Franchise Disclosure Document

Global Art & Creative USA, LLC
a California limited liability company
7238 San Ramon Road
Dublin, California 94568
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Direct Line: (408) 623-4314

The Franchise offered is for the operation of a learning center for early learners three to eighteen years of age "globalart®" offers art enrichment programs for children conducted at centers, shops or other approved venues. These child learning centers are based on an interactive proprietary curriculum that incorporates multi-sensory learning methods that has proven to result in the advanced development of fundamental life skills such as critical thinking, fine motor and social skills, communication, and confidence, paving the way for successful independent learning.

These businesses are geared towards serving families who value intellectual and social development for their children under the name "globalart®." The Initial Franchise Fee is $20,000 for a learning center with rights to operate in a specific protected area defined by us. The total estimated initial investment required to begin operation of a "globalart®" learning center ranges from $96,700 to $148,800 (excluding real estate lease/acquisition costs).

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:

Mr. Soon Seng Wong, Manager
Global Art & Creative USA, LLC
7238 San Ramon Road
Dublin, CA 94568
Direct Line: (408) 623-4314

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

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

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

Disclosure Document Issuance Date: March 27, 2020

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits 7-8.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit 9 includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Global Art business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Global Art franchisee?	Item 20 or Exhibits 7-8 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in 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 2.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, 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. **Governing Law.** The Franchise Agreement states that California law governs the agreement, and this law may not provide the same protections and benefits as local laws. You may want to compare these laws.

3. **Your Own Protection.** The Disclosure Document is provided for your own protection and contains a summary only of certain material provisions of the franchise agreement.

4. **Territory.** Your territory is not an exclusive territory but a protected area as further described under Item 12 titled territory.

Franchise Disclosure Document [FDD]

Global Art & Creative USA, LLC
a California limited liability company

TABLE OF CONTENTS

ITEM		PAGE
1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
2	BUSINESS EXPERIENCE	3
3	LITIGATION	4
4	BANKRUPTCY	4
5	INITIAL FEES	4
6	OTHER FEES	5
7	ESTIMATED INITIAL INVESTMENT	8
8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	11
9	FRANCHISEE'S OBLIGATIONS	15
10	FINANCING	16
11	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	16
	TRAINING SCHEDULE	22
12	TERRITORY	24
13	TRADEMARKS	26
14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	28
15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	29
16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	30
17	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	31

18 PUBLIC FIGURES 33

19 FINANCIAL PERFORMANCE REPRESENTATIONS 34

20 OUTLETS AND FRANCHISEE INFORMATION 34

21 FINANCIAL STATEMENTS 36

22 CONTRACTS 36

23 RECEIPTS 36

EXHIBITS

EXHIBIT 1. FRANCHISE AGREEMENT

EXHIBIT 2. LIST OF STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT 3. FRANCHISEE DISCLOSURE QUESTIONNAIRE

EXHIBIT 4. STATE ADDENDA

EXHIBIT 5. OPERATION MANUAL TABLE OF CONTENTS

EXHIBIT 6. RESERVED

EXHIBIT 7. LIST OF FRANCHISEES

EXHIBIT 8. FRANCHISEES WHO HAVE LEFT THE SYSTEM

EXHIBIT 9. FINANCIAL STATEMENTS

RECEIPTS

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

The Franchisor is Global Art & Creative USA, LLC, doing business as "Global Art®." For ease of reference, Global Art & Creative USA, will be referred to as "we," "us," or "our" in this Disclosure Document. We will refer to the person or entity who buys the Franchise as "you," "your," and "Franchisee," throughout this Disclosure Document. If you are a limited liability company, partnership or corporation, certain provisions of the Franchise Agreement also apply to your owners and will be noted. Any entity such as corporations, partnerships, limited liability companies or other type of entity may be referred to as an "Entity" and those who own the Entity may be referred to as "Owners."

We are a California limited liability company formed on August 10, 2017. We started offering franchises in 1999 outside of the United States. We do business under a similar name as our corporate name which is "Global Art & Creative." Our principal business address is 7238 San Ramon Road, Dublin, California 94568. We sell franchises to prospective franchisees for the operation of businesses that operate in a uniform system and in accordance with the business format created and developed by us (the "Business" or "Franchise"). We offer a Franchise Agreement for the development and operation of a learning center at a specified location offering enrichment programs within a protected territory. This is the first time we have offered franchises of the type described in this Disclosure Document although our Affiliate has sold similar franchises outside the United States. We have never offered franchises in any other line of business. Our agents for service of process are disclosed in Exhibit 2.

Our Predecessors and Affiliates are as follows:

There is one operating franchised businesses in California that offer similar services to the Franchise being offered. The following is a description of our predecessor and Affiliates including principal addresses and number of locations for each.

Our Affiliate Global Art & Creative Sdn. Bhd., a Malaysian corporation ("GA"), began operations and was formed in 2002, with a physical address of Block H-09-03 Setiawalk, Persiaran Wawasan, Pusat Bandar Puchong, 47160, Puchong, Selangor, Malaysia and operates 600 franchised outlets in several foreign counties. Neither company owns any company outlets. All are businesses substantially similar to the learning center to the franchise business being offered by us. GA and we are independent entities and GA does not assume any of our legal or other obligations, nor us theirs.

Our Business and the Franchises Offered in this State:

The Global Art models are developed for the establishment and operation of a learning center. This business offers educational and developmental programs for children on a class structured basis. The reference to "Location" or "Center" is the place where you will conduct your business with students and includes all programs and activities. You may use each location only for operating the Center.

The learning centers offer art related programs for children to begin to develop and build life learning skills that encourages academic, social, emotional and motor skills, communication, confidence, physical development creativity and imagination in a safe, clean environment. The learning centers are intended to support, stimulate and enhance a child's natural development during these most formative and critical years of growth that will last a lifetime. A learning center franchise will offer a variety of supervised learning programs and activities conducted at centers, shop or other approved venues. These child learning centers are based on an interactive proprietary curriculum that incorporates multi-sensory learning methods provided through our proprietary learning programs ("Courses") which will be provided to all franchisees. The learning centers offer monthly tuition programs making it an affordable solution for parents.

Our programs take the guess work out of finding the right extracurricular art program for children that also encourages intellectual and social growth.

The target market for a learning center includes parents, grandparents, and/or guardians of children who desire to enrich their children's creativity development, social, thinking, communication and leadership skills. You may have to compete with other businesses including franchised operations, national chains and independently owned companies offering developmental and educational programs similar to those found at a learning center. 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. However, we believe that our competitive position, our proprietary curriculum and the quality of programs we offer, which is enhanced by our operational format, places our learning centers in a unique class of its own.

The learning center is characterized by a uniform business format that has proprietary curriculum all housed within a national website that features online functionality; a unique and recognizable layout, content, décor, color scheme, displays, and furnishings; a distinctive on-line system that is accessible by all franchisees and which provides guidance and instructions on operational procedures, cost controls, management and financial control (including point of sale and tracking systems); customer service guidelines, qualification processes for hiring staff, teaching methods and strategies; product and vendor specifications; procedures for safety and quality control; training, marketing support and ongoing operational assistance; all of which may be changed, improved and further developed by us (the 'System').

Your own efforts and skills are necessary, but not a guarantee, for you to succeed. We cannot guarantee your success, as there exist both typical and special business risk factors. These include but not limited to: changing market conditions, competition, cost of supplies, new technologies, changing consumer demands, poor weather conditions, equipment, real estate market, capital, labor, your own health, continuity of your management, continuation of sources of supply, availability of financing, recession or depression locally or nationally, wars, strikes, acts of terrorism, emergencies whether natural or manmade, litigation, liability and casualty losses.

Other risks that may affect your business include but not limited to: industry developments, pricing policies of your competitors, state licensing, supply and demand. Another risk to mention is your dependence on key personnel, the loss of whom could have an adverse effect on you. This business is a speculative and significant investment beyond that outlined in this Disclosure Document. There are no guarantees for success and the most important factors in the success of any Franchise, including yours, are your personal business, marketing, management, judgment and other skills including your willingness to work hard and diligently follow our System.

Laws and Regulations

You must comply with all federal, state or local laws and/or local community covenants that are specific to learning centers. You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. Certain states may require you to possess specific certifications in connection with your instructional duties as a franchisee. We may cite you for violating of the Franchise Agreement and your course instructor during routine visits of our field staff. Although the Franchise Agreement gives the Franchisor the right to terminate, in certain types of violations, without the right to cure, it is the Franchisor's policy to give 24 hours to correct the violation. States have various health and welfare laws that protect children especially those regarding child abuse and you will be required to have all individuals who work, reside or have contact with clients, or facilities that care for children be review and pass certain requirements. Some of these class related requirements include: Student Files without all the necessary forms and missing updated immunization records; the operator not adhering to the required licensing of student to teacher ratios for the age group and state where the licensed is issued; and the operator's staff do not have the proper teaching credentials to be present in the classroom. Your classroom facilities

may also need to comply with building, fire code and possibly other regulations specific to children's educational facilities. Although we monitor legal requirements that affect our franchisees and we make our information available to you, because of the number of potential state and local issues, we cannot guarantee that it will be complete, current and accurate. Therefore, we recommend that before signing the franchise agreement, you engage an attorney or other professional advisor to assist you in both determining what laws, ordinances and regulations may affect your establishment or operation of a learning center, and in complying with them. You are responsible for obtaining licenses required in your locality.

In certain states the Center may be deemed a school, childcare center or similar designation. If by chance the Center is deemed a school, childcare center or similar designation you must also comply with all laws and regulations specific to hosting a certain number of children or conducting programs of certain lengths or frequencies in your learning center, including requirements of licensing your learning center or limiting the number or age group of children who may be in your learning center at one time or both. Classification of your Center as a school, childcare center or similar designation may entail additional requirements such as separate bathrooms for boys and girls, water fountains, special exit doors equipped with panic bars and other accommodations. Although we do not regard the Center as a school or childcare center, we urge you to consult with an attorney concerning any special requirements that may apply to you or your Center.

The Center may be subject to many federal, state and local governmental laws, regulations and licensing requirements such as: the fitness and adequacy of buildings and equipment, construction of the facility, zoning requirements, qualifications of staff, staff training, the ratio of staff to children in each classroom, record keeping, health, fire and safety standards; and the disabilities of your employees. You may be required to obtain a child care license before you open the business and pass a thorough criminal background check. The child care license must be maintained as long as you own and operate the Center. Your state will make all final determinations regarding child care licensing. Your state will decide if your course instructor needs any type of education or certificate.

Your business will be subject to various employment regulations concerning wage rates, mandated employee benefits, employment taxes, worker safety, occupational health and safety, unemployment compensation, workers' compensation, teenage labor practices, disabled employees and discrimination in employment practices. You will be subject to the Americans with Disabilities Act which prohibits practices that discriminate against physically and mentally challenged individuals regarding access to public accommodations and employment opportunities.

It is your sole responsibility, to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time. We recommend that you consult with your attorney for an understanding of all the laws applicable to your specific Franchise. Under the Franchise Agreement, you alone are responsible for complying with all applicable laws and regulations despite any advice or information we give to you.

We have not offered franchises in other lines of business in the past although our Affiliate has done so. We do not engage in any business other than the offer of franchises.

Item 2
BUSINESS EXPERIENCE

Founder/CEO: Mahair Goh
Mahair Goh founded Global Art in 1999 and since then, the Global Art Group has grown to over 600 Centers worldwide through franchising scheme in 16 countries. He sets the direction of our expansion goals and works closely to implement the plans. He is also responsible for market and customer research on the development of any new country.

Co-Founder, Head of Training, Research & Development Department: Muhammad Ajin Thong bin Abdullah Muhammad Ajin Thong bin Abdullah has been with Global Art since 2003. He was in the advertising field before joining various Malaysian humor magazines as a cartoonist for 7 years before joining Global Art. He joined Global Art as an Art Trainer to Instructors, research and development in the implementation of the Craft programs and training system. His other responsibility is to ensure logistics, marketing concepts and design of promotional materials/documents.

Manager and Chief Marketing Officer: Soon Seng Wong
Soon Seng Wong has been the Manager of Global Art since January, 2019. Prior to that, from September 2014 to December 2018 Soon was the Senior Director Global Internal Auditor with Shaklee Corporation.

Head of Administration Department & International Affairs: Eda Tang
Eda Tang has been with Global Art since 2003. She implements and delegates CEO's business plans to every department, ensures there is adequate progress and that the processes are working properly. She has prior experience in the education business and was a personal assistant to General Manager of an oversea affairs company in Singapore.

Franchise Manager: Terry Lim
Terry Lim has been with Global Art since 2004. He provides services for Global Art in sales and consumer behavior training as well as manages, coordinates, and evaluates our franchisee programs and strategies. He has prior experience in sales and marketing in the bank and construction industries for nearly 10 years.

Senior Manager in Customer Service/Support: Byoong Chai
Byoong Chai has been with Global Art since 2010, and is a Graduate from Tunku Abdul Rahman University. She plays a major role in providing customer support and service.

Head of Account Department: Vanessa Liong
Vanessa Liong has been with Global Art since 2002. Her sole responsibility is to manage financials/accounts for the company in the payments to employees (salary/claims), suppliers, customers, business partners and royalty payment.

Franchise Brokers: We currently do not engage the services of franchise brokers.

Item 3
LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

Item 4
BANKRUPTCY

No person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy code required to be disclosed in this Item. There have been no cases, actions, or other proceedings filed under the laws of foreign nations relating to bankruptcy.

Item 5
INITIAL FEES

The initial franchise fee for a single Franchise (the "Initial Franchise Fee") is $20,000 for a Global Art Franchise in a protected area. You must also pay a $5,000 security deposit ("Deposit"), at the same time for the

purpose of guarantying that you keep the necessary Products and Supplies, maintain the premises in good shape to conduct teaching and provide qualify course instruction. The Deposit will be returned, without interest, when your Term (or extended Term) ends and you are in good standing without any defaults. You will be provided with a general area in which to locate your Center. Once the Center's location is determined within that area, then we will set the protected space around that location. We base this determination on several factors described in more detail in Item 12 below. The Initial Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees.

The Initial Franchise Fee paid in a lump sum at the time the Franchise Agreement is signed is deemed fully earned and nonrefundable upon payment per the terms of the Franchise Agreement.

In certain states, as required by state authorities based on a review of our financial statements, we may have to defer our receipt of the Initial Franchise Fee and Deposit and all other initial payments or deposit them into escrow until we have met our initial obligations to you; see state addenda in Exhibit 4.

Referral Program for Existing Franchisees:

We offer a program whereby Franchisees can receive a referral fee of $2,000 in cash, services or product credit for referring a third-party franchise prospect to us, who ultimately becomes a Global Art® franchisee. Franchisee is authorized only to identify the prospect to our company franchise sales staff. Franchisee is not authorized to act as our agent or franchise broker and is instructed not to provide any information to prospects other than which we approve and complies with law. If Franchisee is entitled to receive a referral fee, notice will be given to the prospective franchisee receiving the Disclosure Document. We retain the right in our sole discretion to modify or terminate this referral program at any time with or without notice.

Item 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalties	15% of Course Fees per student per month	Due by the 7th day of each month for the previous month.	See Note 1
Advertising	No requirements		
Additional teaching course programing Fee	Currently $300 per course	As Incurred	Payable to us if you want additional curriculum that can be customized. See Note 4.

Type of Fee	**Amount**	**Due Date**	**Remarks**
Web Site Hosting Fee	$360 per year	Annually	Paid to us or tech vendor.
Web Site Maintenance and Promotion Fee	$60-$125 per hour for updates, changes and promotions. No charge for hosting at this time.	Payable when needed.	Paid to vendor or us.
Online System Fee	None at this time but we reserve the right to charge (or third party) a reasonable fee.		We reserve the right to charge a reasonable fee hosting.
Additional Training	$300 per day per person plus our expenses.	At time training is scheduled and/or additional assistance is requested by you.	See Item 11
Interest and Late Charges	1.5% per month plus $50. The maximum interest rate in CA is 10% annually.	On due date of fees.	See Note 6
Audit Expenses	Cost of Audit Fees plus interest @ 1.5% per month. Cost of audit you pay and we expect it to be between $1,000 and $2,000. Based on the auditor's hourly rate.	10 days after receipt of audit report.	Payable if there is a deficiency of 4% or more twice in any 2-year period. You could be terminated.
Attorney's and other Professionals Fees and costs	Will vary under circumstances.	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	On Demand	To us or third-party plaintiff; See Note 7.
Association Dues and Membership Fees	Dues and membership fees estimated to be $500 per year for professional organizations. Optional.	As Incurred	See Note 8

Type of Fee	**Amount**	**Due Date**	**Remarks**
Transfer Fee	A flat $2,000 fee for each Franchise.	At the time the transferee signs the Franchise Agreement in effect for transfer or sale.	Payable to us when the Franchise Agreement or a material portion of the assets in the Business is transferred.
Renewal Fee	A flat $2,000 for each Center.	At the time of the renewal.	Payable to us.
Maintain and Renovate Business	Must spend $2,000 to $5,000 every 5 years depending on need to rehab.	As Incurred	We may require you to renovate your Business once every 5 years. Payable to third-parties.
Conference Fee	Assuming we have a conference you will pay for your travel, transportation, lodging, meals and incidental expenses in addition to compensation of the people you send to any conferences. Will vary under circumstances. There will be a registration fee for conferences not to exceed $500 per person.	As Incurred	As Incurred and Payable to Third Parties and us.

All fees are nonrefundable.

Note 1: Gross Revenue is defined in the Franchise Agreement as the gross amount, in money or other forms of consideration, that you earn or receive from any source-related to, or in connection with, the operation of your franchised business or with this franchise, whether on or off your premises. Gross Revenue also includes fair market value for any service or product you receive in barter or exchange for your services or products and all insurance proceeds that you receive for the loss of the Business due to a casualty to or similar event at the Business. We exclude only sales tax receipts that you must by law collect or pay and any customer refunds of previous payments you actually make.

The royalty obligations begin immediately once the Business is open and after the initial training is completed then continues for the term of your Franchise. Royalty forms must be turned in to the franchisor with the gross sales, listing all the students in attendance for that month and any and all revenue collected no later than 6:00 PM on the 7th day of every month. The royalty is due and payable monthly on the 7th day of each month, but is to be received how we specify. The royalty rate is 15% of your course fees per student per month for the entire term of the Franchise Agreement. If there is a deficiency of 4% or more twice in any 2-year period in calculating your royalty payment, you will have to pay for the audit and 1.5% interest per month and you may be terminated. If your Franchise

Agreement is terminated, you may be required to continue royalty payments for the remaining term of your Franchise Agreement.

Royalty fees shall be payable by direct deposit from franchisee's account to our account by electronic funds transfer or other method we determine. We reserve the right to change the time and manner of payment for the royalty fee upon written notice to you. If you do not open your facility within the time required in the Franchise Agreement you will have to pay $500 per month until you open and the royalty is applied.

Note 2: Reserved.

Note 3: Global Art is our proprietary curriculum ("Courses") that you are required to use for the operation of your Business.

Note 4: Our Courses are made up of various theme-based interactive learning programs that are specific to the type of Business you operate. Additional curriculum is offered at additional one-time fee of $200 although we can increase this a reasonable amount.

Note 5: Any requests for changes to your web site to promote events at your location, changes or updates to the content on your web site and any type of web site promotion over the Internet must be approved by us in writing and performed by us, our affiliates and/or our approved vendors. We will respond to you within 30 days of our receipt of your request for web site changes. If we do not respond in that period, your request will be deemed disapproved.

Note 6: 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 when you do not make the required payments.

Note 7: You must protect, defend, indemnify and hold us harmless against any claims, lawsuits or losses arising out of your operation of the franchised business. If you default under the agreement and we engage an attorney for collection or enforcement, you must pay all our damages and costs to the extent permitted by law.

Note 8: We may require you to join certain professional organizations we reasonably specify (Franchise Agreement Section XII.H). The cost of these organizations will vary depending on their membership requirements.

Item 7
ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low - High		Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	$20,000	$20,000	Lump Sum	At signing of the Franchise Agreement.	Franchisor See Note 1
Computers, Technology and Security System	$1,500	$2,000	Lump Sum	Before opening, as incurred	Vendors
Furniture and Fixtures	$7,000	$9,000	Lump Sum	Before opening as incurred	Vendors Note 2

Type of Expenditure	Amount Low - High		Method of Payment	When Due	To Whom Payment is to be Made
Rent (per month)	$600	$6,000	Monthly	Before Opening/Monthly	See Note 3
Leasehold Improvements	$30,000	$50,000	Lump Sum	Before Opening	Landlord or Vendors Note 4
Classroom Supplies	$1,000	$3,000	Lump Sum	Before Opening	Vendors
Inventory and Other Supplies	$1,000	$3,000	Lump Sum	Before Opening	Vendors
Marketing (not required)	$1,000	$5,000	Lump Sum	As Incurred	Vendors Note 5
Insurance	$2,000	$2,500	Lump Sum or	Spent over the course of twelve months	Vendors Note 6
Signage	$3,000	$4,000	Lump Sum	Before Opening	Vendors Note 7
Uniforms	$200	$300	Lump Sum	Before Opening	Vendors
Travel, Lodging and Meals for Initial Training Program	$2,000	$3,500	Lump Sum	As Incurred	Vendors See Item 11
Business Licenses, Permits, Association Dues and Other Professional Fees	$400	$2,500	Lump Sum	Before Opening	Appropriate licensing authorities and third-parties
Staffing	$2,000	$3,000	Lump Sum	Before opening	Staff Member
Deposit	$5,000	$5,000	Lump Sum	Lump Sum when paying Initial Franchise Fee	Paid to us
Additional Funds (3 months)	$20,000	$30,000	Lump Sum	Spent over the course of the first 3 months	See Note 8
Total	**$96,700**	**$148,800**			

Other than security deposits and utility deposits and the Deposit paid to us, all fees described in this Item 7 are non-refundable. Neither we nor any affiliate of ours finances your initial investment or any other expense you incur.

Note 1: Most of your supplies will be purchased from us with the balance from vendors you choose. (Franchise Agreement Section XX.A). The Products and Supplies are shown on our on-line site.

Note 2: This is an estimate for the items we would expect you to need for lighting, file cabinets, bookcases, couches, toddler high chairs, desks, chairs, tables, 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 square footage.

Note 3: The typical size of a Global Art® business is 600 to 2,500 square feet of space. This would include utility and security deposits (if leasing a facility). You may choose, at your option, to purchase the land and build your own building rather than lease from a landlord. In such circumstances you will incur real estate acquisition costs that will vary depending on a multitude of factors including whether the land is purchased or leased, the size, design and location of your Global Art® business, and the availability of financing on commercially reasonable terms. There is no estimate given of your anticipated costs to purchase land and build a facility because of the variances in real estate acquisition, construction costs as well as increased bank charges (related to your loan) and professional fees throughout the United States. We anticipate that you will lease a facility. Costs for leasing a facility depends on geographic location, size, local rent rates, businesses in that area, site profile and other factors and could be considerably higher in large metropolitan areas. If leasing a facility, you may be required to pay a security deposit equal to one month's rent or more. Regardless of whether you purchase land and build your own facility 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 or space within an office complex needing minimal leasehold improvements or fixtures. In most cases you will need to alter the interior of your Business before you open for operation. The costs will vary widely and may be significantly higher projected in the table above depending on such factors as property location, the condition of the property and the extent of alterations required for the property (architect fees are not included in the estimated costs). 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 Global Art® business. These sums do not include any sums for the purchase of real property, as we do not expect that you will buy real property. The space must be an enclosed and separate from other businesses with its own locking door. Your security deposit may be refundable as long as you are in compliance with all the terms and conditions of your lease agreement. Your utility deposits may be refundable (Franchise Agreement Sections XII.T and XII.U).

Note 5: Marketing will vary depending on several factors including your business plan, growth rate, cost of media in your area and ability to attract customers. This expense is not required.

Note 6: This estimated amount represents 12 months of pre-paid insurance premiums that does not take into account workers' compensation insurance which may vary greatly by state, payroll and classification. You must obtain and keep general comprehensive liability insurance with a minimum policy limit of $1,000,000 per occurrence and $2,000,000 aggregate or an amount we reasonably specify. You are required to obtain All Risk property insurance that covers the assets of the Business. The cost of coverage will vary depending on the carrier's charges, terms of payment and your claims history (Franchise Agreement Section XIII).

You may need other insurance such as automotive liability insurance with a minimum policy limit of $1,000,000 including coverage for tenant's liability, statutory workers' compensation insurance (if applicable) and employer's liability insurance with minimum policy limits of $1,000,000 or an amount we reasonably specify. Professional liability insurance (covers you for damages that you create that do not result in property or bodily injury), business interruption insurance and property insurance are optional however we may require you to obtain this coverage in the future with liability limits of amounts we may reasonably specify. We may change these insurance requirements

on reasonable notice to you. There are no other insurance requirements. Whether or not any insurance premiums are refundable depend on the terms and conditions of your insurance policies.

Note 7: Estimated cost for the delivery and installation of exterior and interior signage. Signage expenses are not refundable.

Note 8: This estimate includes minimum working capital which is the amount that we recommend you have available upon the business opening to cover various expenses during the first three months of operation. This amount is subject to change depending on your financial circumstances and financing requirements imposed by your bank. The range is based on anticipated working capital, staffing, supplies, utilities, ordinary maintenance and other normal day-to-day operating expenses.

Although the Initial Training for one person is without charge, the fee for training the second person is $2,700. You are not required to have two people trained but if you do then you would incur this fee.

Total Estimated Initial Investment. The total estimated initial investment is an estimate only of the range of start-up expenses you may incur. We relied on our principals' combined expertise when preparing these figures. The actual amount of funds you will need depends on a variety of factors, including the size of your facility, the time of year when you start your business, prevailing wage rates, implementation of a marketing plan, your own management skill, economic conditions, competition in your area and other factors. Facilities that operate with multiple classrooms will typically have higher initial and operating expenses than those operating with one classroom.

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You are required to adhere to the standards and specifications established periodically by us with respect to your Global Art® (referred to as the "Center"), operational procedures, curriculum, customer service, vendors, services and products to be offered through your Franchise, 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. You must offer and sell at all times only those services and products that meet our standards and specifications which may be amended by us periodically. All services and products must be used in accordance with the specifications and procedures as specified in the Operations Manual or other written materials. 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.

You must offer only the educational and developmental programs, curriculum, services and products that we specify in writing and may be amended by us periodically. You must offer all educational and developmental programs and curriculum required by us in the manner and style we specify. There are two minimum requirements: (i) you must generate at least $8,000 in royalties per year from the programs, and (ii) retain at least 40 full time active students per month during your term. Both of these start in the 2nd year. We do not derive revenue or collect a royalty fee based on the number of programs you conduct. You must follow and adhere to our operational procedures and standards for hiring employees (such as "Instructors"). We will provide you with checklists, specifications and requirements when hiring instructors in your area. You must not deviate from our standards and specifications 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 in that period, it will be deemed a disapproved of the request. It may be appropriate for you to offer additional services that are unique to your area in an effort to blend in with your community; however, we will give you 30 days' notice and the necessary materials. You must discontinue offering any programs, curriculum, services and/or products we may disapprove in writing at any time. We can, and expect to, modify our standards and specifications periodically.

Without out written consent to do otherwise, you must comply with the maximum number of students you may have in any one class, teacher to student ratios and enrollment capacities as stated in the Franchise Agreement. It is your responsibility to familiarize yourself with local laws and regulations that may impose additional limits on the number of students per class.

We will communicate with you by in person, phone and email. You are responsible for knowing all of the information contained in on-line system and Manual and complying with any standards and specifications provided within them. We may establish and change the standards and specifications for the operation of your Center.

A list of approved vendors and suppliers from whom computers, display boards, projectors, software, PPOS systems, alarm and security systems, apparel, furnishings, fixtures, and classroom supplies ("Products and Supplies") can be purchased through them, provided teaching supplies and the curriculum is provided as part of the Initial Franchise Fee. If you want additional courses there is a one-time $300 fee for each. These additional courses are optional. There are no suppliers in which an officer, member or manager of the Franchisor owns an interest. You are not permitted to use the services or products of an unapproved vendor, purchase items from an unapproved supplier or sell any other items not approved by us, unless you first submit a written request to us for approval. We will approve your request within 30 days of receipt as to whether such products, vendors or suppliers are approved as further described in Item 8 below. If we do not approve within such time period it will be deemed disapproved.

All of the Products and Supplies you purchase must meet our specifications, as periodically established. The specifications are outlined in the Operations Manual which include standards for performance, design and appearance and are based on our sole judgment and discretion. It is estimated that the costs for these items will represent approximately 30-40% of your total initial purchases Our gross revenue for the calendar year of 2019 was $210,651 with the total of $16,945 from required purchases of products/services representing eight percent (8%) of our total gross revenue. During the operation of the franchised business, we estimate that the required purchases from us and/or the vendors that we specify or approve (not including royalties) represent approximately 35%-55% of your ongoing operating costs for a Center. Our affiliate had no income from required sources for the purchase of products or services.

To maintain uniform quality standards all signage, advertising, vehicle graphics, trademark usage, trade dress, apparel, dress code and other products and services you use to operate the franchised business must meet our standards and specifications. In addition, you must participate in and cooperate with promotional programs we may establish and follow our requirements and guidelines. We may require you to use or contribute to specified communications programs, stationary, operational forms and checklists and promotional items.

We maintain specifications for the construction and build out of your Center, leasehold improvements, furnishings, fixtures, 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. Some of these specifications are contained in our Operations Manual and others may be set forth in periodic written notices to our Franchisees. In most cases, the specifications involve confidential and proprietary information regarding the details of a course program and such specifications will only be made available to a supplier who agrees to sign a confidentiality agreement with us. We develop these specifications either through our research and development staff or with a particular manufacturer and they may be modified periodically.

We base our specifications for vendor and supplier approvals on our discretionary determination of quality, accuracy of product claims, safety, value, vendor or supplier financial position, business reputation, delivery, performance, prompt attention to complaints, appearance and contributions or other benefits to us. Some of these specifications are contained in our Operations Manual and others may be set forth in periodic written notices to our Franchisees. We have the right to disapprove supply sources from you. 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. We may issue specifications in manuals or directives, in writing or orally, and we may modify them at any time. Our response to an adequate request to approve a supplier will be made within 30 days after we receive it and if we do not approve within such period it will be deemed disapproved. Approval may be revoked in our sole discretion. We may negotiate purchase arrangements with the vendors and suppliers for items on the approved product list for the benefit of you in the areas of costs and customer support.

We may offer or designate others to offer the Products, Supplies and services and we may become approved suppliers or the only approved supplier(s) for these and other Products and Supplies and services. If we develop additional proprietary products or software in the future, you must purchase those items from our approved suppliers or us. We may, in the future, negotiate purchase arrangements for the benefit of franchisees. You will be allowed to carry authorized third-party products and services from our authorized product and services list that will be made available to you after signing the Franchise Agreement. We have negotiated purchase arrangements with the vendors on the approved suppliers list for the benefit of you in the areas of Products and Supplies.

We may derive profit through markups of the prices charged to you for the Products and Supplies and any additional course packages you purchase from us. We may derive revenue through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved suppliers. We do not know the precise basis of these payments because we have never previously collected them. If we require you to buy from us, the product's price and quality will be comparable to similar products from other sources. We have the discretion to use those funds as we think best. No such revenues were received from required purchases made by franchisees in the prior fiscal year.

To maintain uniform quality standards, all Products and Supplies and services you use to operate the Business must meet our standards and specifications. Our Courses and all proprietary software and/or products that we have created or may develop in the future, must be purchased by you from our strategic and approved suppliers or us. You must follow franchisor and supplier requirements and guidelines.

We do not provide material benefits (for example renewal or additional franchises) to you based solely on your use of designated or approved sources. Currently we do not belong or require you to belong to any purchasing or distribution cooperatives, although we retain the right to establish them and require you to join them.

All marketing and promotion of your Franchise by you in any medium must be conducted in a professional and dignified manner and must conform to our specified standards and requirements. You must submit samples of all advertising or promotional plans and materials that you desire to use, to us for approval if such has not been prepared or previously approved by us. We will respond to your request in 30 days from receipt. If we do not respond within such period, it will be deemed a disapproved of the use of the materials. You may not use any marketing or promotional materials that we have disapproved. You must not conduct any advertising without our written permission in any Social Media such as Twitter, Facebook, LinkedIn and others. You must also supervise your employees to assure they do not post any material on the Social Media sites or any Internet sites, regarding the Franchisor or Franchise system whatsoever.

When you open a location for your Franchise Business under a lease, per the Franchise Agreement, you must submit the proposed lease to us for approval before it is signed. We will approve the lease within 30 days of its receipt by us and if we do not approve it in such period it means the lease has not been approved. We will allow a reasonable extension of the 30-day period if the lease negotiations extend longer than expected. We have the option to require that the lease (i) be collaterally assigned to us by a collateral assignment agreement in a form and substance reasonably acceptable to us in order to secure performance of your liabilities and obligations to us or (ii) contain the following terms and conditions:

1. The lessor must agree that without its consent, the lease and your right, title and interest under the lease may be assigned by you to our designee or us.

2. The lessor must provide written notice to us (at the same time it gives such notice to you) of any default by you under the lease and we must have, after the expiration of the period during which you may cure such default, an additional 15 days to cure, at our sole option, any such default and, upon the curing of such default, the right to enter upon the leased premises and assume your rights under the lease as if the lease had been assigned by you to us.

3. You are required to furnish copies of all insurance policies required by the Franchise Agreement and by the lease, to us, or such other evidence of insurance coverage and payment of premiums as we request or permit or under the lease.

Before you open your Center for business, you must obtain the insurance coverage for the Business as specified below. The insurance coverage must be maintained during the term of the Franchise Agreement and provide evidence of insurance to us that insurance has been obtained from a responsible carrier or carriers acceptable to us.

1. 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, in the amount of $1,000,000 per occurrence and $2,000,000 in the aggregate;

2. "All Risks" or "Special Form" coverage for the full cost of replacement of the Business premises and all other property in which we may have an interest with no coinsurance clause;

3. Automobile liability coverage (optional for a Center), including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than $1,000,000 combined single limit;

4. Professional liability insurance (optional for a Center) that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of $1,000,000 or an amount we reasonably specify;

5. Crime insurance (optional) for employee dishonesty in the amount of $10,000 combined single limit;

6. Business Interruption insurance (optional) in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners or attributable to prevention of access to the Business, with coverage for a period of interruption of 180 days and such longer period as we may specify periodically;

7. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement;

8. Tenant's liability insurance (if not covered by above);

9. Any other insurance required by the state or locality in which the Business is located and operated, in such amounts as required by statute; and

10. Other insurance coverage, as we or the landlord may reasonably require.

You may, after obtaining our written consent, elect to have reasonable deductibles under the coverage required. Also, related to any construction, renovation remodeling of the Center, you must maintain builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All of the policies must name us, as additional insured's and must include a waiver of subrogation in favor of all those parties.

All insurance coverage shall be taken out in your name and shall name us an additional insured and as certificate holder to be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above on the earlier of your opening of the Business or 60 days following the date that the Franchise Agreement is executed. You must purchase "A" rated insurance policies. Each such policy shall provide that it cannot be canceled without 30 days prior written notice to us and that we shall receive at least 30 days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of us and our insurer.

The cost of insurance purchased in accordance with our specifications will likely represent approximately 1% of your total purchases in connection with the establishment of a Center. We estimate that the cost of such insurance will be approximately 2% of your total purchases in the operation of your Business. These percentages do not include workers' compensation insurance that will vary with the payroll amount and category of employees.

Item 9
FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Section In Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	Sections XII.T and XX.C of Franchise Agreement	Items 7, 11 and 12
(b) Pre-opening purchases/leases	Section VIII of Franchise Agreement	Items 7 and 8
(c) Site development and other pre-opening requirements	Sections VIII, X.F, XII.T, and XX.C of Franchise Agreement	Items 6, 7 and 11
(d) Initial and ongoing training	Section XX.A of Franchise Agreement	Item 11
(e) Opening	Sections IX.A and X.F of Franchise Agreement	Item 11
(f) Fees	Sections IX and X of Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies (Operations Manual)	Sections XII.A, and XII.H of Franchise Agreement	Items 8, 11 and 16

Obligation	**Section In Agreement**	**Disclosure Document Item**
(h) Trademarks and proprietary information	Sections XV and XVI of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Section XII.I. of Franchise Agreement	Items 8 and 16
(j) Warranty and customer service requirements	None	None
(k) Territory development	Section VI of Franchise Agreement	Item 12
(l) On-going product/services purchases	Section XII.I of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Section XII.E of Franchise Agreement	Item 11
(n) Insurance	Section XIII of Franchise Agreement	Items 6 and 7
(o) Advertising	Sections X.B, X.C, and X.D of Franchise Agreement	Items 6, 7 and 11
(p) Indemnification	Section XVIII of Franchise Agreement	Item 6
(q) Owner's participation/ management/staffing	Sections XII.F and XII.L of Franchise Agreement	Items 11 and 15
(r) Records/reports	Section XIV of Franchise Agreement	Items 6 and 11
(s) Inspections/audits	Sections XII.R and XIV.B of Franchise Agreement	Items 6 and 11
(t) Transfer	Section XXII of Franchise Agreement	Items 6 and 17
(u) Renewal	Section VII.B of Franchise Agreement	Items 6 and 17
(v) Post-termination Obligations	Section XXIV of Franchise Agreement	Item 17
(w) Non-competition covenants	Section XIX of Franchise Agreement	Item 17

Obligation	Section In Agreement	Disclosure Document Item
(x) Dispute Resolution	Sections XXV.C and XXV.D of Franchise Agreement	Item 17

Item 10
FINANCING

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

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

Except as listed below, we need not provide any assistance to you under the Franchise Agreement.

Before you open your Business, we will:

(1) Not unreasonably withhold our acceptance of a site for your Center that meets our requirements. You must select the site of your Center within the protected territory provided in the Franchise Agreement. We will accept the site if we feel at our total discretion that it meets or exceeds our standards, but our acceptance does not ensure that your Center will be profitable at the approved location. The factors that we consider in acceptance of the site include population density, traffic patterns, convenience, adequate parking, safety, neighborhood and physical characteristics of the premises such as size and layout. We evaluate each proposed site and accept, or do not accept, each one on a case-by-case basis (Franchise Agreement, Sections XII.T and XX.C).

(2) Enter the accepted site for your Center on your Franchise Agreement. However, the acceptance of a location and entering it on your Franchise Agreement by us is conditioned upon our determination, in our reasonable judgment, that:

(i) The site which you have submitted for the Center is within your allotted Territory and is a suitable site based upon criteria we establish periodically; and

(ii) You and your Owners are in compliance with the Franchise Agreement.

(3) Approve the lease for the Center premises (Franchise Agreement, Sections XII.T, XX.C and XX.D).

(4) It is your responsibility to comply with all laws, ordinances and regulations as you are responsible for obtaining all necessary approvals and licenses to operate your Center (Franchise Agreement, Section XX.C).

(5) Advise you of any mandatory specifications, prototypical architectural and design plans, floor plans, and layouts for the Center at the accepted location. You will be required to conform your Center to local zoning ordinances, regulations, and fire, health and building codes. We may, if needed, review your architect's final plan. It is your responsibility to comply with all laws, ordinances, and regulations, zoning and building codes for your Center (Franchise Agreement, Section XX.D). You are required to hire independent professionals to guide you to obtain any city and governmental permits necessary. The Franchisor is not responsible for these services, although we will provide the assistance and guidance as per our experience.

(6) Provide you with specifications for the Products and Supplies and other child related products necessary for the operation of your Business. We will deliver the specifications, but not the above items, and you are responsible for installing these items. You are required to purchase the items listed above from us, our affiliates and/or our approved vendors (Franchise Agreement, Sections XII.I, XX.A, XX.D and XX.H).

(7) Provide you with a list of our approved vendors and suppliers for Products and Supplies in addition to communications systems and any brochures and marketing materials. You are responsible for the cost of these items as they are necessary for the operation of your Business. You are obligated to upgrade, repair and maintain all of them. You are responsible for the installation of the items listed above. (Franchise Agreement, Sections XII.I, XX.H and XX.J).

(8) Offer certain training programs designated to assist you and your business management staff in the operation of your Franchise. We will also provide continuing education to any new manager of your Franchise. We may require that you (or if you are an entity such as a corporation, a limited liability company or partnership ("Entity"), then its officer or shareholder, member or managing partner) and any manager(s) complete, if we determine, additional or supplemental and refresher training programs during the term of the Franchise Agreement (Franchise Agreement, Section XX.A).

(9) Provide an initial training program, no later than 60 days before the date of your Business opens, designed to assist you in the operation of your Franchise, for the fee described in Item 7 above. The initial training program is designated for one person, usually the franchisee or the Instructor and if a 2nd person is to be trained then you must pay $2,700. If more than this number need to be trained Franchisor may impose a training fee of $300 per person for each day of training (Franchise Agreement, Section XX.A).

(10) Provide you hiring guidelines for all Instructors and employees in addition to general guidance. We may advise you of operating problems from your business disclosed by reports submitted to us or inspections made by us. We may furnish to you such guidance and assistance in connection with the operation of your Business, as we deem appropriate. Such guidance and advice will include methods and operating procedures utilized by other Businesses including: Teaching our Courses, hiring employees and rate negotiation, customer service, operational forms and pricing for services and products, new educational and developmental programs or Courses, industry developments, promotional programs, bookkeeping, accounting methods, and general operating procedures. You must pay all costs and expenses associated with these items. Additional guidance and assistance may be made available to you at your written request and in our sole discretion at fees and charges established by us (Franchise Agreement, Sections XII.J, XX.A, XX.E and XX.L).

