this Agreement, which is not expressly set forth herein.

## 23 MISCELLANEOUS

(a) **Business Judgment.** Except as otherwise expressly stated in this agreement, any consent or approval required to be obtained from Franchisor, or decision to be made by Franchisor, may be granted or made by Franchisor in its sole and exclusive business judgment, which may take into account Franchisor's assessment of, among other things, the long-term interests of Franchisor, the System of Operation and the Names and Marks, without regard to its effect on any individual Franchisee or Center.

(b) **Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, this Agreement shall be governed by the laws of the State of California. The parties agree, however, that if the Center is not located in California or Franchisee does not meet the minimum jurisdictional requirements set forth in the California Franchise Relations Act, California Business and Professions Code, Division 8, Chapter 5.5, Sections 20000-20043, then they hereby waive the provisions of the California Franchise Relations Act, and the regulations promulgated thereunder, and they agree that the California Franchise Relations Act is not applicable to the Franchise relationship created hereby. If the California Franchise Relations Act does not apply to the Franchise relationship created hereby, but there is a statute in the state in which the Center is situated that specifically governs relationships between franchisees and franchisors and that law would otherwise apply, then that particular law shall apply in lieu of the laws of the State of California.

(c) **Binding Effect.** This Agreement is binding upon the parties hereto, their respective heirs, assigns, and successors in interest.

(d) **Headings; Franchisee References; Liability.** The section headings are for convenience only and do not define, limit, or construe the contents thereof. The term "Franchisee" as used herein is applicable to one (1) or more persons, a corporation, limited liability company, or a partnership, as the case may be, and the singular usage includes the plural and the masculine and feminine usages include the other. If there is more than one signatory as "Franchisee", all of Franchisee's obligations hereunder and under any other agreement with Franchisor or its affiliates shall be joint and several in each and every respect and fully enforceable against each signatory.

References in this Agreement to the termination of this Agreement, or the termination of the “Term of the Franchise”, shall be deemed to include the expiration of this Agreement without renewal.

(e) **Construction.** Franchisor and Franchisee agree that if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the provision shall have the meaning which renders it valid and enforceable. The language of each provision of this Agreement shall be construed simply according to its fair meaning and not strictly against Franchisor or Franchisee.

(f) **Invalid Provisions.** It is the desire and intent of Franchisor and Franchisee that the provisions of this Agreement be enforced to the fullest extent possible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement is adjudicated to be invalid or unenforceable, such adjudication is to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid and unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. Franchisor and Franchisee shall substitute a valid and enforceable provision for any specification, standard, operating procedure, rule, or other obligation of Franchisee or Franchisor which is determined to be invalid or unenforceable and is not waived by the other.

(g) **Waivers.** Franchisor and Franchisee, by written instrument signed by both parties, may unilaterally waive any obligation of or restriction upon the other under this Agreement. No acceptance by Franchisor of any payment by Franchisee and no failure, refusal, or neglect of Franchisor or Franchisee to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder or with any specification, standard, or operating procedure shall constitute a waiver of any provision of this Agreement or any specification, standard, or operating procedure; provided, however, if a party fails to notify the other in writing of an alleged misrepresentation, violation of law, deficiency, or breach of this Agreement within one (1) year from the date such party has knowledge of, believes, determines, or is of the opinion that there has been a misrepresentation, violation of law, deficiency, or breach by the other party, then the alleged misrepresentation, violation of law, deficiency, or breach will be considered waived, but such waiver of any prior deficiency or breach of any provision of this Agreement shall not affect the obligation of the party to comply with the obligation or provision in the future; provided, however, that (i) this waiver will not apply to Franchisee’s underreporting or underpayment of any fees Franchisee owes Franchisor, and (ii) the foregoing shall not otherwise extend or lengthen any statute of limitations provided by applicable law.

(h) **Modifications.** No modification of this Agreement shall be valid unless such modification is in writing and signed by Franchisee and Franchisor; provided, however, Franchisor may unilaterally modify or otherwise change the Confidential Manual(s).

(i) **Notices.** All written notices permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered: (1) when delivered by hand; (2) three (3) days after placed in the United States mail by registered or certified mail, return receipt requested, postage prepaid; or (3) one (1) business day after placed in the hands of an overnight courier, for next day delivery, and in the case of delivery under clauses (2) or (3), addressed to the party to be notified at its most current principal business address of which the notifying party has been notified.

(j) **Patriot Act Representations.** Franchisee represents and warrants that to its actual and constructive knowledge: (1) neither it (including its directors, officers, and managers), nor any of its affiliates, or any funding source for the Center, are identified on the list at the United States Treasury’s Office of Foreign Assets Control; (2) neither it nor any of its affiliates is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (3) neither it nor any of its affiliates is acting on behalf

of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (4) neither it nor any of its affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the "Lists"); (5) neither it nor any of its affiliates, during the term of this Agreement, will be on any of the Lists; and (6) during the term of this Agreement, neither it nor any of its affiliates will sell products, goods, or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

(k) **Variances.** Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any franchise owner based upon the peculiarities of a particular site or circumstance, density of population, traffic patterns, available parking, business potential, population of trade area, existing business practices, or any other condition which Franchisor deems to be of importance to the successful operation of such franchise owner's business. Franchisee shall not complain on account of any variation from standard specifications and practices granted to any other franchise owner and shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation thereof.

(l) **Entire Agreement; Counterparts.** The introduction and Rider and Statement of Ownership and Management hereto are a part of this Agreement, which constitutes the entire agreement of the parties, and at the time of this Agreement, there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement, other than any Guaranties; provided, however, nothing in this or in any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered via facsimile, email, or electronic signature, record, process, confirmation, or transmission attached to or logically associated with this Agreement and executed and adopted with the intent to sign.

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the Effective Date.

**FRANCHISOR:**  
GENIUS KIDS DEVELOPMENT, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF CORPORATION, LLC, OR PARTNERSHIP:

**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF INDIVIDUAL:

**FRANCHISEE:**

\_\_\_\_\_  
Name: \_\_\_\_\_



**GENIUS KIDS  
FRANCHISE AGREEMENT**

**RIDER**

**Effective Date:** \_\_\_\_\_

**Franchisee:** \_\_\_\_\_

**Form of Franchisee:** \_\_\_\_\_  
(SELECT ONE)  
☐ Corporation formed in the state of \_\_\_\_\_  
☐ Limited liability company formed in the state of \_\_\_\_\_  
☐ Partnership formed in the state of \_\_\_\_\_  
☐ Individual residing in the state of \_\_\_\_\_

**Initial Franchise Fee:** \$50,000

**Additional Curriculum Fee(s):** \$ \_\_\_\_\_

**Search Area:** ☐ Not applicable; or \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Site Control Date:** ☐ 3 months from the Effective Date; or ☐ \_\_\_\_\_

**Address of the Center:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Territory:** ☐ 2 mile radius around the Address of the Center above, not to exceed the city limits of \_\_\_\_\_, \_\_\_\_\_; or  
☐ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IN WITNESS WHEREOF, the parties have executed this Rider as of \_\_\_\_\_,  
20\_\_\_\_.

**FRANCHISOR:**  
GENIUS KIDS DEVELOPMENT, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF CORPORATION, LLC, OR PARTNERSHIP:  
**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF INDIVIDUAL:  
**FRANCHISEE:**

\_\_\_\_\_  
Name: \_\_\_\_\_

## STATEMENT OF OWNERSHIP AND MANAGEMENT

The undersigned Franchisee ("Franchisee") represents and warrants to Genius Kids Development, Inc. ("Franchisor") that as of the date set forth below all of the information below is true and complete:

**Franchisee:** \_\_\_\_\_

**Form of Franchisee:**  
(SELECT ONE)

- ☐ Corporation formed in the state of \_\_\_\_\_  
☐ Limited liability company formed in the state of \_\_\_\_\_  
☐ Partnership formed in the state of \_\_\_\_\_

| Ownership (EACH OWNER MUST SIGN A GUARANTY) |                           |                      |
|---------------------------------------------|---------------------------|----------------------|
| NAME OF OWNER                               | NO. OF SHARES/UNITS OWNED | OWNERSHIP PERCENTAGE |
|                                             |                           | %                    |
|                                             |                           | %                    |
|                                             |                           | %                    |
|                                             |                           | %                    |

| Management (LIST EACH INDIVIDUAL HOLDING A POSITION AS BOARD-MEMBER OR OFFICER) |            |
|---------------------------------------------------------------------------------|------------|
| NAME OF INDIVIDUAL                                                              | ROLE/TITLE |
|                                                                                 |            |
|                                                                                 |            |
|                                                                                 |            |

Franchisee acknowledges that this Statement of Ownership and Management applies to the Genius Kids Franchise Agreement. Franchisee shall immediately notify Franchisor upon any change in the information contained in this Statement of Ownership and Management, and upon request of Franchisor, complete an updated or new Statement of Ownership and Management and Guaranty executed by all owners of Franchisee.