(11) Loan to you during the term of the Franchise Agreement one copy of our confidential Operating Manual(s), which may include one or more manuals and other written materials (collectively, "the Operating Manual") for the operation of the Business, containing mandatory and suggested specifications, standards and operating procedures required by us and information relative to your other obligations under the Franchise Agreement. We have the right to add to, and otherwise modify, the Operating Manual to reflect changes in authorized products and services, as well as changes in specifications, standards and operating procedures of a Center. You must keep the Operating Manual confidential and current, and may not copy any part of the Manual. The table of contents of the Operations Manual as of our last fiscal year end is included with this Disclosure Document as Exhibit 5 (Franchise Agreement, Section XX.G).

(12) Approve or disapprove samples of all local advertising and promotional materials not prepared or previously approved by us which are submitted by you (Franchise Agreement, Sections X.C, XX.A and XX.K).

(13) For a Center, we will provide support and guidance during your opening to you and your staff at your Center. (Franchise Agreement, Section XX.A).

During your operation of the Business, we may:

(1) Provide additional on-site supervision and assistance as we deem necessary and in our discretion. Additional visits are for the purpose of advising you with respect to the Courses, services, products, technical matters, personnel issues operational, and sales matters. You will be responsible for the transportation, room and board and miscellaneous expenses incurred by our personnel during the visits, which will take place per the terms of the Franchise Agreement, or at your request, and at times and dates selected by us (Franchise Agreement, Section XX.A).

(2) Provide to you and your personnel, Franchise Additional Education meetings at locations designated by us, which we expect to be our headquarters and we may charge a fee of $300 per person per day and our expenses, which can vary from area to area. We reserve to increase the per day fee a reasonable amount based on reasonable criteria (Franchise Agreement, Section XX.A).

(3) Conduct quarterly meetings or an annual convention at such place as shall be designated by us, at our current fees which can change based on Franchisor's cost (Franchise Agreement, Section XX.A).

(4) Provide access to our on-line system. You will be able to send us questions and suggestions using Internet email (Franchise Agreement, Section XX.A).

During your operation of the Business we will:

(1) Neither we nor any of our employees have special expertise in selecting or negotiating payment for locations where you are able to conduct sessions and each geographic area different. In providing assistance and guidance to you, we make no representations that your programs will be successful or profitable at certain locations. Any assistance and guidance by us in helping you secure a location is intended only to indicate that the proposed location meets our minimum criteria and the terms of any lease or payment is fair based on our general business experience.

(2) Continue to consult with you at no additional charge regarding policies, teaching methods and techniques, industry developments, marketing and advertising as well as provide assistance to you to resolve operational problems that you may encounter outside the scope of the Operations Manual (Franchise Agreement, Section XX.A).

(3) Continue to offer at no additional charge advice, guidance and experience to you, answer your questions and provide ongoing consultation (Franchise Agreement, Sections XII.W and XX.A).

(4) Provide to you, at no additional charge, technical support and ongoing consultation for our Courses and software (Franchise Agreement, Sections XX.A and XX.I).

(5) Maintain, upgrade and update our Courses and proprietary software, as needed, at no additional cost to you (Franchise Agreement, Sections, XX.A and XX.I).

(6) Provide you with additional Course packages if, upon our approval, you choose to offer additional programs within your business Additional curriculum will only be made available subject to Centers being compliant with all Franchise requirements, and if permitted in the geographic area of their location.

(7) Provide you with certain vendor, supplier and product guidelines including hiring Instructors and qualification processes for use in your Business. If products are required for Franchisees to sell (currently not in effect), such products will be made available in quantities sufficient to meet your customer demands and at a reasonable cost (Franchise Agreement, Sections XII.H, XII.I, XII.J, XX.E, XX.H and XX.J).

(8) We will continue to develop new curriculum, design new services and products for the System as we deem necessary (Franchise Agreement, Section XX.L).

(9) Provide ongoing service via email and telephone to answer questions from you or your staff (during regular business hours, Pacific Time zone). You will be able to send us questions and suggestions using Internet email (Franchise Agreement, Section XX.A).

(10) Review and approve advertising that you submit to us (Franchise Agreement, Sections X.C, XII.H and XX.K).

(11) Provide additional education to any new Instructor or manager of your Business as noted in paragraph 21 (iii) below. We may require that you (or if you are an Entity then an Owner) and any manager(s), or assistant manager(s) complete ADDITIONAL training programs during the term of the Franchise Agreement (Franchise Agreement, Sections XII.V and XX.A).

(12) Offer you assistance in establishing and using administrative, bookkeeping and accounting procedures, and various policies communicated by us to you in writing from time to time (Franchise Agreement, Section XX.A).

(13) Provide you with all update and upgrade requirements for your Products and Supplies or changes in our policies that are communicated to you in writing. We reserve the right to have independent access to all information that you store in any computer system (Franchise Agreement, Sections XII.I, XX.A and XX.J).

(14) We do not now, but may require you to join, participate in and pay into, one or more franchisee marketing councils for your region, determined by the penetration area of local advertising media used (for example, the area of a regional newspaper's circulation). Because, we have not yet formed any franchisee marketing councils, we do not know how the area or the membership of any franchisee marketing council will be determined. Because we have not formed any franchisee marketing councils, we have not determined whether or not any of our company owned outlets will be contributing to any advertising spent by any franchisee marketing council. In the event that we choose to establish a franchisee marketing council, we will be responsible for administering it. If we do create any franchisee marketing councils, they must operate in accordance with bylaws (or an operating agreement if it is a limited liability company). If we do create any franchisee marketing councils, the franchisee marketing council will prepare annual financial statements that you can review. We will have the right to form, dissolve, and merge any specific franchisee advisory council. Even though we have not yet formed any franchisee marketing councils, we may require that all franchisees within close proximity to a consumer show, convention or exhibition where products are being sold to participate in the cost and benefit of the show.

(15) There is no requirement to contribute into a marketing fund or do local marketing. You will not use any independent advertising or sales promotion programs in any media (including electronic) without our prior review and written approval. We will approve the materials you submit to us within 30 days, although if we do not respond within such period it will be deemed a disapproved of your use of the materials. You are responsible for any expenses of your independent advertising, if any.

(16) Unless we approve otherwise in writing, you may not establish a website although we provide you with a page that is linked to our master site.

(17) We estimate that there will be an interval of 90 days (or a reasonable extended period due to acquiring a lease after the signing of the Franchise Agreement) between the signing of your Franchise Agreement and you start operating your Business. Factors that may affect this length of time include obtaining a location for your Center that is approved by us, your ability to secure locations to conduct sessions and availability of Products and Supplies necessary for you to begin operating your Business. You will have 180 days from the signing of this Agreement to start operating your Business. For a Center, you must submit to us, in the form we specify, a copy of the location plan and other such information or materials we may require, together with an option contract, letter of intent, or other evidence of satisfactory to us which confirms your favorable prospects for obtaining the location. We will have 30 days following receipt of this information and materials from you to approve or disapprove the proposed location of your Center. If we do not approve a proposed location by written notice to you within this 30-day period, the site will be deemed disapproved unless we extend the period based on our reasonable judgment that you will likely find a location. Failure to acquire or lease a location within the timeframes mentioned above, will constitute a default under the Franchise Agreement, for which we may terminate the Franchise Agreement.

(18) You are not required to purchase a computer and related equipment ("Computer and Related" equipment). But if you do, we estimate that the cost of such system is between $1,500 and $2,500 (See Item 7). All of the student and fee collection information will be inputted by you into our on-line POS system. We cannot estimate the future costs of the Computer and Related equipment.

(19) At our request, which shall not be made more than once every 5 years, Franchisee shall refurbish the Premises at its expense, to conform to Franchisor's design, trade dress, color schemes, and presentation of trademarks and service marks consistent with our designated image, including, without limitation, remodeling, redecoration and modifications to existing improvements which shall not exceed $5,000 for each 5-year period. Franchisee shall have 12 months after receipt of Franchisor's written notice within which to complete the refurbishing of the Premises.

(20) Before the opening of your Franchise, you or your course Instructor are required to attend the Training Program at our corporate headquarters. We periodically hold the training which depends on how frequently it is needed based on the number of new franchisees. You are responsible for the Training Fee of $2,700, if you wish to have a 2nd person trained.. You also must pay for all costs associated with attending the program such as travel, room and board.

(i.) If we determine that any proposed manager or course Instructor is not qualified to manage the Franchise, or to teach, we will notify you, and you may then select and enroll a substitute manager or course Instructor in our training program (at a fee of up to $300 per day per person not to exceed our cost if this is not the initial personnel to be trained). If, during the training program we determine, in our sole discretion, that you (or your managing partner, member or shareholders) are not qualified to manage Franchise, we have the right to terminate the Franchise Agreement without refund of your Initial Franchise Fee.

(ii.) After the completion of the training program by you and your course Instructor we will provide training to any new course Instructor at your request for which an additional training fee of up to $300 per day per person but not to exceed our cost, plus our expenses may be required. You will be responsible for all costs related to attending training such as travel, room and board. In addition, we have the right to require that you (and if you are an Entity then any Owner) and the course Instructor, complete additional training programs during the term of the Franchise Agreement, to be furnished at our corporate headquarters.

(iii.) After the opening of your Franchise, we will provide to you and your personnel access to information and support through our on-line system. Additional education sessions may have a registration charge which will not exceed $300 per person per day plus our expenses. You are responsible for costs associated with you attending the meetings such as travel, room and board. The programs will normally not exceed a day and we expect they will be held at our headquarters. The content will cover particular aspects including but not limited to teaching the Courses, new educational and developmental programs or Courses, hiring Instructors, administration and so forth. We may conduct an annual convention at such place as shall be designated by us for all Franchisees but will most likely be at our headquarters. A registration fee for each participant may be required which will not exceed $500 and you will be responsible for costs associated with attending the convention such as travel, room and board. The fees charged above may be increased a reasonable amount based on reasonable criteria.

(iv.) Within 60 days before the opening of your business and after signing the Franchise Agreement, we will provide training as noted in the following training schedule. The trainer is Ms. Lisa Eu, who has been with us since 2016. She is Global Art experienced franchisee in California. She joined us as an Art Trainer to train franchisees and Instructors and implementation of Global Art program and training.

TRAINING SCHEDULE: AT CORPORATE OFFICES

The Franchise Training Program for Global Art® includes an Operations Manual, hands-on and classroom training. One person can be trained without an additional charge but the second will require a payment of a one-time training fee. You will be responsible for the training of any part-time employee. Training is mandatory and Centers will not be approved to open unless one franchisee and course Instructor has attended the full training.

Training Program

The Operations Manual will detail all aspects of Franchise operations presented in training and serve as an ongoing reference. Updates to the Operations Manual will be made available to you through various means including email.

Training Program for Global Art®

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Workbook Series (Core Program)			
Global Art Concept *Inclusive :- Workbook/Instructor Note/Exercise Sheets*	4 Hours		Training Centre in Dublin, California, unless otherwise specified

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Junior Level 1-3 *Inclusive :- Workbook/Instructor Note/Exercise Sheets*	8 Hours		Training Centre in Dublin, California, unless otherwise specified
Foundation Level 1-3 *Inclusive :- Workbook/Instructor Note/Exercise Sheets*	12 Hours		Training Centre in Dublin, California, unless otherwise specified
Pre-Basic Level *Inclusive :- Workbook/Instructor Note/Exercise Sheets*	6 Hours		Training Centre in Dublin, California, unless otherwise specified
Basic Level 1-3 *Inclusive :- Workbook/Instructor Note/Exercise Sheets*	12 Hours		Training Centre in Dublin, California, unless otherwise specified
Intermediate Level 1-3 *Inclusive :- Workbook/Instructor Note/Exercise Sheets*	12 Hours		Training Centre in Dublin, California, unless otherwise specified
Advanced Level 1-3 *Inclusive :- Workbook/Instructor Note/Exercise Sheets*	18 Hours		Training Centre in Dublin, California, unless otherwise specified
Total Hours	**72 Hours**		
Non-Workbook Series (Enhancement Program)			
Acrylic Painting Level 1 & 2 (Junior & Senior) *Inclusive :- Canvas/Instructor Note/Exercise Sheets*	12 Hours		Training Centre in Dublin, California, unless otherwise specified
***Cartoons Level 1 & 2 Comics Level 1 & 2** *Inclusive :-Workbook/Instructor Note/Exercise Sheets*	12 Hours		Training Centre in Dublin, California, unless otherwise specified
Cultural Arts (Per-Country/Level) Series *Inclusive :-Craft Kit Box/Instructor Note/Exercise Sheets*	3 Hours		Training Centre in Dublin, California, unless otherwise specified
G-Clay Modeling Level 1 & 2 *Inclusive :-Craft Kit Box/Instructor Note/Exercise Sheets*	9 Hours		Training Centre in Dublin, California, unless otherwise specified

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Deco Art Workshop Projects (Per -4 Projects) *Inclusive :-Craft Kit Box/Instructor Note/Exercise Sheets*	6 Hours		Training Centre in Dublin, California, unless otherwise specified
Total Hours	**42 Hours**		
**Workbook ~Cartoons & Comics*			

You as the franchisee are required to also participate in certain administrative training as follows:

Administration Training is 3-4 hours.

There is no charge for the first one, but additional sessions are charged at an hourly rate at $100 per hour. This higher amount than other additional training is due to the time involved.

These are held at our corporate headquarters in a classroom setting.

Administration Training:

1. How to handle inquiry
2. Registration process
3. On-line system
4. Mobile APP
5. Center filling management

Ongoing Training:

We will provide you with memos and/or newsletters that will contain ongoing training relating to your Global Art™ business. In very rare instances, we may periodically require that you or your managing partners, members, shareholders, general manager and/or Instructors complete additional training programs to correct, improve or enhance the operations of your Business. Such additional training programs may be conducted through the telephone, video training or in person. Anyone attending additional training programs (training other than by telephone, video training or in person) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room and board.

Item 12
TERRITORY

You must operate your Business within the specific location identified in your Franchise Agreement. You are awarded a protected territory ("Territory"). You are awarded a Territory that will include up to 2 miles driven in any direction not to exceed the city limits from the Franchise Business as defined by MapQuest or a similar mapping program. We reserve the right to grant a Territory that is larger or smaller than the 2-mile area described above, in order to account for more densely or sparely populated areas and the proximity of city limits. You may not conduct business at any other site or sites other than the accepted Franchise site or sites that have been entered in your Franchise Agreement or made part of by an addendum attached to your Franchise Agreement. You may not relocate your Center without our written consent, which we will not unreasonably withhold or delay. Given unique

circumstances, you may be able conduct Courses in geographic areas outside your Territory with written permission by us. We shall approve or deny your request, which approval is in our sole discretion, within 30 days of receipt of your written request to conduct Courses outside your Territory. In addition, you must not perform Target Marketing outside your Territory, as described below, and can directly market and solicit students only within the accepted Territory that has been entered in your Franchise Agreement or made part of by an addendum attached to your Franchise Agreement. You may service students and sell products to students who live outside your Territory so long as such activity does not result from any Target Marketing activities by you.

We cannot establish either a company-owned Franchise nor license another to locate a Global Art® Franchise within your Territory during the term of the Franchise Agreement.

Your licensed Territory is determined by population, business potential, traffic patterns, convenient drop off and/or pick up, proximity to major roads, demographics of the surrounding area, available parking, market penetration, safety or other conditions important to the successful operation of a Center, as we deem appropriate and as identified in your Franchise Agreement. Your Franchise and Territory is dependent upon achievement of $8,000 of royalties per year and retaining at least 40 full-time active students per month. Both start in the 2nd year. We must approve the location for your Global Art® Business in your protected Territory in writing before opening. You may face competition from other franchisees, from franchisor owned outlets or from other channels of distribution or competitive brands we control.

You are being granted only one Franchise and if you want an additional one, you must pay the same fees.

The Territory described above will affect where you and our other franchisees may solicit business and where you may perform Courses. If the other territories that adjoin your Territory are unassigned, we have the right to sell or assign it, or part of it, at any time, without notice to you and you may not have the right of first refusal or option to buy the territory that was formerly unassigned. You are prohibited from soliciting and marketing in general to students by any means outside of your respective Territory and must not specifically engage in target marketing ("Target Marketing") of students within the Territory of another franchise or company-owned business. Target Marketing means a concerted effort by a franchisee to solicit and obtain students through any type of advertisement or marketing, directed at all or a portion of another franchisee's Territory. **We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it.**

If you are asked to provide services to students who live in a geographical area in which there is another franchisee or company-owned business, you must immediately refer the student to the franchise or company-owned business in that geographical area or directly to us. If the other franchisee or company-owned business determines it in the best interest of the student for you to provide services, then you can service the student. If there is not a franchise or company-owned business in the geographical area in which the student lives then you can immediately service the student, however you must be prepared to refer the student to another franchisee when the unassigned area is purchased. 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 defined Territory if it is determined to be in the student's best interest. If during the time of the Franchise Agreement, you are unable to promptly and properly serve any of your students due to excessive work or other cause you must refer that student to another franchisee in the System or to us. If you fail to refer students as set forth herein, we will have the right to terminate the Franchise Agreement. For any default of the Franchise Agreement, as an alternative to terminate, we may modify or completely eliminate any rights that you may have with respect to exclusivity in the Territory, effective 10 days after delivery of written notice to you. In addition, we may modify or eliminate completely, the Territory (Franchise Agreement, Sections VI, XII.H and XXIII.C).

We encourage businesses, when owned by different individuals, to work out a referral relationship and an advertising strategy or arrangement if they are within close proximity of each other. Franchisor must be notified of all such arrangements.

We expressly reserve all other rights including the rights to:

(1) Advertise, market and sell Global Art branded and trademarked products in your Territory.

(2) Advertise, offer and promote the services, programs, Courses and/or products to promote the System through the Internet, World Wide Web and/or other similar venues no matter where the customer is based to fulfill customer requests in your Territory.

(3) Sell, offer or distribute anywhere any products or services to consumers located anywhere through any alternative or other channel of distribution, other than local facilities providing products or service under the Marks and System. We have this right whether or not we are using the Marks or System or are acting inside or outside the Territories designated on your Franchise Agreement.

(4) Distribute our Courses or any labeled product that has been branded with our Mark or logo or different branded products through any outlet located anywhere (including, by way of illustration, children toy stores, education supply centers, retail stores, over the Internet and/or similar electronic media), provided if such products are competitive with a material amount of product sales by franchisees, Franchisor shall allocate a reasonable amount of product to them if they desire to purchase such products.

(5) Develop additional educational or developmental programs or courses in any subject for children of any age utilizing methods similar to or different than the Courses, and operating and marketing those programs under the same, similar or different trademarks and trade names or originating from the Marks, including in English or any other language as a second or foreign language program.

(6) Implement optional advertising cooperative programs which may allow us or others to solicit or sell to customers anywhere.

(7) Own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the Territory as designated on your Franchise Agreement, whether or not using the Marks and/or System, (b) any kind of business anywhere, including inside your Territory, (except we will not open or allow others to open and operate: a learning center Standard Model of if you own a learning center Standard Model; or a learning center Express Model if you own a learning center Express Model; or a Mobile Model if you own a Mobile Model in your Territory), using the Marks and System, and/or (c) any business anywhere which does not use the Marks.

(8) Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised or other businesses (including your own Business) are converted to another format or we acquire a similar business which will be maintained under our System or otherwise. You will fully participate in any conversion subject to any person/entity merging with, or acquiring us or when we acquire, reimbursing you for reasonable costs directly related to the conversion.

We are not responsible for paying any compensation to you concerning the sale of our services, Courses or products by use over the Internet, World Wide Web, 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.

We have not yet established, but may establish, other franchises or company-owned businesses that offer our Courses or similar services or products under a trade name or trademark different from our Marks.

Item 13
TRADEMARKS

Under the Franchise Agreement, we Grant you the nonexclusive right to use the Marks in connection with the operation of your Franchise. Our primary trademark is "globalart," along with the design, as it appears on the first pages of this disclosure. We have the right to use and to license others to use the Marks and under any other trade name, trademarks, service marks and logos currently used or that may hereafter be used in the operation of the Business. You must use the Marks only for the operation of your Franchise and in the manner authorized by us.

The System is identified by means of certain trade names, service marks, trademarks, slogans, logos, emblems, and indicia of origin, including, but not limited to the service mark with design "globalart" is registered on the principal register of the United States Patent and Trademark Office ("USPTO"), bearing registration number 3,958,558. You will be licensed to use not only this Mark and design, but also all other service marks, trademarks, slogans, logos and emblems as we may designate for use in connection with the System (the "Trademarks" or "Marks"). We also claim common law rights in our Trademarks based on our prior use. If our right to use the Trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no presently effective determinations of the USPTO, the Trademark Trial And Appeal Board, the trademark administrator of any state or any court, nor any pending interference, opposition or cancellation proceeding or material litigation involving the Marks. We are current with filing the required affidavits of use to extend the validity of the service mark.

There are no other agreements currently in effect that significantly limit our rights to use or license others to use the Trademarks in any manner material to the franchise.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of 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, USPTO proceeding or other administrative proceeding.

We are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or participate in your defense, protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

You may not, without our written consent, in our sole discretion, commence or prosecute, or seek leave to intervene in, any litigation or other proceeding, including any arbitration proceeding, in which you purport to enforce any right or recover any element of damage arising from the use or infringement of any of the Marks or unfair competition.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions with respect to a reasonable time after notice by us. You, in connection with the use of a new or modified Mark, may be required, at your own expense, to remove existing signs from your Global Art Franchise, and to purchase and install new signs. We have no liability to you.

There are no infringing uses actually known to us at the time of the Franchise Agreement that could materially affect your use of the Marks in the State of California or in any other state. You should understand that

there could be other businesses using trademarks, trade names or other symbols similar to our Marks in portions of the United States, with superior rights to our rights. Before starting business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your business name.

All your usage of the Marks granted under the Franchise Agreement is nonexclusive, and we retain the right, among others: (a) to use the Marks in connection with selling Courses, products and services; (b) to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees; (c) to develop and establish other systems (including educational and developmental programs and/or Courses) using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you.

All your usage of the Marks and any goodwill you establish are to our exclusive benefit and you retain no right or rights in the Marks on the termination or expiration of your Franchise Agreement. You may not use the Marks as a part of any corporate name, nor may you use any trade name, trademark, service mark, emblem or logo other than the Marks, as we may designate periodically. You must prominently display the Marks on such items and in the manner we designate. You must obtain such fictitious or assumed name registrations as we require or under applicable law. You must identify yourself as the owner of your Franchise by placing your name on the Business and on all checks, invoices, receipts, contracts and other documents that bear any of the Marks, and on all printed materials your name must be followed by the phrase "A Franchise of Global Art" or such other phrase as we occasionally direct.

Item 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We claim copyright and trade secret protection of our System, business procedures, educational and developmental programs, Courses, software, manuals and all related materials including advertisement and promotional materials although such materials may not have 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. We reserve the right to register any of our copyrighted materials at any time we deem appropriate, as well as renew any such registration if we deem such renewal is 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, Courses, 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; signage, vehicle graphics, apparel, procedures for safety and quality control, customer service guidelines, vendors and suppliers, hiring and employee retention, marketing materials, business systems and knowledge of, and experience in, the operation and franchising of a Center or Mobile Model business (the "Confidential Information"). We will disclose Confidential Information to you during the initial franchise training program, seminars, workshops, continuing education sessions (See Item 6 and Item 11, (21) (iii)) and conventions

sponsored by us; in the Operating Manual, and in guidance furnished to you during the term of your Franchise Agreement.

If you or your managing partners, members or shareholders, develop any new concept, process or improvement in the operation or promotion of your Business, you are required to promptly notify us with all necessary related information, without compensation. You and if you are an Entity then one of your Owners acknowledge that any such concept, process or improvement will become the property of ours and we may use or disclose such information to other franchisees as it deems appropriate.

The Franchise Agreement provides that you will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of your Business 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, including without limitation, restrictions on disclosures to employees of your Franchise and any other business(es) owned by you or if you are an Entity, then any of your Owners and the use of nondisclosure and non-competition clauses in employment agreements with such persons.

Item 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement provides that your Business must at all times be under your direct, day-to-day, full time supervision (or if you are an Entity such as a limited liability company ("LLC"), then a managing Owner of such Entity, approved by us) or the non-Owner manager of your Business who is approved by us. This person must have successfully completed the training program. In the event any Center is not under the direct management of a trained manger or franchisee, the Center will be considered to be non-compliant.

You (or your managing Owner if you are an Entity or non-Owner manager) must use his or her best efforts in the operation of Business.

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

Each of your 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). Our approval of a Supervisor other than you is conditioned upon the person entering into a confidentiality and restriction of like business agreement containing covenants like those contained in the Franchise Agreement and Schedule 8 of the Franchise Agreement against engaging in competing businesses and use/disclosure of our confidential business information during the tenure of employment with you and for a period of 3 years following the termination of such person's employment with you. You will provide us with copies of the same upon request.

You may not employ any individual who is at the current time or was at any time during the prior 6 months employed in a managerial or administrative position by us or any of its affiliates or by another franchisee of ours without the prior written consent of us. As a condition to such consent, you may be required to compensate the former employer for the reasonable costs and expenses incurred by the employer in connection with the training of any replacement employee.

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. The required Guaranty of Obligations is attached as Schedule 5 of the Franchise Agreement. You are not permitted to engage in any other day care business or other educational or learning business during the term of the Franchise Agreement.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Due to the differing nature of markets across the United States, and because the size of each individual Franchise will vary, a Franchisee will have a wide variety of possible sites to choose from which to conduct their business operations with the approval of the Franchisor. You may not use Business premises for any other purpose than the operation of a Center or Mobile Model, unless otherwise approved by us in writing. Alternative operation sites that may be approved can include for example, incorporating your Franchise operations within the premises of an existing complimentary business.

You are required to offer only our approved services, Courses and products specified by us that include artistic, educational and developmental learning programs and activities expressly authorized by us in writing or in the Operations Manual, or developed by us to meet the needs of your unique market. You must offer the Courses and sell only the services and products that we have expressly approved in writing. You must not deviate from our standards and specifications without first obtaining our written consent. You must discontinue offering any educational and developmental program 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 Courses offering a similar activity, you will be required to switch to our program and pay any Additional Course fees (if applicable). We may suggest pricing and rate strategy. We may change the types of Courses, services and products we authorize. There are no limits on our right to do so.

Each part of our Courses have been designed for targeted age groups as described in Item 8 of this Disclosure Document. However certain programs in our Courses may be appropriate for certain children who are older or younger than the targeted age groups. You may enroll children who are outside the targeted age group for your Business if you determine, and subject to our approval, that the applicable program in our Courses are suited for these children. If you choose to offer such programs you are responsible for the Additional Course Fee as described in Item 6. If you elect to enroll a child who is older or younger than the targeted age group of your Business, you must assume all responsibility if claims are made that the program offered was not suitable for that child. In addition, we may prohibit you from enrolling children whose age is younger or older than the targeted age group of your Business. From a request to deviate we will respond to within 30 days of our receipt of your request. If we do not respond within such time period it will be deemed a disapproved of the request. Further restrictions and guidelines on offering additional programs to children who are older or younger than the targeted age group of your Business will be provided in the Operations Manual.

You may not give loan or sell any part of our, art, educational and developmental programs, Courses, teaching notes, worksheets and workbooks, student folders, music, marketing materials or any of our Confidential Information to any other current or former franchisee or any reseller. You may use or sell the marketing materials

and student folders and utilize the Courses only through your Business and only to customers who have enrolled in programs for your Business. You cannot copy, reproduce, modify, translate, reverse engineer, decompile or disassemble our Courses in any way without our prior written consent, which may be withheld in our discretion. In addition, you cannot borrow or purchase our Courses, teaching notes, worksheets and workbooks, student folders, music, marketing materials or any of our Confidential Information from any current or former Franchisee or third-party without our prior written consent.

You must maintain proper permits and licenses to operate a Business 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.

You may advertise to offer services and products only to students located within your Territory. You are prohibited from conducting Courses in other geographical areas (outside your Territory) without our permission. You can provide services and/or sell products to students who live outside your Territory provided there is not another franchise or company-owned business in the area where the student lives and you do so in accordance with our standards (see Item 12).

Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the exhibits attached to this Disclosure Document. "FA" refers to the Franchise Agreement.

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term.	FA - Section VII.A	FA - 5 years.
b. Renewal or extension of the term.	FA - Section VII.B	FA - 5-year renewal if you meet certain term requirements.
c. Requirements for franchisee to renew or extend.	FA - Section VII.B	FA - Written notice for you to renew, full compliance, sign then current form or new FA and pay renewal fee. When renewing, you may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by franchisee.	FA - Section XXIII.E	FA - If we have materially failed to comply with terms of the FA after 90 days' notice.

Provision	**Section in franchise or other agreement**	**Summary**
e. Termination by franchisor without cause.	None	We cannot terminate your FA without cause.
f. Termination by franchisor with cause.	FA - Sections XXIII.C and XIV.B	FA - We can terminate if you breach a material provision of the FA or fail to open the Business.
g. "Cause" defined – curable defaults.	FA - Section XXIII.C	FA - Abandonment of Business; surrender of control; misrepresentation or omission in application; felony conviction; unauthorized assignment improper assignment upon death or disability; loss of possession of Business; unauthorized use of Confidential Information; failure to pay taxes or liens; dishonest or unethical conduct; assignment for benefit of creditors; bankruptcy; quota repeated violations.
h. "Cause" defined – non-curable defaults.	FA - Section XXIII.D	FA - Violation of health or safety laws upon 72 hours' notice; 5 days for failure to pay amounts owed; 30 days for all other defaults.
i. Franchisee's obligations on termination/non-renewal.	FA - Section XXIV	FA - Cease operating franchised Business; cease use of Confidential Information and Marks; deliver property containing the Marks; cancel assumed or similar name registrations; pay outstanding amounts and damages; deliver manuals; assign phone numbers; comply with covenants and see "r" below.
j. Assignment of contract by franchisor.	FA - Section XXII.C	FA - No restriction on our right to assign.
k. "Transfer" by franchisee – defined.	FA - Section XXII.B	Includes transfer of the FA and business assets by you.
l. Franchisor approval of transfer by franchisee.	FA - Sections XXII.C and XXII.E	FA - We have the right to approve all transfers by you.
m. Conditions for franchisor approval of transfer.	FA - Sections XXII.C and XXII.E	FA - Full compliance; transferee qualifies; all amounts due are paid in full; completion of training by transferee; transfer fee paid; transferee agrees to be bound by all terms of FA; you sign and deliver other required documents including a release.

Provision	**Section in franchise or other agreement**	**Summary**
n. Franchisor's right of first refusal to acquire franchisee's business.	FA - Sections XXII.C and XXII.E	FA - We have the right to match any offers.
o. Franchisor's option to purchase franchisee's business.	FA - Sections XXII.F and XXIV.F	FA - Purchase for fair market value determined by appraisal if parties are unable to agree.
p. Death or disability of franchisee.	FA - Section XXII.D	FA - Franchise must be assigned to approve buyer within 6 months.
q. Non-competition covenants during the term of the franchise.	FA - Section XIX.B	FA - No involvement in any competitive business anywhere in the U.S. other than existing business.
r. Non-competition covenants after the franchise is terminated or expires.	FA - Section XIX.B	FA - No interest in competing business for 3 years within 25 miles of any company-owned outlet or other franchises.
s. Modification of the agreement.	FA - Section XXV.J	FA - No modification except by written agreement; Operations Manuals are subject to change.
t. Integration/merger clause.	FA - Section XXV.K	FA - Only terms of the Disclosure Document and FA are binding. Any promises outside of the Disclosure Document and the Franchise Agreement may not be enforceable. Notwithstanding the prior sentence nothing in this Franchise Agreement or any related agreement is intended to disclaim any representations Franchisor has made in the entire Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation.	FA - Section XXV.D	FA - Arbitration and mediation in Alameda County, State of California (subject to state law).
v. Choice of forum.	FA - Section XXV.G	FA - Litigation in Alameda County, State of California (subject to state law). These provisions may be subject to applicable state law.
w. Choice of law.	FA - Section XXV.G	FA - State of California laws apply (unless prohibited by laws of state where Franchise is located). These provisions may be subject to applicable state law.

Item 18
PUBLIC FIGURES

We currently do not use any public figure to promote our Franchise.

Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

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 Mr. Soon Seng Wong, or the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
System Wide Outlet Summary*
For Fiscal Years Ending 2017 to 2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	1	1	0
	2018	1	1	0
	2019	1	1	0
Company-Owned	2017	0	0	0
	2018	0	0	0
	2019	0	1	+1
Total Outlets	2017	1	1	0
	2018	1	1	0
	2019	1	2	+1

*See below regarding other franchises owned by our affiliate.

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Fiscal Years 2017 to 2019

State	Year	Number of Transfers
California	2017	0
	2018	0
	2019	0
Total	2017	0
	2018	0
	2019	0

Table 3
Status of Franchised Outlets*
For Fiscal Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2017	1	2	2	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	1	0	0	1	0	1
Totals	2017	1	2	2	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	1	0	0	1	0	1

*Our affiliate Global Art & Creative, LLC ("GA") has 1 franchise in California and approximately 600 in Asia. They are all shown in Exhibit 7 with the Asian outlets shown by country. The Asian outlets operate similar businesses as those being sold as franchises under this document.

Table 4
Status of Company-Owned Outlets*
For Fiscal Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
	2019	0	0	1	0	0	1
Totals	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
	2019	0	0	1	0	0	1

Table 5
Projected Openings as of December 31, 2019

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
California	1	3	0
Totals	1	3	0

A list of the names of all Franchisees and the addresses and telephone numbers of their Global Art Businesses are listed as Exhibit 7 to this Disclosure Document. A list of the name and last known home address and telephone number of every United States Franchisee who has had their Franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during Fiscal Year 2019 or who has not communicated with us within 10 weeks of our application date with the California Department of Business Oversight, is attached as Exhibit 8.

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

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

Our fiscal year end is December 31.

Item 21
FINANCIAL STATEMENTS

Our audited financial statements for the period from our formation date to December 31, 2017, December 31, 2018 and December 31, 2019, are attached to this Disclosure Document as Exhibit 9. Our fiscal year end is December 31. We have not been in business for three years or more and therefore cannot include all the financial statements required by the Rule for our last three fiscal years.

Item 22
CONTRACTS

The following exhibits (some of which include certain agreements) are attached as exhibits to this Disclosure Document:

Franchise Agreement - Exhibit 1 (includes list of Schedules)
Franchise Disclosure Questionnaire- Exhibit 3
State Addenda- Exhibit 4

Item 23
RECEIPTS

Included as the last document of this Disclosure Document and/or as a separate executable form, is a Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least 14 calendar days before signing of the Franchise Agreement or payment of any fee by you.

EXHIBIT 1

FRANCHISE AGREEMENT

Between

Global Art & Creative USA, LLC
and

_____

Franchisee

FRANCHISE AGREEMENT

Between

Global Art & Creative USA, LLC
a California limited liability company
7238 San Ramon Road
Dublin, California 94568
info@us.globalart.world
www.us.globalart.world
Direct Line: (408) 623-4314

and

_____

_____

_____

Collectively referred to as "Franchisee"

Global Art & Creative USA, LLC
FRANCHISE AGREEMENT

TABLE OF CONTENTS

Page

I. FRANCHISEE'S ACKNOWLEDGMENT OF BUSINESS RISK AND ABSENCE OF GUARANTEE 2

II. FRANCHISEE'S ACKNOWLEDGMENT CONCERNING RECEIPT AND THOROUGH EVALUATION OF AGREEMENT 3

III. ACTUAL, AVERAGE, PROJECTED OR FORECASTED FRANCHISE SALES, PROFITS OR EARNINGS 3

IV. RELATIONSHIP OF THE PARTIES
- A. Franchisee is an Independent Contractor 4
- B. Franchisor is not in a Fiduciary Relationship with Franchisee 4

V. FRANCHISE GRANT 4

VI. PROTECTED AREA / TERRITORY 5

VII. TERM AND RENEWAL OF AGREEMENT
- A. Term 9
- B. Renewal 9

VIII. FRANCHISEE'S INITIAL INVESTMENT 10

IX. FRANCHISEE'S INITIAL FRANCHISE FEE
- A. Time Limit for Starting Business 10
- B. Cooperation Required 11
- C. Initial Franchise Fee 12
- D. Additional Franchise Businesses 12
- E. Total Initial Franchise Fee and Payment 12

X. OTHER FEES
- A. Royalty Fees 12
- B. System Advertising Fee 13
- C. Local Advertising 13
- D. Curriculum Licensee 14

E. Additional Curriculum Fee 14
F. Electronic Funds Transfer 14
G. Pre-Opening Expenditures 15
H. Web Site and Web Page Maintenance and Promotion Fee 15

XI. FINANCING ARRANGEMENTS 15

XII. GENERAL OBLIGATIONS OF FRANCHISEE
A. Follow Operations Manual and Directives of Franchisor 15
B. Operate Franchised Business Only 18
C. Comply With Laws 18
D. Maintain Confidentiality of Proprietary Information 20
E. Maintain and Renovate the Premises 20
F. Maintain Competent Staff 21
G. Open Center within Time Limit 22
H. Operate Business in Strict Conformity to Requirements 22
I. Use Approved Vendors, Suppliers, Computer Hardware and Software 24
J. Employees and Uniform Dress 27
K. Use Approved Design and Signage for the Business 27
L. Participation in the Operation of the Business 27
M. Development of Market 27
N. Maintain Regular Business Hours 28
O. Maintain Operating Standards 28
P. Telephone Number of Business and Web Site 29
Q. Disclose Discoveries and Ideas to Franchisor 29
R. Permit Franchisor to Enter Business 29
S. Additional Requirements for Corporate Franchisee 30
T. Site Selection 31
U Development and Construction of Center 33
V. Training 34
W. Ongoing Training and Support 34
X. On Line System 35
Y Minimum Requirements 35

XIII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO INSURANCE
A. Overall Coverage Required 35

XIV. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO ACCOUNTING AND RECORDS
A. Bookkeeping, Accounting and Records 36
B. Franchisor's Right to Audit 38

C. Method of Payment....38
D. Submission of Financial Statements....39
E. Disclosure of Financial Statements....39
F. Maintenance of Certain Records....39

XV. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO USE OF NAMES AND MARKS
A. Names and Marks are Owned by Franchisor....43
B. Franchisee is Licensed to Use Names and Marks....40
C. Franchisee Will Not Challenge Franchisor's Rights in its Use of Names and Marks....42
D. Ownership of Intellectual Property....43

XVI. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO CONFIDENTIALITY OF PROPRIETARY INFORMATION
A. Franchisee Will Learn Proprietary Matters....43
B. Franchisee's Employees Will Not Disclose Confidential Information....44
C. Relationship with Former Franchisees....45
D. Injunctive Relief is Available to Franchisor....46
E. Franchisor's Patent Rights and Copyrights....46
F. Franchisee Shall Not Contest Franchisor's Ownership Right to Any Confidential Information, Trade Secrets, Patents or Copyrights....46

XVII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO TAXES, PERMITS AND LAWSUITS
A. Franchisee Must Notify Franchisor of Lawsuits....47
B. Franchisee Must Pay Taxes Promptly....48
C. Franchisee May Contest Tax Assessment....48

XVIII. SPECIFIC OBLIGATION OF FRANCHISEE RELATING TO INDEMNIFICATION....48

XIX. MISCELLANEOUS COVENANTS OF FRANCHISEE
A. Covenants are Independent....49
B. Franchisee's Principles....49
C. Franchisee Will Not Compete Against Franchisor....49
D. Exception to Covenant Not to Compete....50
E. Franchisee Will Not Divert Business....50
F. Franchisor is entitled to Injunctive Relief....51
G. Covenants are Enforceable Independent of Claims....51
H. No Right of Set-Off....51

I. Disclosure of Contact Information in FDD…… ...51

XX. OBLIGATIONS OF THE FRANCHISOR: SUPERVISION, ASSISTANCE OR SERVICES
A. The Training Program....51
B. Web Page....53
C. Site Selection and Selecting Locations....54
D. Center Layout and Design....54
E. Hiring Standards for Instructors and Employees....55
F. No Warranties Other Than in Writing....55
G. Operations Manual....56
H. Selecting Vendors....56
I. Access to Proprietary Curriculum....56
J. Product and Supply Availability....57
K. Advertising and Promotion....57
L. Suggested Pricing for Services and Products....57
M. Business Planning Assistance....58

XXI. VARYING STANDARDS....58

XXII. RELOCATION, ASSIGNMENT, TRANSFER, SALE OR REPURCHASE OF FRANCHISED BUSINESS
A. Relocation....58
B. Assignment by Franchisee....59
C. Assignment by Franchisor and Right of First Refusal....61
D. Transfer upon Death or Mental Incapacity....62
E. Sale of Franchised Business....63
F. Resale Assistance of Franchised Business....65

XXIII. TERMINATION OF FRANCHISE
A. Impact of Statutes upon Franchise Agreement....66
B. Termination by Franchisor with Right to Cure....66
C. Termination of Franchise without Cure....66
D. Termination of Franchise with Cure....70
E. By Franchisee....70

XXIV. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION
A. Franchisee Shall Cease Using Names and Marks....70
B. Franchisee Shall Cease Operating Business....71
C. Franchisee May Not Adopt Confusingly Similar Names or Marks....71

D. Franchisee Shall Cancel Assumed Names and Transfer Phone Numbers 71
E. Franchisee Shall Transfer or Terminate Domain Name and Websites 71
F. Franchisee Must Return Operations Manual(s) and Other Materials 72
G. Franchisor May Purchase Assets 72
H. Franchisee Must Pay Monies Owed to Franchisor 72

XXV. ENFORCEMENT
A. Franchisee May Not Withhold Payments Due Franchisor 73
B. Severability and Substitution of Valid Provisions 73
C. Mediation 73
D. Arbitration 73
E. Rights of Parties Are Cumulative 74
F. Judicial Enforcement, Injunction and Specific Performance 74
G. California Law Applies 75
H. Attorney Fees 75
I. Binding Effect 75
J. There Are No Unwritten Agreements: Operations Manual(s) are Subject to Change 75
K. Entire Agreement/Integration 75
L. Force Majeure 75

XXVI. APPROVALS AND WAIVERS 76

XXVII. AUTHORITY 76

XXVIII. REPRESENTATIONS AND WARRANTIES BY THE FRANCHISOR 76

SIGNATURE PAGE 77

SCHEDULE 1: AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEPOSIT) 78

SCHEDULE 2: PRE-EXISTING BUSINESSES 79

SCHEDULE 3: RESERVED 81

SCHEDULE 4: RESERVED 82

SCHEDULE 5: INDIVIDUAL GUARANTY 83

SCHEDULE 6: COLLATERAL ASSIGNMENT OF LEASE 85

SCHEDULE 7: STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS.....87

SCHEDULE 8: CONFIDENTIALITY AND NON-COMPETE AGREEMENT.....88

Global Art & Creative USA, LLC
FRANCHISE AGREEMENT

PARTIES

THIS FRANCHISE AGREEMENT ("Agreement") is made by and between _____ and Global Art & Creative USA, LLC, a California limited liability company, hereinafter known as "Global" or "Franchisor" and that party or parties described as the Franchisee in the first two pages of this Agreement and on the signature line, hereinafter known as "you" or "Franchisee." For ease of reference, Global, will also be referred to as "we," "us" or "our" in this Agreement. The persons signing as Franchisee or Guarantors, who are referenced to herein individually as "you" or "yours" or collectively as "Franchisee," to evidence the agreement and understanding between the parties agree as follows:

RECITALS

WHEREAS, Franchisor has the right to license a system or business program, including expertise for conducting and operating a business under the mark "globalart;" and

WHEREAS, Franchisor the exclusive owner of its certain trade names, trademarks, logos, service marks and other property in connection with the operation of a Global Art Center ("Center") and a unique, distinctive and comprehensive system ("System") for the establishment and operation of a Center offering art related educational and developmental programs based on proprietary curriculum for children and youths; and

WHEREAS, Franchisor authorizes for use, its trade name(s), mark(s) and the stylized logo, emblems for the operation of a Center that offers our interactive proprietary curriculum, learning programs and activities that result in the development of artistic learning skills, growth and fine motor skills, emotional life skills, personality, communication, confidence building and social skills paving the way for independent learning in children (hereinafter referred to as "Services") in addition to the retail of apparel or any other approved child-related product or merchandise (hereinafter referred to as "Products") at any franchised location and other locations at Franchisor's discretion (hereinafter referred to as the "Franchise" or "Business"). Franchises offering and selling Services and Products, operating pursuant to the System and using Franchisor's trade names and/or service marks is referenced as a "Business" in this Agreement; and

WHEREAS, Franchisor has devised a uniform system for the establishment and operation of a Center in the form of a learning center.