**FRANCHISOR:**  
GENIUS KIDS DEVELOPMENT, INC.

**FRANCHISEE:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## GUARANTY

IN CONSIDERATION of the grant by Genius Kids Development, Inc. ("Franchisor") of a Genius Kids franchise to the party named as Franchisee ("Franchisee") in the Franchise Agreement to which this Guaranty is attached (the "Franchise Agreement"), and for other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby guarantee (jointly and severally with one another and all other guarantors of Franchisee, whether such guaranties are entered into prior to or after the date hereof) to Franchisor and to Franchisor's successors and assigns: (a) the payment of all costs and fees required to be paid to Franchisor or its affiliates by Franchisee, whether such costs and fees are provided for in the Franchise Agreement or under any other agreement between Franchisee and Franchisor or an affiliate of Franchisor, and (b) the performance by Franchisee of all its obligations under all such agreements and under all manuals and operating procedures of Franchisor's business system. The undersigned further specifically agree to remain individually bound by all covenants, obligations, and commitments of Franchisee contained in the Franchise Agreement and such other agreements to the same extent as if each of the undersigned had individually been named as Franchisee in the Franchise Agreement and such other agreements, and the undersigned had individually executed the Franchise Agreement and such other agreements.

The undersigned understand and agree that any modification of the Franchise Agreement or any other agreement, including any addendum or addenda thereto, or waiver by Franchisor of the performance by Franchisee of its obligations thereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of Franchisee thereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Franchise Agreement or any other agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect, or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of Franchisee is so released, terminated, affected, or diminished. Notice to the undersigned of any such modification, waiver, extension, or forbearance under the terms thereof being hereby waived.

The undersigned further understand and agree that no bankruptcy or reorganization of Franchisee shall release or otherwise affect the obligations of the undersigned to pay all costs and fees provided for in all agreements between Franchisee and Franchisor or its affiliates, or otherwise owing to Franchisor or its affiliates, and to perform all the provisions of such agreements, as well as all manuals and operating procedures of Franchisor's business system, nor does the same release the undersigned from being individually bound to perform all covenants, obligations, and commitments of Franchisee contained in the Franchise Agreement or any other agreement to the same extent as if each of the undersigned had individually executed the Franchise Agreement and such other agreements.

This Guaranty shall be enforceable upon ten (10) days' written notice by Franchisor to any of the undersigned of any default by Franchisee of any of its covenants under the terms of the Franchise Agreement and addendum or addenda thereto. The undersigned hereby waive any and all notice of default on the part of Franchisee; waive exhausting of recourse against Franchisee; and consent to any assignment of the Franchise Agreement and any other agreement, in whole or in part, that Franchisor or its assignees may make. This Guaranty shall be a continuing Guaranty and may not be revoked without the prior written consent of Franchisor. This Guaranty shall apply to all agreements referenced in this Guaranty, to the renewal of all such agreements, and to any successor agreements thereto.

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

**FRANCHISE ASSIGNMENT, SALE, AND TRANSFER  
TO ENTITY OWNED BY ORIGINAL FRANCHISEE**

**1      ASSIGNMENT AND SALE**

Pursuant to Section 16(c)(1) of the Genius Kids Franchise Agreement dated \_\_\_\_\_, by and between the undersigned and Genius Kids Development, Inc. (the "Agreement"), I/we hereby transfer, subject to approval by Genius Kids Development, Inc. (the "Franchisor"), all my/our rights, in the Agreement, effective \_\_\_\_\_, to the Transferee (as defined below). I/we understand that this transfer does not relieve me/us of my/our obligations under the Agreement. To induce Franchisor to approve this assignment:

(a) I/we agree to subordinate any payment due to me/us from the Transferee to any other obligation the Transferee may have to Franchisor. If Franchisor notifies me/us of our default by the Transferee of its obligations to Franchisor under the Agreement, I/we will not accept any further amounts that may be owed to me/us by the Transferee until Franchisor has confirmed, in writing, that such defaults have been cured.

(b) I/we release Franchisor and its officers, directors, and agents, from all actions and claims I/we may have against them arising out of their sale to me/us of the Franchise, or in connection with my/our operation of the Franchise, including, but not limited to, any claims arising under the Agreement.

(c) I/we will remain bound to all the obligations of the Franchisee contained in the Agreement to the same extent as if I/we remain the Franchisee under that Agreement.

\_\_\_\_\_  
Name of New Franchisee ("Transferee")

\_\_\_\_\_  
Address of Transferee

\_\_\_\_\_  
City, State, and Zip Code of Transferee

\_\_\_\_\_  
Signature of Original Franchisee ("Transferor")

\_\_\_\_\_  
Date

**2      ACCEPTANCE OF TRANSFER BY TRANSFEE**

The undersigned entity hereby accepts transfer of the Agreement and agrees to be bound by all of the provisions of the Agreement and to assume all of the obligations required of Franchisee named herein.

\_\_\_\_\_  
Name of Transferee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

### 3 APPROVAL OF TRANSFER

It is hereby agreed that the Transferee is approved and accepted as Franchisee for the Center described in the Agreement and is authorized to exercise all rights and obligations of Franchisee named in the Agreement including the right to renew the Agreement upon expiration thereof, pursuant to the terms of the Agreement.

GENIUS KIDS DEVELOPMENT, INC.

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**GENERAL RELEASE**  
[USED IN EVENT OF TRANSFER]

In consideration of the agreement of Genius Kids Development, Inc. ("Franchisor") to consent to the assignment by \_\_\_\_\_ ("Franchisee") of its Genius Kids Franchise Agreement dated \_\_\_\_\_ between Franchisee and Franchisor (the "Agreement"), Franchisee hereby releases and forever discharges Franchisor, and all affiliates of Franchisor, and their respective governors/directors, managers/officers, owners/shareholders, employees, and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors, and assigns, from any and all claims Franchisee may have against such parties, from the beginning of time to the date hereof, known or unknown, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the Agreement.

NOTWITHSTANDING THE FOREGOING, THIS RELEASE DOES NOT RELEASE ANY CLAIMS THE UNDERSIGNED MAY HAVE THAT MAY NOT BE RELEASED PURSUANT TO THE FRANCHISE LAWS WHERE THE UNDERSIGNED IS A RESIDENT OR WHERE THE FRANCHISED BUSINESS IS LOCATED, TO THE EXTENT REQUIRED BY APPLICABLE LAW.

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

[ADDITIONAL PROVISIONS FOR CALIFORNIA FRANCHISEES ONLY]

**Waiver of Civil Code Section 1542.** This Release is intended by Franchisee to be a full and unconditional general release and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Franchisee against Franchisor and the other released parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Franchisee hereby expressly, knowingly, and intentionally waives any and all rights, benefits, and protections of Section 1542 and of any other state or federal statute or common law principle limiting the scope of a general release, as well as under any other statutes or common law principles of similar effect to Section 1542, whether now or hereinafter existing under the laws of California, or any other applicable federal and state law with jurisdiction over the parties' relationship. Franchisee has been made aware of, and understand, the provisions of California Civil Code Section 1542 ("Section 1542"), which provides:

**"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."**

In making this voluntary express waiver, Franchisee acknowledges that claims or facts in addition to or different from those that are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is the intention of Franchisee to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. You acknowledge and agree that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release.

**Release Not Admission.** Franchisee understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be construed as an admission of any liability by Franchisor or an admission of the validity of any claims made by or against Franchisor.

## LEASE RIDER

This **LEASE RIDER** is attached to and made a part of that certain \_\_\_\_\_ (the "Lease") dated \_\_\_\_\_, 20\_\_\_\_ (the "Lease Execution Date"), by and between \_\_\_\_\_ ("Landlord") and \_\_\_\_\_ ("Tenant"), for certain space (the "Premises") described in the Lease as being located at \_\_\_\_\_. All capitalized terms shall have the same meanings as in the Lease unless defined otherwise in this Lease Rider. If any of the terms of this Lease Rider conflict with any of the terms of the Lease, the provisions of this Lease Rider shall prevail.

### 1 CERTAIN RIGHTS OF FRANCHISOR

(a) Landlord acknowledges that Tenant (or its affiliate) is a franchisee of Genius Kids Development, Inc. ("Franchisor"), and that the child learning center business to be located at the Premises is to be operated under the "Genius Kids" franchise system, pursuant to a franchise agreement ("Franchise Agreement") between Tenant (or its affiliate) and Franchisor.

(b) Tenant and Landlord acknowledge that the Premises will be operated only as a Genius Kids child learning center, and that:

(1) Upon termination or expiration of the Franchise Agreement for any reason whatsoever, the Landlord will grant Franchisor an option, for thirty (30) days thereafter, to replace Tenant as lessee and at any time thereafter to assign its interest to Franchisor or its affiliate, or to another franchisee of Franchisor who would then become the lessee with the approval of Landlord, which approval may not be unreasonably withheld;

(2) Landlord shall furnish to Franchisor, contemporaneously with that to Tenant, written notice of any default in the Lease and the action required to cure such default. In the event of a monetary default, Landlord shall allow Franchisor thirty (30) days (or such shorter cure period granted to Tenant under the Lease) after receipt of such notice to escrow the funds necessary to cure such default if Tenant fails to do so. In the event of a non-monetary default, Landlord shall allow Franchisor thirty (30) days (or such shorter cure period granted to Tenant under the Lease) after Franchisor's receipt of such written notice to provide Landlord with a letter of undertaking to cure such default if Tenant fails to do so. If Tenant fails to cure either type of default, and Franchisor has escrowed the required funds, or provided the necessary undertaking, as the case may be, Landlord shall take any action reasonably necessary to remove Tenant from the Premises and retake possession of the Premises. Landlord shall then allow Franchisor to cure the default and take possession of the Premises as lessee under the same Lease, and at any time thereafter to assign its interest to Franchisor's affiliate, or to another franchisee of Franchisor who would then become the lessee with the approval of Landlord, which approval may not be unreasonably withheld. Nothing herein obligates Franchisor to escrow any funds or to take any action;

(3) Landlord shall accept Franchisor or its franchisee as a substitute under the existing terms of the Lease upon notice from Franchisor that it is exercising its option to replace Tenant as lessee; and

(4) Landlord acknowledges that, in all cases, Tenant is solely responsible for all obligations, payments and liabilities accruing under the Lease unless and until Franchisor exercises its option to become substitute lessee and actually takes possession of the Premises.