The Centers offer the ultimate art learning center for children to begin to develop and build life learning skills that encourages academic, social, emotional and motor skills; communication, confidence, physical development creativity and imagination in a safe, clean environment. A learning center franchise

will offer a variety of supervised art courses, programs and activities. ("Curriculum") which will be provided to all franchisees.

WHEREAS, We identify our System by means of certain trade names, service marks, trademarks, logos, emblems, trade dress and other indicia of origin, including but not limited to the mark "globalart" and such other trade names, service marks, trademarks and trade dress as are now designated (and may be designated by Franchisor in writing) for use in connection with its System (the "Names and Marks"); and

WHEREAS, Franchisor has established substantial goodwill and business value in its Names and Marks, expertise and System; and

WHEREAS, Franchisee desires to obtain a Franchise from Franchisor for the right to use the Names and Marks and the expertise for operating a franchised business, and to obtain the benefits and knowledge of Franchisor's System including, but without limitation, educational and developmental learning programs or curriculum, teaching materials, teaching techniques, teaching methods and strategies, proprietary software, operational procedures, safety and quality control, employee hiring and retention, playground equipment specifications (for the Center), build out specifications, service provider and vendor standards, marketing and sales techniques, advertising and sales materials, signage, control systems, bookkeeping and accounting methods and in general a style, method and procedure of business operation utilizing the Names and Marks as a Franchisee of Franchisor; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and licensed by Franchisor and Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, appearance, and service and the necessity of operating the Business in conformity with Franchisor's standards and specifications.

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

I. FRANCHISEE'S ACKNOWLEDGMENT OF BUSINESS RISK AND ABSENCE OF GUARANTEE

Franchisee (and if you are an "Entity" such as a limited liability company, a partnership, corporation or other type of entity then each owner. "Owner" shall mean those holding any type of ownership interest in the Entity) hereby represents that he or she has conducted an independent investigation of the Franchisor's business and System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will depend upon Franchisee's abilities as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business contemplated by this Agreement. Franchisee acknowledges that Franchisee has been given the opportunity to clarify any provision of this Agreement that Franchisee may not have initially understood and that Franchisor has advised Franchisee to have this Agreement reviewed by an attorney. Franchisee hereby releases Franchisor, its affiliated companies and agents from liability based on such representations or agreements, to the extent permitted by law.

The Franchisee acknowledges that Franchisor has not made, and does not hereby make, any representation or warranty as to potential revenues, income, profits, volume or success of the Franchise or

merchantability, performance, condition, fitness or suitability for the Franchisee's purposes of any component of the System, or make any other representation or warranty with respect to the System. Franchisor shall not be liable to the Franchisee for, nor shall the Franchisee's obligations hereunder be affected by, any loss, claim, liability, cost, damage or expense of any kind caused, or alleged to be caused, directly or indirectly, by the System, or by an inadequacy of the System for any purpose, or by any defect in, the use or maintenance of, any repairs, servicing or adjustments of, or any interruption or loss of service or use of, the unit, or any loss of business, profits, consequential or other damage of any nature.

II. FRANCHISEE'S ACKNOWLEDGMENTS CONCERNING RECEIPT AND THOROUGH EVALUATION OF AGREEMENT

Franchisee acknowledges having received, read, and understood this Agreement, including the Franchise Disclosure Document and attachments thereto. Franchisee further acknowledges that Franchisor has accorded Franchisee ample time and opportunity to consult with independent legal counsel and other advisors of its own choosing concerning the potential benefits and risks of entering into this Agreement. Franchisee acknowledges that it has received a completed copy of this Agreement, attachments referred to herein, and agreements relating hereto, as well as the balance of the Franchise Disclosure Document if any, at least 14 calendar days prior to the date on which this Agreement was executed and any money paid for the Franchise.

Franchisee acknowledges that it has read and understands this Agreement, the schedules and any agreements relating thereto, and that Franchisee has been advised by a representative of Franchisor to consult with an attorney or advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement prior to its execution.

Franchisee acknowledges that any statements, oral or written, by Franchisor or its agents preceding the execution of this Agreement were for informational purposes only and do not constitute any representation or warranty by Franchisor. The only representations, warranties and obligations of Franchisor are those specifically set forth in the Franchise Disclosure Document and this Agreement. Franchisee must not rely on, and the parties do not intend to be bound by, any statement or representation not contained therein.

Franchisee acknowledges that we will not provide or designate locations for Franchisee, will not provide financial assistance to Franchisee and have made no representation that it will buy back from Franchisee any products, supplies or equipment purchased by Franchisee in connection with the Business, except where the Franchisor is otherwise required by law or regulation to buy back products, supplies, and equipment upon expiration or termination of this Agreement.

III. ACTUAL, AVERAGE, PROJECTED OR FORECASTED FRANCHISE SALES, PROFITS OR EARNINGS

We do not make or present and have not prepared Financial Performance Representations and have not made them as an exhibit to the Franchise Disclosure Document.

Franchisee, and each party executing this document hereto, acknowledges that Global Art & Creative USA, LLC, itself or through any officer, director, employee or agent of Franchisor, has not made, and Franchisee has not received or relied upon, any expressed or implied oral, written, visual information, representations, assurances, warranties, guarantees, inducements, promises or agreements concerning the

actual, average, projected or forecasted franchise sales, revenues, profits, earnings or likelihood of success that Franchisee might expect to achieve from operating the Business (defined as "Financial Performance Representations"), except as set forth in the Franchise Disclosure Document reviewed by Franchisee or its representatives.

IV. RELATIONSHIP OF THE PARTIES

A. Franchisee is an Independent Contractor

During the term of this Agreement, and any renewals or extensions hereof, the Franchisee shall hold itself out to the public as an independent contractor operating its business pursuant to a franchise from the Franchisor. Franchisee agrees to take such affirmative action as may be necessary, including, without limitation, exhibiting multiple public notices of that fact, the content and display of which Franchisor shall have the right to specify. For example, such notices shall be provided on letterhead, business cards, bank account names, bank checks, and signs at the place of business.

B. Franchisor Is Not In a Fiduciary Relationship with Franchisee

It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. In addition, the Franchisor shall not have any fiduciary relationship to the Franchisee by virtue of the facts that the Franchisor may operate a System Advertising Fund.

It is understood and agreed that nothing in this Agreement authorizes the Franchisee, and the Franchisee shall have no authority, to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall Franchisor be liable by reason of any act or omission of the Franchisee in its conduct of the Business or for any claim or judgment arising therefrom against the Franchisee or Franchisor.

The Franchisee represents, warrants and agrees as follows: the Franchisee is duly organized and is in good standing in all jurisdictions where legally required in order to carry on its business, has duly authorized the execution, delivery and performance of this Agreement and all other documents contemplated hereby, which are, or upon signing, will be binding on the Franchisee, do not and will not contravene any other instrument or agreement to which the Franchisee is party and there is no pending litigation, tax claim, proceeding or dispute that may adversely affect the Franchisee's financial condition or impair its ability to perform its obligation under the terms of this Agreement.

It is understood that Franchisee will have and will continue to have sole responsibility for employees, all acts of Franchisee's employees and all employment related decisions involving wages, benefits, hours of work, scheduling, hiring, firing, discipline, supervision, record keeping and all other terms and conditions of employment (as described in Section XII.J).

V. FRANCHISE GRANT

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained and subject to the License Agreement, the right, license, and privilege, and Franchisee hereby accepts a Franchise under

the terms and conditions set forth herein, to operate a Business that has been assigned a protected territory as set forth in Section VI (referred to as the "Territory"), with the right to use solely in connection therewith the Franchisor's Names and Marks, products, its advertising and merchandising methods, and Franchisor's System, as they may be changed, improved and further developed from time to time only at the Accepted Location as set forth in Section VI and provided the Franchisee shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or any other agreement is executed, this Franchise includes no right of Franchisee to subfranchise.

Except as provided in this Agreement, Franchisee shall be free to use the materials provided by Franchisor in the manner that Franchisee, in Franchisee's sole and absolute discretion, deems most appropriate for the operation of a Business , provided that Franchisee shall not violate any applicable law, regulation or provision of this Agreement in exercising such discretion.

VI. **PROTECTED AREA / TERRITORY**

For a Center:

The Franchise Location (referred to as the "Center") shall be: within the State of [_____] in the county of [_____]. If the actual Franchise Business address has not yet been chosen, then the final protected territory will be defined from that address once chosen.

The exact accepted location for your Center is:

_____

The following shall be completed if applicable:

The Franchise Location shall be: within the State of _____ in the county(ies) of _____, and the zip codes numbered:

_____._____._____._____._____._____.
_____._____._____._____._____._____.
_____._____._____._____._____._____.
_____._____._____._____._____._____.

If the parties do not select a territory ("Territory") prior to the signing of this Franchise Agreement, then they shall agree to it at a later date, under the terms of this Agreement. For a Center, the Territory, under the terms of this Agreement, will include up to two (2) miles within the city limits of the location driven in any direction from the Center as defined by MapQuest or a similar computer mapping program. We reserve the right to grant a Territory that is larger or smaller (or partly outside the city limits) than the two (2) mile area described above, in order to account for more densely or sparely populated areas. We will determine population based on the most recently published data from the U.S. Census Bureau (or such other source we may indicate to you).

The protected area (Territory) will be determined by population, business potential, demographics of the surrounding area, traffic patterns, proximity to major roads, convenience for pick up/drop off,

available parking, competition, availability of appropriate sites, reasonable rent, or other conditions important to the successful operation of a Franchised Business as we deem appropriate. Although we do not have the obligation to the boundaries of the protected Territory described above may be determined by major topographical features which clearly define contiguous areas such as: streets, highways, freeways or other roadways, rivers, streams, mountains and underdeveloped land. The Territory shall expend to the center line of each street, highway, freeway or other roadway, river or stream. We determine the size and boundaries of the protected Territory within the city limits of the location.

The term "Premises" means the location or locations of the Business from which one or more of the following are being performed:

i. The storage of any products or supplies;

ii. Where employees might meet at the beginning of the day before they go to customers;

iii. Franchisee maintains one or more of the following: a telephone, fax, email or postal address of the Business at this location;

iv. Franchisee advertises the address, telephone, fax or email address or any other contact information for the location;

v. Franchisee keeps accounting records for all or any part of the Business; and

vi. The location is responsible for generating more than 50% of the Gross Revenues (as defined in Section X.A of this Agreement).

Franchisee shall not relocate a Business without the express prior written consent of Franchisor (specified in Section XXII.A). During the term of this Agreement, Franchisor shall not establish, nor license another party or entity to establish, a Business within the Territory outlined above unless Franchisee decides to open additional locations. If Franchisee decides to open additional Centers and buys the rights to additional Franchises, then those separate franchise agreement(s) will dictate the terms of the applicable territory (a separate Franchise Agreement is required for each additional Center as defined in Section IX.D of this Agreement).

Franchisee must operate their Business within the specific Territory as identified in Section VI. Franchisee may not conduct business at any other location other than within the accepted Territory that has been set forth in this Agreement or made a part hereof by an addendum attached to this Agreement. Franchisee is restricted as to the geographic area into which Franchisee may solicit business and perform sessions. If Franchisee is granted permission to conduct sessions and provide Services to students who live in an unassigned area, Franchisor reserves the right to sell or assign the unassigned area, or part of it, at any time, without notice to another franchisee and Franchisee may not have the right of first refusal or an option to buy the territory that was formerly unassigned. Franchisee may conduct sessions, provide Services and sell Products to students who live outside the Franchisee's Territory if there is not a Global Art™ franchise or company-owned business in that geographical area as long as such services and/or sales do not result from any direct solicitation activities by Franchisee and Franchisee must be prepared to refer that student to another franchisee when that unassigned area is purchased. To clarify, for a Center, Franchisee is prohibited from soliciting and marketing in general to students by any means outside Franchisee's Territory and cannot perform any target marketing ("Target Marketing") into any other Territory of another

franchisee. The term "Target Marketing" means a concerted effort by a Franchisee to solicit and obtain students by any type of advertising or marketing directed at all or a portion of another franchisee's territory, company-owned business or unassigned area. Franchisee acknowledges that Franchisee cannot perform any type of Targeted Marketing outside Franchisee's Territory.

If Franchisee is asked to provide Services to students who live in geographical areas (outside the Territory) in which there is another franchisee, the Franchisee must immediately refer the request to the franchise or company-owned business in that geographical area or to us. If the other franchise or company-owned business, determines it is in the best interest for the student if Franchisee provides Services, the Franchisee can service the student who lives in the other geographical area. Franchisor and other franchisees or company-owned business must refer students that live within Franchisee's Territory to Franchisee and also reserve the same right to provide Services to students who live within Franchisee's Territory if it is determined to be in the student's best interest. If there is not a franchise or company-owned business in that geographical area, then Franchisee can provide Services to that student as described above. If during the time of the Franchise Agreement, Franchisee is unable to promptly and properly provide Services to students due to excessive work or any other cause, Franchisee must refer that student to another franchise, company-owned business or us. If Franchisee fails to refer students as described herein, Franchisor will have the right to terminate this Agreement, Section XXIII.C. For any default of this Agreement which triggers Franchisor's ability to terminate, as an alternative to termination, Franchisor will have the right, in its sole discretion, to modify or completely eliminate any rights Franchisee may have with respect to exclusivity in the Territory, effective ten (10) days after delivery of written notice to Franchisee.

We encourage Franchises, when owned by different individuals, to work out a customer referral arrangement if they are within close proximity of each other (defined as being within a five-mile radius of each other). We must be notified in writing of all such arrangements.

We may, from time to time, establish certain programs for the benefit of franchisees and the System, whereby Franchisee will be permitted to offer or sell Services and Products in accordance with the specifications described in any particular program established by us. All programs and services offered other than a Global Art proprietary curriculum will require prior written approval by the Franchisor.

Your rights in the Territory are exactly (and only) as expressly set forth in this Section VI. Except as expressly provided in this Agreement, you have no right to exclude, control or impose conditions on the location, operation or otherwise of present or future businesses (or any other brand) units or distribution channels of any type, franchised or company-owned, regardless of their location or proximity to the Business and whether or not they provide services or products to students within the Territory. You do not have any rights with respect to other and/or related businesses, products and/or services, in which we or any Franchisor-related persons or entities may be involved, now or in the future.

We and the Franchisor-Related Persons/Entities expressly reserve all other rights, and can (along with anyone we designate):

1) Own and/or operate ourselves, and/or authorize others to own and/or operate:

   a) Any kind of business in the Territory, including businesses that are substantially similar to a Center whether or not using Franchisor's Marks and System (except Franchisor will not open a learning center if Franchisee owns a learning Center);

b) Any kind of business outside of the Territory, including, without limitation, whether or not using our Marks and System.

2) Sell Franchisor's labeled and brand (or any other brand) services and products to customers located anywhere (including within the Territory) using any channel of distribution (including, but not limited to, children toy stores, education supply centers, retail locations, at special child-related events and other similar venues and other channels of distribution such as television, mail, catalog sales, wholesale to unrelated retail outlets or over the Internet) other than the Business located in the Territory.

3) Develop additional educational or developmental programs or curriculum in any subject for children of any age utilizing methods similar to or different from the Curriculum and operating and marketing those programs under the same, similar or different trademarks and trade names as, to, or from, the Marks, including any English or other language as a second or foreign language program.

4) Develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using System and/or the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere;

5) Acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from Franchisor's Marks and System). Franchisee agrees to participate at its expense in any such conversion as instructed by Franchisor.

6) May choose in our Business Judgment (as defined in Section XXI of this Agreement) to offer/provide services and/or products through the Internet, World Wide Web and other similar venues (no matter where the customer is located). The Internet is a channel of distribution reserved exclusively to Franchisor and Franchisee may not independently market on the Internet or conduct e-commerce, without the Franchisor's written consent.

7) Acquire any Websites utilizing a domain name incorporating one or more of the words: Global Art or any variation thereof. The term "Website" includes: Internet and World Wide Web home pages, as well as other electronic sites (such as social networking sites like Facebook, Twitter, LinkedIn, blogs and other applications). The Franchisee acknowledges that we have all right, title and interest in and to such domain names, as we shall designate in the Operations Manual. Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information, or otherwise having a presence on a Website, regarding the Business. If we approve a separate Website (which we are not obligated to do), then each of the following provisions will apply: (i) Franchisee may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, Franchisee must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require and all such work must be performed

by us, our affiliates or approved vendors (as described in Section X.C); (iii) Franchisee must not use or modify a Website without our prior written approval; (iv) Franchisee must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; and (v) if we require, you must establish hyperlinks to our Website and other Websites; and (vi) Neither Franchisee nor any of its employees shall post any information regarding us or the System, on any Website or any internet site, without our prior written approval, nor any disparaging statement either during or after termination or expiration of the Agreement. Further Franchisee shall monitor its employees to avoid them making any such postings. We retain the right to pre-approve Franchisee's use of linking and framing between the Franchisee's website and all other Websites. The Franchisee shall within five (5) days, dismantle any blogs, frames and links between the Franchisee's web pages and any other Websites, if and as requested by Franchisor.

This Agreement does not provide Franchisee with options, rights of first refusal or similar rights to acquire additional franchises in other areas or areas contiguous to the Territory. Franchisee's Territory may be altered during the initial term only by mutual consent in writing from both Franchisee and Franchisor or at the time of transfer or renewal.

VII. **TERM AND RENEWAL OF AGREEMENT**

A. Term

The Franchise herein granted for a Center Franchise, for a term of five (5) years from the date of execution and acceptance (the "Effective Date") of this Franchise Agreement (the "Agreement") by us and subject to earlier termination as herein provided.

B. Renewal

Franchisee may, at its option, renew this Franchise for additional periods of five (5) years, if Franchisor is still offering franchises at that time, and further subject to the following conditions, all of which must be met prior to renewal:

1. Franchisee shall give the Franchisor written notice of its election to renew not more than twelve (12) months and not less than six (6) months prior to the end of the then current term;

2. Franchisee must not be in default under any provision of the Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisor and Franchisee, and Franchisee shall have complied with all the terms and conditions of all such agreements during the terms thereof;

3. Franchisee's right to renew is contingent on satisfactory performance of and full compliance with this Agreement and any renewal agreement. Franchisor may refuse to renew or extend the franchise if: (a) Franchisee has failed to use its best efforts to operate the franchised business to Franchisor's satisfaction; (b) the franchise is terminable by law or under this Agreement; (c) Franchisee fails to give timely written notice of its exercise of its renewal option; (d) Franchisor is withdrawing from franchising in the geographic

market Franchisee serves; (e) Franchisee fails to satisfy Franchisor's then-current standards for new franchisees or (f) Franchisee is in default of this Agreement;

4. Franchisee shall complete to Franchisor's satisfaction such maintenance of the Business, at Franchisee's sole expense, as Franchisor may reasonably require in writing;

5. Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliate, and shall have timely met these obligations throughout the previous term;

6. Franchisee shall execute, before the renewal term, the Franchisor's then-current form of Agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement. Franchisor shall charge Franchisee a renewal fee of a flat $2,000 for a Center for the protected area outlined in Section VI, or Territory, above;

7. Franchisee shall comply with Franchisor's then-current qualification and training requirements;

8. Franchisee must execute a general release, in a form prescribed by Franchisor described in Section XXIII.D of this Agreement, of any and all claims against Franchisor and its affiliate, and their respective officers, directors, agents and employees, if such release is not in conflict with any local, state or federal laws; and

9. Franchisee shall upgrade, remodel and/or refurbish the Business (for a Center both inside and outside) in order to meet our then-current standards. Graphics, signs and all furnishings and fixtures located at the Business must be updated to meet our then-current requirements. All remodeling, modernization, redecoration, or replacements will be completed at Franchisee's expense in accordance with our specific standards and specifications.

VIII. **FRANCHISEE'S INITIAL INVESTMENT**

The Franchisee's initial investment will vary depending upon the location, number of services the Business offers, size of the facility time of year when Franchisee starts business, implementation of a marketing plan, Franchisee's management skills, economic conditions, competition in the surrounding area and other factors.

Franchisee hereby certifies that he or she has reviewed the estimated initial investment and start-up costs as detailed in the Franchise Disclosure Document, and has sufficient cash resources available to meet said expenses. These start-up costs include the initial franchise fee.

IX. **FRANCHISEE'S INITIAL FRANCHISE FEE**

A. Time Limit for Starting Business

The Franchisee shall maintain the Business in accordance with the provisions and requirements of Section XII hereof, and must, within the following periods (from the Effective Date) do both of the following: (a) come to agreement with Franchisor, for the Territory, within 90 days for a Center and (b) open the franchise for business within 180 days, for a Center (the "Opening Date"). The Opening requires

that Franchisee has qualified for and has obtained all necessary licenses needed to perform its services. If Franchisee does not satisfy either of the above requirements. Franchisor may, at its sole discretion do any one or more of the following: (a) terminate the franchise and retain all fees paid or (b) require the Franchisee to pay a set fee of $500 for each month not open (prorated for any partial month). Although the Franchisor has the discretion of taking any of the above actions, in determining any extension, it will take into consideration the good faith attempt of the Franchisee to find a location and also if it appears reasonably likely that Franchisee will find a location within the foreseeable future (determined by Franchisor in its sole discretion). If Franchisor thereafter determines that it will no longer allow the extension, it shall notify Franchisee in writing that if the Center is not opened in 30 days from the delivery of the notice, it will terminate the Franchise Agreement and may treat Franchisee as having breached the Agreement.

The Initial Franchise Fee is fully earned on payment, and is allocated to training and other services to be rendered to Franchisee before opening. The franchise fee is uniform to all persons currently acquiring a Franchise, as of the date of this registration and is nonrefundable.

During the term of this Agreement, the accepted Territory shall be used exclusively for the purpose of operating a franchised business. In the event the Business shall be damaged or destroyed by fire or other casualty, or be required to be repaired, Franchisee shall commence the required repair of the Premises within thirty (30) days from the date of such casualty or notice of such governmental requirement if later, (or such lesser period as shall be designated by such governmental requirement) and shall complete all required repair as soon as possible thereafter, in continuity, but in no event later than ninety (90) days from the date of such casualty or requirement of such governmental notice, if later. The minimum acceptable appearance for the restored Premises will be that which existed just prior to the casualty; however, every effort should be made to have the restored Premises include the then-current image, design and specifications as specified by the Franchisor.

Franchisee shall bear the entire risk of any damage, loss, theft or destruction to the Premises from any cause whatsoever or requisition of the Premises by any governmental entity or the taking of title to the Premises by eminent domain or otherwise (collectively, "***Loss***"). The Franchisee shall advise the Franchisor in writing within ten (10) days of any such Loss. No such Loss shall relieve the Franchisee of the obligation to pay Royalty Fees and all other amounts owed hereunder. In the event of any such loss, Franchisor, at its option, may: (a) if the loss has not materially impaired the Premises (in Franchisor's reasonable Business Judgment), require that the Franchisee, upon Franchisor's demand, place the Premises in good condition and repair reasonably satisfactory to Franchisor as mentioned above; or (b) if the Loss has materially impaired the Premises and is substantially destroyed (in our sole judgment), we may require the Franchisee to repair the existing Premises or find an alternative location within the Territory within thirty (30) days. Franchisor may extend this period an additional thirty (30) days at its discretion and failure of Franchisee to comply may result in termination of this Agreement. The Franchisee shall be relieved of all obligations under this Agreement, and the Franchisee must return to us the System (including all materials) and Franchisor has the first right of refusal to purchase all Assets (as described in Section XXIV.G of this Agreement).

It is understood and agreed that, except as expressly provided herein this franchise includes no right of Franchisee to subfranchise.

B. Cooperation Required

Franchisee shall cooperate reasonably with Franchisor to ensure that the various actions occur, which is necessary to obtain acceptance by Franchisor of the Business location. In particular, Franchisee shall furnish any pertinent information as may be reasonably requested by Franchisor regarding Franchisee's business and finances.

C. Initial Franchise Fee

By executing this Franchise Agreement, the applicant agrees to become a Franchisee and pay an Initial Franchise Fee in the amount of $20,000 for a learning center . This Initial Franchise Fee includes a license to operate a single Business with a protected territory that is up to two (2) miles driven in any direction (for a Center). The Initial Franchise Fee includes an affiliate regional web page housed within the national website, our Training Program, Manuals, access to our proprietary curriculum that is specific to the Business and our On Line System.

At the same time as Franchisee pays the Initial Franchisee Fee it must all pay a security deposit of $5,000 ("Deposit") which will be returned without interest at the end of the term, if the Franchisee is in good standing and not in breach.

D. Additional Franchise Businesses

The Franchisor does not provide you with a right to buy another franchise.

E. Total Initial Franchisee Fee and Deposit

The Total Initial Franchise Fee and Deposit are due upon the Effective Date of the Franchise Agreement and receipt of which is hereby acknowledged by Global Art & Creative USA, LLC, for the Franchisee's license to conduct business in the Territory.

The Total "Initial Franchise Fee" and Deposit shall be calculated as follows:

$20,000	The Initial Franchise Fee for a learning center business in a protected Territory.
$5,000	Security Deposit
= $25,000	Total Initial Fees

The Initial Franchise Fee is non-refundable and uniform to all persons acquiring a Franchise, as of the date of this registration. The Initial Franchise Fee shall be paid in a lump sum in U.S. funds and shall be deemed fully earned and nonrefundable (except for the Deposit) in consideration of administrative and other expenses incurred by Franchisor in granting this Franchise and for Franchisor's lost or deferred opportunity to franchise others.

X. OTHER FEES

A. Royalty Fees

In addition to the Initial Franchise Fee described in Item IX above, the following recurring or isolated payments are required to be made by the Franchisee. The Franchisee pays to Franchisor a Royalty Fee of fifteen percent (15%) of total Gross Revenue that begins immediately once the Business is open for operation then continues for the term of the Franchise.

As used in this Agreement, "Gross Revenue" shall include all revenue accrued from the performance of services in, at, upon, about, through or from the Business, whether for cash or credit card and regardless of collection in the case of credit, and income of every kind and nature related to the Business from the sale of all courses generated from the collection of all such courses. provided, however, that "Gross Revenue" shall not include revenues from (i) the sale of any books, teaching or coloring materials, registration fees and similar item (ii) any sales taxes or other add on taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority, (provided the retail value of any complimentary services or trade-outs against Gross Revenue is limited to a maximum of two percent (2%) of Gross Revenue in the aggregate), and (iii) the amount of cash refunds to, and coupons used by customers, provided such amounts have been included in Gross Revenue. The sale and delivery of services and products away from the Business is by our written approval only. Should we approve such sales in writing, these sales will be included in computing Gross Revenue.

Royalty Fee is uniform as to all persons acquiring as of the date of this registration and is nonrefundable, provided the amount could change for future franchisees. The Royalty Fee shall be payable by the Franchisee and received by the Franchisor on or before the 7th day of each month for the prior month's Gross Revenue and is to be received when and how specified by Franchisor in writing. Royalty forms must be turned in to the franchisor with the gross sales, listing all the students in attendance for that month and any and all revenue collected no later than 6:00 PM on the last day of every month.

Any payment or report not actually received by Franchisor on or before the specified date shall be deemed overdue. If any payment is overdue, in addition to the right to exercise all rights and remedies available to Franchisor under this Agreement, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid at the lesser of the rate of 18% percent per annum and the maximum rate allowed by the laws of the State in which Franchisee's business is located or any successor or substitute law (referred to as the "Default Rate"), until paid in full.

B. System Advertising

There is no requirement to contribute to an advertising fund and you are to decide the type and amount of marketing you will do subject to our review of materials used.

C. Local Advertising

It is your responsibility to provide local advertising and marketing.

We recommend that the Franchisee agrees to create a local advertising and marketing plan by which Franchisee shall place local advertising in any media it desires, provided that such advertising conforms to the standards and requirements of Franchisor as set forth in our Operations Manual or otherwise designated by Franchisor. Franchisee shall not advertise the Business in connection with any other business, except with Franchisor's prior written approval. Franchisee shall obtain Franchisor's prior approval of all unapproved advertising and promotional plans and materials that Franchisee desires to use thirty (30) days

before the start of any such plans. Franchisee shall submit such unapproved plans and materials to Franchisor (by personal delivery or through the mail, return receipt requested). Franchisee shall not use such plans or materials until they have been approved by Franchisor and shall promptly discontinue use of any advertising or promotional plans and material upon the request of Franchisor. Any plans or materials submitted by Franchisee to Franchisor, which have not been approved or disapproved in writing, within thirty (30) days of receipt, by Franchisor, shall be deemed not approved.

Franchisee will not independently advertise or promote in any media (including on any Website as defined in Section VI) without Franchisor's prior written approval, except when using materials previously approved by Franchisor. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied. Franchisee will participate in, at its own expense, and cooperate with all advertising and promotional programs Franchisor or any advertising group of franchisees selects, including Regional/Local Advertising Cooperative Programs. Franchisee is not permitted to operate any other independent websites pertaining to learning or education or direct traffic to other websites.

D. Curriculum Licensee

Franchisor hereby grants Franchisee the right to use the of our proprietary Curriculum that is non-exclusive, non-transferable and non-assignable which Franchisee is required to use for the operation of their Business. It is made up of various theme-based interactive learning programs that are specific to the learning center. Additional curriculum may be added on depending on student needs, capability and interest. No programs may be offered at the center other than what is included in your Franchise Agreement.

E. Additional Curriculum Fee

The Curriculum provided to Franchisee is specific to Business as stated above. However, Franchisee may request any other Curriculum package that Franchisee desires to incorporate into the Business. All additional Curriculum packages can be customized. Franchisee shall submit such request for additional Curriculum to Franchisor (by personal delivery or through the mail, return receipt requested). Franchisor shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. Any requests for additional Curriculum submitted by Franchisee to Franchisor, which have not been approved or disapproved in writing, within thirty (30) days of receipt, by Franchisor, shall be deemed not approved.

F. Electronic Funds Transfer

Franchisor reserves the right to require Franchisee to remit fees and other amounts due to Franchisor hereunder via electronic funds transfer or other similar means utilizing a Franchisor approved computer system or otherwise. If Franchisor notifies Franchisee to use such payment method, Franchisee agrees to comply with procedures specified by Franchisor and/or perform such acts and deliver and execute such documents including authorization, the attached Schedule 1 "Authorization Agreement For Prearranged Payments" for direct debits from Franchisees' business bank operating account, as may be necessary to assist in or accomplish payment by such method. Under this procedure Franchisee shall authorize Franchisor 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 Franchisor and any interest and related processing fees charged due thereon. Franchisee shall make funds available to Franchisor for withdrawal

by electronic transfer no later than the due date for these payments. If Franchisee has not timely reported the Business's Gross Revenue to Franchisor (as defined in Operations Manual) for any reporting period, then Franchisor shall be authorized, at Franchisor's option, to debit Franchisee's account in an amount equal to (a) the fees transferred from Franchisee's account for the last reporting period for which a report of the Business's Gross Revenue was provided to Franchisor as required hereunder or (b) the amount due based on information retrieved from the Franchisor's approved computer system.

G. Pre- Opening Expenditures

Franchisee is recommended to expend, during the first 6 months of opening of the Franchisee's Business, additional amounts for the printing of various advertising and promotion pieces. The Franchisor will advise the Franchisee regarding the printing, preparation and placement of such advertising. Additional advertising may include but not limited to: any telephone, email, Internet, domain name, electronic network, directory, and listings of the Franchised Business. All items mentioned are the Franchisor's property and on termination will revert to the Franchisor. Franchisee agrees to execute any and all documents needed to perfect such reversions.

H. Web Site & Web Page Maintenance and Promotion Fee

Franchisor, its affiliates and/or approved vendors will perform all web site and its online system content revisions and perform all web site promotions over the Internet for Franchisee (as described in Section XX.B). Franchisee will pay a rate of $65 - $120 per hour (or current fair market rates) to Franchisor, its affiliates or approved vendors for such services. Any requests for changes, edits or updates to Franchisee's web page or any type of web site promotion over the Internet must be approved by Franchisor in writing and the work is to be performed by either Franchisor, its affiliates or approved vendors. Franchisor shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If Franchisor fails to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied. Traffic directed to other sites other than Franchisor affiliated sites is not permitted.

XI. FINANCING ARRANGEMENTS

Franchisee hereby acknowledges that financing is the responsibility of the Franchisee. The Franchisor does not finance or guarantee the obligations of the Franchisee for Business.

XII. GENERAL OBLIGATIONS OF FRANCHISEE

A. Follow Operations Manual and Directives of Franchisor

Franchisee agrees that use of Franchisor's System and adherence to the Operations Manual (the "Operations Manual" or "Manual"), and to Franchisor's standardized design and specifications for decor and uniformity of the Center are essential to the image and goodwill thereof. Franchisee's cooperation and assistance shall include, but not be limited to, test marketing new services and collection of online customer surveys, customer comment cards, questionnaires, and similar items. In order to further protect the System and our goodwill, Franchisee shall:

1. If opening a Center, build out and construct the Center in the manner prescribed by Franchisor. Franchisee will be given specifications for all equipment, layout, storage,

furnishing, fixtures, signage, decor and other items necessary for the build out of the Center. Franchisee is responsible for purchasing, installing and maintaining these items;

2. Operate the Business and use the Franchisor's Manual(s) solely in the manner prescribed by Franchisor;

3. Comply with such requirements respecting any service mark, trade name, trademark, or copyright protection and name registrations as Franchisor may, from time to time, direct;

4. Follow the methods of operation, service and presentation of Services and Products so as to conform to the specifications and standards of Franchisor in effect from time to time;

5. Use only such programs, Curriculum, classroom supplies and other related merchandise so as to conform to Franchisor's specifications as detailed in the Operations Manual that is in effect and may be revised by Franchisor, at Franchisor's sole discretion, from time to time;

6. Sell or offer from the Business any program, Service or Product specified by Franchisor and not sell or offer any program, service or products of any kind or character without first obtaining the express written approval of Franchisor, which shall be at the full discretion of the Franchisor who shall have the sole right of decision in regards to all programs, services and products to be sold in the Franchise Business. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to your request within said thirty (30) day period, the request shall be deemed denied Franchisor shall have the right to not approve any service or product for any reason whatsoever or for no reason whatsoever;

7. Discontinue selling or offering any Service or Product for sale and/or using any products Franchisor may, in its absolute discretion, delete from its standards and specifications for any reason whatsoever or for no reason whatsoever;

8. Maintain in sufficient supply and use at all times, only such Products, supplies, furnishing, fixtures, classroom supplies, software, POS system, and methods of service as to conform to our standards and specifications; and to refrain from deviating by using non-conforming items or methods without our prior written consent;

9. Purchase the products, supplies, POS system, as may be required by us, for the appropriate handling and selling of any Service and/or Product that become(s) approved for offering in the System. Franchisees must obtain Franchisor's prior written approval of Franchisee's supply sources for products the Franchise Franchisee will act for itself in obtaining Products and Supplies (this includes items needed by the Franchisee and those used in teaching such as equipment, furniture all teaching supplies, POS use and computer and software if applicable). Franchisee will repair or replace obsolete or mechanically impaired equipment or furniture with items that meets Franchisor's specifications.

10. Purchase and use the educational and developmental programs and/or Curriculum that Franchisor specifies for the operation of the Business.

11. Maintain a clean and attractive appearance, give prompt, courteous and efficient service by operating the Center in strict compliance with the policies, practices and procedures contained in the Operations Manual.

12. Permit Franchisor or its agents, at any reasonable time, to enter the Business during normal business hours, for the purpose of conducting inspections, reviewing business operations and teaching methods. This includes access to any electronic or other non-personal entries to the Business. In addition to any other remedies it may have under this Agreement, Franchisor requires Franchisee to bear the cost of such inspections if during the review of the Business it is determined by Franchisor, in its sole discretion, that business operations fail to conform to Franchisor's standards; and the payment of these inspection fees are due and payable upon receipt of the bill.

13. Not install or permit to be installed anywhere on the Premises, without Franchisor's prior written consent, any signage or signage designs not previously approved as meeting our standards and specifications.

14. Identify yourself as the owner of an independently owned and operated Franchised Business (in the manner we prescribe) in conjunction with any use of the Proprietary Marks including, without limitation, invoices, contracts, release forms, receipts and stationery, as well as at such conspicuous locations as we may designate in writing at the Business.

15. Comply with our standard for hiring employees, training and maintain staffing levels (described in Section XX.E of this Agreement) as necessary to operate the Business at maximum capacity during the development and growth stages of the Business as recommended by us in the Operations Manual, and to comply with all applicable laws with respect to such services. You have sole responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned and working conditions.

16. Agree to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities. Franchisee will not engage in any services, trade practices, abusive or excessive collection techniques or other activity or sell any curriculum, literature or product which Franchisor determines to be harmful to the goodwill or to reflect unfavorably on the reputation of Franchisee or Franchisor, the Franchised Business, or the services and products sold thereof; or which constitutes deceptive or unfair competition, results in unfounded litigation against your customers or otherwise is in violation of any applicable laws. The above limitations are closely related to the business image, purpose and marketing strategy of the System, and therefore any change there from would fundamentally change the nature of the business;

17. Comply with all applicable ordinances, regulations, bylaws, laws and statutes. Franchisee will not permit unlawful activities on the premises and through the Franchised Business and will not sell, exchange, offer, hold, show, rent or permit to be sold, exchanged, offered, held, shown or rented any product or service Franchisee knows or reasonably suspects to have been obtained in violation of law or to be otherwise illegal;

18. Promptly pay when due all taxes, fees, debts, expenses and assessments of the franchised

Business, including payroll taxes. Franchisee will not permit a tax sale or seizure by levy of execution or similar writ or warrant to occur; and

19. Recognize that preservation of the System and the health of the franchise network depend upon the uniformity of Services and Products offered. You agree that we may establish, from time to time, standard pricing for certain Services and Products for promotional periods of time for any or all Businesses.

20. Participate in market research and/or testing of any new educational and developmental programs or Curriculum and child-related products, and participate in, and pay all dues assessed for, advisory councils (not currently in effect) if applicable;

21. Franchisee may be required to use and honor only system-wide gift cards, certificates and checks that we designate. All such gift cards, certificates and checks may be obtained from us or an approved supplier; and

22. Franchisee must accept credit and debit cards, and other payment systems and check verification services as specified by us, and which we may change from time to time.