## 2 THIRD PARTY BENEFICIARY

Landlord and Tenant acknowledge that Franchisor is an intended third-party beneficiary to the Lease, and as such, the Lease may not be amended so as to affect any of the provisions of this Lease Rider, or the intent of the same, without the prior written approval of Franchisor.

## 3 RIGHT TO ENTER PREMISES

Franchisor shall have the right to enter the Premises to make any modification or alteration necessary to protect the Genius Kids franchise system and marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord shall not be responsible for any expenses or damages arising from any such action by Franchisor. Tenant hereby releases, acquits, and discharges Franchisor and Landlord, their respective subsidiaries, affiliates, successors and assigns, and the officers, directors, shareholders, partners, employees, agents, and representatives of each of them, from any and all claims, demands, accounts, actions and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the exercise of Franchisor's rights pursuant to this Lease Rider.

## 4 NOTICES

All notices sent pursuant to this Lease Rider shall be sent in the manner set forth in the Lease, and delivery of such notices shall be effective as of the times provided for in the Lease. For purposes of notice under the Lease, Franchisor's mailing address shall be Genius Kids Development, Inc., 3645 Mowry Avenue, Fremont, California 94538, which address may be changed by written notice to Landlord in the manner provided in the Lease.

## 5 MISCELLANEOUS

(a) **Successors and Assigns.** This Lease Rider shall be binding upon and inure to the benefit of the undersigned, their legal representatives, successors, and assigns. Nothing contained herein shall, however, authorize or entitle the Tenant (or its affiliate) to assign any of its rights or privileges under the Franchise Agreement, which rights of Tenant (or its affiliate) are only as are set forth in the Franchise Agreement.

(b) **Entire Agreement; Counterparts.** Insofar as the matters relating to Landlord and the Premises are concerned, this Lease Rider sets forth the complete agreement between Landlord and Franchisor. This Lease Rider may be executed in any number of counterparts, and signed and delivered via facsimile, electronic mail, scanned signature sent electronically or digitally, or other electronic transmission or process, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Lease Rider effective as of the Lease Execution Date.

**FRANCHISOR:**  
GENIUS KIDS DEVELOPMENT, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF CORPORATION, LLC, OR PARTNERSHIP:  
**TENANT:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF INDIVIDUAL:  
**TENANT:**

\_\_\_\_\_  
Name: \_\_\_\_\_

IF CORPORATION, LLC, OR PARTNERSHIP:  
**LANDLORD:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF INDIVIDUAL:  
**LANDLORD:**

\_\_\_\_\_  
Name: \_\_\_\_\_

**ADDENDUM TO  
GENIUS KIDS FRANCHISE AGREEMENT  
FOR THE  
STATE OF CALIFORNIA**

Notwithstanding anything to the contrary set forth in the Genius Kids Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Genius Kids franchises offered and sold or operated in the State of California.

This California Addendum is only applicable if you are a resident of California or if your business will be located in California.

1. The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043), provides franchisees with additional rights concerning transfer, termination and nonrenewal of the Franchise Agreement and certain provisions of the Franchise Agreement relating to transfer, termination and non-renewal may be superseded by the Act. There may also be court decisions which may supersede the Franchise Agreement and your relationship with Franchisor, including the areas of transfer, termination and renewal of Franchisee's franchise. If the Franchise Agreement is inconsistent with the law, the law will control.
2. The Franchise Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 - 20043)). To the extent required by such laws, Franchisee shall not be required to execute a general release.
3. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
4. The provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under Title 11, United States Code, Section 101.
5. The Franchise Agreement requires that the highest interest rate allowed by law in California is 10% annually.
6. The Franchise Agreement requires binding arbitration. The arbitration will occur at the office of the American Arbitration Association in or nearest Alameda County, California. Franchisee will bear all costs of arbitration if Franchisor secures any relief against Franchisee in the arbitration, or are successful in defending a claim Franchisee brings against Franchisor in the arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code section 20040.5, Code of Civil Procedure section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
8. Section 22 of the Franchise Agreement entitled "Franchisee Representations" is hereby deleted in its entirety and replaced with "[Intentionally Deleted]".
9. No statement, questionnaire, or acknowledgment signed or agreed to by 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 Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

10. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Relations Act are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Franchise Agreement was executed.

**FRANCHISOR:**  
GENIUS KIDS DEVELOPMENT, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF CORPORATION, LLC, OR PARTNERSHIP:  
**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF INDIVIDUAL:  
**FRANCHISEE:**

\_\_\_\_\_  
Name: \_\_\_\_\_

**ADDENDUM TO  
GENIUS KIDS FRANCHISE AGREEMENT  
FOR THE  
STATE OF NEW YORK**

Notwithstanding anything to the contrary set forth in the Genius Kids Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Genius Kids franchises offered and sold or operated in the State of New York.

1. Section 16(a) of the Franchise Agreement is revised to include the following:

“The Franchisor will not make an assignment except to an assignee who, in the Franchisor's good faith judgment, is willing and able to assume its obligations under the Agreement.”

2. Section 19(b) of the Franchise Agreement is modified by the addition of the following at the end of such section:

“In addition, the Franchisee shall have the right to terminate the Franchise Agreement to the extent allowed under applicable law.”

3. Sections 20(e) (relating to damages), 20(f) (relating to collateral estoppel), 20(g) (relating to jury trial) and 23(g) of the Franchise Agreement are revised to include the following language:

“Provided, however, that all rights arising under Franchisee's favor from the provisions of Article 33 of the GBL of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied.”

4. Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Article 33 of the General Business Law of the State of New York are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Franchise Agreement was executed.

**FRANCHISOR:**  
GENIUS KIDS DEVELOPMENT, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF CORPORATION, LLC, OR PARTNERSHIP:  
**FRANCHISEE:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF INDIVIDUAL:  
**FRANCHISEE:**

\_\_\_\_\_  
Name: \_\_\_\_\_

**EXHIBIT D**  
**ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION**

## ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

Franchisee: \_\_\_\_\_  
Location: \_\_\_\_\_  
Date: \_\_\_\_\_

Attention:       Accounting

The undersigned has entered into a Franchise Agreement with Genius Kids Development, Inc. (the "Franchise Agreement"), and authorizes Genius Kids Development, Inc. ("Franchisor") or any of its affiliated entities, to initiate one-time, weekly, and/or monthly ACH debit and credit entries against the account of the undersigned with you in payment of amount for ongoing royalties, technology fees, advertising fees, and other amounts that become due and payable by the undersigned to Franchisor or any affiliate pursuant to the Franchise Agreement or any other agreement between the undersigned and Franchisor or any affiliate. The dollar amount to be debited per payment and credited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit and credit entry initiated by Franchisor.

This authorization is binding, and will remain in full force and effect until ninety (90) days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit and credit entries pursuant to this letter of authorization.

Please honor ACH debit and credit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit and credit entries.

Sincerely,

By: \_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Account Name

\_\_\_\_\_  
Bank Name

\_\_\_\_\_  
Client Street Address

\_\_\_\_\_  
Branch

\_\_\_\_\_  
City                      State      Zip Code

\_\_\_\_\_  
Bank Street Address

\_\_\_\_\_  
Client Phone Number

\_\_\_\_\_  
City                      State      Zip Code

\_\_\_\_\_  
Client's Account Number

\_\_\_\_\_  
Bank Phone Number

\_\_\_\_\_  
Bank's Account Number

\_\_\_\_\_  
Bank Routing/ABA Number

**EXHIBIT E**  
**OPERATIONS MANUAL TABLE OF CONTENTS**

|            |                                                  |
|------------|--------------------------------------------------|
| Section 1  | Introduction to the Manual & Confidentiality     |
| Section 2  | Welcome to Genius Kids                           |
| Section 3  | Why Multimedia Technology is Effective for Kids? |
| Section 4  | What is Accelerated Learning?                    |
| Section 5  | What is our Target Market                        |
| Section 6  | What is our System?                              |
| Section 7  | Meet our Founder                                 |
| Section 8  | Ingredients for a Successful Franchise           |
| Section 9  | Management Listing                               |
| Section 10 | Franchise Opening Obligations                    |
| Section 11 | General Business Set Up Guidelines               |
| Section 12 | Site Acceptance Request                          |
| Section 13 | Select a Bank & Establish a Business Account     |
| Section 14 | Meet Licensing & Code Requirements               |
| Section 15 | Secure Insurance Coverage                        |
| Section 16 | Secure Technical Systems & Software              |
| Section 17 | Hiring a Manager                                 |
| Section 18 | Recommended Layout of Center                     |
| Section 19 | Vendors, Equipment and Inventory                 |
| Section 20 | Advertising                                      |
| Section 21 | Grand Opening Procedures                         |
| Section 22 | Miscellaneous Information                        |
| Section 23 | Samples of Materials & Copyright Notice          |