B. Operate Franchised Business Only

Franchisee shall use the System and the Names and Marks provided to Franchisee by Franchisor for the operation of the Business and shall not use them in connection with any other line of business or any other activity. Neither Franchisee, nor any of its employees, may conduct any business at the Business other than that authorized pursuant to this Agreement, without the prior written approval of Franchisor. Neither Franchisee, nor any of its employees, may conduct any activity at the Business or in connection therewith which is illegal or which could result in damage to the Names and/or Marks or the reputation and goodwill of Franchisor. Franchisee will not allow the franchised business to be used for any immoral, unethical, unauthorized or illegal purpose.

If Franchisee has a separate entity offering services and/or products that include any other type of child-related services or products business offering similar services and products of a Center Franchisee must conduct all business through the franchised business unless otherwise approved by us in writing. Franchisee must disclose to us any pre-existing businesses and agree to sign and deliver to us, along with a signed copy of this Agreement, the attached Schedule 2 “Pre-Existing Businesses.”

C. Comply With Laws

Franchisee shall comply with all federal, state and local laws, ordinances, consumer protection laws and regulations, wage and hour laws, labor laws, workers compensation and unemployment laws, zoning laws, transportation laws, fire codes and building construction (including noise ordinances), OSHA, health and safety ordinances, waste disposal regulations and shall obtain and at all times maintain any and all governmental licenses, permits, industry specific licenses or certificates (if applicable), laws and regulations relating to occupational hazards and health or that may be required for full and proper operation of the Business franchised under this Agreement in your state of operation. With respect to all credit card transactions and customer information obtained through credit card usage, Franchisee agrees to diligently comply with all laws and rules regarding such usage and Franchisee will protect the privacy of credit card customers. Franchisor’s standards may exceed any and all of the requirements of said laws. Copies of all

subsequent inspection reports, with the conduct of the Franchisee's Business which indicates the Franchisee's failure to meet or maintain governmental standards, or less than substantial compliance by the Franchisee with any applicable law, rule or regulation, shall be forwarded to the Franchisor within five (5) days of the Franchisee's receipt thereof. Franchisee agrees to indemnify us under Section XVIII of this Agreement which includes any claims arising out of Franchisee's failure to perform Franchisee's obligations as described above.

In certain states the Center may be deemed a school, childcare center or similar designation. If the Center is deemed a school, childcare center or similar designation Franchisee must also comply with all laws and regulations specific to hosting a certain number of children or conducting programs of certain lengths or frequencies in the Center, including requirements of licensing the Center or limiting the number or age group of children who may be in the Center at one time or both. Classification as a school, childcare center or similar designation may entail additional requirements such as separate bathrooms for boys and girls, water fountains, special exit doors equipped with panic bars and other accommodations.

The Center is subject to many federal, state and local governmental laws, regulations and licensing requirements such as: the fitness and adequacy of buildings and equipment, construction of the facility, zoning requirements, qualifications of staff, staff training, the ratio of staff to children in each classroom, record keeping, dietary requirements, daily curriculum, health, fire and safety standards; and the disabilities of your employees and the members of the families you serve. Franchisee must obtain a child care license before Franchisee can open the Center for business and pass a thorough criminal background check. The child care license must be maintained as long as Franchisee owns and operates a Center. Franchisee's state will make all final determinations regarding Franchisee's child care license and enrollment capacity. In most cases, the Center will be required by law to be managed by someone who has a degree in education and certificate in early childhood development. In addition, Franchisee will need to hire qualified staff and instructors (each staff member must pass a criminal background check) as required by Franchisee's state's licensing authority and us. Franchisee may also be required to obtain accreditation or approval from your state's Department or Board of Education. In the event during a compliance or visit the Franchisor discovers that the Franchisee is violating any city or state laws, the Franchisor will report the Franchisee to the respective authorities to ensure the safety and quality of their brand. Any reporting by the Franchisor does not limit its rights to treat Franchisee's actions or omissions as a breach of the Franchise Agreement.

It is Franchisee's sole responsibility and absolute obligation to research all applicable federal, State and local laws and regulations governing the operation of a franchised business. Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of its Business and must at all times operate the Business in full compliance with all applicable laws, ordinances and regulations (including without limitation, regulations relating to safety and sanitation, truth in advertising, occupational hazards, health, laws relating to non-discrimination in hiring and accessibility, worker's compensation and unemployment insurance). Franchisor makes no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise will be required for Franchisee in the Franchisee's Territory in connection with a franchised business. It is Franchisee's sole responsibility to identify and obtain all authorizations necessary for operation. Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities.

Franchisee shall agree to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224 and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions

and to properly perform any currency reporting and other activities relating to the Franchise Business as may be required by law. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that Franchisee's indemnification responsibilities as provided in Section XVIII pertain to Franchisee's obligations hereunder.

If opening a Center, the Center is designed, constructed and operated in compliance with all local, state and federal laws, including (without limitation) the American with Disabilities Act ("ADA"). Franchisee is responsible for compliance with all applicable federal, State and local laws and regulations concerning access by children or their parents with disabilities to the classroom and use of the Curriculum in addition to any student supplies and materials by children or parents with disabilities. Any required modifications to the Center are Franchisee's sole responsibility and expense.

D. Maintain Confidentiality of Proprietary Information

Neither Franchisee nor any of its Owners if you are an Entity, officers, directors, agents, or employees, except as required in the performance of the duties contemplated by this Agreement, may disclose or use at any time, whether during the terms of this Agreement or thereafter, any confidential and proprietary information disclosed to or known by Franchisee or any such person as a result of this Agreement. Such information, includes, but shall not be limited to, confidential matters, trade secrets, knowledge of: Educational and developmental learning programs, Curriculum, teaching notes, teaching tools, workbooks and worksheets, student folders and learning materials, music, software, operational procedures, standards, techniques and schedules; teaching methods and strategies; signage, safety and security measures, product and vendor specifications; procedures for safety and quality control; customer service guidelines, vendors and suppliers, hiring and employee retention, pricing guidelines, apparel, marketing materials, sales techniques, proprietary information conceived, originated, discovered, or developed by Franchisee or by any employee of Franchisee which is not generally known in the trade or industry about Franchisor's services, products or licenses, including information relating to discoveries, ideas, manufacturing, purchasing, accounting, engineering, website development and design, marketing, merchandising or selling of Services and Products (collectively referred to as "Confidential Information" and further defined in Section XVI.A of this Agreement).

Franchisee further acknowledges that the Confidential Information was unknown to Franchisee prior to negotiation for and execution of this Agreement and that the unique and novel combination of "know how", teaching methods and Curriculum developed by Franchisor and licensed to Franchisee for the operation of a Business are particular to the child education and learning industry conducted by a Center. Franchisee agrees to take all steps necessary, at Franchisees expense, to protect the Confidential Information and shall not release it to any person that does not have a need to know, including employees, agents and independent contractors, either during the term or after to the termination or expiration of this Agreement without our prior written consent.

Franchisee further agrees that it will not contest in any litigation, arbitration, mediation, or in any other manner the Franchisor's ownership rights to any or all of the above confidential information.

E. Maintain and Renovate the Premises

Franchisee shall at all times maintain the Premises in a clean, orderly condition and in first class repair in accordance with all maintenance and operating standards set forth in the Manual. Franchisee shall

make, at Franchisee's expense, all additions, repairs, replacements improvements and alterations that may be determined by Franchisor to be necessary so that the facilities which are viewed by the public will conform to the uniform corporate image, as may be prescribed by Franchisor from time to time. Franchisee shall undertake and complete such additions, repairs, replacements, improvements and alterations within the time and under the terms and conditions, which may be reasonably specified by Franchisor.

If at any time, in our sole and absolute discretion, the general state of repair, appearance or cleanliness of the Premises or its fixtures, furnishings, or signage does not meet our standards, we have the right to notify Franchisee, specifying the action Franchisee must take to correct the deficiency. If Franchisee does not initiate action to correct such deficiencies within ten (10) days after Franchisee receives our notice, and then does not continue in good faith and with due diligence, a bona fide program to complete any required maintenance and refurbishing, we have the right, in addition to all other remedies, to enter the premises of the Center and do any required maintenance or refurbishing on Franchisee's behalf, and Franchisee agrees to reimburse us on demand for any expenses we incur.

At our request, which shall not be made more than once every five (5) years (or as described above), Franchisee shall refurbish the Premises at its expense, to conform to Franchisor's design, trade dress, color schemes, and presentation of trademarks and service marks consistent with our designated image, including, without limitation, remodeling, redecoration and modifications to existing improvements which shall not exceed $5,000 for each five (5) year period. Franchisee shall have twelve (12) months after receipt of Franchisor's written notice within which to complete the refurbishing of the Premises.

F. Maintain Competent Staff

Franchisor will create, and make available to Franchisee and its Owners if you are an Entity, training programs and other selected training materials, as Franchisor deems appropriate. Franchisee must staff a position to have day-to-day supervision for the operation and management of the Business (referred to as "Supervisor"). Franchisee's Business must be personally managed on a full-time basis by a Supervisor who has successfully completed our mandatory training and meets our then-current standards. The Supervisor may, but need not, be you or one of the Owners of the Business. Franchisee must train a replacement Supervisor (who Franchisor may disapprove in its sole and absolute discretion) in accordance with Franchisor's training program. Replacement Supervisors or staff may attend Franchisor's training program for a fee and subject to space availability. Currently the fee is $300 per person per day plus our expenses as described in Section XX.A of this Agreement. At no time may the Center be without a qualified manager or instructor, and failure to comply is a beach of this Agreement. All instructors and staff, including Franchisee must have clear live-scan and have completed the necessary confidentiality agreement which is included in the employment agreement.

Franchisee acknowledges that it is Franchisee's sole and absolute responsibility to hire employees (such as teaching assistants or aids) in an effort to teach the Curriculum and supervise children according to our standards as outlined in the Operations Manual and Section XX.E of this Agreement. This includes ensuring that one person is on site at all times, whether it is the Franchisee, Supervisor and/or Instructors, is first aid and CPR certified and that the certifications are renewed each year.

Franchisee shall properly hire Instructors and employees per our standards that includes carefully screening by the use of background checks and live scan (which includes fingerprinting), before employing them, to ascertain fitness for employment in the child education industry. Specifically, Franchisee must use its best efforts, including taking every action required by applicable laws related to background checks and fingerprinting of persons working in the child education industry, to ensure that no person is employed

who has a record of child molestation or abuse, immoral conduct, drug, alcohol or substance abuse, criminal behavior or any other pattern of conduct which might jeopardize the welfare of the children in the Center or reflect adversely on the reputation us or the System. If Franchisee learns or if we advise Franchisee that we have learned that one or more Instructors and/or employees cannot meet the written standards imposed by us or by all applicable law and regulations, Franchisee shall promptly investigate the situation and immediately discharge and replace the Instructor and/or employee or Instructors/employees if they do not meet such standards. Failure of Franchisee to adhere to our hiring guidelines and standards for employment will result in termination of this agreement as specified in Section XXIII.C of this Agreement.

At no time may any employee commence employment without the required forms which include but are not limited to live scan, back ground clearance, confidentiality agreement, employee handbook and employment agreement. Employee records are subject to audit by the Franchisor at any time during the term of this Agreement.

Franchisee will keep us advised, in writing, of all management and non-management personnel involved in the operation of the Center. The Business must be personally managed on a full-time basis by a person who has successfully completed the mandatory training program and meets our then-current standards. The Franchisee is required to advise Franchisor of any new staff hired within 72 hours of commencing employment. The records pertaining to the staff member must be faxed or scanned/emailed or mailed to the corporate office within 72 hours of commencing employment.

G. Open Center within Time Limit

Time is of the essence. The Franchisee must open a location for its Franchise within one hundred and eighty (180) days after execution of this Agreement which includes having obtained Franchisor's approval prior to opening. Prior to opening, Franchisee shall complete, to Franchisor's satisfaction, all preparations of the Business, in accordance with specifications set forth in the Operations Manual, and as required by local governmental agencies, including installation of furnishings and fixtures and playground equipment; the acquisition of phone systems, sound systems, software, supplies and inventory; completion of training, and provision to use of all required local information, artwork and photos for the completion of the Franchisee's website.

In the event of delays of opening a Center due to the fault of the Franchisee or its failure to properly manage the Business, it must pay a minimum charge of $500 per month until it opens. This charge is to compensate Franchisor for its lost revenue from royalties. The requirement of the payment described above does not limit the Franchisor's right to treat Franchisee's actions or omissions as a breach of the Franchise Agreement.

H. Operate Business in Strict Conformity to Requirements

Franchisee shall operate the Business in strict conformity with such standards, techniques, and operational procedures as Franchisor may from time to time prescribe in the Operations Manual, or otherwise in writing, and shall not deviate without Franchisor's prior written consent. Franchisee further agrees to offer its customers all Services and Products which Franchisor may, from time to time, prescribe, to offer its customers only those Services and Products which meet Franchisor's standards of quality and which Franchisor has approved in writing to be offered in connection with the Business operations, and to

discontinue offering any Services or Products which Franchisor may, in its sole discretion, disapprove in writing at any time.

Franchise is required to offer only approved educational and developmental services, curriculum, and learning programs in the manner and style we specify, which may, from time to time, be amended or modified in writing, designated and approved by us.

Franchisee is prohibited from providing any type of educational or developmental programs or services that require certain certifications or licenses that have not been approved by Franchisor in writing. Franchisee must adhere to our hiring and employment standards as outlined in Section VII.F of this Agreement and our Operations Manual. As Franchisee hires Instructors and employees, Franchisee can negotiate any wage or rate for such services or use the recommended wages or rate schedule suggested by us as specified in the Operations Manual. Franchisee acknowledges that we have made no guarantee or warranty that using such rate schedules will enhance Franchisee's sales or profits.

Franchisee must respond promptly to all inquiries and complaints in order to achieve customer satisfaction. If Franchisee does not provide students with satisfactory service and does not resolve customer complaints at the time complaint is registered, customer refuses to do business with Franchisee because of unsatisfactory service (in our Business Judgment as defined in Section XXI) or if Franchisee violates operating standards or this Agreement, Franchisor may, in addition to its other remedies, complete the customer services and bill the Franchisee or customer for its services. Franchisee shall reimburse Franchisor for any expense incurred. In addition, there may be other System oriented programs designed to promote to the public the quality care and service provided by a Business that the Franchisor may wish to implement on a system-wide basis and advertise and market. Franchisee shall be required to participate in the then-current customer retention program or guarantee policy as may be developed by and as may be modified periodically by the Franchisor, in its sole discretion. Franchisee is required to maintain completed files on each student it enrolls ("Student Records") which will include but not be limited to all the services provided, invoices for any services billed and paid, copies of checks and withdrawal notices as well as all requirements in the Manual and those added or changed from time to time by Franchisor with reasonable notice.

Franchisor may institute various programs designed to verify customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including (but not limited to) a toll-free number, online surveys, customer comment cards, secret shoppers or otherwise. Franchisor will share results of such programs as they pertain to Franchisee's Territory, with Franchisee and Franchisee will reimburse Franchisor for all costs associated with any and all such programs provided that Franchisee is not in compliance with this Agreement and the System.

Franchisee shall offer, and will honor for its customers, any incentive, coupon, or customer loyalty programs, which Franchisor may institute from time to time, and Franchisee shall do so in compliance with Franchisor's standards and procedures for such programs to the extent permitted by the laws of the Franchisee's state. These programs may include, without limitation, membership programs, repetitive use for service programs, co-op programs and other local and national activities. Franchisee's full and complete participation in such programs are required. Except as otherwise provided herein, compliance and participation shall be at Franchisee's expense.

Franchisor may require Franchisee to join and participate in various industry specific local or national associations. Such associations may include, but are not limited to the Better Business Bureau Association and Chamber of Commerce. These associations are deemed invaluable and necessary for the continued growth of the Business. Franchisee is responsible for membership fees and any related costs.

Franchisee shall accept the transfer of any student from another franchisee or company-owned business, who desires to receive Services and/or Products from Franchisee provided that such other franchise or company-owned business has paid Franchisee all unused payments made by student or provided that the student has paid Franchisee for such services (if applicable). We encourage all Businesses, when owned by different individuals, to work out a referral or transfer arrangement.

All advertising and promotions by Franchisee in any medium shall be conducted in a dignified manner and shall conform to the standards and requirements of Franchisor as set forth in the Operations Manual. Franchisee shall have the right to sell Services and Products at any prices Franchisee may determine, except that Franchisor reserves the right to establish minimum and maximum prices for any given Service or Product nationwide to the extent allowed by federal and state laws. To clarify, Franchisee agrees that Franchisor has the right, in its sole discretion, to establish minimum and maximum prices for any Service or Product so long as such decisions are made with the honest belief that the measure Franchisor is adopting will help everyone in the System meet competition and succeed in the marketplace. Franchisee is prohibited from heavily discounting Services and Products offered for sale and must adhere to our minimum and maximum pricing guidelines, except as otherwise provided by applicable federal or state laws. If Franchisee elects to sell any Service or Product at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such Services or Products at the recommended price will enhance Franchisee's sales or profits. Franchisee shall participate in and comply with all sales and promotional programs and/or product promotions promulgated by Franchisor periodically

I. Use Approved Vendors, Suppliers, Computer Hardware and Software

Franchisee acknowledges that we have spent considerable time in developing services, processes and technology used in the operation of a franchised business. Accordingly, Franchisee acknowledges that Franchisee is to use only our approved vendors, suppliers for the operation of the Business that includes the Products and Supplies We may derive income through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved vendors and/or suppliers. We do not know the precise basis of these payments because we have never previously collected them. If we require Franchisee to buy from us, the product's price and quality will be comparable to similar products from other sources. Franchisee, agrees that we may periodically and upon written notice, add to, modify or change such approved vendors, suppliers and products. Franchisee promises to promptly accept and implement, in the operation of the Center, all such additions, modifications and changes at Franchisees expense. In addition, Franchisee acknowledges that:

1. We have spent considerable time designing the decoration and outfitting of a Center with furnishings and fixtures and playground equipment. This is part of our trade dress. Franchisee must purchase such items from us and/or our affiliates or approved vendors as specified in the Operations Manual and Section XII.T of this Agreement.

2. To insure the consistent high quality and uniformity of services provided by franchised businesses, Franchisee must purchase the Products and Supplies for use in the operation the Business,

from us and/or our affiliates or those approved vendors who demonstrate to Franchisor's continuing satisfaction an ability to meet Franchisor's standards and specifications.

3. In approving any vendor, Franchisor may consider factors such as: quality, composition, performance, technical specifications, delivery, safety, durability, service maintenance programs, determination of quality control, value, customer service strength, prompt attention to complaints, the supplier's financial strength and capacity to supply Franchisee needs promptly, reliably, and cost effectively. All vendors must be approved in writing by Franchisor. If Franchisee desires to purchase unapproved items from unapproved vendors, Franchisee shall submit to Franchisor a written request for such approval. Franchisor shall approve or deny Franchisee's request, which approval is in our sole discretion, within 30 days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said 30-day period, Franchisee's request shall be deemed denied Franchisor shall have the right to require, as a condition of its approval and review, that its representatives are permitted to inspect the facilities of the proposed vendor and that the proposed item is delivered to Franchisor or its designee for testing. Franchisor will not charge Franchisee any fee for reasonable testing that Franchisor performs and Franchisor shall not be liable for damage to or for the return of any sample. Franchisor reserves the right, at any time, to re-inspect the facilities and to retest the product or equipment of any approved vendor and to revoke any approval if the vendor fails to continue to meet Franchisor's high standards.

4. Franchisee will not make any claims against us with respect to the Products and Supplies or any other related product necessary for the operation of the Business (and/or our designation of, or our relationship with, any vendor/supplier/products). THE FRANCHISOR MAKES NO WARRANTIES REGARDING ANY VENDOR PRODUCTS OR SUPPLIES, AND HEREBY DISCLAIMS THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, THE IMPLIED WARRANTY OF QUALITY OF COMPUTER PROGRAMS, THE IMPLIED WARRANTY OF SYSTEM INTEGRATION, AND THE IMPLIED WARRANTY OF INFORMATION CONTENT. FRANCHISOR MAKES NO WARRANTY THAT ANY VENDOR PROVIDED SOFTWARE WILL BE BUG FREE, VIRUS FREE, OR FREE OF TROJAN HORSES OR WORMS. FRANCHISEE HEREBY AGREES THAT SUCH DISCLAIMER IS AN ESSENTIAL PART OF THE BARGAIN, AND THAT THE FRANCHISOR WOULD NOT HAVE ENTERED INTO THIS TRANSACTION ABSENT SUCH DISCLAIMER. Any claim with respect to any vendor-related and/or similar matters shall be made only against the vendor in question. Franchisee will provide us with written notice prior to taking any action in connection with such a claim. Franchisor will use diligent efforts to assist Franchisees in resolving any disputes with vendors approved and/or designated by us.

5. Franchisee may be required to offer for sale any and all branded merchandise or proprietary products developed by Franchisor, which will be listed in the Operations Manual. These items may be a special product using the Names and Marks of Franchisor. The "Proprietary Products" must be purchased by the Franchisee directly from Franchisor or Franchisor's approved vendors, unless the Franchisee has submitted and received written approval from Franchisor to use an alternate supplier. Franchisor shall approve or deny Franchisee's request, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied. Franchisor may require Franchisee's vendors to sign Franchisor's pre-approved Confidentiality and Nondisclosure Agreement, guarantee Franchisor's level of quality and produce sufficient samples to allow Franchisor to test the samples at their expense.

6. Franchisee acknowledges that Franchisor may require Franchisee to maintain in inventory a minimum representation of Proprietary Products. "Minimum Representation" shall be defined as the continuous maintenance of an amount of Proprietary Products meeting requirements as defined in the Operations Manual. Franchisee shall at all times comply with Franchisor's Minimum Representation requirements and the terms of any auto-ship requirements (currently not in effect) instituted by Franchisor and as specified in the Operations Manual.

7. Franchisee shall not make any changes to the Proprietary Products or any third-party products including changing the containers, packaging, labeling, promotional materials, advertising, cartons or the like without Franchisor's or the manufacturer's prior written approval, which may be withheld in the sole discretion of the Franchisor or manufacturer.

8. Franchisee shall not manufacture or produce any product that is similar to, or competes with any Franchisor's Product, Proprietary Product or third-party product, or any product offered or sold in education supply stores, retail stores or in any channel of distribution selling similar products without the advanced written consent of the Franchisor or manufacturer, which may be granted or denied in Franchisor's or the manufacturer's sole discretion. Violation of this Section XXIII.C shall be grounds for immediate termination of this Agreement.

9. Franchisee must inspect all Products promptly upon receipt and may reject any Product that fails in any material respect to conform to manufacturer's description. Any Product that has not been rejected within forty-eight (48) hours upon receipt shall be considered accepted. Rejected Products must be returned to the manufacturer within three (3) days of the date on which manufacturer authorizes the return or as manufacturer specifies.

10. Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Products and Supplies and/or other products or services that Franchisor requires for use and/or sale in the development and/or operation of the Business. In this event, Franchisor may limit the number of approved vendors with whom Franchisee may deal, designate sources that Franchisee must use for some or all products and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System. Franchisor shall have unlimited discretion to approve or disapprove of the vendors who may be permitted to sell such products and supplies to Franchisees.

11. If required by us, Franchisee agrees to maintain all systems on-line to allow us to access system data and information. Franchisee agrees to comply with our then-current Terms of Use and Privacy Policies and any other upgrade requirements.Supplier and/or licensor charges for use, maintenance, support and/or updates of and to the required systems are payable by Franchisee upon receipt.

12. Franchisor cannot estimate the future costs of the Productions and Supplies or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, Franchisee agrees to incur the costs and required service and support. Franchisor has no obligation to reimburse Franchisee for any of the Products and Supplies. Franchisee is required to

use our Curriculum. Additional Curriculum maybe added based on the needs of the students. Franchisor will maintain and upgrade the Curriculum as necessary. Nothing in this Agreement shall be construed to be a promise or guarantee by Franchisor as to the continued existence of a particular Service or Product, nor shall any provision herein imply or establish an obligation on the part of the Franchisor and its affiliates to sell products or supplies to Franchisee if Franchisee is in arrears on any payment to Franchisor, its affiliates, or any other designated vendor or approved supplier, or otherwise is in default under this Agreement. If Franchisee fails to pay in advance in full for each shipment of products purchased (if applicable), Franchisor or its affiliates shall not be obligated to sell products or supplies to Franchisee.

J. Employees and Uniform Dress

Franchisee acknowledges that it is Franchisee's sole and absolute responsibility to qualify and hire all Instructors and/or employees in an effort to operate the Business according to our standards as outlined in the Operations Manual and Sections XII.F and XX.E of this Agreement. Franchisee is solely responsible for employee's terms of employment, compensation and the proper training for each Instructor in the operation of the Business. To clarify, Franchisee is solely responsible for all employment decisions and functions, including hiring, firing, establishing wage and hour requirements, disciplining, supervising and record keeping.

If Franchisor requires, Franchisee will require its Instructors and employees to wear uniform dress and or other dress code such as aprons, T-shirts, jackets, that are purchased from the Franchisor bearing the corporate trademark while working at the Center, and such shall be of such design and color as Franchisor may prescribe from time to time, as set forth in the Operations Manual.

K. Use Approved Design and Signage for the Business

In operating the Business, Franchisee must adhere to Franchisor signage standards, and utilize signage designs in accordance with the standards and specifications recommended by Franchisor, or that will continue to be recommended by Franchisor. Franchisee may use an approved supplier for all signage, or submit an alternate supplier to Franchisor for approval. If opening a Center, Franchisee shall purchase or lease, subject to local building codes and regulations, such signs that provide maximum displays of the Names and Marks of Franchisor. Upon renewal of this Agreement, Franchisee shall be totally responsible for obtaining and equipping the Business with the signage graphics that are approved for use by Franchisor at the time of the renewal of this Agreement. The color, size, design and location of said signage shall be as specified and/or approved by us. Franchisee shall not place additional signs, posters, newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines or other similar devices and décor items in the Business without our prior written consent.

L. Participation in the Operation of the Business

Franchisee agrees to participate in the day-to-day operation of the Business. Franchisee may assign the supervision of the Business to an Owner or Supervisor once approved by Franchisor. Franchisee agrees that the Supervisor will supervise all Instructors and/or employees. The Supervisor will also be responsible for providing continuing guidance, oversight, day-to-day management, instruction and properly process all reports or complaints.

M. Development of Market

Franchisee shall at all times use its best efforts to promote and increase recognition of the Services and Products offered by the Business pursuant to the System and Operations Manual, to affect the widest and best possible distribution of Services and Products from the Business and to devote its best efforts to growing the Business.

N. Maintain Regular Business Hours

If opening a Center, Franchisee's Center must be open for business as follows, or the hours approved in writing by us or required by the lease of the Center on which Business is operated:

Weekdays (Tuesday to Friday) open 2-3 days on weekdays
Tuesday: 10 a.m. to 12 p.m. & 4 p.m. to 7 p.m.
Wednesday: 10 a.m. to 12 p.m. & 4 p.m. to 7 p.m.
Thursday: 10 a.m. to 12 p.m. & 4 p.m. to 7 p.m.
Friday: 10 a.m. to 12 p.m. & 4 p.m. to 7 p.m.
Saturday: 9:30 a.m. to 7 p.m.
Weekend: Sunday (Optional)

It is required that the Franchisee maintain a telephone answering system and monitor an e-mail address for the Center to take messages and respond to both online and on-site students outside of regular business hours.

It is required that the Franchisee respond to inquiries immediately or within twenty-four (24) hours of the initial inquiry (as further described in the Operations Manual), maintain a telephone answering service and an e-mail address for the Business and monitor such to take messages and respond to students outside regular business hours.

O. Maintain Operating Standards

Franchisee understands and acknowledges that every detail in the operation of the Business is important to the Franchisee, Franchisor and other franchisees in order to develop and maintain uniform operating standards, to increase the demand for the Services and Products offered by the Business under the System, and to protect Franchisor's trademarks, service marks, reputation and goodwill.

Franchisee understands and acknowledges that in the spirit of quality and teaching the Curriculum with consistency, Franchisor or any of its designated representatives, will at all times be entitled to monitor, record or videotape classroom sessions conducted by Franchisee. Franchisee shall furnish Franchisor or its designated representatives with the dates and times of all classes, the number, names, addresses and phone numbers of the children and of their parents or guardians and other information relating to the conduct of the classroom sessions. Franchisor may contact any child and his/her parent or guardian to determine levels of satisfaction, to conduct internal studies for research and development; and for such other purposes as Franchisor deems appropriate.

Franchisee acknowledges and agrees that the System must continue to evolve in order to reflect changing market conditions and meet new and changing customer demands. As a consequence, changes,

modifications and variations to the System's standards may be required from time to time to preserve and enhance the public image of the System and enhance the operational efficiency of all franchises.

Franchisee, therefore agrees that we may periodically and upon written notice, add to, modify or change the System, including without limitation the adoption and use of new or modified trademarks, services, signage , décor, furnishings, fixtures, operational methods, educational and developmental programs or curriculum, Software, non-proprietary software, methodologies, employee hiring guidelines and employment standards, sales and marketing strategies. Franchisee promises to promptly accept, implement, use and display in the operation of the Business, all such additions, modifications and changes at Franchisees expense.

Franchisor will not require Franchisee to make any changes, modifications and variations to the System that are not required of all Franchisees; further we may periodically meet with representative groups of franchisees and solicit their input prior to the implementation of any material change or modification. Franchisees failure to comply with modifications to the System within 120 days of such written notice is an incurable default as described in Section XXIII.C of this Agreement, except as allowed in Section XIIE.

P. Telephone Number of Business and Website

Franchisee understands and agrees that the telephone number(s) and URL address and Website for the Business (and any cell phone numbers) constitute a part of the System and are subject to the restrictions of this Agreement. Accordingly, Franchisee shall not change the telephone number(s) or URL address or Website for the Business without prior notice and written approval by Franchisor. Franchisee shall advertise and publicize the telephone number(s), URL address and Website for the Business in the manner prescribed by Franchisor. As stated above, all telephone numbers, URL, Websites, Internet or similar connections, directory and listings for the franchised business are the Franchisor's property and upon termination will revert to the Franchisor. Franchisor shall create a Facebook Page for the Franchisee to maintain and promote their business on a regular basis, which has been approved in advance by Franchisor as well as any material changes.

Q. Disclose Discoveries and Ideas to Franchisor

Franchisee shall promptly disclose to Franchisor all products, discoveries, methods, techniques, processes, operational procedures, inventions or ideas, whether patentable or not, relating to Franchisor's business, which are conceived or made by Franchisee or any Owner, agent, or employee of Franchisee solely or jointly with others, during the term of this Agreement, whether or not Franchisor's facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. Franchisee hereby acknowledges and agrees that all such products, discoveries, methods, techniques, processes, operational procedures, inventions or ideas are the exclusive property of Franchisor, and that Franchisor shall have no obligation to Franchisee. However as a matter of corporate policy, Franchisor may, in its sole discretion, create an incentive program to reward Franchisee, its officers, directors, managers, members, partners and shareholders for any such new concept, technique, process or improvement that Franchisor implements throughout the System. The Franchisee, its officers, directors, managers, members, partners and shareholders agree to execute all documents deemed reasonably necessary by the Franchisor to assign all such patent, trade secret, trademark, and copyright rights in any Franchisee discovery or idea to the Franchisor. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by Franchisees within the System will be distributed to the other Franchisees as a benefit of belonging to the System. The Franchisee agrees to execute all documents that the Franchisor deems are

reasonably necessary to carry out such transfer of intellectual property rights to the Franchisor.

R. Permit Franchisor to Enter Business

Franchisee shall permit Franchisor and its agents or representatives to enter the Premises during normal business hours for the purpose of conducting inspections without notice to Franchisee and inspect the operations of the Business, review class schedules, ensure the Curriculum is taught with consistency (as described above in Section XII.O) and/or to remove samples of products, without payment, for Franchisor review to determine if such samples meet Franchisor's then-current standards and specifications. Franchisee shall cooperate fully with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request, and, upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be deemed necessary to immediately correct any deficiencies detected during such inspections. In the event Franchisee fails or refuses to correct immediately any deficiency detected during such inspection, Franchisor shall have the right to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. The foregoing shall be in addition to any other remedies Franchisor may have pursuant to this Agreement. The costs of corrections will be billed at $250.00 per hour for corporate staff and include but not be limited to the fees charged for services by professional auditors and attorneys.

S. Additional Requirements for Corporate Franchisee

If Franchisee is or becomes a corporation, limited liability company, general or limited partnership or other organization or entity, the following requirements shall apply:

1. Franchisee shall confine its activities to the establishment and operation of the Business;

2. Franchisee's Certificate of Formation, Articles/Certificates of Incorporation or Articles of Organization, Shareholders Agreement, Operating Agreement, Partnership Agreement and/or Bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to the operation of the Business and that the issuance, redemption, purchase for cancellation and transfer of voting stock, voting membership units or other ownership interest therein, is restricted by the terms of this Agreement. Franchisee shall furnish Franchisor promptly upon request copies of Franchisee's Articles/Certificates of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, Shareholders Agreement, and other governing documents, and any other documents we may reasonably request, and any amendments thereto, from time to time;

3. Franchisee shall maintain a current list of all owners of record and beneficial owners of any class of voting stock, partnership interest or membership of Franchisee and shall furnish such list to Franchisor upon request;

4. Franchisee shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) except in accordance with the provisions of Section XXV of this Agreement. All securities issued by Franchisee shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

THE TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF THIS FRANCHISE AGREEMENT WITH GLOBAL ART & CREATIVE USA, LLC AS OF THE SIGNING DATE. REFERENCE IS MADE TO SAID AGREEMENT AND TO THE RESTRICTIVE PROVISIONS OF THE ARTICLES AND BYLAWS OF THIS CORPORATION;

5. All shareholders and owners of Franchisee shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement, provided, however, that the requirements of this Section XII.S. shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a "Publicly-Held Corporation");

6. If Franchisee is or becomes a partnership, corporation or limited liability company, Franchisee shall furnish us with a copy of its partnership agreement or comparable agreement, and any other documents we may reasonably request, and any amendments thereto, from time to time;

7. Franchisee shall maintain a current list of all general and limited partners, members, shareholders and all owners of record and all beneficial owners of any class of voting stock of the Franchisee's business and shall furnish the list to Franchisor promptly upon request, from time to time; and

8. Each individual who or Entity which holds a 10% or greater ownership or beneficial ownership interest in the Franchisee's business, directly or indirectly, (including each individual holding a 50% or greater interest in any partnership or corporation which has a 10% or greater interest in the Franchisee's business) shall enter into a continuing guaranty agreement, in the form attached hereto as Schedule 5 as such form may be amended or modified by Franchisor, from time to time (if such guaranty agreement is to be executed after the date of this Agreement in accordance with the terms of this Franchise Agreement).

T. Site Selection

Franchisee assumes all costs, liability, expense, and responsibility for locating, obtaining and developing a site for the Center to be established under the Franchise Agreement and for equipping the Center at such premises. A typical Center has approximately 600-1,500 square feet of space Franchisee may buy or lease the required real property and improvements from any source and on terms approved by Franchisor in writing. Franchisee will deliver to Franchisor a copy of any lease for Franchisor's review at least ten (10) days before execution. On the execution of any lease for the Center, Franchisee will deliver to Franchisor a copy of the executed lease and an option to assume the lease executed by the lessor in favor of Franchisor in a form acceptable to Franchisor. All improvements to the Center must be approved by the Franchisor.

FRANCHISEE ACKNOWLEDGES THAT OUR ACCEPTANCE OF A PROSPECTIVE SITE AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF A SITE DOES NOT CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY, OR GUARANTEE BY US

THAT A FRANCHISE OPERATED AT THAT SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

Franchisee acknowledges that we have spent considerable amount of time choosing the creating the decoration and outfitting the Center. It is part of our trade dress. You acknowledge and agree that the design, layout and other characteristics of the Center constitute and/or contain Confidential Information and/or Trade Secrets of ours. Franchisee agrees that the Center shall be maintained and operated as follows:

1. You will maintain the Center and every component of the furnishings and fixtures (including all playground equipment if applicable) in good order and repair at all times as specified in the Operations Manual.

2. You will keep the Center fully insured as specified in the Operations Manual.

3. You will keep the Center at all times in a clean and tidy condition and free of any advertising and promotional material other than that required by law or the Operations Manual, and will exhibit such signage, colors and logos in the Center and upgrade or review the same as specified in the Operations Manual.

4. You will not alter or in any way amend the appearance of the Center, or any furnishings, fixtures and equipment contained within the Center as specified in the Operations Manual.

5. You will maintain and upgrade the Center and all furnishings and fixtures as specified from time-to-time in the Operations Manual so as to always use our then-current specifications.

6. You shall meet and maintain the highest level of health standards and ratings applicable to the operation of the Center. You shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Center.

7. Franchisor has the right to inspect your premises and review any and all citations as well as other records including Student Records.

8. You may be required to use only approved service centers for repairs and maintenance of any furnishing, fixtures, signage and playground equipment, (if applicable), in the Center.

Franchisee agrees to submit any lease and all site-related documents to us for our review prior to execution (as mentioned above in Section XII.T). Franchisee shall use commercially reasonable efforts to arrange for the inclusion of provisions in Lease Addendum or other appropriate site-related documents which:

1. Permit you to operate a Center in accordance this Agreement and the Manuals;

2. Provide that the site will be used only for the operation of a Center, and prohibit Franchisee from assigning or modifying any of Franchisee's lease rights, or extending the term without our prior written consent;

3. Require the lessor to concurrently provide us with a copy of any written notices (whether of default or otherwise) to Franchisee under the lease and give us the right to cure any

default if we so choose, and for the lessor to provide us on request with sales and other operations information related to the Center;

4. Provide us with a right to take assignment and possession of the Center, without the lessor's consent or any additional consideration. If we exercise this right and you are in good standing, we will sign a sublease with you for the same rent we are paying. In any case, we won't have any liability for any obligations incurred prior to our occupancy. You agree to take whatever actions are necessary to accomplish such assignment and will, when you sign this Agreement, also sign the Collateral Assignment of Lease attached as Schedule 6. If Franchisee loses lease rights to the site in connection with any bankruptcy, the lessor will, on our request, enter into a new lease with us on essentially the same terms as the terminated lease;

5. Provide that the lessor consents to the use of the Marks, Trade Dress and other aspects of the System, as modified from time-to-time, and give us the right to enter the premises during normal business hours for purposes of inspection, to take steps to protect the Marks and Trade Dress and/or prevent/cure any default;

6. Not contain any clause providing that if the Franchisee sells the assets of its business, or the stock/membership units/partnership units of your business, you must pay the landlord a certain percentage or a flat amount of the sale. Provided, that nothing in this sentence shall impair the Franchisee from entering into a lease that allows its landlord to impose a reasonable administrative fee for processing the assignment or sublease.

Franchisee won't execute a lease or sublease, or any modification or amendment, without our prior written consent, which we may grant, condition or withhold in our Business Judgment. Franchisee will deliver a copy of the signed lease or sublease to us within five (5) business days after it is signed.

U. Development and Construction of Center

If Franchisee opens a Center, Franchisee must select and employ licensed contractors reasonably acceptable by us for the complete build out and/or any leasehold improvements. Franchisee is solely responsible for the selection and work of any contractor selected and/or employed by Franchisee, even if referred by us, and for the preparation of architectural and working drawings necessary to complete construction and/or build out at the approved Center. Franchisee will be provided with plans and specifications (interior and exterior) for the build out of the Center which includes specifications for storage, furnishings, fixtures décor items, shade structures and ground cover (if applicable). Such plans and specifications are subject to alteration as may be necessary in Franchisor's sole discretion and Franchisee must be in full and strict compliance with plans and specifications approved by us. The Center may need additional build out for child and adult restrooms, fire sprinklers, fire alarms and an HVAC system which may entail mechanical, electrical and plumbing costs. Franchisee is responsible for the cost and installation of all build out specifications. Franchisor reserves the right to receive rebates, commissions or other forms of consideration from designated or approved suppliers involved in the construction or fixtures of the Center and to use such rebates, commissions or other consideration in any way Franchisor deems appropriate in Franchisor's sole discretion, without obligation to share or remit any portion of such rebates, commissions or other consideration to Franchisee.

We would expect that a Center would need minimal construction improvements if it is already acceptable as a classroom. Costs may vary widely depending on such factors as property location, the condition of the property and the extent of alterations required for the property. Franchisee shall be responsible for obtaining all zoning classifications, health, sanitation, clearances, permits and certifications which may be required by state or local laws, ordinances (comply with noise ordinances), or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a material default under this Agreement and Franchisor may withhold its authorization to open the Center until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

Franchisee shall construct, furnish and open the Center according to the requirements contained herein, and Franchisee shall open the Center not later than one hundred and eighty (180) days from the Effective Date. Time is of the essence. Prior to opening for business, Franchisee shall comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the Grand Opening Advertising Program), the Operations Manual, and/or elsewhere in writing by Franchisor.

Franchisee shall not open the Center until Franchisor has determined that all construction has been substantially completed, and that such construction conforms to Franchisor's standards including, but not limited, to materials, quality of work, signage, decor, paint, and Franchisor has given Franchisee written approval to open, which approval shall not be unreasonably withheld. Franchisor's approval to open the Center does not constitute a waiver of Franchisor's right to require Franchisee to conform the Center to Franchisor's standards. Franchisor will have access to the premises prior to opening and must approve the Center for opening.