**EXHIBIT F**  
**LIST OF CURRENT FRANCHISEES**

EXHIBIT F  
LIST OF CURRENT FRANCHISEES

| Address                     | City           | State | Zip   | Franchisee                               | Telephone    |
|-----------------------------|----------------|-------|-------|------------------------------------------|--------------|
| 4966 Paseo Padre Parkway    | Fremont        | CA    | 94555 | Mitesh & Swati Pruthi                    | 510-304-3672 |
| 39380 Civic Center Drive    | Fremont        | CA    | 94538 | Mitesh & Swati Pruthi                    | 510-304-3672 |
| 43423 Mission Blvd          | Fremont        | CA    | 94539 | Nanda & Leela Ramadhass                  | 510-364-0448 |
| 4168 Technology Drive       | Fremont        | CA    | 94538 | Gowtham and Lakshmi Subbaryalu           | 408-401-8171 |
| 174 West Main Street        | Morgan Hill    | CA    | 95037 | Kamal and Rohan Gill                     | 408-741-5451 |
| 487 Jacklin Road            | Milpitas       | CA    | 95035 | Pradeep Kumar & Renu Sharma              | 510-509-8070 |
| 7132 Santa Teresa Blvd      | San Jose       | CA    | 95139 | Jatin and Nalini Sanghrajka              | 408-644-1633 |
| 1682 Berryessa Road         | San Jose       | CA    | 95131 | Shivashakari Velmurugan                  | 224-678-6806 |
| 717 East El Camino Real     | Sunnyvale      | CA    | 94087 | Joanna Wong                              | 408-504-9023 |
| 9000 Crow Canyon Road       | Danville       | CA    | 94506 | Kiran and Mandeep Khabra                 | 925-998-6211 |
| 1021 Market Place           | San Ramon      | CA    | 94583 | Anita Kannan, Ranjini Venkatachari       | 408-242-4418 |
| 11020 Bollinger Canyon Road | San Ramon      | CA    | 94582 | Kiran and Mandeep Khabra                 | 925-998-6211 |
| 51 Wright Brothers Avenue   | Livermore      | CA    | 94551 | Nilesh and Anagha Khare                  | 408-242-6850 |
| 3550 Bernal Avenue          | Pleasanton     | CA    | 94566 | Mandy and Bill Kang                      | 209-614-3002 |
| 11760 Dublin Blvd           | Dublin         | CA    | 94568 | Nisarg and Jigna Modi                    | 408-836-0131 |
| 6044 Dougherty Road         | Dublin         | CA    | 94568 | Anita Kannan, Ranjini Venkatachari       | 408-242-4418 |
| 5286 Iron Horse Parkway     | Dublin         | CA    | 94568 | Sarwar Mohib, Marufa Mohib, Kaneez Tumpa | 408-219-3662 |
| 1960 West Grant Line Road   | Tracy          | CA    | 95376 | Navi & Mitch Hayre                       | 209-914-7522 |
| 2740 & 2800 La Loma Drive   | Rancho Cordova | CA    | 95670 | Jaspreet & Harmeet Pabla                 | 926-719-2261 |
| 33 Ambrose Avenue           | Pittsburgh     | CA    | 94565 | Ying Cui                                 | 914-441-4627 |
| 2021 San Ramon Valley Blvd  | San Ramon      | CA    | 94583 | Anita Kannan, Ranjini Venkatachari       | 408-242-4418 |
| 820 E Dunne Avenue          | Morgan Hill    | CA    | 95037 | Kamal and Rohan Gill                     | 408-741-5451 |
| 702 Brown Road              | Fremont        | CA    | 94539 | Gowtham and Lakshmi Subbaryalu           | 510-996-4948 |
| 7 Flowers Drive             | Mechanicsburg  | PA    | 17050 | Kiran Gudoor                             | 717-790-6655 |

**EXHIBIT G**  
**LIST OF FORMER FRANCHISEES**

| TRANSFERS AS OF DECEMBER 31, 2022 |           |       |              |
|-----------------------------------|-----------|-------|--------------|
| Name                              | City      | State | Phone        |
| Sandeep & Jasneil Dulay           | Livermore | CA    | 510-453-2300 |

| CLOSURES AS OF DECEMBER 31, 2022 |            |       |              |
|----------------------------------|------------|-------|--------------|
| Name                             | City       | State | Phone        |
| Ritu & Kiran Panesar             | Fremont    | CA    | 408-663-0955 |
| Nanda & Leela Ramadhass          | Union City | CA    | 510-364-0448 |

**EXHIBIT H**  
**FINANCIAL STATEMENTS**



**GENIUS KIDS' DEVELOPMENT, INC**  
(An S California Corporation)

DECEMBER 31, 2022  
AUDITED  
FINANCIAL STATEMENTS

TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT

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# GENIUS KIDS' DEVELOPMENT, INC

## TABLE OF CONTENTS

|                                                   | PAGE |
|---------------------------------------------------|------|
| INDEPENDENT AUDITOR'S REPORT.....                 | 1-3  |
| FINANCIAL STATEMENT                               |      |
| Balance Sheets.....                               | 4    |
| Statements of operations.....                     | 5    |
| Statements of change in stockholders' equity..... | 6    |
| Statements of cash flows.....                     | 7    |
| Notes to financial statement .....                | 8-14 |



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Stockholder  
Genius Kids Development, Inc  
3645 Mowry Avenue,  
Fremont, California 94538

### **Opinion**

We have audited the financial statements of Genius Kids Development, Inc (an S California Corporation) which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the financial statement.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Genius Kids Development, Inc as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Genius Kids Development, Inc, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Genius Kids Development, Inc's ability to continue as a going concern within one year from the date the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive



to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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

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

***Cpa Auditor, Inc.***

San Francisco, California

March 27, 2023

Genius Kids Development, Inc  
Balance Sheets  
December 31, 2022 and 2021

| ASSETS                                                                                    |                   |                   |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                           | 2022              | 2021              |
| <b>Current Assets</b>                                                                     |                   |                   |
| Cash and cash equivalents                                                                 | \$ 222,523        | \$ 151,280        |
| Accounts receivables                                                                      | 61,377            | 78,912            |
| <b>Total Current Assets</b>                                                               | <b>283,900</b>    | <b>230,192</b>    |
| <b>Non Current Assets</b>                                                                 |                   |                   |
| <b>Property and Equipment</b>                                                             |                   |                   |
| Furniture and fixtures                                                                    | 169,294           | 164,356           |
| Vehicle                                                                                   | 310,010           | 137,837           |
|                                                                                           | 479,304           | 302,193           |
| Less: Accumulated amortization                                                            | (271,761)         | (206,932)         |
|                                                                                           | 207,543           | 95,261            |
| <b>Total Assets</b>                                                                       | <b>\$ 491,443</b> | <b>\$ 325,453</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                               |                   |                   |
| <b>Current Liabilities</b>                                                                |                   |                   |
| Accounts and credit cards payable                                                         | \$ 25,135         | \$ 19,917         |
| Payroll and payroll taxes payable                                                         | 31,533            | 19,361            |
| Vehicle loan payable, current portion                                                     | 54,187            | 18,598            |
| State tax payable                                                                         | 973               | 1,598             |
| <b>Total Current Liabilities</b>                                                          | <b>111,828</b>    | <b>59,474</b>     |
| <b>Non Current Liabilities</b>                                                            |                   |                   |
| Vehicle loan payable, net of current portion                                              | 155,359           | 37,373            |
| <b>Total Liabilities</b>                                                                  | <b>267,187</b>    | <b>96,847</b>     |
| <b>Stockholders' Equity</b>                                                               |                   |                   |
| Common stock, no par, authorized 1,000,000 shares<br>issued and outstanding 10,000 shares | 5,000             | 5,000             |
| Retained earnings                                                                         | 219,256           | 223,606           |
| <b>Total Stockholders' Equity</b>                                                         | <b>224,256</b>    | <b>228,606</b>    |
| <b>Total Liabilities and Stockholders' Equity</b>                                         | <b>\$ 491,443</b> | <b>\$ 325,453</b> |

See accompanying independent auditors' report and notes to financial statements

Genius Kids Development, Inc  
Statements of Operations  
Years Ended December 31, 2022 and 2021

|                                        | 2022             | 2021              |
|----------------------------------------|------------------|-------------------|
| <b>Revenue</b>                         |                  |                   |
| Franchise, royalty and network revenue | \$ 776,419       | \$ 726,136        |
| Total revenue                          | 776,419          | 726,136           |
| <b>Expenses</b>                        |                  |                   |
| Rent                                   | 208,000          | 183,000           |
| Salaries and wages                     | 135,987          | 106,600           |
| Professional fees                      | 97,986           | 123,601           |
| Office supplies                        | 73,019           | 82,382            |
| Depreciation                           | 64,829           | 64,357            |
| Other operating expense                | 64,408           | 8,015             |
| Repairs and maintenance                | 14,767           | 7,131             |
| Advertising and marketing              | 14,230           | 20,334            |
| Payroll taxes                          | 11,973           | 8,129             |
| License and permits                    | 10,884           | 6,171             |
| Automobile expense                     | 8,306            | 4,810             |
| Insurance                              | 6,297            | 9,593             |
| Donation                               | 550              | 150               |
| On-line web service expense            | 358              | 13,852            |
| Total expense                          | 711,594          | 638,125           |
| <b>Income from operation</b>           | 64,825           | 88,011            |
| <b>Other Income (Expense)</b>          |                  |                   |
| Interest income (expense)              | 14               | (383)             |
| EIDL, SBA grant, other income          | -                | 25,000            |
| Total other income                     | 14               | 24,617            |
| <b>Income before income taxes</b>      | 64,839           | 112,628           |
| Provision for income taxes             | 973              | 1,689             |
| <b>Net Income</b>                      | <b>\$ 63,867</b> | <b>\$ 110,939</b> |

See accompanying independent auditors' report and notes to financial statements

Genius Kids Development, Inc  
Statements of Changes in Stockholders' Equity  
Years Ended December 31, 2022 and 2021

|                                   | <b>Common Stock</b> |               | <b>Retained</b> | <b>Stockholders'</b> |
|-----------------------------------|---------------------|---------------|-----------------|----------------------|
|                                   | <b>Shares</b>       | <b>Amount</b> | <b>Earnings</b> | <b>Equity</b>        |
| <b>Balance, December 31, 2020</b> | 10,000              | \$ 5,000      | \$ 293,641      | \$ 298,641           |
| Stockholders' distributions       | -                   | -             | (180,973)       | (180,973)            |
| Net income                        | -                   | -             | 110,939         | 110,939              |
| <b>Balance, December 31, 2021</b> | 10,000              | \$ 5,000      | \$ 223,606      | \$ 228,606           |
| Stockholders' distributions       | -                   | -             | (68,217)        | (68,217)             |
| Net income                        | -                   | -             | 63,867          | 63,867               |
| <b>Balance, December 31, 2022</b> | 10,000              | \$ 5,000      | \$ 219,256      | \$ 224,256           |

Genius Kids Development, Inc  
Statements of Cash Flows  
Years Ended December 31, 2022 and 2021

|                                                                                      | <u>2022</u>              | <u>2021</u>              |
|--------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Cash Flows From Operating Activities</b>                                          |                          |                          |
| Net income                                                                           | \$ 63,867                | \$ 110,939               |
| Adjustments to reconcile net income to net cash<br>provided by operating activities: |                          |                          |
| Depreciation                                                                         | 64,829                   | 64,357                   |
| Change in assets and liabilities:                                                    |                          |                          |
| Accounts receivable                                                                  | 17,535                   | (21,827)                 |
| Accounts payable                                                                     | 5,218                    | 8,632                    |
| Payroll and payroll taxes payable                                                    | 12,172                   | 9,053                    |
| State taxes payable                                                                  | (625)                    | 798                      |
| <b>Net Cash Provided by Investing Activities</b>                                     | <u>162,995</u>           | <u>171,952</u>           |
| <b>Cash Flows From Investing Activities</b>                                          |                          |                          |
| Purchase of furniture and fixtures                                                   | <u>(177,110)</u>         | <u>(12,024)</u>          |
| <b>Net Cash Used In Investing Activities</b>                                         | <u>(177,110)</u>         | <u>(12,024)</u>          |
| <b>Cash Flows From Financing Activities</b>                                          |                          |                          |
| Vehicle loan payable                                                                 | 153,575                  | (18,006)                 |
| Stockholders' distributions                                                          | <u>(68,217)</u>          | <u>(180,973)</u>         |
| <b>Net Cash Provided by Financing Activities</b>                                     | <u>85,358</u>            | <u>(198,979)</u>         |
| <b>Net change in cash and cash equivalents</b>                                       | 71,243                   | (39,052)                 |
| Cash and cash equivalents, beginning of year                                         | <u>151,280</u>           | <u>190,332</u>           |
| <b>Cash and cash equivalents, end of year</b>                                        | <u><u>\$ 222,523</u></u> | <u><u>\$ 151,280</u></u> |
| <b>Supplemental cash-flow information</b>                                            |                          |                          |
| Income tax paid during the year                                                      | <u><u>\$ 800</u></u>     | <u><u>\$ 800</u></u>     |
| Interest paid during the year                                                        | <u><u>\$ -</u></u>       | <u><u>\$ 383</u></u>     |

## 1. Summary of Significant Accounting Policies

**Nature of Business** -- Genius Kids Development, Inc ("Genius Kids Development") was incorporated in California on April 20, 2010. Genius Kids Development is engaged in selling franchises specializes in teaching children using interactive tools and hands on activities to stimulate the child's mind and focus on the three main disciplines reading, writing, math and logical thinking. These franchises will operate under the name "Genius Kids" throughout the United States. The principal efforts at Genius Kids Development revolve around building the brand.

As of December 31, 2022 and 2021, Genius Kids Development had total of twenty-seven franchisee (27) locations of which two (2) locations are related affiliated locations, respectively.

**Basis of Accounting** -- Genius Kids Development prepares the financial statement using accrual basis of accounting in conformity with the generally accepted accounting principles in the United States of America and uses cash method for preparing the tax return. The expenses are recorded when the benefits and services are received.

**Estimates Included in the Financial Statement** -- The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of expenses during the reporting period. Genius Kids Development is subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the education environment, competition, litigation, legislation and regulations. Genius Kids Development regularly evaluates their estimates and assumptions using historical experience and expectations about the future. Genius Kids Development adjusts their estimates and assumptions when facts and circumstances indicate the need for change.

**Cash and Cash Equivalents** -- Cash consists of interest and non-interest-bearing accounts with one financial institution. Genius Kids Development considers all highly liquid investments with original maturity of three months or less from the date of

purchased, to be cash equivalents. The carrying value of cash equivalents approximates fair value.

**Property and Equipment** -- Property and equipment cost is stated at cost. For financial reporting purposes, amortization is provided on the straight-line method by annual charges to income calculated to allocate the cost over their estimated useful lives. For income tax purposes, the Modified Cost Recovery System (MACRS) is used to calculate deductible amortization.

| <u>Type of property</u> | <u>Life</u> |
|-------------------------|-------------|
| Furniture and fixtures  | 3 Years     |
| Vehicles                | 5 Years     |

Depreciation expenses were \$64,829 and \$64,357 for the years ended December 31, 2022 and 2021.

Expenditures for maintenance and repairs which are not for the permanent improvement, betterment or restoring property are charged directly to appropriate operating accounts at the time the expense is incurred. Expenditures determined to represent additions and improvements are capitalized if the amount is greater than \$1,000.

**Accounts and Credit Cards Payable** -- Accounts and credit cards payables are recorded when goods or benefits are received. The carrying amounts of accounts payable in the balance sheet approximates its fair value.

**Revenue Recognition** -- On January 1, 2018, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), ASC 606 significantly affects Genius Kids Development in areas including the accounting for franchise fees and the accounting for revenues.

On January 1, 2019, the Company adopted new accounting standard, as amended, regarding revenue from contracts with customers using the modified retrospective approach. This standard provides guidance on recognizing revenue, including a five-step

model to determine when revenue recognition is appropriate. The adoption of this standard did not have a material impact on the Genius Kids Development's financial position and results of operations.

Genius Kids Development recognized the franchise contract to franchisee as a distinct series of performance obligations and essentially is a license that allows the franchisee to use the Genius Kids Development's intellectual property. Intellectual property includes pre-opening services, marketing services and use of the Genius Kids Development's systems. Accordingly, Genius Kids Development recognize and record franchise fee revenues over the expected life of the franchise agreement.

Genius Kids Development also derives tuition revenue from education services. Revenue from tuition services is recognized ratably as services are delivered. Revenues are received beginning of the month.

**Franchise, Royalty and Network Revenue** -- All the franchises shall pay to Genius Kids Development a monthly royalty of 6% and network marketing revenue of 1% of gross sales. Revenues are recognized when earned.

Genius Kids Development doesn't charge any franchise, royalty and network fees to related affiliates.

**Franchise Fees** -- Genius Kids Development's recognize and record franchise fee revenues over the expected life of the franchise agreement, i.e., 10 years.

**Advertising and Marketing** -- Advertising and marketing costs are expensed as incurred. Production costs are expensed at the first communication of the advertisements while communication expenses are incurred each time the advertisement is communicated. The advertising expenses were \$14,230 and \$20,334 for the years ended December 31, 2022 and 2021, respectively.

**Fair Value of Financial Instrument** -- The carrying amounts of financial instruments including cash, accounts receivable, accounts payable, payroll and taxes payable, and



vehicles loan payable, net of current portion approximate fair value as of December 31, 2022, because of the relatively short maturity of these instruments.