V. Training

Prior to Franchisee's opening of the Business, Franchisee, its Owners if it is an Entity, or Supervisor shall complete to our satisfaction the training program required by this Agreement. At our option, key personnel subsequently employed by Franchisee shall also complete the training program. We may, at our discretion, make available Additional Education, available to the Franchisee and/or Franchisee's designated individual(s) from time to time. If Franchisee or Franchisee's designated individual's management training is discontinued by us, Franchisee shall have thirty (30) days to present an alternative acceptable candidate for management training to Franchisor. If Franchisee's new candidate does not adequately complete the management training, then we shall have the option of terminating this Agreement. We shall provide instructors and training materials for all required training programs; and Franchisee or its employees shall be responsible for all other expenses incurred by Franchisee, its employees, or agents in connection with any training programs, including, without limitation, the cost of transportation, lodging, meals, and wages.

W. Ongoing Training and Support.

The Franchisee will have access to our personnel for questions, ongoing training and support by phone and e-mail. Franchisor will continue to consult with and advise Franchisee through email to answer any questions from Franchisee or its staff (Section XX.A of this Agreement), provide the Manual specifications, supplier, product, marketing and operational updates as they become available; and review

advertising and supplier approval requests. Franchisees are required to attend at least 50% per year of the ongoing training sessions held by Franchisor or send a qualified manager for the training. Training may be offered in person, via email, webinar, skype or videos. Franchisee will be responsible for its and its employees' cost of travel, lodging and meals.

X. On Line System.

The On Line System is available to all franchisees and instructors. It provides many services including: systemization of administrative work; management of business aspects; coverage of various technology; profiles of all involved and students; ordering materials, redemption of prizes and payments.

Y. Minimum Requirements.

(i) You must generate at least $8,000 in royalties per year from the programs, and (ii) retain at least 40 full time active students per month during your term. Both of these start in the 2nd year.

XIII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO INSURANCE

A. Overall Coverage Required

Before Franchisee opens a Business, Franchisee must purchase insurance coverage from a responsible carrier with a performance rating of A or higher as rated in the most recent edition of Best Insurance Reports (or comparable criteria as we may specify) and you must maintain such insurance throughout the duration of the initial term of the Franchise Agreement and any renewal terms. If operating a Center, Franchisee will procure and maintain general comprehensive liability insurance with a minimum policy limit of $1,000,000 per occurrence and $2,000,000 aggregate (this policy should include general tort, premises damage, personal injury, advertising injury and the deletion of the standard "care, custody and control" exclusion with respect to the activities Franchisee and Franchisee's employee or any other person performing work on Franchisee's behalf conducts) or an amount specified by the Franchisor.

Franchisee also will procure and maintain "All Risks" insurance and statutory workers' compensation insurance with limits of greater than $100,000 or the minimum limits required by law.

For any construction, renovation, refurbishment or remodeling of the site, Franchisee must require that the general contractor maintain, with an approved insurer, commercial general liability insurance (with builders risk, product liability and independent contractor's coverage) with limits of no less than $1,000,000 per claim, naming Franchisee and us as additional insured's, as their interests may appear, together with workers' compensation and employer's liability insurance as required by law. It is Franchisee's responsibility to obtain certificates of insurance from the contractor prior to the initiation of any construction.

To the extent available, Franchisor may require Franchisee to obtain professional liability insurance coverage (for a Center), employer's liability, business interruption, crime insurance as well as other disability benefits type insurance as may be required by the statute or rule of each State, with policy limits of $1,000,000 or in the amount Franchisor specifies.

All insurance policies will name Franchisee as certificate holder and Franchisor as an additional named insured with waiver of subrogation by Franchisee for the benefit of Franchisor. Franchisor may

establish minimum standards for coverage to be met by underwriters for insurance. Before beginning operations, Franchisee will obtain any other liability insurance required by law, provide Franchisor with certificates of insurance within ten (10) days of issuance, and maintain all required insurance during the term of this Agreement. Franchisee shall also furnish Franchisor with certificates and endorsements evidencing insurance coverage within ten (10) days after each of the following events (i) at all policy renewal periods, no less often than annually and (ii) at all instances of any change to, addition to or replacement of any insurance. Lapses, alterations, or cancellations require immediate notice to Franchisor and may be deemed a material breach of this Agreement. If Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but shall not be obligated to, pay the premiums or acquire insurance, and bill Franchisee. Franchisee shall reimburse Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure such insurance. Franchisor may change these insurance requirements on reasonable notice to Franchisee.

Franchisee's insurance will cover all claims for injury, damage and death or otherwise, arising directly or indirectly out of the franchised Business.

Franchisee shall notify Franchisor immediately in writing of any event that could materially affect Franchisee or the franchised Business, and no later than the date on which Franchisee notifies its insurance carrier.

Franchisor makes no representation or warranty to Franchisee that the amount of insurance to be carried by Franchisee under the terms of this Agreement is adequate to fully protect Franchisee's interest. If Franchisee believes that the amount of any such insurance is insufficient, Franchisee is encouraged to obtain, at its sole cost and expense, such additional insurance as it may deem desirable or adequate. Franchisee acknowledges that Franchisor shall not, by the fact of approving, disapproving, waiving, accepting, or obtaining any insurance, incur any liability for, or with respect to, the amount of insurance carried, the form or legal sufficiency of such insurance, the solvency of any insurance companies or the payment or defense of any lawsuit in connection with such insurance coverage, and Franchisee hereby expressly assumes full responsibility therefore and all liability, if any, with respect thereto.

Franchisee's compliance with insurance requirements shall not relieve Franchisee of its liability under the indemnity provisions of this Agreement. Obligations to maintain insurance coverage will not be affected by reason of any separate insurance maintained by us, nor will the maintenance of such insurance relieve Franchisee of any obligations under this Agreement.

If operating a Center, Franchisee shall also acquire tenant's liability insurance (if applicable); any other insurance required by the state or locality in which the Center is located and operated, in such amounts as required by statute; and other insurance coverage, as we or the landlord may reasonably require.

XIV. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO ACCOUNTING AND RECORDS

A. Bookkeeping, Accounting and Records

Franchisee acknowledges that the maintenance of accurate financial records and the preparation of financial statements on a timely basis are essential to the efficient operation of the Business. If Franchisee is not qualified to maintain accurate financial records, in our reasonable determination, the Franchisee

agrees to hire a qualified bookkeeper who will maintain the financial records of the Franchisee and who will attend the Business not less than once every two weeks for that purpose.

Franchisee shall maintain during the term of this Agreement, and shall preserve for a minimum of three (3) years, full, complete accurate records of sales, payroll, accounts payable and accounts receivable in accordance with the standard accounting system described by Franchisor in the Operations Manual or otherwise specified in writing. Franchisee will keep its books and records related to this business separate from any other business owned by Franchisee or its principals. Any such separate business will be conducted by a separate entity.

Franchisee will provide Franchisor all hard copy and electronic reports Franchisor prescribes. On or before the 10th and the last day of each month or daily if Franchisor requires. Franchisee will deliver or provide electronic access to business records (Franchisor will have independent access to all information that you store in any computer systems), including an itemized report of Franchisee's Gross Revenue for the prior period on a form Franchisor prescribes, which will include payment for that period or month's fees due, and may include, to the extent that Franchisor requires:

1. Franchisee's payroll records, certification or records of Gross Revenue for the month, week, day or period reported; and/or

2. Copies of any customer invoices and customer contracts with updated location information in any format Franchisor specifies;

3. Copies of all invoices for purchases of Products, supplies, playground equipment (if applicable) and inventory;

4. Copies of all merchant account printouts received from the Franchisee's merchant account banking provider (i.e. records of credit and debit card transactions);

5. Copies of all bank deposits, and bank deposit records made by the Franchisee; and

6. A complete list of all customers, and their addresses and telephone numbers, who have completed, canceled or terminated Service or sought refunds during the preceding month, by the tenth (10th) day of each month.

Franchisee acknowledges and agrees that Franchisor, at all times during and after termination, expiration or cancellation of this Agreement, has the right to access (electronically or otherwise) all Business Records of the Business. Franchisor may use, transfer, copy or analyze such Business Records as Franchisor determines in is sole discretion to be in the best interest of the System. For purposes of this Agreement, "Business Records" means all records, documents, databases and the like (whether in print, electronic or other form), including all names, addresses, phone numbers, email addresses, customer purchase records, vendor records and all other records contained in databases created and maintained by Franchisee pertaining to the operation of the Business, including but not limited to students, employees, vendors and other professionals related to the Business.

Franchisee may be required by us to obtain specified computer hardware and will be required to use specific software, including, without limitation, a license to use our Curriculum and/or Software developed by us, or any of our vendors in accordance with Section XII.I of this Agreement and the

Operations Manual. Franchisee agrees to pay all costs in connection with obtaining, maintaining, upgrading, etc. the hardware and/or any other computer systems and any additional licenses for software applications (upgrades, maintenance and support for the proprietary software will be provided by Franchisor as described in Section XX.I). We have the right to charge a reasonable fee for any additional licenses, modification, maintenance and/or support of proprietary software that we will license to Franchisee and other goods and services that we may furnish to you related to the computer and other systems.

Franchisee will be required to subscribe to our approved vendor for tracking Student Records, sign in and sign out records, including but not limited to invoicing, payroll and accounting. Franchisee may only offer or invoice for published tuition rates as advertising in their brochures. Royalties will be charged on these published rates unless a coupon or discount that was preapproved by corporate is included in the documentation to verify the discount offered. Fees may not be waived without Franchisor approval.

Franchisee will adopt a fiscal year as designated by us and prepare all financial reports in accordance with U.S. generally accepted accounting principles, consistently applied. Franchisee must periodically deliver to Franchisor accounting, tax and other information or copies of documents, as Franchisor requests.

B. Franchisor's Right to Audit

Franchisor or its agents may enter the Franchisee's location to examine or audit Franchisee's Business at any reasonable time without notice. Franchisor will examine, inspect or audit Franchisee's database and Business and Student Records, which records will include, but will not be limited to: payroll records, ledgers, sales reports, timecards, check stubs, bank deposits, bank statements, receipts, sales tax records and returns and other documents. Franchisor will bear the cost of the audit if: (i) there was reasonable cause for such audit and it was not random, (ii) franchisee failed to submit report(s), as required, or (iii) understates Gross Revenue by 2% or more for any reported time period. Such audit cost and any corrections necessary will be billed at $250.00 per hour for Franchisor's staff and include but not be limited to the fees charged for services by professional auditors and attorneys. Interest must be paid at the rate of 1.5% per month for all understated Gross Revenue. Franchisee will immediately pay Franchisor all sums owed. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

In addition to the cost of the audit described above, Franchisee shall reimburse Franchisor for any and all costs and expenses relating to the inspection (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs), and, at Franchisor's discretion, submit audited financial statements prepared, at Franchisee' expense, by an independent certified public accountant satisfactory to Franchisor. If an inspection discloses an understatement in any payment to Franchisor of 4% or more, twice within any two (2) year period, such act or omission shall constitute grounds for immediate termination of this Agreement, as set forth in Section XXIII.C. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

C. Method of Payment

All payments Franchisee makes to Franchisor will be by any method Franchisor specifies, including cash, check, certified check, money order, credit card, automatic pre-authorized payment plan, Internet, or electronic funds transfer (as described in Section X.G of this Agreement). All payments to Franchisor and dollar amounts stated in this agreement are in United States dollars unless otherwise expressed. If a conversion of royalties or other payments from another currency is made, the conversion shall be made as of the date the payment is due, or the date the payment is actually made, whichever is more beneficial to Franchisor. Franchisee is responsible for any fees associated with payment methods other than cash or check.

D. Submission of Financial Statements

Franchisee will provide Franchisor with a copy of Franchisee's annual financial statements including a profit and loss statement and a balance sheet and containing complete notes and disclosures. Such statements will be prepared in accordance with U.S. generally accepted accounting principles, by an independent accountant, and will be delivered to Franchisor within ninety (90) days after Franchisee's fiscal year end.

E. Disclosure of Financial Statements

Franchisee hereby grants permission to release to Franchisee's lenders or prospective lenders, Franchisor's purchasers or prospective franchisees, any financial and operational information relating to Franchisee and/or the Business; however, we have no obligation to do so.

Franchisee also authorizes us to make reasonable inquiries of Franchisee's bank, suppliers and creditors concerning the Business and hereby directs such persons and companies to provide to us such information and copies of documents pertaining to the Business as we may request.

F. Maintenance of Certain Records.

Franchisee will maintain all Student Records including copies of payments and checks received and provide full access by the Franchisor for sign in records in files and online via the approved vendor software.

XV. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO USE OF NAMES AND MARKS

A. Names and Marks are Owned by Franchisor

Franchisor warrants with respect to the proprietary Names and Marks that:

1. Franchisor is the exclusive owner of the Names and Marks to establish franchises in the United States.

2. Franchisor is taking and will take such steps as are reasonably necessary to preserve and protect the ownership and validity of such Names and Marks; and

3. Franchisee acknowledges that there may be third-party pre-existing users or applicants/registrants of trademarks, trade names, or business names similar to the Marks.

Franchisor and Franchisee shall investigate such use, applications, or registrations, if any, and Franchisor shall in its sole discretion decide on the appropriate action to be taken. Any unsuccessful challenge made by Franchisor shall not constitute a ground for the termination of this Agreement. In the event Franchisor determines in its sole judgment that challenging any such third party's use of the Marks will not likely be successful, or would not be economically feasible to achieve, or if Franchisee shall be required to cease using the Marks (or any of them) by court order, or as a result of any settlement of any such trademark claim by a prior registrant or any pre-existing user, or any other such trademark claim, or if Franchisor shall deem it necessary or appropriate to change the name of the Franchise in order to mitigate any potential exposure or damages arising under any trademark claim, Franchisee shall promptly change the name of its Franchise, and thereafter utilize an alternative name established by Franchisor. Franchisor shall not otherwise be liable for any losses or any consequential damages, incidental damage, exemplary damages, special damages, including lost future profits, resulting from or arising out of any trademark service mark, and/or unfair competition claim(s). The Franchisor shall have no obligation to reimburse the Franchisee for any costs, causes of action, damages, demands, expenses, fines, liabilities, or penalties, arising out of such a trademark, service mark, logo or trade name change.

4. Franchisor will use and permit Franchisee and other franchisees to use the Marks in compliance with the System and standards attendant thereto and contained in the Operating Manual as well as the Franchisor's policy statements, which underlie the goodwill associated with and symbolized by the Marks.

B. Franchisee is Licensed to Use Names and Marks

With respect to Franchisee's franchised use of Global Art Names and Marks pursuant to this Agreement, Franchisee agrees that:

1. Franchisee shall use only the Names and Marks as are approved in writing by Franchisor for Franchisee's use, and shall use them only in the manner authorized and permitted by Franchisor and that in any use whatsoever of the Names and Marks of Franchisor that the Names and Marks are identified as being registered to or owned by Franchisor;

2. Franchisee shall use the Names and Marks only in connection with the operation of the Business and in advertising for the Business conducted at or from the Franchisee website and accepted Business location;

3. Franchisee shall use and display, as Franchisor may require in the operation of the Business, a notice in the form approved by Franchisor indicating that Franchisee is a "Franchise" of Global Art and that the Names and Marks are used by Franchisee under such Franchise. Franchisee must indicate to third parties that it is "independently owned and operated" and that Franchisor owns the Marks and Franchisee uses them under a license;

4. Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Business under the Name and Mark "Global Art;"

5. Franchisee's right to use the Names and Marks is limited to such usages as are authorized under this Agreement, and any unauthorized use shall constitute an infringement of Franchisor's rights and material breach of this Agreement;

6. Franchisee must obtain Franchisor's approval for any use of any item of printed material of any kind bearing any of the Marks unless Franchisor supplied the item. Franchisor shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied. Franchisee shall use such notices of Trademark registrations and copyrights as Franchisor specifies;

7. Franchisee shall not use the Names and Marks to incur any obligations or indebtedness on behalf of Franchisor;

8. Franchisee shall not use the Names and Marks or any part thereof as part of its corporate or other legal name;

9. Franchisee shall not use the Names and Marks or any part thereof in any form on the Internet or any Website including but not limited to, addresses, domain names, URL's, links, metatags, locators and search techniques;

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

11. In the event any litigation involving Names and Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and shall cooperate fully with Franchisor in defending such litigation. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the sole opinion of Franchisor, reasonably are necessary or advisable to protect and maintain the interests of Franchisor or any other interested party in the Marks. Other than what is stated in this Agreement, Franchisor is not obligated to protect Franchisee's right to use the Trademarks or protect Franchisee against claims of infringement or unfair competition with respect to them and may direct Franchisee not to use the Trademark or to change the trademarks at Franchisee's expense. The Franchisor will control any and all such litigation, arbitration, and mediation involving the Franchisor's trademarks. The Franchisee has no authority to institute any litigation, file and arbitration, or institute any request for mediation regarding the Franchisor's trademarks, nor does the Franchisee have any authority to enter into any settlement negotiations. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

12. During the term of this Agreement and any renewal, Franchisee shall identify itself as the owner of the Business in conjunction with any use of the Names and Marks, including, but not limited to, on invoices, order forms, receipts, and contracts, as well as at such

conspicuous locations on the premises as may designate in writing. The form and content of such identification shall comply with standards set forth in the Operations Manual; and

13. Franchisee further agrees to follow all of the Franchisor's quality standards that are inherent in the Names and Marks. Such quality standards are contained in the Operations Manual, as well as various policy statements issued by the Franchisor, and may be changed from time to time at the Franchisor's sole discretion.

C. Franchisee Will Not Challenge Franchisor's Rights in Its Use of Names and Marks

Franchisee expressly understands and acknowledges that:

1. As between the parties hereto, Franchisor is the owner of all right, title, and interest in and to the Names and Marks and the goodwill associated with and symbolized by them;

2. The Names and Marks are valid and serve to identify the Franchisor System and those who are franchised under the System;

3. Franchisee shall not directly or indirectly contest the validity or the ownership of the Names and Marks;

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

5. Any goodwill arising from Franchisee's use of the Names and Marks in its Business under the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Names and Marks;

6. Franchisor reserves the right to substitute different Names and Marks for use in identifying the System, the Business and other franchised businesses operating there under;

7. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute or add Names and Marks. Franchisor cannot and does not make any guaranty that a modification, discontinuance or otherwise will not be required for any reason. In such event, Franchisor has no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding the Names and Marks. There is always a possibility that there might be one or more businesses using a name and/or marks similar to Franchisor with superior rights;

8. Franchisee hereby agrees not to register or attempt to register Names and Marks in Franchisee's name or that of any other firm, person or corporation;

9. The right and license of the Names and Marks granted to Franchisee is nonexclusive, and thus has and retains the rights, among others:

a. To use the Names and itself in connection with offering and selling Services and Products;

b. To use the Names and Marks to market on the Internet, including all use of Websites, domain names, URL's, linking, advertising and co-branding arrangements. Franchisee may not establish a presence on the Internet except as Franchisor may specify and only with Franchisor's prior written consent. Franchisor retains the right to approve any linking to or other use of Business website or any other website specific to our Software;

c. To grant other franchises or licenses for the Names and Marks, in addition to those already granted to existing franchisees; and

d. To develop and establish other systems using similar Names and Marks, or any other proprietary marks that do not directly compete with Franchise, and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.

9. Franchisee understands and acknowledges that Franchisor has the unrestricted right to engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of Products and/or Software bearing the Names and Marks licensed or other names or marks, including without limitation, products included as part of the Global Art & Creative USA, LLC System.

D. Ownership of Intellectual Property

Franchisee acknowledges that we are the exclusive owner of the Intellectual Property, the Marks, all intellectual property associated with the Marks and the System, all Instructors, employees, customer lists, customer phone listings/addresses/URLs and email addresses held by Franchisee. Franchisee agrees that Franchisee will not use these lists for any purpose other than in relation to the Franchised Business. Franchisee will, on demand, promptly deliver to us a complete list of Franchisee's customers and employees including information we may request related to such customers and employees. The use of any or all of such intellectual property shall not create in Franchisee or its Owners if it is an Entity, title or interest in or to any of it except as expressly provided in this Agreement. Neither Franchisee, nor any of its Owners shall directly or indirectly assert any right, title or interest in or to any of the Marks or any other part of the Intellectual Property other than as provided for in this Agreement.

XVI. SPECIFIC OBLIGATIONS OF THE FRANCHISEE RELATING TO CONFIDENTIALITY OF PROPRIETARY INFORMATION

A. Franchisee Will Learn Proprietary Matters

Franchisee acknowledges that it will obtain knowledge of proprietary matters, techniques and business procedures of Franchisor that are necessary and essential to the operation of the Franchise, without which Franchisee could not effectively and efficiently operate such business, including, without limitation, knowledge regarding the System, educational and developmental learning programs, Curriculum, software,

teaching notes, teaching tools, workbooks and worksheets, student folders and learning materials, music, software, operational procedures, business strategies, build-out specifications, design, décor and signage; procedures for safety and quality control; marketing materials, sales techniques and operations of the Business and the Operations Manual. Franchisee further acknowledges that all Confidential Information was not known to Franchisee prior to execution of this Agreement and that the methods of Franchisor are unique and novel to the System. Franchisee acknowledges that Confidential Information shall also include:

1. Entities, which are, have been or become Franchisees of the System and any investors therein;

2. Entities, which are, have been or become customers of Business;

3. The terms of and negotiations relating to past or current Franchise Agreements with respect to the System;

4. The operating procedures of the System, including without limitation: teaching techniques, methods and strategies; program schedules, safety and security procedures, customer service guidelines, hiring and employee retention, pricing guidelines, using and maintaining the computer hardware, Curriculum and Software; website maintenance, management, bookkeeping and accounting systems and procedures, advertising, promotional and marketing methods, standards for hiring staff, training procedures, the manufacturers and lists of vendors and suppliers;

5. The economic and financial characteristics of the System and Franchisees, including without limitation: pricing policies, profitability, earnings and losses and capital and debt structures;

6. The Services and Products offered to customers of a Franchised Businesses, including, without limitation, the scope of services performed and services refused; and

7. All documentation of the information listed in Sections XVI.A.1 through XVI.A.7 including, without limitation, our training program and Operations Manual. During the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement, Franchisee agrees not to divulge, directly or indirectly, any Confidential Information, without the prior written consent of Franchisor. Nothing contained herein shall be construed so as to require Franchisee to divulge any secret processes, techniques, formulas, or the like.

B. Franchisee's Employees Will Not Disclose Confidential Information

Franchisee must keep the Methods of Operations (confidential information found in the Manuals and other documents) and Manuals confidential and not disclose them except to Franchisee's employees, agents and representatives, as they must have access to it in order to operate a Business. Franchisee must follow all Franchisor's security procedures, which include the execution and delivery to Franchisor of approved nondisclosure or non-competition agreements from each such employee, agent or representative within one week after they are hired. These agreements state that such person shall not during the course of his/her employment, representation, or agency with Franchisee, or for a period of three (3) years

thereafter, use, divulge, disclose or communicate, directly or indirectly, in any form or manner, to any person, firm or corporation or other Entity, any of the Confidential Information of Franchisor.

The Manuals are, and remain, the exclusive property of the Franchisor. Franchisor will loan Franchisee one copy (hard or electronic) for the term of this Agreement. Franchisee must return the Manuals (and/or destroy any electronic versions of the Manual) to Franchisor at the termination or expiration of this Agreement for any reason, or at any other time at Franchisor's request. The Manuals contain mandatory and suggested specifications for the Business, standards and operating procedures and further define Franchisee's other obligations under this Agreement. Franchisor may change or add to the Manuals to reflect changes in its image, specifications, and procedures and Methods of Operation, and will lend Franchisee copies of any changes or additions. However, Franchisor will not make by change that will change Franchisee's fundamental status and rights under this Agreement. Franchisee cannot copy any part of the Manuals (except for designated training sections), either physically or electronically. If Franchisee's copy or the Manuals are lost, destroyed or significantly damaged, Franchisee must replace the Manual at its own expense as set forth in Section XX.F.

C. Relationship with Former Franchisees

Franchisee acknowledges that former franchisees (those whose franchise agreements have expired or have been terminated) are in a position to compete unfairly with Franchisee and/or other members of the System and to cause great injury to the reputation of the System and the Names and Marks. Franchisee therefore agrees as follows:

1. Franchisee will not sell, loan, give or otherwise transfer or deliver to any former franchisees, or allow any former franchisees to copy or otherwise obtain, any Confidential Information; any advertising or promotional materials produced by Franchisor or which bear any of Franchisor's Names and Marks; any other materials or publications of Franchisor, including, without limitation, the Operations Manual; any directory or roster of franchisees or approved vendors and suppliers, any other customer lists or mailing lists pertaining in any way to the System; or any other information about the System, business or Confidential Information which is not available to the public.

2. Franchisee will not refer prospective customers to any former franchisee.

3. Franchisee will not notify or advise any former franchisee of, or in any other way assist any former franchisee in learning about, the date, time and place of any meetings of franchisees.

4. If Franchisee observes any former franchisee using any of the Names and Marks in any way, or utilizing a business facility for which the Names and Marks and/or distinctive color scheme have not been completely obliterated, Franchisee shall immediately report such observations to Franchisor along with all details available to Franchisee.

5. Franchisee shall in general have no dealings with former franchisees which Franchisee, under this Agreement.

6. The provisions of this Section XVI.C shall apply to Franchisee as soon as Franchisee is on notice of the expiration or termination of another franchise agreement. Franchisee shall be deemed to be on such notice when:

   i. Franchisee receives a new franchisee directory in which such franchise does not appear; or

   ii. Franchise receives written notice from Franchisor that one or more particular franchise agreements have expired or been terminated.

D. Injunctive Relief is Available to Franchisor

Franchisee acknowledges that any failure to comply with the requirements of this Section XVI will cause Franchisor irreparable injury, and Franchisor shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements; Franchisee waives any requirements for the posting of any bond(s) relating thereto. Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against, violation of requirements of this Section XVI. The foregoing remedies shall be in addition to any other legal or equitable remedies, which Franchisor may have.

E. Franchisor's Patent Rights and Copyrights

Franchisor does not own rights in or to any patents that are material to the Franchise at this time. However, Franchisor claims copyright protection for the Software, Operations Manual and all teaching notes, workbooks, worksheets, student folders and learning materials; music, marketing, sales, and operations literature. Furthermore, Franchisor claims rights to certain trade secrets and Confidential Information as discussed above.

F. Franchisee Shall Not Contest Franchisor's Ownership Right to Any Confidential Information, Trade Secrets, Patents or Copyrights

Franchisee expressly understands and acknowledges that:

1. The Franchisor's Confidential Information, trade secrets, copyrights, and patent rights are valid;

2. Franchisee shall not directly or indirectly contest the validity or the ownership of the Franchisor's confidential information, trade secrets, copyrights, and patents;

3. Franchisee's use of the Franchisor's Confidential Information, trade secrets, copyrights, and patents does not give Franchisee any ownership interest or other interest in or to the Names and Marks, except the non-exclusive Franchise granted herein;

4. Any goodwill arising from Franchisee's use of the Confidential Information, trade secrets, copyrights, and patents in its Business under the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any licensed confidential information, trade secrets, copyrights, and patents;

5. Franchisor reserves the right to substitute different Confidential Information, trade secrets, copyrights, and patents for use in operating and maintaining the System;

6. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute or add any new Confidential Information, trade secrets, copyrights and patents. Franchisor cannot and does not make any guaranty that a modification, discontinuance or otherwise will not be required for any reason. In such event, Franchisor has no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding any licensed Confidential Information, trade secrets, copyrights, and patents;

7. Franchisee hereby agrees not to register or attempt to register any copyrights or patents in Franchisee's name or that of any other firm, person or corporation;

8. The right and license of the Confidential Information, trade secrets, copyrights, and patents granted to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others:

   a. To use the trade secrets, Confidential Information, patents, and copyrights and itself in connection with offering Services and Products;

   b. To use the trade secrets, Confidential Information, copyrights, and patents to market on the Internet, including all use of Websites, domain names, URL's, linking, advertising and co-branding arrangements;

   c. To grant other licenses for the trade secrets, Confidential Information, copyrights, and patents, in addition to those licenses already granted to existing franchisees; and

   d. To develop and establish other systems using similar trade secrets, Confidential Information, patents, and copyrights, and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.

9. Franchisee understands and acknowledges that Franchisor has the unrestricted right to engage, directly or indirectly, through its or their employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of products bearing the trade secrets, Confidential Information, patents, and copyrights licensed, including without limitation, products included as part of the System.

XVII. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO TAXES, PERMITS AND LAWSUITS

A. Franchisee Must Notify Franchisor of Lawsuits

Franchisee shall notify Franchisor in writing within five (5) days of notice of the commencement of any action, suit, or proceeding against Franchisee, and of the issuance of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which arises

out of, concerns, or may affect the operation or financial condition of the Business, including, without limitation, any criminal action or other proceedings brought by Franchisee against its employees, contractors, customers or other persons. The Franchisee shall give advance written notice of Franchisee's intent to institute legal action against us, specifying the basis for such proposed action, and shall grant us thirty (30) days from receipt of said notice to cure the alleged act upon which such legal action is to be based.

B. Franchisee Must Pay Taxes Promptly

Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of any kind incurred by Franchisee in the conduct of the Business. Franchisee shall pay Franchisor an amount equal to any sales tax, gross receipts tax or similar tax imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless tax is credited against income tax otherwise payable by Franchisor.

C. Franchisee May Contest Tax Assessments

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the premises of the Business, or any improvements thereon.

XVIII. **SPECIFIC OBLIGATION OF FRANCHISEE RELATING TO INDEMNIFICATION**

Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name or the name of any of Franchisor's officers, directors, shareholders and employees. Franchisee further understands and agrees that Franchisor, and its officers, directors, shareholders and employees, shall in no event assume liability for, or be deemed liable as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Business or any claim or judgment arising there from against Franchisee.

For the purposes of this indemnification, the terms "claim, loss or obligation" will include compensatory, exemplary or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing claims, losses or obligations.

Franchisee shall indemnify and hold Franchisor and Franchisor's officers, directors, shareholders and employees harmless against all fines, suits, proceedings, claims (including but not limited to, any safety and security claims, claims of injury, child abuse or endangerment, death, vicarious or other liability), demands, actions, losses, damages, costs, expenses, fees (including legal fees, disbursements and related expenses), penalties and/or any other liability of any kind or nature, however arising, growing out of or otherwise connected with and/or related to any act, error and/or omission of yours (including your ownership, operation and/or management of your Business) and/or any referral, service provider, supplier or other agent/independent contractor or employee of yours including acts, errors or omissions committed or incurred, negligent or intentional acts in connection with Franchisee's operation of the Business and

infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information. This provision includes all claims as indicated above, of Franchisor, directly against Franchisee (without a third-party involvement) due to acts or omissions of Franchisee in which Franchisor suffers damages including but not limited to, harm to its goodwill and reputation.

Franchisor will have the right to control all litigation, including selection and management of counsel, and defend and/or settle any claim, against and/or including us and/or the Franchisor-related persons/entities, or affecting our and/or their interests with no obligation to you and without affecting our rights under this indemnity or otherwise. Franchisee may appoint separate independent counsel to represent Franchisee's interest in such suits, proceedings, claims, etc., all at Franchisee's expense. Franchisee's indemnification obligations survive this Agreement.

XIX. MISCELLANEOUS COVENANTS OF FRANCHISEE

A. Covenants are Independent

The parties agree that each covenant herein shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Agreement is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this Agreement.

B. Franchisee's Principles

The term "Franchisee's Principles" shall include, collectively and individually, Franchisee's spouse, if Franchisee is an individual, all managing partners, general partners, members, managers, shareholders, officers, directors and other operational personnel whom we designate as Franchisee's Principles and all holders of an ownership interest in any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The initial Franchisee's Principles shall be listed on Schedule 7 of this Agreement.

C. Franchisee Will Not Compete Against Franchisor

Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, access to educational and developmental programs or curriculum, Software, teaching methods and techniques, learning materials, music, computer software, customer service standards, operational procedures, playground equipment specifications (if applicable), vendors and suppliers, hiring and training employees, employee retention programs, product specifications, safety and security measures, pricing guidelines, marketing and sales techniques, promotional, advertising and marketing methods of Franchisor and the System. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, employ or seek to employ any person who is at that time employed by us or by any other Franchisee or affiliate of ours, or otherwise directly or indirectly induce such person to leave his or her employment.

Franchisee covenants that, except as otherwise approved in writing by us, Franchisee shall not, during the term of this Agreement and for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for three (3) years thereafter, either directly or indirectly for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, maintain, operate, engage in, be employed by, or have any interest in any business featuring the overall Business concept with similar decor or similar services of a the Franchisor's business (or any other type of business that conducts educational and/or developmental programs for children whether in a classroom setting or computer based) or mobile, within a twenty-five (25) mile radius of the business location designated hereunder, and within a twenty-five (25) mile radius of any other Franchisee or company-owned business in existence or planned as of the time of termination or expiration of this Agreement, as identified in the Franchise Disclosure Document in effect as of the date of expiration or termination of this Agreement.

The unenforceability of all or part of this covenant not to compete in any jurisdiction will not affect the enforceability of this covenant not to compete in other jurisdictions, or the enforceability of the remainder of this Agreement. This covenant not to compete is given in part in specific consideration for access to trade secrets provided as a part of Franchisor's training or ongoing support programs. In any jurisdiction in which the covenant contained in this Section XIX or any part of it is not enforceable in whole or in part in Franchisor's judgment, Franchisee hereby grants Franchisor an option to purchase Franchisee's business on expiration or termination of this Agreement. Franchisor will exercise this option by giving thirty (30) days' written notice to Franchisee (Sections XXII.C and XXII.E). On termination or expiration, Franchisee will deliver to Franchisor a list of these assets (as described in Section XXIV.F) and their cost as well as receipts evidencing their cost. Value of the assets shall be based on the higher of fair market value or such cost and shall be the purchase price provided no payment for any goodwill is required. The parties will choose an independent appraiser if they cannot agree. Franchisee must relinquish possession on receipt of payment, but no later than ninety (90) days after expiration or termination. Franchisee's other post termination obligations under this Agreement and by law remain in effect on termination or expiration of this Agreement.

D. Exception to Covenant Not to Compete

Section XIX.B. Hereof shall not apply to ownership by Franchisee of less than a 5% beneficial interest in the outstanding equity securities of any Publicly-Held Corporation. As used in this Agreement the term "publicly-held corporation" shall be deemed to refer to a corporation which has securities that has been registered under the Federal Securities Exchange Act of 1934.

E. Franchisee Will Not Divert Business

During the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement, Franchisee covenants that it will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

1. Solicit, service, sell or attempt to divert business directly or indirectly to any competitor by direct or indirect inducement or otherwise, or any customers of its Business or any other Franchisee including Franchisor owned businesses with which or with whom Franchisee has had contact during the term of this Agreement to any competitor by direct or indirect inducement or otherwise; or

2. Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Names and Marks or the System or both; or

3. Induce, directly or indirectly, any person who is at that time employed by Franchisor or by any other Franchisee of Franchisor, to leave his or her employment; or

4. Franchisee may not be involved or operate any other educational, learning business, including but not limited to, home day care.

F. Franchisor Is Entitled to Injunctive Relief

In addition to any and all other remedies and damages to which it is entitled, in order to protect its Trademarks, Services and Products, Confidential Information, programs, methods of operation, proprietary materials and rights, and goodwill, Franchisor may seek a permanent injunction and the preliminary or temporary equitable relief Franchisor deems necessary, to restrain the violation of this Agreement by Franchisee or any persons, parties, and entities acting for Franchisee. Franchisee agrees that Franchisor may obtain the injunctive relief and enter it in any court or arbitration forum that Franchisor deems appropriate.

In recognition of the difficulty in determining on an expedited basis the value of, and the necessity of Franchisor to avoid irreparable harm and to protect, Franchisor's Names and Marks, Services and Products, Confidential Information, programs, methods of operation, copyrighted materials, patents, trade secrets, proprietary materials and rights, and goodwill, Franchisee waives, to the extent permitted by law, the right to interpose the defense that Franchisor has an adequate remedy at law. Franchisee further waives any requirement that Franchisor post a bond or other security, to the extent permitted by law.

G. Covenants Are Enforceable Independent of Claims

Franchisee expressly agrees that the existence of any claim it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants of this Section XIX. Franchisee further agrees that Franchisor shall be entitled to set off any amounts owed by Franchisor to Franchisee against any loss or damage to Franchisor resulting from Franchisee's breach of this Section XIX.

H. No Right of Set-Off

Franchisee expressly agrees that the existence of any claims it may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section XIX and there shall be no set off for your claim. Franchisee agrees to pay all damages, costs and expenses (including reasonable attorney's fees) incurred by us in connection with the enforcement of this Section XIX.

I. Disclosure of Contact Information in FDD

You must provide specific contact information which will be included in our Franchise Disclosure Document in the future, as required by California and other state agencies and the Federal Trade Commission.

XX. **OBLIGATIONS OF THE FRANCHISOR: SUPERVISION, ASSISTANCE**

OR SERVICES

The Franchisor shall provide the Franchisee with the following assistance and services:

A. The Training Program

Franchisor will provide the initial training program at its headquarters or another location of its choice. Initial training will take place after Franchisee pays the initial Franchisee fee and training fee and Deposit, but before Franchisee opens the franchised business. Either the Franchisee or Instructor can be trained for that fee. Thereafter Franchisee must pay the training fee of $2,700 for a 2nd person to be trained. Any other person who Franchisee wants to have trained, shall be trained no later than sixty (60) days before the date the Franchisee anticipates opening the Business. Franchisee will, however, be responsible for travel, accommodation and other costs for all its attendees. Franchisee must attend and satisfactorily complete training within sixty (60) days before the date the Franchisee anticipates opening the Business. If Franchisee fails to timely complete the initial training program to Franchisor's satisfaction, Franchisor may terminate this Agreement as described in Section XXIII.C.

Franchisor may reasonably require Franchisee, its Owners or Supervisors to receive or attend and complete to Franchisor's satisfaction additional or advanced training from time to time. Franchisee may be required to pay for such training at Franchisor's actual cost of up to $300 per person per day and our expenses. Franchisee must also pay travel, food, and accommodations and all other related expenses. Franchisor will attempt to use distance learning techniques where possible, to minimize these costs.

Depending on availability, Franchisor may provide additional training to Franchisee for Franchisee's Owners and/or Supervisor at Franchisee's request. Franchisee may be required to pay Franchisor the charges that Franchisor reasonably determines. Franchisee will be responsible for travel, room and board and other expenses of trainees.

Franchisee shall give Franchisor not less than thirty (30) days' notice of when Franchisee is available for training. Training dates must be mutually agreed upon by Franchisee and Franchisor.

Franchisor shall also offer additional training resources to the Franchisee to be determined by Franchisor, for the operation, advertising and promotion of the Business including refresher training programs, seminars, workshops, annual conference and information available through the franchise online system for the benefit of the Franchisee and the Franchisee's employees. Franchisor may charge a reasonable fee for additional training if deemed appropriate not to exceed $300 per day per person plus our expenses. Any and all traveling, living and other expenses incurred by the Franchisee or Franchisee's representatives or employees attending Franchisor's training shall be paid by Franchisee.

(i.) The Franchisor may conduct an annual conference at such place as shall be designated by it for all Franchisees but initially will most likely be the Franchisor's headquarters. A registration fee for each participant may be required not to exceed $1,000 per person and our expenses and Franchisee will be responsible for costs associated with attending the conference such as travel, room and board. We reserve the right to increase the fee a reasonable amount based on reasonable criteria.

As part of the initial training program, Franchisor will provide Franchisee with the educational and

developmental programs or curriculum, teaching methods and techniques, teaching schedules, hiring guidelines and standards, safety procedures, product knowledge, sales and merchandising, suggested pricing for Services and Products in addition to Franchisor's proprietary Curriculum.as described in Section XX.I that has been developed by us (or our affiliates) and is required in the operation of each Business. Franchisor reserves the right, in its sole discretion, to add, modify and change such educational and developmental programs or Curriculum from time to time. Franchisee will be responsible for all costs associated with the administration of such programs.

Franchisor will provide guidance in the operation of Franchisee's Business. This guidance can be furnished in whatever manner we consider appropriate in our Business Judgment, including electronically via an Internet portal, free of charge, to answer questions from you and your staff (during regular business hours Pacific Time zone). Guidance may also be furnished in writing, telephonically, through training programs and/or on-site consultations, web-based computer training, among other methods. On site consultations are subject to additional training fees (as mentioned above) in addition to any and all traveling, living and/or other expenses incurred by the Franchisor and shall be paid by Franchisee.

Franchisor may provide newsletters, bulletins, brochures, manuals and reports, if any, as may from time to time be published by or on behalf our regarding its plans, policies, developments and activities. In addition, we will provide such communication concerning new educational and developmental programs or curriculum, industry developments, teaching methods and techniques, operating procedures, marketing and advertising and improvements to management that we feel are relevant to the operation of the Business.

In addition, Franchisor shall provide guidance for establishing a standardized accounting, bookkeeping, cost management and student tracking control system.

Franchisor will provide support through email or the online system to answer any questions from Franchisee or its staff (during regular business hours, Pacific Time zone). Franchisee will be able to send us questions and suggestions using Internet email as described above. Franchisor will consult with Franchisee at no additional charge regarding policies, sales, marketing and operational issues.

All obligations of Franchisor under this Agreement shall benefit only the Franchisee, and no other party is entitled to rely on, enforce, benefit from or obtain relief for breach of such obligations, either directly or by subrogation.