## **2. Income Taxes**

Genius Kids Development and its stockholders elected under the provisions of Subchapter S of the Internal Revenue Code ("IRC") not to be taxed as a corporation. Under those provisions, Genius Kids Development do not pay federal corporate income taxes on corporate taxable income. Instead, the shareholders are liable for individual federal income taxes and have consented to include the income in their respective income tax returns. Accordingly, no provision has been made for federal income taxes. The state of California, in which Genius Kids Development operates, levies franchise taxes on income at a statutory rate of one and half percent on net income.

Genius Kids Development recognize and measure their unrecognized tax benefits in accordance with ASC 740, Income Taxes. Under that guidance Genius Kids Development assess the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Genius Kids has temporary differences which are immaterial. Thus, Genius Kids determines it impractical to recognize such in the financial statements.

Genius Kids Development establish liabilities or reduce assets for uncertain tax positions, if any, when they believe their tax positions are more likely than not will be sustained when challenged.

Genius Kids Development, file Federal and State of California income tax returns. Genius Kids Development recognize interest and penalties related to income tax matters, if any, in income tax expense.

### **3. Contingencies, Risks and Uncertainties**

In the normal course of business, Genius Kids Development may periodically be subject to various claims and lawsuits. However, there is currently no legal action pending against Genius Kids Development, nor, to our knowledge, any such proceedings contemplated.

Genius Kids Development is subject to current city, state, federal, Department of Social Service Child Care and education regulations. Any changes in these regulations could materially affect the Genius Kids Development's operations.

Genius Kids Development are concentrated in an industry which is characterized by significant competition, licensing and evolving regulatory requirements and industry standards. The success of Genius Kids Development depends on management's ability to keep the license active. Any significant delays in these requirements could have a material adverse effect on Genius Kids Development's business and operating results.

### **4. Concentration Risk**

**Cash and Cash Equivalents** – Financial instruments that potentially subject Genius Kids Development to concentrations of credit risk consist principally of deposits greater than \$250,000 for interest bearing accounts with each financial institution that is a member of Federal Deposit Insurance Corporation ("FDIC"), and security deposits greater than \$500,000 (\$250,000 on cash) with each financial institution that is a member of Securities Investor Protection Corporation ("SIPC").

Genius Kids Development has no cash balances on deposit at December 31, 2022 that exceeded the balance insured by the FDIC. Genius Kids Development performs an ongoing evaluation of the commercial bank to limit its concentration of credit risk exposure.

## **5. Transactions with Related Affiliate**

Transactions that occurred between Genius Kids Development and related affiliate during the 2022 and 2021 are as follows:

Genius Kids Development sells franchises under a license transferred from Genius Kids, Inc which is 100% owned by the stockholders of Genius Kids Development. This gives Genius Kids Development the exclusive rights to sell franchises across the United States of America.

Genius Kids Development conducts its operations from the land and building at 2220 Peralta Blvd, Fremont, California. Genius Kids Development paid \$208,000 and \$183,000 rent during the years 2022 and 2021, respectively. The office belongs to Peralta 2220 LLC which is 100% owned by the stockholders of Genius Kids Development.

## **6. Lease Commitments**

On January 1, 2020, Genius Kids Development entered into month-to-month lease agreement for its office space at 2220 Peralta Blvd, Fremont, California. The monthly rent is increased from \$16,000 to \$18,000 per month during the year 2022. This is a related party transaction.

Rent expense were \$208,000 and \$183,000 for the years ended December 31, 2022 and 2021.

## **7. Vehicle Loan Payable**

On November 13, 2019 and December 22, 2022, Genius Kids Development purchased a vehicle and entered in a loan agreement with Mercedes Benz financial services. Genius Kids Development have to make a combined monthly payment of \$4,792 and maturing from November 2024 to November 2027. The interest rate related to the lease obligation is 3.24%.

|                                | <u>Amount</u>            |
|--------------------------------|--------------------------|
| Vehicle loan payable           | \$ 209,546               |
| Less: Current portion          | <u>(54,187)</u>          |
| Long term vehicle loan payable | <u><u>\$ 155,359</u></u> |

Future minimum payments under the primary terms of the loan are as follows:

| Year Ending December 31, | <u>Amount</u>            |
|--------------------------|--------------------------|
| 2023                     | \$ 54,187                |
| 2024                     | 51,557                   |
| 2025                     | 34,491                   |
| 2026                     | 35,626                   |
| 2027                     | <u>33,685</u>            |
|                          | <u><u>\$ 209,546</u></u> |

## 8. Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact operating activities, though such potential impact is unknown at this time.

Management has evaluated subsequent events through March 27, 2023 the date which the financial statement was issued. The financial statement includes all events or transactions, including estimates, required to be recognized in accordance with the accounting principles generally accepted in the United States of America. Genius Kids Development has determined that there are no unrecognized subsequent events that require additional disclosures.



**GENIUS KIDS' DEVELOPMENT, INC**  
(an S California Corporation)

DECEMBER 31, 2021  
AUDITED  
FINANCIAL STATEMENTS

TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT

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# GENIUS KIDS' DEVELOPMENT, INC

## TABLE OF CONTENTS

|                                                   | PAGE |
|---------------------------------------------------|------|
| INDEPENDENT AUDITOR'S REPORT.....                 | 1-3  |
| FINANCIAL STATEMENT                               |      |
| Balance Sheets.....                               | 4    |
| Statements of operations.....                     | 5    |
| Statements of change in stockholders' equity..... | 6    |
| Statements of cash flows.....                     | 7    |
| Notes to financial statement .....                | 8-15 |



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Stockholder  
Genius Kids Development, Inc  
3645 Mowry Avenue,  
Fremont, California 94538

### **Opinion**

We have audited the financial statements of Genius Kids Development, Inc (an S California Corporation) which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the financial statement.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Genius Kids Development, Inc as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Genius Kids Development, Inc, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Genius Kids Development, Inc's ability to continue as a going concern within one year from the date the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive



to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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

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

***Cpa Auditor, Inc.***

San Francisco, California  
April 27, 2022

Genius Kids Development, Inc  
Balance Sheets  
December 31, 2021 and 2020

| ASSETS                                                                                    |                   |                   |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                           | 2021              | 2020              |
| <b>Current Assets</b>                                                                     |                   |                   |
| Cash and cash equivalents                                                                 | \$ 151,280        | \$ 190,332        |
| Accounts receivables                                                                      | 78,912            | 57,085            |
| <b>Total Current Assets</b>                                                               | 230,192           | 247,417           |
| <b>Non Current Assets</b>                                                                 |                   |                   |
| <b>Property and Equipment</b>                                                             |                   |                   |
| Furniture and fixtures                                                                    | 164,356           | 152,331           |
| Vehicle                                                                                   | 137,837           | 137,837           |
|                                                                                           | 302,193           | 290,168           |
| Less: Accumulated amortization                                                            | (206,932)         | (142,575)         |
|                                                                                           | 95,261            | 147,593           |
| <b>Total Assets</b>                                                                       | <b>\$ 325,453</b> | <b>\$ 395,010</b> |
| LIABILITIES AND STOCKHOLDERS' EQUITY                                                      |                   |                   |
| <b>Current Liabilities</b>                                                                |                   |                   |
| Accounts payable                                                                          | \$ 19,917         | \$ 11,285         |
| Payroll and payroll taxes payable                                                         | 19,361            | 10,308            |
| Vehicle loan payable, current portion                                                     | 18,598            | 18,006            |
| State tax payable                                                                         | 1,598             | 800               |
| <b>Total Current Liabilities</b>                                                          | 59,474            | 40,399            |
| <b>Non Current Liabilities</b>                                                            |                   |                   |
| Vehicle loan payable, net of current portion                                              | 37,373            | 55,971            |
| <b>Total Liabilities</b>                                                                  | 96,847            | 96,370            |
| <b>Stockholders' Equity</b>                                                               |                   |                   |
| Common stock, no par, authorized 1,000,000 shares<br>issued and outstanding 10,000 shares | 5,000             | 5,000             |
| Retained earnings                                                                         | 223,606           | 293,641           |
| <b>Total Stockholders' Equity</b>                                                         | 228,606           | 298,641           |
| <b>Total Liabilities and Stockholders' Equity</b>                                         | <b>\$ 325,453</b> | <b>\$ 395,010</b> |

See accompanying independent auditors' report and notes to financial statements

Genius Kids Development, Inc  
Statements of Operations  
Years Ended December 31, 2021 and 2020

|                                        | 2021              | 2020              |
|----------------------------------------|-------------------|-------------------|
| <b>Revenue</b>                         |                   |                   |
| Franchise, royalty and network revenue | \$ 726,136        | \$ 745,742        |
| Total revenue                          | 726,136           | 745,742           |
| <b>Expenses</b>                        |                   |                   |
| Rent                                   | 183,000           | 128,473           |
| Professional fees                      | 123,601           | 82,188            |
| Salaries and wages                     | 106,600           | 100,000           |
| Office supplies                        | 82,382            | 86,881            |
| Depreciation                           | 64,357            | 55,531            |
| Advertising and marketing              | 20,334            | 46,938            |
| On-line web service expense            | 13,852            | 6,321             |
| Insurance                              | 9,593             | 2,662             |
| Payroll taxes                          | 8,129             | 7,958             |
| Other operating expense                | 8,015             | 13,558            |
| Repairs and maintenance                | 7,131             | 19,588            |
| License and permits                    | 6,171             | 7,153             |
| Automobile expense                     | 4,810             | 2,439             |
| Donation                               | 150               | 1,576             |
| Total expense                          | 638,125           | 561,266           |
| <b>Income from operation</b>           | 88,011            | 184,476           |
| <b>Other Income (Expense)</b>          |                   |                   |
| Eidl grant, other income               | 25,000            | -                 |
| Interest expense                       | (383)             | (2,704)           |
| Total other income                     | 24,617            | (2,704)           |
| <b>Income before income taxes</b>      | 112,628           | 181,772           |
| Provision for income taxes             | 1,689             | 800               |
| <b>Net Income</b>                      | <b>\$ 110,939</b> | <b>\$ 180,972</b> |

See accompanying independent auditors' report and notes to financial statements

Genius Kids Development, Inc  
Statements of Changes in Stockholders' Equity  
Years Ended December 31, 2021 and 2020

|                                   | <b>Common Stock</b> |                 | <b>Retained</b>   | <b>Stockholders'</b> |
|-----------------------------------|---------------------|-----------------|-------------------|----------------------|
|                                   | <b>Shares</b>       | <b>Amount</b>   | <b>Earnings</b>   | <b>Equity</b>        |
| <b>Balance, December 31, 2019</b> | 10,000              | \$ 5,000        | \$ 179,821        | \$ 184,821           |
| Stockholders' distributions       | -                   | -               | (67,152)          | (67,152)             |
| Net income                        | -                   |                 | 180,972           | 180,972              |
| <b>Balance, December 31, 2020</b> | 10,000              | \$ 5,000        | \$ 293,641        | \$ 298,641           |
| Stockholders' distributions       | -                   | -               | (180,973)         | (180,973)            |
| Net income                        | -                   |                 | 110,939           | 110,939              |
| <b>Balance, December 31, 2021</b> | <b>10,000</b>       | <b>\$ 5,000</b> | <b>\$ 223,606</b> | <b>\$ 228,606</b>    |

See accompanying independent auditors' report and notes to financial statements

Genius Kids Development, Inc  
Statements of Cash Flows  
Years Ended December 31, 2021 and 2020

|                                                                                      | 2021              | 2020              |
|--------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>                                          |                   |                   |
| Net income                                                                           | \$ 110,939        | \$ 180,972        |
| Adjustments to reconcile net income to net cash<br>provided by operating activities: |                   |                   |
| Depreciation                                                                         | 64,357            | 55,531            |
| Change in assets and liabilities:                                                    |                   |                   |
| Accounts receivable                                                                  | (21,827)          | (57,085)          |
| Prepaid expenses                                                                     | -                 | 1,893             |
| Accounts payable                                                                     | 8,632             | 10,587            |
| Payroll and payroll taxes payable                                                    | 9,053             | 7,973             |
| State taxes payable                                                                  | 798               | 1,674             |
| <b>Net Cash Provided by Investing Activities</b>                                     | <b>171,952</b>    | <b>201,545</b>    |
| <b>Cash Flows From Investing Activities</b>                                          |                   |                   |
| Purchase of furniture and fixtures                                                   | (12,024)          | (11,315)          |
| <b>Net Cash Used In Investing Activities</b>                                         | <b>(12,024)</b>   | <b>(11,315)</b>   |
| <b>Cash Flows From Financing Activities</b>                                          |                   |                   |
| Vehicle loan payable                                                                 | (18,006)          | (17,432)          |
| Stockholders' distributions                                                          | (180,973)         | (67,153)          |
| <b>Net Cash (Used In) Financing Activities</b>                                       | <b>(198,979)</b>  | <b>(84,585)</b>   |
| <b>Net change in cash and cash equivalents</b>                                       | <b>(39,052)</b>   | <b>105,645</b>    |
| Cash and cash equivalents, beginning of year                                         | 190,332           | 84,687            |
| <b>Cash and cash equivalents, end of year</b>                                        | <b>\$ 151,280</b> | <b>\$ 190,332</b> |
| <b>Supplemental cash-flow information</b>                                            |                   |                   |
| Income tax paid during the year                                                      | \$ 800            | \$ 800            |
| Interest paid during the year                                                        | \$ 383            | \$ 2,704          |

## 1. Summary of Significant Accounting Policies

**Nature of Business** -- Genius Kids Development, Inc ("Genius Kids Development") was incorporated in California on April 20, 2010. Genius Kids Development is engaged in selling franchises specializes in teaching children using interactive tools and hands on activities to stimulate the child's mind and focus on the three main disciplines reading, writing, math and logical thinking. These franchises will operate under the name "Genius Kids" throughout the United States. The principal efforts at Genius Kids Development revolve around building the brand.

As of December 31, 2021, Genius Kids Development had total of twenty-seven franchisee (27) locations of which two (2) locations are related affiliated locations.

**Basis of Accounting** -- Genius Kids Development prepares the financial statement using accrual basis of accounting in conformity with the generally accepted accounting principles in the United States of America and uses cash method for preparing the tax return. The expenses are recorded when the benefits and services are received.

**Estimates Included in the Financial Statement** -- The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of expenses during the reporting period. Genius Kids Development is subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the education environment, competition, litigation, legislation and regulations. Genius Kids Development regularly evaluates their estimates and assumptions using historical experience and expectations about the future. Genius Kids Development adjusts their estimates and assumptions when facts and circumstances indicate the need for change.

**Cash and Cash Equivalents** -- Cash consists of interest and non-interest-bearing accounts with one financial institution. Genius Kids Development considers all highly liquid investments with original maturity of three months or less from the date of

purchased, to be cash equivalents. The carrying value of cash equivalents approximates fair value.

**Property and Equipment** -- Property and equipment cost is stated at cost. For financial reporting purposes, amortization is provided on the straight-line method by annual charges to income calculated to allocate the cost over their estimated useful lives. For income tax purposes, the Modified Cost Recovery System (MACRS) is used to calculate deductible amortization.

| <u>Type of property</u> | <u>Life</u> |
|-------------------------|-------------|
| Furniture and fixtures  | 3 Years     |
| Vehicles                | 5 Years     |

Depreciation expenses were \$64,357 and \$55,531 for the years ended December 31, 2021 and 2020.

Expenditures for maintenance and repairs which are not for the permanent improvement, betterment or restoring property are charged directly to appropriate operating accounts at the time the expense is incurred. Expenditures determined to represent additions and improvements are capitalized if the amount is greater than \$1,000.

**Accounts Payable** -- Accounts payables are recorded when goods or benefits are received. The carrying amounts of accounts payable in the balance sheet approximates its fair value.

**Revenue Recognition** -- On January 1, 2018, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), ASC 606 significantly affects Genius Kids Development in areas including the accounting for franchise fees and the accounting for revenues.

On January 1, 2019, the Company adopted new accounting standard, as amended, regarding revenue from contracts with customers using the modified retrospective approach. This standard provides guidance on recognizing revenue, including a five-step

model to determine when revenue recognition is appropriate. The adoption of this standard did not have a material impact on the Genius Kids Development's financial position and results of operations.

Genius Kids Development recognized the franchise contract to franchisee as a distinct series of performance obligations and essentially is a license that allows the franchisee to use the Genius Kids Development's intellectual property. Intellectual property includes pre-opening services, marketing services and use of the Genius Kids Development's systems. Accordingly, Genius Kids Development recognize and record franchise fee revenues over the expected life of the franchise agreement.

Genius Kids Development also derives tuition revenue from education services. Revenue from tuition services is recognized ratably as services are delivered. Revenues are received beginning of the month.

**Franchise, Royalty and Network Revenue** -- All the franchises shall pay to Genius Kids Development a monthly royalty of 6% and network marketing revenue of 1% of gross sales. Revenues are recognized when earned.

Genius Kids Development doesn't charge any franchise, royalty and network fees to related affiliates.

**Franchise Fees** -- Genius Kids Development's recognize and record franchise fee revenues over the expected life of the franchise agreement, i.e., 10 years.

**Advertising and Marketing** -- Advertising and marketing costs are expensed as incurred. Production costs are expensed at the first communication of the advertisements while communication expenses are incurred each time the advertisement is communicated. The advertising expenses were \$20,334 and \$46,938 for the years ended December 31, 2021 and 2020, respectively.

**Fair Value of Financial Instrument** -- The carrying amounts of financial instruments including cash, accounts receivable, accounts payable, payroll and taxes payable, and



vehicles loan payable, net of current portion approximate fair value as of December 31, 2020, because of the relatively short maturity of these instruments.

**New Accounting Pronouncements** -- In February 2016, the Financial Accounting Standards Board issued a new accounting pronouncement that requires lessees to record assets and liabilities on the balance sheet for lease-related rights and obligations and disclose key information about certain leasing arrangements. This new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU assets and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as financing or operating, with classification affecting the pattern of expense recognition in the statement of operations. Genius Kids Development will adopt the standard, including the related amendments, effective January 1, 2020, using the modified retrospective approach, applying the provisions of the new standard on its effective date. Management is currently evaluating the potential impact that the adoption of this standard will have on Genius Kids Development's financial position, results of operations, and related disclosures.