B. Web Page

Franchisor will provide to Franchisee a URL (referred to as "web page") housed within the corporate web site that may include interactive functionality and portals online for additional training, advertising, operational and support materials. The Franchisee agrees that the Franchisor owns all copyright, trademark, domain name, and other intellectual property rights to the Web Page, URL, and domain name, in all media, whether now known or hereinafter invented, including complete and entire interactive rights, and rights to derivative works. Franchisee may customize parts of the web page; however, the look is to remain consistent as specified in the Operations Manual. Any customization done by the Franchisee shall constitute a work for hire, and the Franchisor shall own all copyright, trademark, domain name, and other intellectual property rights to the customizations in all media whether now known or hereinafter invented, including complete and entire interactive rights and rights to derivative works. In the event that a court of competent jurisdictions holds that such customizations are not works for hire, then the Franchisee agrees to assign all copyright, trademark, domain name, URL, Websites and other intellectual

property rights to the Franchisor. The Franchisee agrees to execute all documents deemed necessary by the Franchisor to carry out such assignment. Franchisee agrees and acknowledges that maintenance and any changes, edits or updates to the web page and/or any Websitepromotions over the Internet must be performed by Franchisor, its affiliates and/or approved vendors. Upon approval of Franchisee request, which must be submitted in writing, Franchisee is responsible for the cost of such changes as described in Section X.I of this Agreement.

C. Site Selection and Selecting Locations

If Franchisee opens a Center, Franchisee has the responsibility for selecting a site for the Center. The Franchisor will review and approve or disapprove the location of the Center and will not unreasonably withhold its approval. Franchisor shall have the right, but not the obligation, to inspect the Center prior to opening.

The Franchisor does not represent that Franchisor has any special expertise in selecting sites. Franchisor approval of a site is not a representation or warranty that Business will be profitable or that Franchisee's sales will attain any predetermined levels. Approval is intended only to indicate that the proposed site meets our minimum criteria for identifying sites. Franchisee agrees that Franchisor approval or disapproval of a proposed site does not impose any liability on Franchisor.

When Franchisee is selecting a site for the Center, Franchisor will provide guidance to Franchisee in Franchisee's efforts in notifying its state's child education or child care agency (if applicable) of Franchisee's proposed Center, obtaining all licenses, permits and approvals required by governmental agencies to construct and operate the Center. Ultimately, however it is Franchisee's responsibility and obligation to obtain and maintain all such licenses, permits and approvals and all out of pocket costs associated with obtaining and maintaining such licenses, permits and approvals as described in Section XII.C of this Agreement.

The factors Franchisor considers when selecting locations include general location, foot traffic, convenience, hours of operation, parking availability and layout of facility. Typical locations include schools (public and private), colleges and universities, libraries, community centers and other such venues. It is not required that Franchisee seeks Franchisor's assistance when selecting locations or negotiating payment for such locations (if applicable), however Franchisor is available to help Franchisee to evaluate each proposed location on a case-by-case basis.

Franchisor does not represent that it has any special expertise in selecting locations or negotiating payment arrangements. Franchisor's approval of a location and/or payment arrangement is not a representation or warranty the Business will be profitable or that Franchisee's sales will attain any predetermined levels. Approval is intended only to indicate that the proposed location meets Franchisor's minimum criteria for identifying locations and terms of payment is fair based on Franchisor's experience. Franchisee agrees that if Franchisor disapproves of a proposed location or payment, it is ultimately the Franchisee's decision to move forward and it does not impose any liability on the Franchisor.

D. Center Layout and Design

If Franchisee opens a Center and Franchisee chooses to lease a space in an existing building, the Franchisor may assist the Franchisee in the review of the layout and design of the Center prior to the Franchisee signing a lease. The costs of leasehold improvements, signs, equipment furniture and fixtures

for finishing out the Center are the responsibility of the Franchisee. The Franchisee is responsible for all lease negotiations.

Franchisor shall provide ideas and suggestions, at no charge to Franchisee, and will advise Franchisee with regards to prototype architectural plans, floor plans and mandatory specifications for the construction of a Center which includes the exterior and interior design and layout. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities). Franchisor will provide guidance to Franchisee who must adhere to all local zoning ordinances, regulations, and fire, health and building codes. Compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the Center location, subject to Franchisor's approval, as provided in Section XII.U of this Agreement, which will not be unreasonably withheld, provided that such plans and specifications conform to Franchisor's general criteria. The Franchisor will offer advice but is not required to attend any zoning or city council meetings, or issue engineering advice. This is not within the scope of the Franchise agreement. In the event the Franchisee requests the Franchisor to perform any work such as paint murals, decorate or physically design the center, additional charges will apply for the labor and materials.

Franchisee understands and acknowledges that Franchisor has the right to modify the prototype architectural plans and specifications as Franchisor deems appropriate, periodically (however Franchisor will not modify the prototype architectural plans and specifications for the Center developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee).

E. Hiring Standards for Instructors and Employees

Franchisor will provide Franchisee with recommended qualification processes and hiring guidelines for hiring Instructors (defined in Section XII.F of this Agreement) and employees for the Business. Such recommendations and suggestions will be covered in the initial training program and are specified in the Operations Manual. Franchisee understands that such recommendations and guidelines will be updated and may change periodically at Franchisor's discretion. Franchisee can negotiate any wage for Instructors and employees. Franchisor will provide suggestions, offer guidance and recommendations for Instructor and employee wages. Franchisee will be provided with a recommended wage or rate schedule and may elect to use these wages or rates as a guide when negotiating with Instructors and/or employees. Franchisee acknowledges that we have made no guarantee or warranty that using these recommended wages or rates will enhance Franchisee's sales or profits. Wage or rate negotiation with Instructors and employees are the sole responsibility of the Franchisee.

Failure of Franchisee to hire and screen Instructors and employees to teach the Curriculum and supervise children according to our standards (as described in Section XII.J of this Agreement) will be considered a breach of this Agreement and Franchisor may terminate, in its sole discretion the Agreement, except where the Franchisee has reasonable cause not to hire (Section XXIII.C of this Agreement). Under no circumstances shall Franchisee not hire any Instructors at all.

F. No Warranties Other Than in Writing

With respect to the Products and Supplies provided by us or our affiliates and/or any person/company referred/approved by us or our affiliates, other than specific written warranties expressly provided in connection with such items, such items are provided without any warranties, express or implied, the warranties of merchantability.

Franchisor is not liable for any guarantee or warranty that Franchisee, any Owners managers or employees make to a customer or third party. Franchisee will fully comply with any Franchisor customer service program. Franchisee will not misrepresent or omit or fail to state any warranty or guarantee if such program is implemented.

G. Operations Manuals

Franchisor will continue its efforts to improve on the Methods of Operations. Franchisor will lend Franchisee the confidential Operations Manual for the initial Franchisee training session and if Franchisee satisfactorily completes training, for the term of this Agreement. If the copy of r the Operations Manual loaned to you is lost, stolen or destroyed before Franchisee returns it to Franchisor, Franchisee must replace the Operations Manual at its own expense.

Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

The Operations Manual, written directives, other manuals and materials, and any other confidential communications provided or approved by us, shall at all times remain the sole property of Franchisor and shall at all times be kept and maintained in a secure place on the Franchisee's Business premises.

Franchisor may from time to time revise the contents of the Operation Manual and the contents of any other manuals and materials created or approved for use in the operation of the Business, and Franchisee expressly agrees that each new or changed standard shall be deemed effective upon receipt by Franchisee or as specified in such standard.

Franchisee shall at all times ensure that its copy of the Operation Manual is kept current and up-to-date; and, in the event of any dispute as to the contents of the Operation Manuals, the master copy of the Operation Manual maintained by us at our corporate offices shall be controlling.

Any suggestions the Franchisee may have concerning the improvement of the online system, Products and Services, teaching methods and/or techniques, are encouraged and shall be considered by us when adopting or modifying the standards, specifications and procedures for the System.

H. Selecting Vendors

Franchisor shall provide Franchisee a list of approved vendors that may include or be limited to us or our affiliates for Products and Supplies. Some items may be purchased through local retail stores. Franchisee may submit in writing alternate vendors or suppliers to Franchisor for approval as described in Section XII of this Agreement.

I. Access to Curriculum

Franchisor will provide Franchisee with access to a Curriculum package. If Franchisee operates a Center, Franchisor will provide access to the Curriculum package specific to Franchisee's Center.

Franchisor will continue to modify, develop and enhance the Curriculum. Franchisee can request additional Curriculum or customized Curriculum that Franchisee wishes to offer in the Business and upon our approval we will provide Franchisee with additional and/or customized Curriculum packages. Franchisee agrees to pay the additional Curriculum fee for each package that contains various customized programs (if applicable) which generally runs about $300.

J. Products and Supply Availability

We will use commercially reasonable efforts to ensure that authorized vendors and suppliers, which may include or be limited to us and our affiliates, maintain a reasonable supply of Products and Supplies. We will provide you a list of our approved vendors and you are responsible for acquiring such items necessary for the operation of the Business . All items that are provided by us will be competitively priced, taking into account equivalent quality and other considerations as specified in the Operations Manual.

Franchisor reserves the right to establish suggested rates and retail prices for Services and Products from time to time based on competition prevalent within the child education industry (as further described in Section XX.L). Franchisor may publish inventory and minimum requirements in the Operations Manual (currently not in effect) and such requirements may be amended from time to time by the Franchisor and in the Franchisor's sole discretion.

Franchisor reserves the right to implement a centralized purchasing system for Franchisees and to negotiate prices and terms with vendors and suppliers and to receive rebates, or reasonable mark ups, or other financial incentives from such purchases by Franchisees. Franchisor may utilize such rebated funds in any manner it chooses in Franchisor's sole discretion as more fully described in Section X B. Franchisor reserves the right to require Franchisees to purchase all Products and Supplies through it.

K. Advertising and Promotion

The Franchisor shall provide specific guidelines for advertising initiated by individual Franchisees and shall reserve the right to disapprove any advertising, which, in the Franchisor's opinion, is not in accordance with these guidelines, or harms the Franchisor's reputation, or goodwill. However, no approval shall be unreasonably withheld or denied. Immediately upon notification to do so, Franchisee shall discontinue any advertising that would, in the Franchisor's opinion, be detrimental to any franchisee or any part of the System or the Franchise.

L. Suggested Pricing for Services and Products

Franchisor shall provide Franchisee with guidance and suggested pricing for Services and Products offered by its Franchisees. Franchisee shall have the right to offer Services and Products at any price Franchisee may determine, except that we reserve the right to establish minimum and maximum pricing for any given Service or Product nationwide to the extend allowed by federal and state laws. Suggested pricing for Services and Products may vary from region to region to the extent necessary in order to reflect differences in costs and other factors applicable to such regions. If Franchisee elects to offer any Service or Product at any price recommended by us, Franchisee acknowledges that we have made no guarantee or

warranty that offering such Products or Services at the recommended prices will enhance Franchisee's sales or profits.

Franchisor will provide to Franchisee a sample set of forms including contracts, waivers, customer agreements, standard brochures, marketing materials and various operational forms for use the Business. Franchisor does not warrant the completeness, legality or enforceability of any agreements or forms. Franchisee must retain its own counsel to review and revise such agreements and forms to comply with applicable federal and state laws.

Franchisee shall participate in and comply with all sales and promotional programs and/or product promotions disseminated by us periodically.

M. Business Planning Assistance

After Franchisee signs this Agreement, Franchisor may review and comment on any business plan and pro forma financial projections Franchisee prepares. Franchisor does not represent that Franchisor has any special expertise in reviewing or developing business plans. Franchisor's review and commentary of a business plan or financial pro forma is not a representation or warranty that the Franchisee's Business will be profitable or that Franchisee's sales will attain any pre-determined levels. Franchisor's review and commentary is intended only to provide information sharing to Franchisee and Franchisee agrees that such review and commentary does not impose any liability on Franchisor.

XXI. **VARYING STANDARDS**

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 and absolute discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any Franchisee based upon the peculiarities of a particular Business or circumstance such as: physical characteristics of the site, traffic patterns, proximity to major roads, convenience for pickup/drop off, available parking, business potential, density of population, population or trade area, existing business practices, or any other condition which Franchisor deems to be of importance to the successful operation of such Franchisee's business. Franchisee shall not have any right to object to a variation from standard specifications and practices granted to any other Franchisee and shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation unless the laws of the Franchisee's state expressly require the Franchisor to grant such a similar variation.

Franchisee acknowledges that when we use the phrases "sole and absolute discretion," "sole discretion," and/or "Business Judgment" whether in this Agreement or another context, you and we agree that we have the wholly unrestricted right to make decisions and/or take (or refrain from taking) actions except that we will not do so arbitrarily. We shall use our judgment in exercising such discretion based on our assessment of the interests we consider appropriate and will not be required to consider Franchisee's individual interests or the interests of any other Franchisee(s). You, we and all other franchisees have a collective interest in working within a franchise system with the flexibility to adjust to business conditions, including but not limited to the competitive environment, new regulatory developments and emerging business opportunities. Therefore, you and we agree that the ultimate decision-making responsibility for the System must be vested in us. So long as we act in compliance with the requirements of this Agreement, we will have no liability for the exercise of our discretion in accordance with the provisions of this Agreement.

XXII. RELOCATION, ASSIGNMENT, TRANSFER, SALE OR REPURCHASE OF FRANCHISED BUSINESS

A. Relocation

Any relocation (1) shall be to a location within the Territory (unless waived by us), (2) requires our prior written consent, which we may grant, condition or withhold in our Business Judgment (and may be withheld, in any case, if you are not in good standing), (3) will be at your sole expense and (4) will require that you (and each Owner if an Entity) sign a general release.

B. Assignment by Franchisee

Franchisee will not voluntarily or involuntarily transfer or encumber any interest in or ownership or control of Franchisee, the franchised business or this Agreement, except in the ordinary course, of the franchised business, or make any lease or sublease of any property Franchisee is leasing in connection with the franchised business, without Franchisor's prior written consent, which will not be unreasonably withheld or delayed. Any attempted transfer of any interest in the franchised business without Franchisor's prior written consent will be a default under the terms of this Agreement, and will be voidable by Franchisor. In granting any such consent, the Franchisor may impose reasonable conditions, including, without limitation, the following:

1. Franchisee must be in full compliance with the terms of this Franchise Agreement, including being paid in full on all fees due and having settled all outstanding accounts with Franchisor, Franchisor's affiliates and all suppliers;

2. The proposed transferee (or Owners if an Entity) must meet the then-applicable standards of Franchisor;

3. The proposed transferee (or its Owners if an Entity managers, directors or officers) must not operate a franchise, license or other business offering services similar to the businesses offered by the Franchisor;

   Franchisor shall charge a transfer fee that is a flat $2,000. The transfer fee will include, but not be limited to, reasonable attorney's fees actually incurred, the cost of investigating the transferee and our administrative expenses (including employee salaries, sales staff commissions, travel costs, telephone charges, out of pocket costs properly attributable to the transfer).

4. Transferee must pay for and successfully complete the training programs then required of new Franchisees at a cost of $300 per person per day and our expenses, subject to increase from time to time. Franchisor shall have the right to require transferee and its Owners to execute a general release of Franchisor in a form satisfactory to Franchisor's counsel as a condition to its approval of assignment or other transfer of the Franchise;

5. Franchisee shall have substantially complied with all of the terms and provisions of this Agreement, any amendment hereof or successor hereto, or any other agreements between

the Franchisee and our subsidiaries or affiliates and, at the time of transfer, shall not be in default;

6. The transferor shall have executed a general release under seal, in a form satisfactory to us, of any and all claims against us and our officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;

7. The transferee (and, if the transferee is other than an individual, such principals and/or Owners of a beneficial interest in the transferee as we may request) shall enter into a written assumption agreement, in a form satisfactory to us, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement up to the date of the Agreement and any new franchise agreement;

8. The transferee must meet Franchisor's subjective and objective standards, including all quality standards, experience, talent, skills, educational, managerial, business and financial capacity; has the aptitude and ability to operate a Business; and has adequate financial resources and capital to operate the Business;

9. The transferee (and, if the transferee is other than an individual, such principals and/or Owners of a beneficial interest in the transferee as we may request) shall execute and agree to be bound by the then-current form of this Agreement, which form may contain provisions that materially alter the rights or obligations under this Agreement. Alternatively, we may in our sole discretion require the transferee to sign a standard form franchise agreement then being used by us, but, for a term ending on the expiration date of this Agreement and with such renewal term, if any, as may be provided by this Agreement. In addition to the then-current franchise agreement being used by us, the transferee shall sign all other ancillary agreements as we may require for the Business, which Agreements shall supersede this Agreement in all respects and the terms of which Agreements may differ from the terms of this Agreement, including, without limitation, a higher Franchise Fee, percentage royalty rate, and advertising contribution;

10. The transferee, at its expense, shall upgrade the Business to conform to the then-current standards and specifications of the System and shall complete the upgrading and other requirements within the time specified by us;

11. Franchisee shall remain liable for all of the obligations to us in connection with the Business prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;

12. Franchisee shall agree to remain obligated under the covenants against competition of this Agreement as if this Agreement had been terminated on the date of the transfer;

13. Franchisee must obtain and submit satisfactory evidence of transfer or consent of lenders, lessors and governmental authorities for all material permits, approvals and licenses;

14. Franchisee may transfer its rights and obligations under this Agreement to another entity to which it is affiliated with, which must promptly agree in writing to be bound by this

Agreement. Franchisee must promptly agree in writing to personally guarantee the obligations of this other entity under this Agreement. Franchisee's transfer, without our written approval, of an aggregate of more than twenty percent (20%) ownership in the entity in one or more transfers is a material breach of this Agreement;

15. Transferee shall agree to a sublease or to a transfer and assignment, and assumption of the lease of the Center from the original Franchisee and shall obtain the landlord's approval if required prior to any transfer or sublease, if applicable;

16. The transfer must be completed in compliance with the terms of any applicable leases and other agreements and with all applicable laws, including but not limited to licensing and operations-related laws and/or laws governing franchise sales;

17. Franchisee agrees that we may (but are not required to) discuss with you and/or the proposed transferee any matters related to any transfer and/or proposed transfer at any time which we consider to be appropriate in our Business Judgment without liability (including our opinion of the terms of sale, performance of the Franchise, etc.). Franchisee expressly consents to any such discussions by us and we may contact any proposed transferee directly regarding such matters or otherwise;

18. Neither Franchisee nor any transferee shall rely on us to assist in the evaluation of the terms of any proposed transfer. Franchisee acknowledges and agrees that an approval of a proposed transfer shall not be deemed to an approval of the terms, nor any indication as to any likelihood of success or economic viability; and

19. Franchisee will agree with transferee not to compete after the transfer in accordance with restrictions acceptable to us and substantially similar to those described in Section XIX.B of this Agreement.

In addition, the Franchisee must submit copies of the draft Asset Purchase Agreement or other Purchase Agreement, all draft Promissory Notes, and Security Agreements, regardless of whether they are Franchisee financed or Lender financed. In addition to all other grounds for rejection, the Franchisor has the right to reject any proposed purchase of the assets of the Franchised business or the stock, membership units, or partnership units of the Franchised Business on the grounds that the proposed Franchisee has in the sole opinion of the Franchisor taken on too much debt.

C. Assignment by Franchisor and Right of First Refusal

Franchisor has an unrestricted right to transfer or assign its rights or obligations under this Agreement to any transferee or legal successor of Franchisor and will give Franchisee thirty (30) days written notice of Franchisor's decision to exercise Franchisor's right.

We have a right of first refusal regarding any proposed transfer by Franchisee subject to this Agreement. For each non-excluded proposed transfer, during the term of this Agreement, if Franchisee, any of its Owners wish to sell or otherwise transfer an interest in this Agreement, a Franchised Business, or an ownership interest in Franchisee (except Franchisor's right of first refusal will not be exercised on any partial sale of the Business), then you will comply with the requirements of Sections XXII.B, XXII.C, XXII.E and XXIV.F of this Agreement.

Franchisee will notify us within ten (10) days after you have commenced discussions or communications even if preliminary, regarding such a sale or other transfer and then send us written updates of the status of such discussions or communications every sixty (60) days thereafter unless and until such discussions or communications have ceased, in which case Franchisee must notify us in writing within five (5) business days that such discussions or communications have ceased. Whether the discussions have ceased or not, at our option, we may require you to send us, by certified mail or other receipted delivery, copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction as well as any materials you send to the buyer or transferee. Before moving forward with any such transaction, Franchisee and its Owners agree to obtain from a responsible and fully disclosed buyer, and then send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you, in this Agreement and Franchised Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit of $10,000 (if a proposed disposition is part of a transaction involving additional Businesses, operating under other Franchise Agreements or license agreements with us, the proposed buyer must pay you this earnest money deposit for each Business involved).

If we do not exercise our right of first refusal, the Franchisee or its Owners may complete the transfer to the proposed buyer on the original offer's terms, but subject to our approval of the transfer as provided in Section XXII.B above and further provided, after the transfer, the Business must continue to operate as a Franchised Business. This means that, even if we do not exercise our right of first refusal, if the proposed transfer otherwise is not in compliance with any of the terms under Section XXII.B and Section XXII.C above, you or your Owners may not move forward with the transfer at all. If, after the transfer, Franchisee no longer continues to operate a Business, or any other type of related Business, then Franchisee may complete the sale (with our approval) to the proposed buyer as long as Franchisee complies with Section XXII.E of this Agreement. If the sale is not consummated, Franchisor's right shall continue as described below.

D. Transfer upon Death or Mental Incapacity

Upon the death or mental incapacity of any person with an interest in a Business, the executor, administrator, or personal representative of that person must transfer his interest to a third party approved by Franchisor within six (6) months after death or mental incapacity. These transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivo transfer. However, in the case of a transfer by devise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions of this Agreement, the personal representative of the deceased Franchisee shall have a reasonable time to dispose of the deceased's interest in the Business, which disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement.

Pending assignment, upon the death of the Principal, or in the event of any temporary or permanent mental or physical disability of the Principal or an Owner, a manager shall be employed for the operation of the Business that has successfully completed Franchisor's training courses to operate the Business. If after the death or disability of the Principal, the Business is not being managed by such trained manager, Franchisor is authorized to appoint a manager to maintain the operation of the Business until an approved transferee will be able to assume the management and operation of the Business, but in no such operation

and management of the Business by us will exceed more than ninety (90) days without the approval of the personal representative of the Principal (renewable as necessary for up to one year) and Franchisor will periodically discuss the status of the Business with the personal representative of the Principal; such manager shall be deemed an employee of the Franchisee. All funds from the operation of the Business during the period of management by such appointed or approved manager shall be kept in a separate fund and all expenses of the Business, including compensation of such manager, other costs and travel and living expenses of such appointed or approved manager (the "Management Expenses"), shall be charged to such fund. As compensation for the management services provided, in addition to the Fees due, Franchisor shall charge such fund the full amount of the direct expenses incurred by Franchisor during such period of management for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee, the Principal or personal representative of the Principal, the Entity or any person or entity having an interest therein for any debts, losses or obligations incurred by the Business, or to any creditor of Franchisee or the Principal during any period in which it is managed by a Franchisor-appointed or approved manager.

Within thirty (30) days after any transfer of the franchise to Franchisee's heirs or successors or the heirs or successors of Franchisee's Owners, the heirs or successors must notify Franchisor in writing and make application for approval of assignment of the franchise. The application for assignment is subject to the same conditions, procedures and costs as assignment of any other franchise except that there will be no transfer fee.

E. Sale of Franchised Business

If Franchisee (or its Owners) desire to sell Franchised Business, then within ten (10) days after receipt by Franchisee (or its heirs, estate, guardian, trustee or assigns) of a bona fide offer acceptable to Franchisee to buy the franchised business, Franchisee will notify Franchisor of the offer in writing, enclosing a signed copy of the offer. Franchisor or its assignee may then purchase (exercise its right of first refusal as described in Section XXII.C) and acquire the franchised business and Franchisee's rights under this Agreement at the price and on the same terms and conditions as offered to Franchisee. Franchisor may substitute cash for any other form of consideration contained in the offer and, at Franchisor's option, may pay the entire purchase price at closing. Franchisor may exercise this right to purchase in writing within 30 days after receiving Franchisee's notice.

If Franchisor does not exercise its right to purchase within thirty (30) days, Franchisee may thereafter sell the franchised business to a third party, but not at a lower price or on more favorable terms than disclosed to Franchisor in writing. Sale is subject to Franchisor's prior written approval as specified in this Agreement. If Franchisee does not sell the franchised business to the assignee within ninety (90) days from the date it is offered to Franchisor, then Franchisee must again extend the first right of refusal to Franchisor before transfer to a third party.

To enable Franchisor to determine whether it will exercise its option, Franchisee or its Owners, shall provide such information and documentation, including financial statements, as Franchisor may require (as noted below). In the event that Franchisor elects to purchase said interest, closing on such purchase must occur within ninety (90) days from the date of notice to the seller of the election to purchase said Interest by Franchisor. Failure of Franchisor to exercise the option afforded by Sections XXII.C and XXII.E shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section XXII.B, with respect to a proposed transfer of any interest. Any later change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer.

We may, by delivering written notice to Franchisee or its Owners within thirty (30) days after we receive both an exact copy of the offer and the Preliminary Due Diligence Package (the date on which we have received the exact copy of the offer and the Preliminary Due Diligence Package is called the "Trigger Date"), notify Franchisee of our non-binding preliminary intent to purchase or not to purchase the interest proposed to be sold. The "Preliminary Due Diligence Package" is information and copies of documents (where applicable) that Franchisee supplies to Franchisor which consists of Franchisee's financial statements (including monthly revenue information) for the preceding three (3) years, a copy of current lease (if operating a Center and we do not already have it), information about the number and compensation of Instructors and employees working at the Business customer records and the Franchisee's merchant account printouts for the past three (3) years, the Franchisee's bank deposits for the past three (3) years, and a description of competing child educational or developmental businesses, specialty education supply stores and/or any other child-related services similar Services and Products operating within the Territory. If we notify you within thirty (30) days after the Trigger Date (the "First Notice Deadline") that we are preliminarily interested in exercising our right of first refusal, we will have an additional thirty (30) days after the First Notice Deadline both to conduct our due diligence and then to notify you of either our binding intent to exercise our right of first refusal or our decision not to exercise this right. (This additional period is called the "Due Diligence Deadline"). If we elect to purchase the interest proposed to be sold for the price and on the terms and conditions contained in the offer:

1) We may substitute cash for any other form of payment proposed in the offer (such as ownership interests in a privately-held entity);

2) Our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes; we may provide promissory notes with the same terms as those offered by the proposed buyer, except as to subordination). Regarding subordination, you acknowledge and agree that our obligations under the promissory notes then outstanding to any and all lenders, although senior to the equity rights of our owners will also be senior to the promissory notes given to you;

3) We will have an additional thirty (30) days after the Due Diligence Deadline to close; and

4) Franchisor must receive, and Franchisee agrees to provide, all customary representations and warranties given a seller of assets of a similar business or the ownership interests in a similar legal entity, as applicable, including, without limitation, representations and warranties stating:

    (i) Ownership and condition of and title to ownership interests;

    (ii) Liens and encumbrances relating to ownership interests or assets;

    (iii) Validity of contracts and the liabilities, contingent or otherwise, of the entity Whose ownership interests are being purchased;

    (iv) All Products and Supplies are in good working condition and suitable for use;

    (v) No litigation or administrative proceedings pending against the Franchisee, or any of its officers, directors, or Owners arising out of the Franchisee's business;

(vi) There are no notices from any federal, state, or local governmental authority to make any changes to the Business or that negatively affect it;

(v) The Franchisee has the authority to sell the assets of its business, including a copy of all directors, Owner resolutions;

(vi) The Franchise will comply with the Bulk Sales Act, if it is required under the laws of the Franchisee's state;

(vii) There will be no material adverse change in the operation of the Franchisee's business between the Date of Signature of any Asset Purchase Agreement, and the Date of Settlement; and

(viii) The Franchisee will not enter into any transaction between the Date of Signature and the Date of Settlement other than in the ordinary course of business.

If Franchisee does not complete the sale to the proposed buyer within ninety (90) days after Franchisor notifies Franchisee that Franchisor does not intend to exercise its right of first refusal (whether or not the First Notice Deadline or the Due Diligence Deadline has expired), or if there is a material change in the terms of the sale (which Franchisee must communicate promptly to Franchisor), Franchisor will have an additional right to accept the sale during the thirty (30) day period following either the expiration of that ninety (90) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at Franchisor's option. If the Franchisor once again does not do so, but Franchisee does not complete the sale to the proposed buyer within an additional ninety (90) days Franchisor notifies Franchisee of that fact, then any proposed sale or transfer thereafter once again must comply with all of the provisions of this Section XXII.E, as though there had not previously been a proposed sale or transfer.

In addition to its other obligations such as obtaining the prior written approval of Franchisor, if Franchisee sells or offers to sell ownership interests, the sale of which is regulated by any applicable law, Franchisee must: (i) fully comply with all applicable laws, (ii) disclose to offerees and purchasers that neither Franchisor nor its employees, affiliates or agents are an issuer or underwriter, or are in any way liable or responsible for the offering, (iii) ensure that Franchisor has a reasonable time to review any reference to Franchisor or its franchisees in any prospectus or offering documents before their distribution or use, (iv) pay Franchisor actual legal costs incurred for its review, (v) indemnify Franchisor, its officers, directors, employees, affiliates, and agents from any liability, cost, damage, claim, and expense and from ongoing obligations to shareholders and to governmental agencies arising out of or relating to the offer, sale or continuing investment, (vi) sign such further indemnities and provide such further assurances as Franchisor may reasonably require and (vii) disclose the Franchisor's ownership rights to all trademarks, service marks, trade names, logos, trade secrets, copyrights, and patents.

If any provision of this Agreement is inconsistent with a valid applicable law, the provision will be deemed amended to conform to the minimum standards required. Franchisor and Franchisee may execute an addendum setting forth certain of these amendments applicable in certain jurisdictions, so long as and to the extent that, then applicable laws referred to in the addenda remain in effect.

F. Resale Assistance of Franchised Business

Franchisee may, at any time, request Franchisor's assistance in locating a buyer for the Business. Franchisor may, at Franchisor's option, provide such assistance in accordance with the policies and procedures as set forth in the Operations Manual. Franchisor reserves the right to charge Franchisee a fee ("Resale Fee") to cover Franchisor's reasonable costs and expenses (including the time committed by Franchisor's employees) incurred in providing such assistance. If Franchisor elects to assist Franchisee in finding a buyer for the Business in any way, Franchisor makes no promises or commitments to Franchisee that a buyer will be located or that anyone will be willing to purchase the Business at a price acceptable to Franchisee. Franchisor reserves the right to reject any proposed sale based on Franchisor's determination, in Franchisor's sole discretion, that the purchase price or purchase terms agreed to between Franchisee and any prospective buyer is excessive or will not enable the buyer to succeed as a franchisee in the System, and by requesting Franchisor's assistance Franchisee waives any liability claims it may have against Franchisor for such rejection.

XXIII. **TERMINATION OF FRANCHISE**

A. Impact of Statutes upon Franchise Agreement

The California Franchise Relations Act (Business and Professions Code, Section 20000 through 20043), became effective October 1, 1982. This Act provides certain rights to Franchisees located in California, including: (1) limitations on Franchisor's ability to terminate a franchise except for good cause; (2) restrictions on Franchisor's ability to deny renewal of a franchise; (3) circumstances under which Franchisor may be required to purchase certain inventory of Franchisees when a franchise is terminated or not renewed in violation of the statute; and (4) provisions relating to arbitration. To the extent that the provisions of this Franchise Agreement are inconsistent with the terms of the Act, the terms of the Act may control in California.

Termination or modification of a lease or contract upon the bankruptcy of one of the parties may be unenforceable under the Bankruptcy Act of 1978, Title II, U.S. Code, as amended.

If Franchisor violates a material and substantial provision of the Franchise Agreement and fails to remedy or to make substantial progress toward curing the violation within thirty (30) days after receiving written notice from Franchisee detailing Franchisor's alleged default, Franchisee may terminate this Agreement if so permitted under applicable law. In addition, an assignment or sale of ownership or assets other than in compliance with this Agreement is a material violation. On termination or expiration, all of Franchisee's post-termination obligations, including but not limited to the covenant not to compete, non-disclosure, return of Manuals, and indemnity, will be in force and effect. Under any such violation, Franchisor will be entitled to its royalties and other fees for the remainder of the term of this Agreement and to all other applicable remedies, subject to Subsection H below.

B. Termination by Franchisor with Right to Cure

Franchisor may terminate this Agreement by written notice to Franchisee for Franchisee's material breach of this Agreement or of any other agreement between Franchisee and Franchisor or its affiliates, if Franchisee fails to cure the breach within thirty (30) days after written notice, provided that this Agreement does not prescribe a different cure period for such breach. Franchisor also may terminate this Agreement on thirty (30) days written notice to Franchisee if not cured within this period.

To emphasize this point, Franchisor may terminate this Agreement by written notice to Franchisee for Franchisee's failure to pay any required sums contemplated by this Agreement or any other agreement between Franchisee and Franchisor or its affiliates if Franchisee fails to cure the breach within thirty (30) days after written notice.

C. Termination of Franchise without Cure

Notwithstanding the foregoing, Franchisee shall be deemed to be in breach and Franchisor, at its option, may terminate this Agreement and all rights granted under it without affording Franchisee any opportunity to cure the breach, effective immediately upon Franchisor notifying Franchisee in writing of such breach, if Franchisee does any of the following:

1. Fails to open Business within the time limits as provided in Section IX.A above;

2. Fails to attend and satisfactorily complete the initial training program within sixty (60) days of the date Franchisee anticipates opening the Business;

3. Attends the initial franchise training program and Franchisor determines, in its sole discretion, that the Franchisee, managing partner, shareholder or Supervisor has failed the initial training program and is deemed not qualified to manage a Franchised Business;

4. Abandons, surrenders, or transfers control of the operation of Business or fails to continuously and actively operate the Center for five (5) consecutive days, unless precluded from doing so by damage to the Premises of the Business due to war, act of God, civil disturbance, natural disaster, labor dispute or other events beyond Franchisee's reasonable control;

5. Consistently fails or refuses to submit when due any financial statement, tax return or schedule or to pay when due Royalty Fees, or any other payments due Franchisor or its affiliate;

6. Operates the Business in a manner that presents a safety or health hazard to customers, violates any federal, state, or local law, rule, regulation or ordinance (which includes child abuse or endangerment, failure to properly screen, hire and train Instructors and/or employees as per our guidelines and standards as specified in the Operations Manual, to provide services to customers). Without limiting any of Franchisors termination rights, a Type A violation would be considered one that met the requirements of this subsection 6.;

7. Fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any federal, state federal, state or local law, ordinance or regulation applicable to the operation of a Business;

8. Violates any child care (if applicable), health, safety or sanitation law, ordinance or regulation, or operates the Business in an unsafe manner; and does not begin to cure the violation immediately and to correct the violation within 72 hours after Franchisee receives notice from us or another party;

9. Has made a material misrepresentation or omission on the application for the Franchise;

10. Transfers, assigns or sub-franchises this Agreement without having the prior written consent of Franchisor, as set forth herein;

11. Discloses or divulges the contents of the Operations Manual, training materials or any other Confidential Information provided to Franchisee by Franchisor;

12. Fails to comply with modifications to System standards as required by us within a 120-day period from the time of written notice by Franchisor;

13. Fails to offer the educational and developmental programs or curriculum in the manner and style Franchisor specifies and fails to conduct classes, teach the Curriculum and operate the Business in accordance with Franchisor requirements, effective upon ten (10) days written notice to Franchisee and failure to cure the breach during the ten (10) day period;

14. Engages in any other activity, which has a material adverse effect on Franchisor or the Names and Marks;

15. Makes or allows any unauthorized use or copy of Confidential Information, Curriculum or the Software or seek to challenge our ownership rights in the System, including the Curriculum or Software;

16. Engages in re-marketing or redistribution our of Curriculum and/or Software;

17. Engages in any activity to translate, reverse engineer, reverse compile, disassemble or create derivative works based on our Curriculum and/or Software;

18. Engages in activity to sublicense, rent, lease, sell or otherwise transfer our Curriculum and/or Software or any portion thereof, or any rights therein, to any person or entity;

19. 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, alcohol or drug abuse or other forms of threatening, outrageous or unacceptable behavior as determined in our sole and absolute discretion;

20. Fails or refuses to remove any product or other items from the Business deemed to constitute a violation of this Agreement by Franchisor;

21. Manufactures or produces any product that is similar to, or competes with any of our Products, Proprietary Products or third-party products, or any product offered or sold in education supply stores, retail stores or in any channel of distribution selling similar products without the advanced written consent of the Franchisor;

22. Fails or refuses to comply with Franchisor's inventory requirements or minimum representation requirements as set forth in the Operations Manual (currently not in effect);

23. Fails to comply with the terms of any auto-ship programs as set forth in the Operations Manual (currently not in effect);

24. Engages in Target Marketing to solicit and obtain students by any type of advertising or marketing outside Franchisee's assigned Territory; or Franchisee fails to provide us, 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 assigned Territory and within the area of another franchisee or company-owned business; or (ii) Franchisee is unable to provide prompt service to students due to excessive work or any other cause;

25. Uses the Names and Marks or any part thereof in any form on the Internet, including but not limited to, Websites (including addresses, domain names, URLs, links, metatags, locators, etc.), search techniques and co-branding arrangements without Franchisor's prior written consent;

26. Is convicted of a felony or has pleaded nolo contendere to a felony, is arrested or convicted on charges relating in any way to the possession or use of illegal drugs, controlled substances or steroids or is a crime of moral turpitude;

27. Engages in unfair business practices or unethical conduct;

28. Fails to discharge within a reasonable time, any valid lien placed against the property of the Business;

29. Makes an assignment for the benefit of creditors or an admission of the Franchisee's inability to pay its obligations as they become due;

30. Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, disposition, adjustment, liquidation, dissolution or similar release under any law, or admitting or failing to contest the material allegations of any such pleading filed against him, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Franchisee or the Business, or the claims of creditors of Franchisee or the Business are abated or subject to a moratorium under any laws;

31. If a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee;

32. If a receiver or other custodian (permanent or temporary) of the Business, Franchisee, or Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction or by private instrument or otherwise;

33. If proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee;

34. If a final judgment remains unsatisfied or of record for 30 days or longer (unless a supersedes bond is filed); or if Franchisee is dissolved or dismantled;

35. If execution is levied against Franchisee's business or property or against any ownership interest in Franchisee;

36. If any real or personal property of Franchisee's Business shall be sold after levy by any sheriff, marshal, or constable;

37. If, in material violation of the terms of Sections XII, XVI, XX and/or XXII;

38. If Franchisee, its principals, representatives, agents or employees disclose or divulge the contents of the Operation Manual(s) or other Confidential Information provided to Franchisee by Franchisor;

39. If Franchisee maintains false books or records, or submits any false reports to Franchisor;

40. If any inspection of Franchisee's records discloses an under-statement of payments due to Franchisor of four percent (4%) or more, two or more times in any two (2) year period; and

41. If Franchisee's business has six (6) or more material unresolved customer complaints (material complaints are determined in Franchisor's sole and absolute discretion) with respect to the Business in any twelve (12) month period.

D. Termination of Franchise with Cure

Notwithstanding the foregoing, Franchisee shall cure violations of any laws regarding operation of the Franchise within seventy-two (72) hours of notice, and shall be required to pay past due amounts owing to Franchisor or its affiliates within five (5) days of receiving notice.

Any default not specifically listed here and above in Section XXIII.C in this Agreement herein shall be cured within thirty (30) days of notice.

Notwithstanding anything to the contrary in this Agreement, Franchisor reserves the right to grant to Franchisee in our Business Judgment an extended cure period for any breach. Franchisee acknowledges that Franchisor's decision to grant such an extended cure period shall not operate as a waiver of any of our rights and that we can choose to condition any such an extension upon the signing of a general release by Franchisee its Owners and Principle of Franchisee.

E. By Franchisee

If Franchisor violates a material and substantial provision of the Agreement and fails to remedy or to make substantial progress toward curing the violation within thirty (30) days after receiving written notice from Franchisee detailing Franchisor's alleged default, Franchisee may terminate this Agreement if so permitted under applicable law. Any termination of this Agreement and the Franchise by Franchisee, without complying with the foregoing requirements, or for any reason other than breach of this Agreement by Franchisor and Franchisor's failure to cure such breach within thirty (30) days after receipt of written

notice thereof, shall be deemed a termination by Franchisee without cause. On termination or expiration, all of Franchisee's post-termination obligations, including covenant not to compete, non-disclosure, return of the Operations Manual and other proprietary materials, and indemnity, will remain in force and effect. If Franchisee continues in a similar or competitive business, or assigns or sells ownership or assets other than in compliance with this Agreement, Franchisor will be entitled to its royalties and other fees for the remainder of the term of this Agreement and to all other applicable remedies.

XXIV. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Franchisee Shall Cease Using Names and Marks

Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any Confidential Information, Curriculum, Software, methods, trade secrets, procedures, descriptions of Services and Products associated with Franchisor and the Names and Marks and any proprietary marks and distinctive forms, slogans, symbols, signs, logos or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, stationery, forms and any other articles, which display the Names and Marks. Franchisee shall make or cause to be made, at its expense, changes directed by us in signs, building and structures so as to effectively distinguish the surviving business entity, if any, from its former appearance as a Franchise, and from other existing Businesses. Franchisee shall comply with the covenant not to compete and the agreement to maintain the confidentiality of proprietary information, as well as return all information that is considered to be confidential information under the terms and conditions of this Agreement back to the Franchisor.