## **2. Income Taxes**

Genius Kids Development and its stockholders elected under the provisions of Subchapter S of the Internal Revenue Code ("IRC") not to be taxed as a corporation. Under those provisions, Genius Kids Development do not pay federal corporate income taxes on corporate taxable income. Instead, the shareholders are liable for individual federal income taxes and have consented to include the income in their respective income tax returns. Accordingly, no provision has been made for federal income taxes. The state of California, in which Genius Kids Development operates, levies franchise taxes on income at a statutory rate of one and half percent on net income.

Genius Kids Development recognize and measure their unrecognized tax benefits in accordance with ASC 740, Income Taxes. Under that guidance Genius Kids Development assess the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the

end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Genius Kids has temporary differences which are immaterial. Thus, Genius Kids determines it impractical to recognize such in the financial statements.

Genius Kids Development establish liabilities or reduce assets for uncertain tax positions, if any, when they believe their tax positions are more likely than not will be sustained when challenged.

Genius Kids Development, file Federal and State of California income tax returns. Genius Kids Development recognize interest and penalties related to income tax matters, if any, in income tax expense.

### **3. Contingencies, Risks and Uncertainties**

In the normal course of business, Genius Kids Development may periodically be subject to various claims and lawsuits. However, there is currently no legal action pending against Genius Kids Development, nor, to our knowledge, any such proceedings contemplated.

Genius Kids Development is subject to current city, state, federal, Department of Social Service Child Care and education regulations. Any changes in these regulations could materially affect the Genius Kids Development's operations.

Genius Kids Development are concentrated in an industry which is characterized by significant competition, licensing and evolving regulatory requirements and industry standards. The success of Genius Kids Development depends on management's ability to keep the license active. Any significant delays in these requirements could have a material adverse effect on Genius Kids Development's business and operating results.

#### **4. Concentration Risk**

**Cash and Cash Equivalents** – Financial instruments that potentially subject Genius Kids Development to concentrations of credit risk consist principally of deposits greater than \$250,000 for interest bearing accounts with each financial institution that is a member of Federal Deposit Insurance Corporation (“FDIC”), and security deposits greater than \$500,000 (\$250,000 on cash) with each financial institution that is a member of Securities Investor Protection Corporation (“SIPC”).

Genius Kids Development has no cash balances on deposit at December 31, 2021 that exceeded the balance insured by the FDIC. Genius Kids Development performs an ongoing evaluation of the commercial bank to limit its concentration of credit risk exposure.

#### **5. Transactions with Related Affiliate**

Transactions that occurred between Genius Kids Development and related affiliate during the 2021 and 2020 are as follows:

Genius Kids Development sells franchises under a license transferred from Genius Kids, Inc which is 100% owned by the stockholders of Genius Kids Development. This gives Genius Kids Development the exclusive rights to sell franchises across the United States of America.

Genius Kids Development conducts its operations from the land and building at 2220 Peralta Blvd, Fremont, California. Genius Kids Development paid \$183,000 and \$128,473 rent during the years 2021 and 2020, respectively. The office belongs to Peralta 2220 LLC which is 100% owned by the stockholders of Genius Kids Development.

## 6. Lease Commitments

On January 1, 2020, Genius Kids Development entered into month-to-month lease agreement for its office space at 2220 Peralta Blvd, Fremont, California. The monthly rent is approximate \$16,000. This is a related party transaction.

Rent expense were \$183,000 and \$128,473 for the years ended December 31, 2021 and 2020.

## 7. Vehicle Loan Payable

On November 13, 2019, Genius Kids Development purchased a vehicle and entered in a loan agreement with Mercedes Benz financial services. Genius Kids Development have to make a sixty (60) monthly payment of \$1,680 beginning December 2019 and maturing in November 2024. The interest rate related to the lease obligation is 3,24%.

|                                | <u>Amount</u>    |
|--------------------------------|------------------|
| Vehicle loan payable           | \$ 55,971        |
| Less: Current portion          | <u>(18,598)</u>  |
| Long term vehicle loan payable | <u>\$ 37,373</u> |

Future minimum payments under the primary terms of the loan are as follows:

| <b>Year Ending December 31,</b> | <u><b>Amount</b></u> |
|---------------------------------|----------------------|
| 2022                            | \$ 18,598            |
| 2023                            | 19,210               |
| 2024                            | <u>18,163</u>        |
|                                 | <u>\$ 55,971</u>     |

## **8. Subsequent Events**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact operating activities, though such potential impact is unknown at this time.

Management has evaluated subsequent events through April 27, 2022 the date which the financial statement was issued. The financial statement includes all events or transactions, including estimates, required to be recognized in accordance with the accounting principles generally accepted in the United States of America. Genius Kids Development has determined that there are no unrecognized subsequent events that require additional disclosures.

**EXHIBIT I**  
**FRANCHISEE QUESTIONNAIRE**

## FRANCHISE QUESTIONNAIRE

**If you are a resident of the State of California or your franchise is located in California you are not required to sign this Questionnaire. If any California franchisee completes this Questionnaire, it is against California public policy and will be void and unenforceable, and we will destroy, disregard, and will not rely on such Questionnaire.**

**This Questionnaire shall not apply to residents of Maryland or if the franchise is located in Maryland.**

The purpose of this **FRANCHISE QUESTIONNAIRE** is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement, and any attachments to them?  
  
Yes: ☐ No: ☐
2. Have you received and personally reviewed our Franchise Disclosure Document ("FDD")?  
  
Yes: ☐ No: ☐
3. Did you sign a Receipt for the FDD indicating the date you received it?  
  
Yes: ☐ No: ☐
4. Have you discussed the benefits and risks of purchasing a Genius Kids child learning center franchise (the "Franchised Business") with an attorney, accountant, or other professional advisor?  
  
Yes: ☐ No: ☐  
  
If "No," do you wish to have more time to do so?  
  
Yes: ☐ No: ☐
5. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits, or operating costs of a Genius Kids child learning center franchise (other than the information contained in Item 19 of the FDD)?  
  
Yes: ☐ No: ☐
6. Has any employee or other person speaking on our behalf made any statement (other than the information contained in Item 19 of the FDD), or any promise regarding the amount of money you may earn in operating a Genius Kids child learning center franchise?  
  
Yes: ☐ No: ☐
7. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Genius Kids child learning center franchise?  
  
Yes: ☐ No: ☐

8. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the training or support service or other assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes: ☐ No: ☐

9. Have you paid any money to us concerning the purchase of your Genius Kids child learning center franchise prior to today?

Yes: ☐ No: ☐

10. If you answered "Yes" to any of Questions 5 to 9, please provide a full explanation of each "Yes" answer in the following blank lines. Attach additional pages, if necessary, and refer to them below.

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11. I signed the Franchise Agreement and/or Addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no agreement with us is effective until signed and dated by Genius Kids Development, Inc.

Your responses to these questions are important to us and we will rely on them.

**This questionnaire does not waive any liability the Franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.**

By signing below, you are representing that you have responded truthfully to the above questions.

**FRANCHISEE APPLICANT:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_



### **State Effective Dates**

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

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

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   | May 24, 2023          |
| New York     | Pending               |

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

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Genius Kids Development, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Michigan requires that Genius Kids Development, Inc. gives you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or payment of any consideration, whichever occurs first. New York requires that Genius Kids Development, Inc. gives you this 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 Genius Kids Development, Inc. 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit B.

The franchisor is Genius Kids Development, Inc., 3645 Mowry Avenue, Fremont, California 94538. Its telephone number is 510-364-4033. The name, principal business address, and telephone number of each franchise seller offering the franchise is:

- ☐ Rennu Dhillon, 3645 Mowry Avenue, Fremont, California 94538, 510-364-4033
- ☐ Shana Nijjar, 3645 Mowry Avenue, Fremont, California 94538, 510-364-4033

**Issuance Date:** April 19, 2023

Genius Kids Development, Inc. authorizes the respective parties identified on Exhibit B to receive service of process for us in the particular state.

I have received a Disclosure Document with an Issuance Date of April 19, 2023, that included the following Exhibits:

- |            |                                                                                                                                                             |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit A. | State Addenda to Disclosure Document                                                                                                                        |
| Exhibit B. | List of State Franchise Regulators                                                                                                                          |
| Exhibit C. | Franchise Agreement, Statement of Ownership and Management, Guaranty, Transfer Form, General Release, Lease Rider, and State Addenda to Franchise Agreement |
| Exhibit D. | Electronic Transfer of Funds Authorization                                                                                                                  |
| Exhibit E. | Operation Manual Table of Contents                                                                                                                          |
| Exhibit F. | List of Current Franchisees                                                                                                                                 |
| Exhibit G. | List of Former Franchisees                                                                                                                                  |
| Exhibit H. | Financial Statements                                                                                                                                        |
| Exhibit I. | Franchisee Disclosure Questionnaire                                                                                                                         |

Indicate the date on which you received this Disclosure Document, sign, indicate the date you signed this Receipt, and promptly return one completed copy of the Receipt to Genius Kids Development, Inc., at 3645 Mowry Avenue, Fremont, California 94538. Keep the second copy of the Receipt for your records.

\_\_\_\_\_  
Date Disclosure Document Received

\_\_\_\_\_  
Prospective Franchisee's Signature

\_\_\_\_\_  
Date Receipt Signed

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Address

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Address

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