B. Franchisee Shall Cease Operating Business

Franchisee shall immediately cease to operate the Business under this Agreement, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or former Franchisee of Franchisor. Franchisee must immediately cease using any of the Confidential Information, teaching methods, strategies and techniques of Franchisor.

Franchisee must immediately tender all new and unexpired inventories of Franchisor's branded products to Franchisor and/or Franchisor's designated affiliates or destroy, if notified by Franchisor in writing to do so, all inventory of Franchisor's branded products in a timely manner as in accordance with the terms of the Operations Manual and as specified in Section XXIV.F of this Agreement.

C. Franchisee May Not Adopt Confusingly Similar Names and Marks

Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Names and Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Names and Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor or a former association or connection with Franchisor.

D. Franchisee Shall Cancel Assumed Names and Transfer Phone Numbers

Franchisee further agrees that upon termination or expiration of this Agreement, Franchisee shall take all action necessary to cancel all assumed names or equivalent registrations relating to its use of any or all of the Marks. Franchisee shall take all actions necessary to transfer all numbers, addresses, domain names, listings and location contacts for the Business to Franchisor or its designee, including but not limited to authorizing all telephone, internet, Websites, email, electronic network, directory and listing entities to effectuate the same.

E. Franchisee Shall Transfer or Terminate Domain Name and Websites

Upon termination or expiration of this Agreement, Franchisee agrees that, Franchisor will have the absolute right to notify InterNIC, ICANN and all other Internet authorities of the termination or expiration of your right to use all domain names, Websites and other search engines for the Business and to authorize the above and other search engines to transfer to us or our designee all domain names, Websites and search engines associated with the Business. Franchisee acknowledges and agrees that we have the absolute right to, and interest in, all domain names, Websites and search engines related to the Business and that we have the full right and authority to direct the above and all search engines to transfer Franchisee's domain names, Websites and search engines to us or our designee if this Agreement expires or is terminated for any reason. Franchisee further acknowledges that this Agreement will constitute a release by Franchisee of the above and all search engines from any and all claims, liabilities, actions and damages that you may, at any time, have the right to allege against them in connection with this provision.

F. Franchisee Must Return Operations Manuals and Other Materials

Franchisee further agrees that upon termination or expiration of this Agreement, it will immediately return to Franchisor all copies of the Operation Manuals, training materials and any other materials, which have been loaned to Franchisee by Franchisor. Franchisee further agrees to turn over to Franchisor all times containing any Marks and all customer lists and contracts for the franchised business.

G. Franchisor May Purchase Assets

Franchisor shall have the right of first refusal to purchase or assume Franchisee's interest in the franchised business, or in its assets on the same terms as those contained in a bona fide offer from a third party. As used in this Section, "Assets" means leasehold improvements, computers, white boards and projectors, POS systems, phone systems, furnishings, fixtures, signs, inventory (non-perishable products, classroom materials and supplies) and the lease or sublease for the Center. If Franchisor exercises its right of first refusal, Franchisee must transfer Franchisee's interest in the franchised business and in the Assets to the Franchisor.

If Franchisee is not selling its assets, Franchisor shall have the right (but not the duty) to exercise by notice of intent to do so within thirty (30) days after termination or expiration, to purchase any or all of its Products and Supplies which we have defined earlier to include: computers, white boards and projectors, POS systems, phone systems, playground equipment, furnishings, fixtures, signs, inventory and items bearing Franchisor's Names and Marks, at fair market value (less the amount of any outstanding liens or encumbrances). If the parties cannot agree on a fair market value within a reasonable time, the fair market value of such items shall be determined by three appraisers chosen in the following manner. Franchisee shall select one and Franchisor shall select one and the two appraisers so chosen shall select a third appraiser. The decision of the majority of the appraisers so chosen shall be binding. The cost of the third

appraiser shall be shared equally by the parties and each party must pay for the costs of the appraiser that that party has chosen. If Franchisor elects to exercise any option to purchase as herein provided, it shall have the right to set off all amounts due from Franchisee, and the cost for the appraisal, if any, against any payment.

H. Franchisee Must Pay Monies Owed to Franchisor

Franchisee shall pay to Franchisor, within fifteen (15) days after the effective date of termination or expiration of this Agreement, such Royalty Fees, System Advertising Fund contributions, other advertising fees, payments for the Curriculum, equipment or merchandise, or any other sums owed to Franchisor by Franchisee, which are then unpaid. Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorney's fees, incurred by Franchisor in obtaining injunctive or other relief for the enforcement of any provisions of Section XIX.

When the Franchisee's default or breach has resulted in the termination of this Agreement, Franchisee must pay to the Franchisor all Royalty Fee and System Adverting Fee payments that the Franchisor would have received, if this Agreement remained in effect until its scheduled expiration date. This payment shall be calculated based on the average monthly royalty payment and average monthly System Advertising Fund contribution (which was paid to the Franchisor during the previous twelve (12) months) and which Franchisee shall pay for the remaining term of this Agreement.

Except as otherwise provided in this Agreement, Franchisee shall retain whatever interest it may have in the assets of the franchised business.

XXV. **ENFORCEMENT**

A. Franchisee May Not Withhold Payments Due Franchisor

Franchisee agrees that he or she will not withhold payments of any Royalty Fees, Curriculum Fees or any other amounts of money owed to Franchisor for any reason, on grounds of alleged nonperformance by Franchisor of any obligation. All such claims by Franchisee shall, if not otherwise resolved by Franchisor and Franchisee, be submitted to mediation and/or arbitration as provided in this Agreement. The Franchisee has no right of offset, or set off to any amounts due and owing to the Franchisor.

B. Severability and Substitution of Valid Provisions

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder, or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements.

C. Mediation

The parties agreed to mediate any dispute or claim arising between them out of this agreement, or any resulting transaction before resorting to arbitration. Mediation fees, if any, shall be divided equally among the parties involved. If, for any dispute or claim to which this paragraph applies, any party

commences an action without first attempting to resolve the matter through mediation or refuses to mediate after a request has been made, then that party shall be entitled to recover attorney's fees. This mediation provision applies whether or not the arbitration provision is initiated. It shall be held at the same venue as for arbitration.

D. Arbitration

Except as either party elects to enforce this Agreement by judicial process, injunction, or specific performance (as provided above), all disputes and claims relating to any provision hereof, any specification, standard or operating procedure, or any other obligation of Franchisee prescribed by Franchisor, or any obligation of Franchisor, or the breach thereof (including, without limitation, any specification, standard or operating procedure or any other obligation of Franchisee or Franchisor, which is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by mandatory binding arbitration in Alameda County, California, in accordance with the U.S. Arbitration Act, if applicable, and the Commercial Rules of the American Arbitration Association (in accordance with the rules relating to the arbitration of disputes arising from franchise and license agreements, if any, or otherwise in accordance with the general rules of commercial arbitration), provided that at the option of Franchisor or Franchisee the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association or attorney with twenty years or more franchise experience (if obtainable, or otherwise in accordance with the customary procedures for selecting an arbitrator). The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 1-3 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. The parties further agree that arbitration will be conducted on an individual basis and not a class-wide or multiple plaintiff basis.

The party discovering an arbitral claim will have one (1) year from the date of discovery but not to exceed two (2) years, in which to settle the claim occurred, in which to settle the claim or to commence arbitration on it. Otherwise the claim or demand will be deemed abandoned and shall be barred. The arbitrator shall allow discovery in accordance with the California Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award and the arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction thereof or of the Franchisor of Franchisee. During the pendency of any arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform their respective obligations pursuant to the terms and conditions of this Agreement. Arbitration fees shall be shared equally and the prevailing party shall be entitled to their attorney fees.

This arbitration provision shall not apply to any of the following disputes or controversies: any action for injunctive or other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to Franchisor and/or to protect the Names and Marks or any claim or dispute involving or contesting the validity of any of the Names and Marks, or any claim or dispute involving any of the Confidential Information, trade secrets, or copyrights provided by the Franchisor to the Franchisee under this Agreement.

E. Rights of Parties Are Cumulative

The rights of Franchisor and Franchisee are cumulative, and the exercise or enforcement by Franchisor or Franchisee of any right or remedy shall not preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder which Franchisor or Franchisee is entitled by law to enforce by the provisions of this Agreement or of the Operations Manual.

F. Judicial Enforcement, Injunction and Specific Performance

Franchisor shall have the right to enforce by judicial process its right to terminate this Agreement for the causes enumerated in Section XXIII of this Agreement, to collect any amounts owed to Franchisor for any unpaid Royalty Fees, or other unpaid fees or charges due hereunder, arising out of the business conducted by Franchisee pursuant hereto, and to pursue any rights it may have under any leases, subleases, sales, purchases, or security agreements or other agreements with Franchisee. Franchisor shall be entitled, without bond, to the entry of temporary or permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement. If Franchisor secures any such injunction or orders of specific performance, Franchisee agrees to pay to Franchisor an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation, court costs, and other litigation expenses, travel and living expenses, and any damages incurred by Franchisor as a result of the breach of any provision of this Agreement.

G. California Law Applies

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et. seq.) or the U.S. Arbitration Act, this Agreement shall be governed by the laws of the State of California, and venue for arbitration or litigation shall lie in Alameda County, California, or in the United States District Court for California.

H. Attorney Fees

In the event that either party incurs any expenses (including but not limited to reasonable attorney's fees and reasonable expert witness fees) in enforcing the provisions of this Agreement, the prevailing party shall be entitled to recover such expenses directly from the other.

I. Binding Effect

This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

J. There Are No Unwritten Agreements; Operation Manual(s) are Subject to Change.

This instrument contains the entire Agreement between the parties relating to the rights herein granted and the obligations herein assumed. The Franchisor's Operation Manual(s) may be amended at any time by Franchisor, however, and Franchisee shall adapt its methods or procedures to comply with the requirements thereof.

K. Entire Agreement/Integration

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties. Nothing in this or in any related agreement, however, is intended to disclaim the representations

we made in the Franchise Disclosure Document that we furnished to you. Except for those acts permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. The Operations Manual may be amended at any time by Franchisor, and Franchisee shall adapt its methods or procedures to comply with the requirements thereof.

L. Force Majeure

Except for monetary obligations or as otherwise specifically provided in this Franchise Agreement, if either party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, or other causes beyond the reasonable control of the party required to perform such work or act under the terms of this Agreement through no fault of such party, then performance of such act shall be excused for the period of the delay, but in no event to exceed ninety (90) days from the stated time periods as set forth in Section I of this Franchise Agreement.

XXVI. APPROVALS AND WAIVERS

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefore, and such approval or consent shall be obtained in writing.

Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee or in connection with any consent, or by reason of any neglect, delay, or denial of any request thereof.

No failure of Franchisor to exercise any power reserved to it by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. Waiver by Franchisor of any particular default or breach by Franchisee shall not affect or impair Franchisor's rights with respect to any later default or breach of the same, similar or different nature, nor shall any delay, forbearance, or omission, breach or default by Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

XXVII. AUTHORITY

Franchisee or, if Franchisee is a corporation, limited liability company or partnership, the individuals executing this Agreement on behalf of such corporation, limited liability company or partnership, warrant to Franchisor, both individually and in their capacities as Owners, partners, members, shareholders, directors and officers, that all of them as the case may be, have read and approved this Agreement, including the restrictions which this Agreement places upon their right to transfer their respective interests in such entity as set forth in Section XXII.

XXVIII. **REPRESENTATIONS AND WARRANTIES BY THE FRANCHISOR**

Franchisee acknowledges and warrants that it has received a complete and final copy of this Agreement, Franchisor's Disclosure Document and applicable exhibits, in a timely fashion as required; and that before signing this Agreement, Franchisee was given ample opportunity to review and examine Franchisor's Disclosure Document and was furnished with copies of the documents. **NO ORAL, WRITTEN OR VISUAL CLAIM OR STATEMENT THAT CONTRADICTS THE DISCLOSURE DOCUMENT WAS MADE.**

FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE AND ALL OF ITS OWNERS HAVE BEEN ADVISED TO HAVE THIS AGREEMENT AND ALL OTHER DOCUMENTS REVIEWED BY AN ATTORNEY AND THAT FRANCHISEE AND ITS OWNERS HAVE READ, UNDERSTOOD, HAD AN OPPORTUNITY TO DISCUSS AND AGREED TO EACH PROVISION OF THIS AGREEMENT. THE FRANCHISEE AND ITS OWNERS AGREE THAT THERE HAS BEEN NO PRESSURE OR COMPULSION BY FRANCHISOR OR ITS AGENTS TO SIGN THIS AGREEMENT.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY FRANCHISEE AND ITS OWNERS IS SPECULATIVE AND WILL BE DEPENDENT ON PERSONAL EFFORTS AND SUCCESS IS NOT GUARANTEED. FRANCHISEE AND ITS OWNERS ACKNOWLEDGE AND REPRESENT THAT IT HAS ENTERED INTO THIS AGREEMENT AND MADE AN INVESTMENT ONLY AFTER MAKING AN INDEPENDENT INVESTIGATION OF THE OPPORTUNITY, INCLUDING HAVING RECEIVED A LIST WITH THE DISCLOSURE DOCUMENT OF OTHERS WHO CURRENTLY AND PREVIOUSLY OPERATED FRANCHISES.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Global Art & Creative USA, LLC Franchise Agreement in duplicate on this date _____, _____, 20___.

FRANCHISOR: **Global Art & Creative USA, LLC**

Signed: _____

Name: _____

Title: _____

Dated: _____

FRANCHISEE:

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Date: _____

SCHEDULE 1
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEPOSIT)

BY AND BETWEEN GLOBAL ART & CREATIVE USA, LLC AND
_____ ("FRANCHISEE") DATED _____20___.

The undersigned depositor ("DEPOSITOR") hereby authorizes Global Art & Creative USA, LLC ("COMPANY") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("DEPOSITORY") to debit such account pursuant to COMPANY's instructions.

_____	_____
DEPOSITORY	Branch
_____	_____
Address	City, State and Zip Code
_____	_____
Bank Transit/ABA Number	Account Number

This authority is to remain in full force and effect until DEPOSITORY has received joint written notification from COMPANY and DEPOSITOR of the DEPOSITOR's termination of such authority in such time and in such manner as to afford DEPOSITORY a reasonable opportunity on which to act. If an erroneous debit entry is initiated to DEPOSITOR's account, DEPOSITOR shall have the right to have the amount of such entry credited to such account by DEPOSITORY, if (a) within 15 calendar days following the date on which DEPOSITORY sent to DEPOSITOR a statement of account or a written notice pertaining to such entry or (b) 45 days after posting, whichever occurs first, DEPOSITOR shall have sent to DEPOSITORY a written notice identifying such entry, stating that such entry was in error and requesting DEPOSITORY to credit the amount thereof to such account. These rights are in addition to any rights DEPOSITOR may have under federal and state banking laws.

_____	_____
DEPOSITOR	DEPOSITORY
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date:_____

SCHEDULE 2

PRE-EXISTING BUSINESSES

1. As a condition Precedent to the effectiveness of the Franchise Agreement and in consideration of the terms and conditions of the Franchise Agreement

2. Franchisee represents and warrants to Franchisor as follows:

2.1 Individually and as an entity owned by [Franchisee and or affiliates of Franchisee] currently operate a business known as _____ ("Pre-Existing Business").

2.2 Any and all existing franchise agreements, stockholder agreements, partnership agreements, option agreements or any other third-party rights relating to the Pre–Existing Business, do not contain any covenants, terms and conditions which do now, or may in the future, prohibit the execution of the Franchise Agreement and the participation of any of the Owners, managers or employees of the Franchisee in the Franchised Business and

2.3 Other than the consents of Franchisee and Franchisor there is no other third party consent required for the acquisition of the franchise to be legally binding and effective, and

2.4 There are no existing restrictive covenants, other than those which the Pre-Existing Business has waived, binding on Franchisee or any of its partners, owners, agents, representatives, or employees that would be breached by the acquisition and operation of the Franchised Business obligations of Franchisee to Franchisor, and

2.5 The Pre-Existing Business provides the following goods and services to its customers at the following locations:

2.5.1 Goods and services of Pre-Existing Business(es)

_____
_____
_____

2.5.2 Location(s) of Pre-Existing Goods Business(es)

_____
_____
_____

and from the date hereof will continue to operate as [an independent organization] and shall not carry out any other businesses directly or indirectly competing with the Franchised Business, and

2.6 Franchisee shall convert the Pre-Existing Business which does directly or indirectly compete with the Franchised Business to Franchised Business and shall hence forth operate that business as Franchised Business under the trade name "Global Art™" any and all existing and future business that is business carried out or to be carried out by Franchisor, franchisees and is operated using the System or any part of the System from time to time is a Franchised Business that will be operated by the Franchisee, and

2.7 Franchisee agrees that any business currently operated or to be operated by any affiliate of Franchisee outside of the Franchised Business which later becomes a part of the Franchised Business shall be folded into the Franchised Business after notice and approval by Franchisor, and

2.8 Franchisee shall indemnify, defend and hold harmless Franchisor and its Affiliates, against all losses, costs, proceedings, judgments, liabilities, expenses, court costs, and reasonable fees of attorneys and other professionals, arising out of or resulting from any breach of the representations and warranties set out in this Exhibit or in connection with any willful or negligent act or omission of Franchisee or Franchisee's employees or agents, including but not limited to such act or omission that contributes to any economic damage, bodily injury, sickness, disease or death. This indemnity shall survive termination of the Franchise Agreement.

FRANCHISEE

Signed:_____

Printed Name :_____

Title:_____

Date:_____

SCHEDULE 3

RESERVED

SCHEDULE 4

RESERVED

SCHEDULE 5
FRANCHISE AGREEMENT: INDIVIDUAL GUARANTY
(USE FOR CORPORATE, PARTNERSHIP OR OTHER ENTITY FRANCHISEE)

This Guaranty is a Schedule to the Franchise Agreement between Global Art & Creative USA, LLC ("Franchisor") and _____ ("Franchisee") dated the _____ day of _____, 20___.

1. The undersigned agree, individually and on behalf of his or her martial community, to personally and unconditionally guarantee the performance of Franchisee under the Franchise Agreement and to perform all obligations under this Agreement on default by Franchisee. The undersigned further agree to pay any judgment or award against Franchisee obtained by Franchisor. Guarantors are also bound by covenants of the Agreement that by their nature or terms survive the expiration or termination of the Agreement, including but not limited to non-competition, indemnity and non-disclosure provisions.

2. Guarantors have consulted legal counsel of their own choosing as to their responsibilities and liabilities under this Guaranty.

3. Guarantors agree that:

   (a) Liability under this Guaranty is joint and several;

   (b) Each will render any payment or performance required under this Guaranty on demand, if Franchisee fails or refuses punctually to do so;

   (c) Each will individually comply with the provisions and all subsections of the Agreements and associated documents;

   (d) Liability is not contingent or conditioned on Franchisor's pursuit of any remedies against Franchisee or any other persons; and

   (e) Liability is not affected by any extension of time, acceptance or part performance, release of claims, or other compromise that Franchisor may grant.

   (f) Each waives acceptance by Franchisor; waives notice of demand, and waives protest and notice of default, except as may be required by the Franchise Agreement.

Dated on the _____date of _____20____.

(Set forth the name, address and percentage ownership of each owner of Franchisee, their spouse and their percentage ownership, if applicable):

NAME	ADDRESS	PERCENTAGE
_____	_____	_____
Signed	_____	
_____	_____	
Printed		
_____	_____	_____
Signed	_____	
_____	_____	
Printed		
_____	_____	_____
Signed	_____	
_____	_____	
Printed		
_____	_____	_____
Signed	_____	
_____	_____	
Printed		

SCHEDULE 6

COLLATERAL ASSIGNMENT OF LEASE
(FRANCHISOR HAS THE OPTION TO EXCLUDE THIS SCHEDULE)

Franchisee: _____

_____

Franchisor: Global Art & Creative USA, LLC

Date of this Collateral Assignment of Lease (the "Assignment"):_____

The Franchisee, to effect various provisions of the Franchise Agreement dated: _____, 20 __, (the "Franchise Agreement"), hereby assigns to Franchisor (subject to the terms and conditions below) all of Franchisee's rights in, to and under the lease (the "Lease") dated _____ 20__, between Franchisee and _____, ("Landlord"), for that property commonly known as:_____(the "Premises"), a copy of which Lease is attached to this Assignment.

The Franchisor will not take possession of the Premises under this Assignment until and unless there is a termination, cancellation, rescission or expiration of the Franchisee's rights under the Lease, any sublease, and/or the Franchise Agreement. In such event(s), the Franchisor (or its designee) may (but has no obligation to) take exclusive possession of the Premises and assume the Franchisee's rights under Lease, and, in such event, Franchisee will have no further right, title or interest in or under the Lease or to the Premises, all such rights thereby passing to the Franchisor or its designee, without the Landlord's further consent. The Franchisee will fully cooperate therewith, and do all acts necessary or appropriate thereto. The Franchisor will have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease, the Premises or otherwise until and unless the Franchisor takes possession of the Premises pursuant to this Assignment and assumes, in writing, the rights and obligations of Franchisee under the Lease and, in any event, the Franchisor will only be responsible for those obligations accruing after the date of such express assumption.

The Franchisee will not permit any surrender, termination, amendment or modification of the Lease and will elect and exercise all options to extend the term of or renew, or assume in bankruptcy, the Lease not less than thirty (30) days prior to the last day that said rights must be exercised. If the Franchisee does not do so, Franchisor may do such acts for the account of Franchisee and without any liability or obligation of the Franchisor. Failure of the Franchisor to exercise any remedy hereunder shall not be a waiver of any of its rights. The rights and remedies of the Franchisor under this Assignment are in addition to those which the Franchisor has under the Franchise Agreement or otherwise. This Assignment shall bind, and benefit, the parties, and their respective successors and assigns. The dispute resolution provisions (including, but not limited to, mediation, binding arbitration, waiver of jury trial and limitation of damages) of the

Franchise Agreement shall apply to this Assignment, and/or any matter related in any way to it, but the Franchisor may, in any event and at its option, proceed with any action in court for possession of the Premises and any related remedies. If there is more than one Franchisee, their obligations are joint and several. This document may be recorded by, and at the expense of, the Franchisor.

FRANCHISEE:

_____	_____
Signature	Signature
_____	_____
Printed Name	Printed Name

LANDLORD:	**FRANCHISOR:**
_____	Global Art & Creative USA, LLC
By:_____	By:_____
Its:_____	Its:_____

SCHEDULE 7

STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPLES

A. The following is a list of all managing partners, partners, members, managers, shareholders or other Owners or investors in Franchisee, including all investors who own or hold direct or indirect interest in Franchisee and a description of the nature of their interest.

Name	**Percentage of Ownership/Nature of Interest**

B. In addition to the persons listed in paragraph A., the following is a list of all Franchisee's Principals described in and designated pursuant to Section XIX.B of the Franchise Agreement. Unless designated as a Controlling Principal, each of Franchisee's Principals shall execute the Confidentiality Agreement in the form set forth in Schedule 8.

SCHEDULE 8

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Agreement is made and entered into _____20_____, between Global Art & Creative USA, LLC, a California limited liability company (hereinafter referred to as "Franchisor"), _____ (hereinafter referred to as "You").

RECITALS:

WHEREAS, Franchisor has acquired the right to develop a unique system (the "System") for the development and operation of businesses under the name and mark "Global Art™" ("Business"); and

WHEREAS, the System includes but is not limited to certain trade names, service marks, trademarks, symbols, logos, emblems, and indicia of origin, including, but not limited to the mark "Global Art" and such other trade names, service marks, and trademarks as Franchisor may develop in the future to identify for the public the source of services and products marketed under such marks and under the System and representing the System's high standards of quality, appearance and service standards; build out specifications, distinctive signage, exterior and interior design, décor and color scheme; educational and developmental learning programs, Curriculum and/or Software, teaching methods, techniques and strategies, teaching notes, teaching tools, workbooks and worksheets, student folders and learning materials; music, operational procedures, standards, techniques and schedules; safety and security measures, product and vendor specifications; customer service guidelines, vendors and suppliers, hiring and employee retention, pricing guidelines, management control, contracts, forms and waivers; bookkeeping and reporting methods, sales methods, marketing, advertising and promotional programs; all of which may be changed, improved and further developed by Franchisor from time to time and are used by Franchisor in the operation of the System ("Trade Secrets"); and

WHEREAS, the Trade Secrets provide economic advantages to Franchisor and are not generally known to and are not readily ascertainable by proper means by Franchisor competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

WHEREAS, Franchisor has granted you a limited right to manage and participate in the operation of a Business using the System and the Trade Secrets for the period defined in the franchise agreement made and entered into _____, 20_____ ("Franchise Agreement") between you and Franchisor; and

WHEREAS, you and Franchisor have agreed in the Franchise Agreement on the importance to Franchisor and to you and other licensed users of the System of restricting use, access and dissemination of the Trade Secrets; and

WHEREAS, it will be necessary for certain of you to have access to and to use some or all of the Trade Secrets in the management and operation of your Business using the System; and

WHEREAS, you have agreed to obtain from your staff written agreements protecting the Trade Secrets and the System against unfair competition; and

WHEREAS, each member of your staff wishes to remain, or wishes to become a staff member; and

WHEREAS, you will receive and use the Trade Secrets in the course of operating your Business;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Franchisor shall disclose to you some or all of the Trade Secrets relating to the System.

2. You shall receive the Trade Secrets in confidence, maintain them in confidence and use them only in connection with the management and/or operation of your Business using the System for so long as you are licensed by Franchisor to use the System.

3. You shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without Franchisor express written permission.

4. You shall not at any time disclose or permit the disclosure of the Trade Secrets except to your staff members and then only to the limited extent necessary to train or assist your staff members in the management or operation of your Business using the System.

5. That all information and materials, including without limitation, build out drawings, specifications, techniques and compilations of data which Franchisor shall designate as confidential shall be deemed the Trade Secrets for the purposes of this Agreement.

6. You shall surrender the confidential Franchise Operations and Procedures Manual and such other manuals and written materials as Franchisor shall have developed ("Manuals") described in the Franchise Agreement and any other material containing some or all of the Trade Secrets to you or Franchisor, upon request, or upon termination of employment by you, or upon conclusion of the use for which the Manuals or other information or material may have been furnished to your staff.

7. You shall not, directly or indirectly, commit any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System.

8. The Manuals are loaned by Franchisor to you for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor written consent.

9. To protect the goodwill and unique qualities of the System and the confidentiality and value of the Trade Secrets, and in consideration for the disclosure to you, you agree that you will not:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Business to any competitor.

b. Employ or seek to employ any person who is at the time employed by Franchisor or any franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with your employment of such person if permitted under the Franchise Agreement.

*c. Directly or indirectly, for yourself or through, on behalf of or in conjunction with any person, partnership, limited liability company or corporation, own, maintain, operate, engage in or have any financial or beneficial interest in (including interest in corporations, limited liability company, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any business which is the same as or similar to the Business including, but not limited to, any other child education business (or other type of business that conducts educational and/or developmental programs for children whether in a classroom setting, computer based or mobile) offering supervised learning programs and activities or other child-related programs, Services and Products which have been offered through the Business.

10. In further consideration for the disclosure to you of the Trade Secrets and to protect the uniqueness of the System, you agree that for three (3) years Franchisor following the earlier of the expiration, termination or transfer of all of your interest in the Franchise Agreement you will not, without the prior written consent of Franchisor:

*May be deleted if Franchisor does not require you to obtain the execution of this covenant by you. See Section XVI of the Franchise Agreement.

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Business to any competitor.

b. Employ or seek to employ any person who is at the time employed by Franchisor or any franchisee or developer of Franchisor's, or otherwise directly or indirectly induce such persons to leave that person's employment.

Directly or indirectly, for yourself or through, on behalf of or in conjunction with any person, partnership or corporation, own, maintain, operate, engage in or have any financial or beneficial interest in (including interest in corporations, limited liability companies, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans

to, any business which is the same as or similar to the Business including, but not limited to, any other child education business (or other type of business that conducts educational and/or developmental programs for children whether in a classroom setting or computer based) offering supervised learning programs and activities or other child-related programs, services and products that are similar to the Services or Products of a Franchised Business which business is, or is intended to be, located within a 25-mile radius of the location approved in the Franchise Agreement or of any Business or company-owned location in existence or under construction as of the earlier of: (i) the expiration or termination of, or the transfer of all or your interest in, the Franchise Agreement; or (ii) the time Employee ceases to be employed by you, as applicable.

11. You undertake to use your best efforts to ensure that your staff acts as required by this Agreement.

12. You agree that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce this Agreement and shall be entitled, in addition to any other remedies which are available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

13. You agree to pay all expenses (including court costs and reasonable legal fees) incurred by Franchisor and you in enforcing this Agreement.

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

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF CALIFORNIA. THE PARTIES AGREE THAT ANY ACTION BROUGHT BY ANY PARTY AGAINST ANOTHER IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT IN CALIFORNIA IN THE JUDICIAL DISTRICT IN WHICH FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF, YOU OR FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN THE STATE WHICH HAS JURISDICTION. THE PARTIES HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.

16. The parties agree that each of the above covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having a valid jurisdiction

in an un appealed final decision to which Franchisor is a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

17. This Agreement contains the entire agreement of the parties regarding the subject matter herein. This Agreement may be modified only by a duly authorized amendment executed by all parties.

18. All notices and demands required to be given herein shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid or facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties.

If directed to Franchisor, the notice shall be addressed to:

_____

_____

_____

If directed to you, the notice shall be addressed to:

_____

_____

_____

Attention: _____

Facsimile: _____

Telephone: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile, telegram or telex shall be deemed given upon transmission, provided confirmation is made as provided above.

Any notices sent by expedited delivery service or certified or registered mail shall be deemed given three (3) business days after the time of mailing. Any change in the above addresses shall be affected by giving fifteen (15) days written notice of such change to the other party.

19. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its successors, assignees and transferees. The respective obligations of you and your staff herein are personal in nature and may not be assigned by you or your staff, as applicable.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

Global Art & Creative USA, LLC
A California limited liability company:

Printed Name:_____

Signature:_____

Title:_____

You:

Printed Name:_____

Signature:_____

Title:_____

EXHIBIT 2

DIRECTORY
STATE FRANCHISE REGULATORS
AND
AGENTS FOR
SERVICE OF PROCESS

STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of
Business Oversight:
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street, Rm. 2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

HAWAII

(for service of process)
Commissioner of Securities Business
Registration Division Department of
Commerce and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)
Commissioner of Securities Business
Registration Division Department of
Commerce and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(for service of process)
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)
Indiana Secretary of State Securities
Division Room E-111
302 West Washington Street
Indianapolis, IN 46204
(317) 232-6681

MARYLAND

(state agency)
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(for service of process)
Maryland Securities Commissioner at the
Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Corporations Division Franchise
P.O. Box 30054 Lansing, MI
48909 (517) 373-7117

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-6328

NEW YORK

(Administrator)
Office of the New York State Attorney
General Investor Protection Bureau,
Franchise Section
120 Broadway, 23rd Floor
New York, NY 10271-0332
(212) 416-8236 (Phone)
(212) 416-6042 (Fax)

(Agent for Service)
Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

NORTH DAKOTA

(state agency)
North Dakota Securities Department
600 East Boulevard Avenue State Capitol
Fifth Floor Dept 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

(for service of process)
Securities Commissioner
600 East Boulevard Avenue State Capitol
Fifth Floor Dept 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

OREGON

Oregon Division of Finance and
Corporate Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301-3881
(503) 378-4387

RHODE ISLAND

Securities Division
Department of Business
Regulations 1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, RI 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid Avenue, Suite 104
Pierre, SD 57501-3168
(605) 773-3563

VIRGINIA

(for service of process)
Clerk, State Corporations Commission
1300 East Main Street, First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

(for service of process)
Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)
Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

WISCONSIN

Commissioner of Securities
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 266-8557

EXHIBIT 3

FRANCHISE DISCLOSURE QUESTIONNAIRE

EXHIBIT 3

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, Global Art & Creative USA, LLC ("we," "us" or "Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a Franchised Business. The purpose of this 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 carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

   Yes ____ No____ Your Initials _____

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

   Yes ____ No____ Your Initials _____

   If "No," what parts of the Franchise Agreement do you not understand?
   (Attach additional pages, if necessary)

   _____

   _____

   _____

   _____

3. Have you received and personally reviewed the Disclosure Document we provided to you?

   Yes ____ No____ Your Initials _____

4. Do you understand all of the information contained in the Disclosure Document?

   Yes ____ No____ Your Initials _____

   If "No," what parts of the Franchise Agreement do you not understand?
   (Attach additional pages, if necessary)

   _____

   _____

_____

_____

5. Have you discussed the benefits and risks of operating a Franchised Business with an attorney, accountant or other professional advisor?

   Yes ____ No____ Your Initials _____

6. Do you understand the risks of operating a franchise business?

   Yes ____ No____ Your Initials _____

7. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

   Yes ____ No____ Your Initials _____

8. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Franchised Business operated by us or our franchisees?

   Yes ____ No____ Your Initials _____

9. has any employee or other person speaking on our behalf made any statement or promise concerning the Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

   Yes ____ No____ Your Initials _____

10. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Franchised Business?

    Yes ____ No____ Your Initials _____

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a Franchised Business will generate?

    Yes ____ No____ Your Initials _____

12. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

    Yes ____ No____ Your Initials _____

13. 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 Franchised Business?

Yes ____ No____ Your Initials _____

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

Yes ____ No____ Your Initials _____

15. If you have answered "Yes" to any of questions 7 through 13, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

If you have answered "No" to any of questions 7 through 13, please leave the following lines blank.

_____

_____

_____

_____

16. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Franchisor?

Yes ____ No____ Your Initials _____

You understand that your answers are important to us and we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

_____
Franchise Applicant - Signature

_____
Print Name

_____
Date

EXHIBIT 4

STATE ADDENDA

EXHIBIT 4

STATE LAW ADDENDA
TO
FRANCHISE DISCLOSURE DOCUMENT
AND
FRANCHISE AGREEMENT

The following modifications are to Global Art & Creative USA Disclosure Document and will supersede, to the extent then required by applicable state law, certain portions of the Franchise Agreement dated _____, 20____.

I. FRANCHISOR/FRANCISHEE RELATIONSHIP STATUTES
(Including Renewal and Termination Rights)

For franchises governed by laws of the following states:

CALIFORNIA, COLORADO, HAWAII, ILLINOIS, INDIANA, IOWA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, WISCONSIN

These states have statutes that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise:

ARKANSAS	Stat. Section 70-807
CALIFORNIA	Bus. & Prof. Code Sections 20000-20043
CONNECTICUT	Gen. Stat. Section 42-133e et seg.
DELAWARE	Code, Tit. 6, Ch. 25, Sections 2551-2556
HAWAII	Rev. Stat. Section 482E-1
ILLINOIS	Rev. Stat. 815. ILCS 705/19 and 705/20
INDIANA	Stat. Sections 23-2-2.7 and 23-2-2.5
IOWA	Code Sections 523H.1523H.17
MARYLAND	Commercial code Ann. 11-1301
MICHIGAN	Stat. Section 19.854(27)
MINNESOTA	Stat. Section 80C.14
MISSISSIPPI	Code Section 75-24-51
MISSOURI	Stat. Section 407.400
NEBRASKA	Rev. Stat. Section 87-401
NEW JERSEY	Stat. Section 56:10-1
RHODE ISLAND	Gen. Laws Tit. 6, Ch.5
VIRGINIA	Code 13.1-517-574
WASHINGTON	Code Section 19.100.180
WISCONSIN	Stat. Section 135.03

These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In addition,

ILLINOIS. Illinois franchisees should note that the conditions under which your franchise can be terminated, and your rights upon non-renewal are governed by Illinois laws, Illinois Complied status 815.719 and 815.720.

INDIANA. Indiana franchisees should note that Indiana Law provides that it is unlawful for a Franchise Agreement to contain certain provisions in the area of required purchases, modification, competition, increases in the price of goods on order termination and non-renewal, covenants not to compete, and limitations on litigation. Indiana law also prohibits franchisors from engaging in certain acts and practices, including coercion, refusing delivery of goods or services, denying the surviving spouse or estate of the Franchisee an opportunity to participate in the ownership of the franchise, unreasonable competition, unfair competition, unfair discrimination among franchisees, and using deceptive advertising.

MINNESOTA. Minnesota law requires that with respect to the franchises governed by Minnesota law, the Franchisor will comply with Minnesota. Statute 80C.14 subdivisions 3, 4, and 5 which require except in certain specific cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

RHODE ISLAND. Notwithstanding anything in this Agreement to the contrary, all Rhode Island located franchisees will be governed by the Rhode Island Franchise Investment Act.

WASHINGTON. If any of the provisions of this Franchise Disclosure Document or the Franchise Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over inconsistent provisions of the Franchise Disclosure Document and the Franchise Agreement with regard to any franchise sold in Washington.

WISCONSIN. Chapter 135, Stats. Of the Wisconsin Fair Dealership Law supersedes any provisions of the Franchise Agreement that may be inconsistent with that law.

II. POST-TERM COVENANTS NOT TO COMPETE

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, WISCONSIN

These states have statutes which limit the Franchisor's ability to restrict your activity after the Franchise Agreement has ended.

California Business and Professions Code	Section 16,600
Michigan Compiled Laws	Section 445.771 et seq.
Montana Codes	SECTION 30-14-201
North Dakota Century Code	Section 9-08-06
Oklahoma Statutes	Section 15-217-19
Washington Code	Section 19.86.030

Other states have court decisions limiting the Franchisor's ability to restrict your activity after the Franchise Agreement has ended.

III. TERMINATION UPON BANKRUPTCY

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHIINGTON, WISCONSIN

A provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

IV. LIQUIDATED DAMAGES PROVISIONS

The following states have statutes which restrict or prohibit the imposition of liquidated damages provisions:

CALIFORNIA	Civil Code Section 1671
INDIANA	IC 232-2.5-2
MINNESOTA	Rule 2860.4400

State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contact law, and state and federal court decisions.

For franchises governed by the laws of the state of MINNESOTA, liquidated damage provisions are void.

V. STATE ADDENDUMS

The following are Addendums for Franchises governed by the laws of the respective states as follows:

CALIFORNIA

Add to the Disclosure Document Item 3, litigation, ~ (c), that neither FRANCHISOR nor any of the persons affiliated with FRANCHISOR set forth in Section 2 of the Disclosure Document are subject to any currently effective order of any National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78, et seq. suspending or expelling such persons from membership in such association or exchange.

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

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.

The Franchise Agreement requires application of the law of California. The Franchise Agreement restricts venue of arbitration and mediation of a dispute or claim to a forum outside the state of California.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the Disclosure Document.

Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31 000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

The Franchise Agreement requires litigation to be conducted in California, but could change. Requirements of litigation in jurisdiction other than where your franchise is located or where you reside may not be enforceable. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable**.**

Item 5 of the Disclosure Document is amended to include the following language:

"If Franchisor sells a multiple unit or other discounted franchise fee in California, it will comply with California Franchise Rule 310.100.2 regarding negotiated sales, to the extent applicable."

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

The franchise agreement requires binding arbitration. The arbitration will occur in Alameda County, California with the costs being borne by the prevailing party.

OUR URL IS: www.us.GlobalArt.world. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

ILLINOIS

Any provision in a Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois may not be enforceable and is amended to the extent required by Illinois law, except that a Franchise Agreement may provide for arbitrate in a forum outside of the State of Illinois.

The governing law or choice of law clause described in the Disclosure Document (including a risk factor on the cover page) and contained in the Franchise Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application for the Illinois Franchise Disclosure Act in all situations to which it is applicable.

Item 5 of the Disclosure Document and Section 4.1 of the Franchise Agreement are amended to provide that al initial franchise fees are deferred, or alternatively, deposited into escrow, until all Franchisor's pre-opening obligations to franchisee have been met and the franchisee is open for business. This deferral requirement has been imposed by the Illinois Attorney general's Office based upon Franchisor's financial condition.

Illinois law requires that the Franchisor give you a copy of the Disclosure Document as registered with the Attorney General together with a copy of all proposed agreements relating to the sale of the franchise before the earlier of:

1. 14 days before our execution of a binding Franchise Agreement or other agreement, and
2. 14 days before the Franchisor receives any payment from you.

INDIANA

To the extent that Item 17 of the Disclosure Document and Section XVIII of the Franchise Agreement re inconsistent with the Indiana Deceptive Franchise Practice Law, which prohibits a prospective general release of any claims for liability imposed under it, the Indian Deceptive Franchise Practice Law may supersede such inconsistent terms.

To the extent that Item 17 of the Disclosure Document and Section XXIV and Schedule 8 of the Franchise Agreement are in conflict with Section 2.7-1(9) of the Indiana Deceptive Franchise Practice Law, prohibiting non-competition agreements exceeding 3 years or an area greater than the exclusive area granted in the Franchise Agreement, Indiana law shall prevail.

Section 2.7-1(10) of the Indiana Deceptive Franchise Practice Law, which prohibits limiting litigation brought for breach of the agreement, supersedes items in this Disclosure Document and Franchise Agreement, to the extent that such items are inconsistent with Section 27-1(10) of the Indiana Deceptive Franchise Practice Laws.

MARYLAND

Item 17 of Disclosure Document and Section XXII of the Franchise Agreement requiring that franchisee sign a general release as a condition of purchase/renewal or assignment/transfer, may not be enforceable pursuant to the Maryland Franchise Registration and Disclosure Law, and are amended to the extent required by Maryland law. The requested release shall not apply to any liability under the Maryland Franchise Registration and Disclosure law.

Any provisions of the Disclosure Document or Franchise Agreement that require franchisee to disclaim the occurrence of or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Provisions in the Disclosure Document and Franchise Agreement requiring franchisee to file any lawsuit in a court in the State of California may not be enforceable under the Maryland Franchise Registration and Disclosure Law. Franchisees may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Item 17 of the Disclosure Document and Section XXV of the Franchise Agreement are amended accordingly to the extent required by Maryland law.

To the extent that Franchise Agreement requires and the Disclosure Document discloses that a Franchisee must agree to a period of limitations of less than three years, this limitation to a period of less than three years shall not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 5 of the Disclosure Document and Section IX(C) of the Franchise Agreement are amended to provide that the initial franchise fee and any other initial payments are due and payable when all Franchisor's pre-opening obligations to franchisee have been met.

On the next page is the form of release that will be requested of Maryland franchisees as a condition to the franchisor's consent to the transfer of the franchise.

[The remainder of this page is intentionally left blank.]

FORM OF RELEASE FOR MARYLAND FRANCHISEES

This Release is made on _____, 20__, between Global Art & Creative USA, LLC, a California limited liability company ("Franchisor") and its officers, directors and agents ("Affiliates"), and _____ ("Franchisee").

RECITALS

A. Franchisor and Franchisee entered into a Franchise Agreement dated _____, 20__ (the "Franchise Agreement") in which Franchisor granted franchisee the right to located, develop, and operate a learning center or mobile onsite enrichment programs (the "Franchised business"), and Franchisee assumed obligations to located, develop, and operate the franchised Business.

B. As a condition to Franchisor's consent to the transfer of the Franchised Business, Franchisee is willing to release franchisor from certain obligations arising from the Franchise Agreement and related agreements, and any claims franchisee may have against each Franchisee as described herein.

AGREEMENT

1. RELEASE AND COVENANT NOT TO SUE

Subject to the terms of this Release, and in consideration for the consent described above, Franchisee and the undersigned individual guarantors, if applicable, hereby release and discharge and hold harmless Franchisor, its principals, agents, shareholders, officers, directors, employees, successors, assigns, subsidiaries, and affiliated groups and each of them ("Affiliates"), from any and all losses, claims, debts, demands, liabilities, actions, and causes of action, of any kind, whether known or unknown, past or present, that any of them may have or claim to have against Franchisor or its Affiliates and any of them before or on the date of this release, arising out of or related to the offer, negotiation, execution, and performance of the Franchise Agreement, the operation of the Franchised Business, and all circumstances and representations relating to such offer, negotiation, execution, performance, and operation (collectively, "Released Claims", except as specifically reserved:

_____

_____

_____

Franchisee and guarantors agree that Released Claims shall specifically include any claim or potential claims under the Title 14 Sections 14-201 through 14-233 of the Maryland Annotated Code and laws otherwise governing relationships between franchisors and franchisees. Franchisee and guarantors hereby covenant and agree that none of them will bring any action against Franchisor or its Affiliates in connection with any Released Claim.

2. NO ADMISSION

Nothing contained in this Agreement shall be construed as an admission of liability by either party.

3. NO ASSIGNMENT

Each party represents and warrants to the other that it has not assigned or otherwise transferred or subrogated any interest in the Franchise Agreement or in any claims that are related in any way to the subject matter of this Release. Each party agrees to indemnify and hold the other fully and completely harmless from any liability, loss, claim, demand, damage costs, expense and attorneys' fees incurred by the other as a result of any breach of this representation or warranty.

4. ENTIRE AGREEMENT

This Release embodies the entire agreement between the parties and supersedes any and all prior representations, understandings, and agreements with respect to its subject matter. There are no other representations, agreements, arrangements, or understandings, oral or in writing, and signed by the party against whom it sought to be enforced.

5. FURTHER ACTS

The parties agree to sign other documents and do other things needed or desirable to carry out the purpose of this Release.

6. SUCCESSORS

This Amendment and Release shall bind and insure to the benefit of the parties, their heirs, successors, and assigns.

7. GOVERNING LAW; JURISDICTION

This Release shall be construed under and governed by the laws of the State of California, and the parties agree that the courts of Alameda County, California, shall have jurisdiction over any action brought in connection with it, except to the extent that the Franchise Agreement is governed by the laws or venue provisions of another state.

8. SEVERABILITY

If any part of this release is held invalid or unenforceable to any extent by a court of competent jurisdiction, this Release shall remain in full force and effect and shall be enforceable to the fullest extent permitted, provided that it is the intent of the parties that it shall be entire, and if it is not so entire because it is held to be unenforceable, then this Release and the consent given as consideration for it shall be voided by frustration of its purpose.

9. VOLUNTARY AGREEMENT

Each party is entering into this Release voluntarily and, after negotiation, has consulted independent legal counsel of its own choice before signing it, is signing it with a full understanding of its consequences, and knows that is not required to sign this Amendment and Release. The parties acknowledge and agree that this Amendment and Release constitutes a release or waiver executed pursuant to a negotiated agreement between a Franchisee and a Franchisor arising after the Franchise Agreement has taken effect and as to which each part is represented by independent legal counsel.

Franchisee

By _____

Its _____

By _____

Its _____

MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

B. A requirement that a Franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a Franchisee of rights and protections provided in this act. This shall not preclude a Franchisee, after entering into a Franchise Agreement, from settling any and all claims.

C. A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the Franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

D. A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the Franchisee by repurchase or other means for the fair market value at the time of expiration of the Franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applied only if:

1. The term of the franchise is less than 5 years; and

2. The Franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the franchise.

E. A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other Franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

F. A provision requiring that arbitration or litigation is conducted outside this state. This shall not preclude the Franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

G. A provision which permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

1. The failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards.

2. The fact that the proposed transferee is a competitor of the Franchisor or Sub-Franchisor.

3. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

4. The failure of the Franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

H. A provision that requires the Franchisee to resell to the franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a Franchisor a right of first refusal to purchase the assets of a Franchise on the same terms and conditions as a bon fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the Franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).

I. A provision that permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTES APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
G. Mennen Williams Building
525 W. Ottawa Street
P.O. Box 30213
Lansing, Michigan 48909
Phone: (517) 373-7117

MINNESOTA

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.440J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the Franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

Pursuant to Minn. Stat. Sec. 80c.12), to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the Franchisor will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify our from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Franchisor's primary trade name.

All statements in the Disclosure Document and Franchise Agreement that state that Franchisor is entitled to injunctive relief are amended to read: "franchisor may seek injunctive relief" and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the Franchisor from requiring a Franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

NEW YORK

FRANCHISE DISCLOSURE DOCUMENT

The cover page of the Franchise Disclosure Document will be supplemented with the following inserted at the bottom of the cover page:

> **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.**

Item 3 of the Franchise Disclosure Document: Add the following:

A. Neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark has an administrative, criminal, or civil action pending against the person alleging a felony, 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, or any 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.

B. Neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contender to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contender 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.

C. Neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark 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.

Item 4 of the Franchise Disclosure Document: Add the following language:

Neither we, our affiliates, predecessors, officers, nor general partner during the ten-year period immediately before the date of the Disclosure Document:

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 debuts 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 the officer or general partner held this position and or company or partnership.

Item 5 of the Franchise Disclosure Document: Add at the end of the last paragraph:

The purpose of the initial fee is to pay for the franchisor's training, sales, legal compliance, salary, and general administrative expenses, and profit.

Section XXV(K) of the Franchise Agreement and Item 17 of the Franchise Disclosure Document: Add the following at the end:

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

Item 17 of the Franchise Disclosure Document: Modify the first paragraph to read as follows:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER,

AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

NORTH DAKOTA

I. Item 5 is amended by the addition of the following language to the original language:

Refund and cancellation provisions do not apply to franchises operating under the North Dakota franchise Investment Law. If the Company elects to cancel the Franchise Agreement, the Company will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred. This amount may not be more than fifty percent (50%) of the Franchise Fee.

II. Item 5, Note 1, the last paragraph shall be amended to read as follows:

If your Franchise Agreement is terminated, you may be required to continue royalty payments for so long as you or our assignee or successor continues to use our trademarks or systems in any way.

III. Item 5, Note 5, shall be amended to read as follows:

Note 5: You must protect, indemnify, and hold us harmless against any claims or losses arising out of your operation of the franchise business. Each party will bear its own expenses of any litigation to enforce the agreement.

IV. Item 17 is amended by the addition of the following language to the original language:

A. A provision is the Franchise Agreement that terminates the Franchise Agreement on the bankruptcy of the franchisee may not be enforceable under Title II, U.S. Code, and Section 101.

B. The erosion of a general release on renewal, assignment, or termination does not apply to franchises operating under the North Dakota Franchise Investment Law.

C. The North Dakota Century Code, Section 9-08-06 limits the franchisor's ability to restrict your ability to restrict your activity after the Franchise Agreement has ended.

D. Under North Dakota law, liquidated damages provisions are void. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions. Thus, the provision requiring you to continue to pay amounts to franchisor if you elect to cancel the agreement may not be enforceable under North Dakota law.

V. Item 17 is amended to read as follows:

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
i. Franchisee's obligations on termination/non-renewal.	FA – Section XXIV	FA - De-Identification, payment, non-disclosure, non-competition; you continue to pay royalties for so long as you use the trademarks if terminated for breach, unless you abandon the business, abide by post termination covenants, and release and indemnify us.

VI. Item 17: The Choice of Law and Arbitration sections are amended to read as follows:

A. The Franchise Agreement shall be governed by the laws of North Dakota.

B. Except as specifically otherwise provided in the Franchise Agreement, all contract disputes that cannot be amicably settled will be determined by arbitration under the Federal Arbitration Act and in accordance with the rules of the American Arbitration Association. Arbitration will take place at an appointed time and place in the county and state in which your franchised business is located. However, nothing in the Franchise Agreement limits or precludes the parties from brining an action in a court of competent jurisdiction for injunction or other provisional relief as needed or appropriate to compel a party to comply with its obligations or to protect the marks or the company's other property rights.

C. The Choice of Forum section is amended to delete the following:

Any action will be brought in the state or federal courts in Alameda County, California.

FRANCHISE AGREEMENT

I. Article IX, concerning refunds of initial franchise fees and royalties, is amended to add the following:

Refund and cancellation provisions do not apply to franchisees operating under the North Dakota Franchise Investment Law. IF Franchisor elects to cancel this Franchise Agreement, Franchisor shall be entitled to a reasonable fee for its evaluation of Franchisees and related preparatory work performed and expenses actually incurred. This amount shall be no more than fifty percent (50%) of the franchise fee.

II. Sections XXIII and XXII, relating to termination and transfer, are amended to add the following:

The execution of a general release on renewal, assignment, or termination does not apply to franchises operating under the North Dakota Franchise Investment Law.

III. Section XXIII(H), providing for liquidated damages on termination of the Franchise Agreement, is hereby amended to read as follows:

h. Pay to Franchisor royalty fees and other ongoing fees, and other amounts Franchisee owes to Franchisor, as though Franchisee were still an active Franchisee, for so long as Franchisee or its assignee or successor continues to use the trademarks in any way. Franchisor is also entitled to all other applicable remedies.

IV. Section XXV is amended to read as follows:

In any action to enforce this Agreement or to seek remedies on default by either party, each party shall bear its own expenses of litigation or enforcement.

V. A. Section XXV is amended to add the following:

THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER TAKE EFFECT ON ACCEPTANCE AND EXECUTION BY THE COMPANY AND SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF NORTH DAKOTA, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT 15, U.S.C. SECTIONS 1015, ET. SEQ.).

B. Section XXV (H) providing for exclusive jurisdiction in Alameda County, California is deleted.

C. Paragraph XXV to the extent it provides for a limitation of one year on actions under the Franchise Agreement is hereby deleted.

D. Section XXV to the extent it provides for a waiver of punitive or exemplary damages, and a waiver of jury trial, is deleted.

VI. The Arbitration section shall be deleted and amended to read as follows:

Except as specifically otherwise provided in this Agreement, the parties agree that all contract disputes that cannot be amicably settled shall be determined by arbitration under the Federal Arbitration Act as amended and in accordance with the rules of the American Arbitration Association or any successor thereof. Arbitration shall take place at an appointed time and place in the County and State in which Franchisee's franchised business is located. However, nothing contained herein shall be construed to limit or to preclude the parties from brining any action in any court of competent jurisdiction for injunctive or other provisional relief as the parties deem to be necessary or appropriate to compel either party to comply with its obligations hereunder or to protect the marks or other property rights of franchisor.

VII. The Acknowledgement section is amended to add the following:

Franchisee acknowledges that Franchisee received a copy of this Franchise Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.

VIII. The Covenants section is amended to add the following:

Covenants not to compete on termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

RHODE ISLAND

§19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

> A provision in a Franchise Agreement restricting jurisdiction of venue to a forum outside this state or requiring the application of the laws of another state are void with respect to a claim otherwise enforceable under this Act.

WASHINGTON

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington, in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator, to the extent required by Washington law.

The Disclosure Document and Franchise Agreement are amended to reflect that Franchisor agrees to defer collection of the initial Franchisee fee, or alternatively, deposit it into escrow, until Franchisee has received its initial training and is ready to open for business.

[The remainder of this page is intentionally left blank.]

ACKNOWLEDGEMENT

IT IS AGREED that the applicable foreign state law addendum, if any supersedes any inconsistent portion of the Franchise Agreement dated _____, 20___, and of the Franchise Disclosure Document, but only to the extent then required by applicable and enforceable state law, and only so long as such state law remains in effect.

FRANCHISOR: Global Art & Creative USA, LLC

Signed: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Date: _____

EXHIBIT 5

OPERATION MANUAL

TABLE OF CONTENTS

FRANCHISEE STANDARD OPERATIONAL MANUAL

TABLE OF CONTENTS

Section	Description	Page	Number of Pages in Section
Preface	Preface	9	1
Section 1	Introduction	10-23	14
Section 2	About the Brand	24-51	28
Section 3	Global Art's Concept	52-77	26
Section 4	Centers	78-109	32
Section 5	Scheme	110-158	49
Section 6	Centre Management System / Admin	159-196	38
Section 7	Classroom Management	196-205	9
Section 8	Centre Policies	206-228	23
Section 9	Marketing	229-242	14
Section 10	Communications	243-254	12
Section 11	Appendices	255-256	2
Total Number of Pages			248

EXHIBIT 6

RESERVED

EXHIBIT 7

List of Franchisees

EXHIBIT 7

List of Franchisees

Franchisor's affiliate has 1 franchisee in California (shown below) and a large number of similar businesses in several Asian countries as shown below:

No	Country	Total Centers for Each Country
1	Malaysia	178
2	Singapore	28
3	Indonesia	92
4	China	56
5	India	119
6	USA	1
7	Brunei	1
8	Myanmar	3
9	Cambodia	7
10	Vietnam	30
11	Australia	5
12	Hong Kong	1
13	Philippines	14
14	Thailand	89
15	Canada	1
16	Sri Lanka	1
17	Laos	2

The following is the contact information for the franchise sold by an affiliate in California.

Name	Territory	Address	Contact	Email	Comm date
Alicia Chong and Kah Yang Sha	San Diego	9926, Carmel Mountain Road, Suite G, San Diego, California	858-205-9848		2019

EXHIBIT 8

Franchisees Who Left the System

This is a list of the name and last known home address and telephone number of every United States Franchisee who has had their Franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during Fiscal Year 2019 or who has not communicated with us within 10 weeks of our application date with the California Department of Business Oversight:

Ms Lisa Eu
7238 San Ramon Rd
Dublin, California 94568
408-887-5534
lisaeu15@yahoo.com.au

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EXHIBIT 9

Financial Statements

FINANCIAL STATEMENTS

(A Development Stage Company)

GLOBAL ART & CREATIVE USA, LLC

For the year ended December 31, 2017

Together with Independent Auditor's Report

GLOBAL ART & CREATIVE USA, LLC
(A Development Stage Company)

FINANCIAL STATEMENTS

For the year ended December 31, 2017

CONTENTS

Report of Independent Auditor	1
Financial Statements	
Balance Sheet	3
Statement of Operations	4
Statement of Members' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Justus H. Henkes IV, Inc.
Judd Henkes IV, CPA
Certified Public Accountant
7734 Herschel Avenue, Suite L
La Jolla, CA 92037
Ph. 619-384-8875 Fax 888-327-3522
juddthetaxman@gmail.com
CA CPA License No.: 79317, Member: AICPA

Independent Auditor's Report

To Management of Global Art & Creative USA, LLC

Report on the Financial Statements

I have audited the accompanying financial statements Global Art & Creative USA, LLC, which comprise the balance sheet of as of December 31, 2017 and the related statements of operations, members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

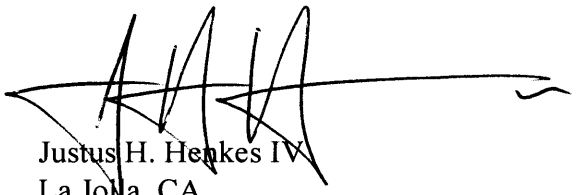
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet of Global Art & Creative USA, LLC. as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.



Justus H. Henkes IV
La Jolla, CA
February 13, 2018

Global Art & Creative USA, LLC
Balance Sheet
As At December 31, 2017
(in USD)

Assets		**USD**
Current Assets		
Checking Accounts	$	81,508.24
Petty Cash	$	4,000.00
Long Term Assets		
LT Assets	$	-
Total Assets	$	85,508.24
Liabilities and Equity		
Current Liabilities		
Accounts Payable - Others	$	4,300.00
Long Term Liabilities		
Long Term Liabilities	$	-
Total Liabilities	$	4,300.00
Equity		
Capital Investment	$	103,947.85
Retained Earnings	$	(22,739.61)
Total Equity	$	81,208.24
Total Liabilities & Equity	$	85,508.24

Global Art & Creative USA, LLC
Income Statement
For the Year Ending December 31, 2017
(in USD)

		USD
REVENUE		
Total Revenue	$	-
EXPENSES		
Accounting & Adminstration Fee	$	3,000.00
Legal Fee	$	14,000.00
Registration/License/Filing Fee	$	1,350.00
Financial Fee	$	89.61
Auditing Fee	$	3,500.00
Taxes	$	800.00
Total Expenses	$	22,739.61
Profit / (Loss)	**$**	**(22,739.61)**

Global Art & Creative USA, LLC
Statement of Members' Equity
For the year ended December 31, 2017
(in USD)

	Member Capital Account	Retained Earnings	Total Members' Equity
Issuance of Membership Interests	$ 103,948.00	$ -	$ 103,948.00
Retained Earnings	$ -	$ -	$ -
Net Loss	$ -	$ (22,740.00)	$ (22,740.00)
Balance at December 31,3017	$ 103,948.00	$ (22,740.00)	$ 81,208.00

Global Art & Creative USA, LLC
Cash Flow Statement
For the year ended December 31, 2017
(in USD)

	USD	USD
Opening Cash Balance		$ -
Cash Flow from Operating Activities:		
Operating Loss	$ (22,739.61)	
Increase in Accounts Payable	$ 4,300.00	
Net Cash Flow from Operating Activities		$ (18,439.61)
Cash Flows from Investing Activities:		
Net Cash Flow from Investing Activities		$ -
Cash Flows from Financing Activities:		
Capital Investment	$ 103,947.85	
Net Cash Flow from Financing Activities		$ 103,947.85
Ending Cash Balance		**$ 85,508.24**

Global Art & Creative USA, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. Organization and Summary of Significant Accounting Policies

Organization

Global Art & Creative LLC (the "Company"), a California Limited Liability Company, was formed on August 2017. The Company sells franchises and provide administrative and support services to franchises under the name of Global Art. The franchises provide teaching of arts related activities, mainly to children and the general public.

Currently it is in the process of filing its franchise disclosure document with the California Department of Business Oversight.

Use of Estimates

The preparation of financial statements in conformity with generally accepted in the United States of America, that requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Despite management's intention to establish accurate estimates based on reasonable assumptions, actual results could differ materially from these estimates.

Cash and Cash Equivalents

The company considers all bank checking accounts, savings accounts, and all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital Investment

All capital investments are direct contributions from the sole owner of the Company, either through cash deposits to checking account or expenses paid on behalf of the Company.

Global Art & Creative USA, LLC

December 31, 2018

Financial Statements

Prepared by:
Lisa C. Wright, CPA, LLC
Certified Public Accountant
Columbia, MO

Table of Contents

Description	Page Number
Independent Auditor's Report	1-2
Balance Sheet	3
Income Statement	4
Statement of Cash Flows	5
Notes to Financial Statements	6-7

Lisa C. Wright, CPA, LLC
Certified Public Accountant & Consultant

[illegible] Corona Rd., Ste. 309
[illegible]nbia, MO 65203

Ph./Fax (573) 474-4961
lcw@lisacwrightcpa.com

Member of the American Society of Certified Public Accountants

Member of the Missouri Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Global Art & Creative USA, LLC
Dublin, California

Report on the Financial Statements

I have audited the accompanying financial statements of Global Art & Creative USA, LLC (a Limited Liability Company), which comprise the balance sheet as of December 31, 2018, and the related statements of income and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with accounting principles in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit evidence I have obtained provides a sufficient and appropriate basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Art & Creative USA, LLC as of December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

CPA
The CPA. Never Underestimate The Value.®

Global Art & Creative USA, LLC was audited the previous year by Justus H. Henkes IV, Inc. The opinion of the auditor was that the financial statements presented fairly, in all material respects, the balance sheet of Global Art & Creative USA, LLC as of December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Lisa C Wright, CPA, LLC
Columbia, MO
February 5, 2019

Global Art & Creative USA, LLC
Balance Sheet
December 31, 2018

	Assets	
Current Assets		
Cash		$ 104,501
Accounts Receivable		2,536
Total Current Assets		107,037
Total Assets		$ 107,037
	Liabilities	
Current Liabilities		
Accounts Payable		$ 4,453
Deferred Revenue - Short Term		10,800
Total Current Liabilities		15,253
Long - Term Liabilities		
Deferred Revenue - Long Term		38,100
Total Long- Term Liabilities		38,100
	Equity	
Members' Equity		53,684
Total Equity		$ 107,037

The accompanying notes are an integral part of these financial statements

Global Art & Creative USA, LLC
Income Statement
For the Year Ended December 31, 2018

Revenue	
Royalty	$ 22,462
Initial Franchise Fee	11,100
Discount	(15,285)
Total Revenue	18,277
Operating Expenses	
Payroll/ Teacher - Contractor	360
Accounting & Administration Fee	12,016
Auditing Fee	3,500
Legal Fee	1,428
Taxes	859
Materials to Franchisee	3,610
Fees	482
Franchise Referral Fee - 20%	11,000
Event (Competition & Fair)	2,308
Royalty Referral Fee - 2%	938
Supplies	117
Travel & Expense	9,315
Insurance	1,140
Trainer Fee	3,503
Total Operating Expense	50,576
Net Income from Operations	(32,299)
Other Income (Expense)	530
Net Income	(31,769)
Beginning Members' Equity	81,208
New Capital Investment	4,245
Ending Members' Equity	$ 53,684

The accompanying notes are an integral part of these financial statements

Global Art & Creative USA, LLC
Statement of Cash Flows
For the Year Ended December 31, 2018

Operating Activities	
Net Income	$ (31,769)
Adjustments to reconcile net income to	
Net Cash Provided by Operations:	
Increase (Decrease) in Accounts Receivable	(2,536)
Increase (Decrease) in Accounts Payable	153
Increase (Decrease) in Deferred Revenue	48,900
Net Cash Provided by Operating Activities	14,748
Net Cash Provided by Financing:	
Capital Investment	4,245
Net Increase in Cash	18,993
Cash, at the Beginning of Period	85,508
Cash, at the End of Period	$ 104,501

Supplemental Disclosures:	
Interest Paid	$ -
Taxes Paid	$ -

The accompanying notes are an integral part of these financial statements

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Global Art & Creative USA, LLC is a California limited liability company, formed in August 2017. The Company sells franchises and provides administrative and support services to franchisees under the name of Global Art. The franchises provide teaching of arts related activities, mainly to children and the general public.

Basis of Accounting

The Company's books and records are prepared on the accrual basis of accounting. Revenue is recognized when earned and expenditures are recorded when incurred.

Franchise Fee

The main two revenue channels to the Company as follows:

Initial Franchise Fee – This is a payment for initiation of new franchise centers with new franchisees or existing franchisees. Partial revenue is recognized once materials (part of the contract requirement) are shipped to a franchisee. The remaining amount gets amortized and recognized as revenue based on the contract term, generally a 5-year period.

Royalty Fee – this is a monthly royalty fee payable by franchisees based on a percentage (generally 15%) of a center's fee received for the month. The royalty fee is recognized immediately on a monthly basis.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Franchise Development Cost
The Company follows the policy of capitalizing certain costs related to the development of its franchise program. These costs are being amortized on a straight-line basis over five years beginning with the opening of the first franchised outlet. Amortization expense for 2018 was $0.

Cash and Cash Equivalents
For the purpose of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less, to be cash equivalents.

Date of Management's Review
Subsequent events have been evaluated through January 31, 2019, which is the date the financial statements were available to be issued.

NOTE 2 - TAXES

The Company is treated as a disregarded entity for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the member and taxed depending on their personal tax situations. Therefore, the financial statements do not reflect a provision for federal or state income taxes.

The Company recognizes tax benefits only to the extent that the Company believes it is "more likely than not" that its tax positions will be sustained upon examination by the taxing authorities. Management believes that all of the positions taken on its federal and state income tax returns would more likely than not be sustained upon examination, generally for three years after they are filed.

NOTE 3 – CASH

The Company's cash-in-bank balances did not exceed the federally insured limits at any time during the fiscal year.

Communication to Those Charged with Governance
Global Art & Creative USA, LLC
December 31, 2018

Lisa C. Wright, CPA, LLC
2001 Corona Rd, Ste. 309
Columbia, MO 65203

Lisa C. Wright, CPA, LLC
Certified Public Accountant & Consultant

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Columbia, MO 65203

Ph./Fax (573) 474-4961
lcw@lisacwrightcpa.com

Member of the American Society of Certified Public Accountants

Member of the Missouri Society of Certified Public Accountant

February 13, 2018

To the Board of Directors of
Global Art & Creative USA, LLC
Dublin, California

I have audited the balance sheets of Global Art & Creative USA, LLC for the year ended December 31, 2018, and the related statements of income, member's equity, and cash flows for the year then ended, and have issued my report hereon dated February 15, 2019. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Global Art & Creative USA, LLC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2018. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements is Revenue Recognition. I evaluated the key factors and assumptions used to develop the estimate of Revenue Recognition in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with Management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by Management were material, either individually or in the aggregate, to the financial statements taken as a whole. I proposed $0 of adjustments, which were reviewed, accepted, and posted by Management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from Management that are included in the management representation letter dated December 31, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to my retention.

This information is intended solely for the use of the Board of Directors and management of Global Art & Creative USA, LLC, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Lisa C Wright CPA LLC

Lisa C. Wright, CPA, LLC

REPORT OF

GLOBAL ART & CREATIVE USA, LLC

DECEMBER 31, 2019

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800
3220 West Edgewood, Suite E, Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240
www.williamskeepers.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Global Art & Creative USA, LLC

We have audited the accompanying financial statements of Global Art & Creative USA, LLC (the Company), which comprise the balance sheets as of December 31, 2019, the related statements of income and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Art & Creative USA, LLC as of December 31, 2019, and the results of its operations and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Williams - Keepers LLC

March 27, 2020

Global Art & Creative USA, LLC
Balance Sheet
December 31, 2019

Assets	
Current Assets	
Cash	$ 132,973
Accounts Receivable	7,110
Inventory	35,989
Other Current Assets	9,252
Total Current Assets	185,324
Other Assets	
Goodwill	150,000
Total Other Assets	150,000
Total Assets	$ 335,324
Liabilities and Members' Equity	
Current Liabilities	
Accounts Payable	$ 32,137
Accruals	4,500
Withholding Tax - Royalty	895
Sales Tax Payable	955
Deferred Revenue - Short Term	14,800
Total Current Liabilities	53,287
Long - Term Liabilities	
Deferred Revenue - Long Term	43,300
Total Long- Term Liabilities	43,300
Members' Equity	
Owners' Investment	278,919
Retained Earnings (Accumulated Deficit)	(40,182)
Total Members' Equity	238,737
Total Liabilities and Members' Equity	$ 335,324

The accompanying notes are an integral part of these financial statements

Global Art & Creative USA, LLC
Income Statement
For the Year Ended December 31, 2019

Revenue	
Student Fees	$ 148,727
Materials Sales	26,848
Royalties from Franchisees	24,168
Initial Franchise Fees	10,800
Miscellaneous	108
Total Revenue	210,651
Cost of Goods Sold	
Cost of Materials Sold	10,921
Freight In/Out	4,630
Total Cost of Goods Sold	15,551
Gross Profit	195,100
Operating Expenses	
Payroll/ Teacher - Contractors	53,582
Accounting and Administration Fees	84,625
Advertising and Marketing	19,266
Auditing Fees	3,700
Legal Fees	9,530
Credit card fees	3,900
Taxes	800
Art Materials Supplies	2,121
Royalty Referral Fees	20,000
Events (Competition and Fair)	8,441
Office Supplies and Software	6,043
Other Business Expenses	1,413
Rent and Lease	53,635
Repairs and Maintenance	3,484
Meals and Entertainment	148
Travel & Expenses	10,349
Insurance	1,721
Utilities and Telecommunications	6,208
Total Operating Expenses	288,966
Net (Loss) from Operations	(93,866)
Beginning Retained Earnings (Accumulated Deficit)	53,684
Ending Retained Earnings (Accumulated Deficit)	$ (40,182)

The accompanying notes are an integral part of these financial statements

Global Art & Creative USA, LLC
Statement of Cash Flows
For the Year Ended December 31, 2019

Operating Activities		
Net (Loss)	$	(93,866)
Adjustments to Reconcile net (loss) to		
Net Cash Provided (Used) by Operations:		
(Increase) Decrease in Accounts Receivable		(4,574)
(Increase) Decrease in Inventory		(12,326)
(Increase) Decrease in Other Current Assets		(9,252)
Increase (Decrease) in Accounts Payable		27,684
Increase (Decrease) in Accruals		4,500
Increase (Decrease) in Withholding Tax - Royalty		895
Increase (Decrease) in Sales Tax Payable		955
Increase (Decrease) in Deferred Revenue		9,200
Net Cash Provided (Used) by Operating Activities		(76,784)
Net Cash Provided (Used) by Investing Activities:		
Capital Investment		105,256
Net Cash Provided (Used) by Investing Activities		105,256
Net Increase in Cash		28,472
Cash, at the Beginning of Year		104,501
Cash, at the End of Year	$	132,973
Non-Cash Investing and Financing Activities:		
Inventory Contributed by Owner	$	23,663
Goodwill from Operating Entity Contributed by Owner	$	150,000

The accompanying notes are an integral part of these financial statements

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Global Art & Creative USA, LLC (the Company) is a California limited liability company, formed in August 2017. The Company sells franchises and provides administrative and support services to franchisees under the name of Global Art. The franchises, including a location operated by the Company, provide teaching of arts related activities, mainly to children and the general public.

Basis of Accounting

The Company's books and records are prepared on the accrual basis of accounting. Revenue is recognized when earned and expenditures are recorded when incurred.

Revenues

The main revenue channels of the Company are as follows:

Initial Franchise Fee – This is a payment for initiation of new franchise centers with new franchisees or existing franchisees. Partial revenue is recognized once materials (part of the contract requirement) are shipped to a franchisee. The remaining amount gets amortized and recognized as revenue based on the contract term, generally a 5-year period.

Royalty Fee – This is a monthly royalty fee payable by franchisees based on a percentage (generally 15%) of a center's fees received for the month. The royalty fee is recognized immediately on a monthly basis.

Registration Fees – The is a payment from participants for art education and training classes. Revenue is recognized monthly as classes are provided. Any payments for future classes as deferred.

Art Supplies Sales – The Company sells art supplies to program participants and revenues are recognized upon completion of the point-of-sale transaction.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business acquisitions. The Company evaluates goodwill for impairment at least annually and completed its annual review as of December 31. When evaluating goodwill for impairment, the Company estimates

the fair value of the reporting unit. If the carrying amount of a reporting unit, including goodwill, exceeds the estimated fair value, then the identifiable assets, including identifiable intangible assets, and liabilities of the reporting unit are estimated at fair value as of the current testing date. The excess of the estimated fair value of the reporting unit over the current estimated fair value of net assets establishes the implied value of goodwill. The excess of the recorded goodwill over the implied goodwill value is charged to earnings as an impairment loss. Significant judgment is required in estimating the fair value of the reporting unit and performing goodwill impairment loss. The Company uses a variety of methods to estimate a reporting unit's fair value, principally discounted projected future net cash flows. Key assumptions used include, but are not limited to, the use of estimated future cash flows; multiples of earnings; and an appropriate discount rate. In estimating future cash flows, the Company incorporates current market information, as well as historical factors. As such, the determination of fair value incorporates significant unobservable inputs.

The Company's goodwill arose from the contribution of Global Art Dublin Center to the Company by an owner. The recorded goodwill in the amount of $150,000 has not been amortized and no impairment loss has been recognized.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less, to be cash equivalents.

Accounts Receivable

Accounts receivable are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts. Recoveries of receivables previously written off are recorded when received. There was no balance for the allowance for doubtful accounts as of December 31, 2019.

Inventories

Inventories consist of textbooks, canvases, paints, and other art materials. Inventories are valued at the lower of cost (first-in, first-out method) or net realizable value.

Revenue and Cost Recognition

Revenue from initial franchise fees is recognized over the life of the franchise agreements, typically 5 years. Revenues from franchise royalties are recognized monthly under the terms of the franchise agreements. Revenues for registration fees and art supplies sales are recognized at a point in time as the classes are provided or as the customers take possession of the art supplies.

Date of Management's Review

Subsequent events have been evaluated through March 27, 2020, which is the date the financial statements were prepared and available to be issued.

NOTE 2 - TAXES

Effective January 1, 2019, the Company elected to be taxed as a corporation for income tax purposes. Prior to that date, the Company was treated as a disregarded entity for federal income tax purposes and did not incur income taxes. Instead, its earnings and losses were included in the personal returns of the member and taxed depending on their personal tax situations. Therefore, the financial statements prior to 2019 did not reflect a provision for federal or state income taxes.

The Company recognizes tax benefits only to the extent that the Company believes it is "more likely than not" that its tax positions will be sustained upon examination by the taxing authorities. Management believes that all of the positions taken on its federal and state income tax returns would more likely than not be sustained upon examination, generally for three years after they are filed.

For the year ended December 31, 2019, the Company incurred a loss on an income tax basis and, thus, there is no provision for current income taxes recorded in the financial statements. Also, because of uncertainty about its realization, a deferred tax asset for the net operating loss carryforward has not be recorded.

NOTE 3 – CASH

The Company's cash-in-bank balances did not exceed the federally insured limits at any time during the fiscal year.

NOTE 4 – RELATED PARTY TRANSACTIONS

Related entities include Global Art California and Global Art Malaysia.

Beginning on January 1, 2019, the Company started to purchase inventory from Global Art Malaysia to be sold to franchisees in the United States and to students of the Company's art center and those of the franchisees, whereas in prior years, inventory was purchased through a 3rd party. As a result, freight was incurred for shipping in and out inventories to franchisees.

During the year ended December 31, 2019, the Company paid administrative and accounting fees to Global Art California of $84,625, purchased inventory from Global Art Malaysia of $10,921, and paid royalties referral fees to Global Art Malaysia of $20,000.

NOTE 5 – COMMITMENTS

The Company has entered into lease agreements for office and education center space with terms extending five years from initial signing. Total rent expense, including common area maintenance reimbursements, during the year ended December 31, 2019 was $53,635.

Commitments for future minimum lease payments by year are as follows:

2020	$75,454
2021	72,906
2022	41,178
2023	42,411
2024	43,782
Thereafter	7,336

NOTE 6 – ADOPTION OF NEW ACCOUNTING STANDARD

In May 2015, the Financial Accounting Standards Board issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The accounting standard and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. generally accepted accounting principles. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

As part of the adoption of the ASU, the Company elected to use the following transition practical expedients: (i) completed contracts that begin and end the same annual reporting period have not been restated; (ii) the Company used the known transaction price for completed contracts; (iii) excluded disclosures of transaction prices allocated to remaining performance obligations when the Company expects to recognize such revenue for all periods prior to the date of the initial application of the ASU; and (iv) the Company has reflected the aggregate of all contract modifications that occurred prior to the date of the initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The Company's revenues are comprised of initial franchise fees, royalties, program registration fees, and art supplies sales. The initial franchise fees are recognized over time using the term of the franchise agreements (typically five years). The remaining revenues are recognized at a point in time when the royalties on franchisee sales have occurred, when goods are transferred, or when services are provided.

The adoption of this ASU did not have a significant impact on the Company's financial statements. Based on the Company's evaluation process and review of its contracts with customers, the timing and amount of the revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption of the new standard.

State Effective Dates

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

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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.

RECEIPTS

RETURN THIS SIGNED COPY TO THE FRANCHISOR

ACKNOWLEDGMENT OF RECEIPTS FOR FDD

Franchise Disclosure Document [FDD] and Franchise Agreement
GLOBAL ART & CREATIVE USA, LLC

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF GLOBAL ART & CREATIVE USA 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. IF YOU ARE NOT A CALIFORNIA RESIDENT THE TIME PERIOD FOR DELIVERY OF THE DISCLOSURE DOCUMENT MAY BE SOONER IN WHICH CASE YOU SHOULD SEE EXHIBIT 2 AND CONTACT THE APPLICABLE STATE AGENCY FOR DETERMINATION OF THE REQUIRED DELIVERY PERIOD. NEW YORK LAW REQUIRES THE FRANCHISOR TO PROVIDE THE FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF THE FIRST PERSONAL MEETING OR 10 BUSINESS DAYS BEFORE THE EXECUTION OF THE FRANCHISE OR OTHER AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION THAT RELATES TO THE FRANCHISE RELATIONSHIP.

IF GLOBAL ART & CREATIVE USA DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY AS IDENTIFIED ON EXHIBIT 2. IF YOU ARE NOT A CALIFORNIA RESIDENT THEN A DIFFERENT STATE AGENCY WILL APPLY AS DESCRIBED IN EXHIBIT 2.

Name, principal business address, and telephone number of each franchise seller offering the franchise: Mr. Soon Seng Wong, Manager, 7238 San Ramon Road, Dublin, California, 94568, Phone: 408-623-4314.

Issuance Date: March 27, 2020.

We authorize the respective state agencies identified on Exhibit 2 to receive service of process for Global Art & Creative USA in those particular states. I have received a Global Art & Creative USA disclosure document dated March 27, 2020that included the following Exhibits:

1	Franchise Agreement (with attached Schedules)	6	Reserved
2	List of State Agencies and Regulators	7	List of Franchisees
3	Franchisee Disclosure Questionnaire	8	Franchisees Who Have Left the System
4	State Addenda	9	Financial Statements
5	Operations Manual Table of Contents		Receipts

_____ _____

Date Recipient/Franchise Applicant

Mail to: GLOBAL ART & CREATIVE USA, LLC, 7238 San Ramon Road, Dublin, California 94568.

APPLICANT COPY

ACKNOWLEDGMENT OF RECEIPTS FOR FDD

Franchise Disclosure Document [FDD] and Franchise Agreement
GLOBAL ART & CREATIVE USA, LLC

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF GLOBAL ART & CREATIVE USA 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. IF YOU ARE NOT A CALIFORNIA RESIDENT THE TIME PERIOD FOR DELIVERY OF THE DISCLOSURE DOCUMENT MAY BE SOONER IN WHICH CASE YOU SHOULD SEE EXHIBIT 2 AND CONTACT THE APPLICABLE STATE AGENCY FOR DETERMINATION OF THE REQUIRED DELIVERY PERIOD. NEW YORK LAW REQUIRES THE FRANCHISOR TO PROVIDE THE FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF THE FIRST PERSONAL MEETING OR 10 BUSINESS DAYS BEFORE THE EXECUTION OF THE FRANCHISE OR OTHER AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION THAT RELATES TO THE FRANCHISE RELATIONSHIP.

IF GLOBAL ART & CREATIVE USA DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY IDENTIFIED ON EXHIBIT 2. IF YOU ARE NOT A CALIFORNIA RESIDENT THEN A DIFFERENT STATE AGENCY WILL APPLY AS DESCRIBED IN EXHIBIT 2.

Name, principal business address, and telephone number of each franchise seller offering the franchise: Mr. Soon Seng Wong, 7238 San Ramon Road, Dublin, California, 94568, Phone: (408) 623-4314.

Issuance Date: March 27, 2020.

We authorize the respective state agencies identified on Exhibit 2 to receive service of process for Global Art & Creative USA in those particular states. I have received a Global Art & Creative USA disclosure document dated March 27, 2020that included the following Exhibits:

1	Franchise Agreement (and attached Schedules)	6	Reserved
2	List of State Agencies and Regulators	7	List of Franchisees
3	Franchisee Disclosure Questionnaire	8	Franchisees Who Have Left the System
4	State Addenda	9	Financial Statements
5	Operations Manual Table of Contents		Receipts

_____ _____

Date Recipient/Franchisee Applicant

THIS SIGNED FORM REMAINS WITH THE FRANCHISE APPLICANT.