# FRANCHISE DISCLOSURE DOCUMENT

**GPPI, Inc.**
**3180 Campus Drive**
**San Mateo, CA 94403**
**(415) 604-3094**
**www.gymboreeclasses.com**

Gymboree Play & Music® Centers offer non-therapeutic sensory-motor child programs (with or without a parent), early childhood music and art programs, exercise programs, birthday parties, theme parties and story line parties for infants and children in specified ages, and programs for parents and parents-to-be, using specially designed equipment and program aids. Gymboree Play & Music® Centers are available in various sizes to serve a range of customer populations and investment levels. This Disclosure Document describes the offer of the right to establish and operate one or more Gymboree Play & Music® Centers.

Gymboree Play & Music® Center – Standard and Mini sizes. A Gymboree Play & Music® Center features a Play Floor and a secondary classroom. The total investment necessary to begin operation of a single standard Gymboree Play & Music® Center is $160,300 - $266,100, including $110,000-$113,000 that must be paid to us or our affiliate. The total investment necessary to begin operation of a single, smaller-scale Gymboree Play & Music® Center—the Play & Music Mini Center—is $140,100-$266,100, including $92,300-$93,700 that must be paid to us or our affiliate.

Gymboree Play & Music® Metro Play Center – Standard and Mini sizes. A Gymboree Play & Music® Metro Play Center features a Play Floor but no secondary classroom. The total investment necessary to begin operation of a single standard Gymboree Play & Music® Metro Play Center is $$128,200 – $216,600, including $96,700-$98,500 that must be paid to us or our affiliate. The total investment necessary to begin operation of a single, smaller-scale Gymboree Play & Music® Metro Play Center—the Metro Play Mini Center—is $106,300 - $216,600, including $78,200 - $79,200 that must be paid to us or our affiliate.

Gymboree Play & Music® Mobile Play Center. A Gymboree Play & Music® Mobile Play Center operates in a smaller Play Floor and uses community centers and other recreation areas instead of a dedicated facility. The total investment necessary to begin operation of a single Gymboree Play & Music® Mobile Play Center is $$57,090 - $95,800, including $32,540-$35,500 that must be paid to us or our affiliate.

Development Agreement. If you purchase one or more Play & Music Centers, Metro Play Centers, and/or Mobile Play Centers and you enter into a Development Agreement for the right to develop these Centers, you must pay to us a lump sum, non-refundable development fee. The development fee will be the sum of the applicable initial franchise fees for the number and types of Centers you agree to develop. The initial franchise fee for a single Gymboree Play & Music® Center is $45,000. The initial franchise fee for a single Gymboree Play and Music® Metro Play Center is $35,000. The initial franchise fee for a single Gymboree Play & Music® Mobile Play Center is $20,000. The development fee will be credited towards the initial franchise fee for each Center developed. Franchisees who are purchasing an existing Center will sign a Franchise Agreement without first entering into a Development Agreement.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Development Department at 3180 Campus Drive, San Mateo, California 94403 or (415) 604-3094.

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.

**Issue Date: April 30, 2025**

## How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit A. |
| **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 estimated 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 B 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 Gymboree Play & Music® 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 relevant 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 Gymboree Play & Music® franchisee?** | Item 20 or Exhibit A lists current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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 and/or litigation only in California. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in California than in your own state.

2. **Financial Condition.** The franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the franchisor's financial ability to provide services and support to you.

3. **Supplier Control**. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designated, at prices that franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the aniticipated profit of your franchise business.

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

## DISCLOSURES REQUIRED BY THE STATE OF 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.**

**1. A prohibition on the right of a franchisee to join an association of franchisees.**

**2. 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.**

**3. 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.**

**4. 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 applies only if: (i) The term of the franchise is less than 5 years and (ii) 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 the franchisor's intent not to renew the franchise.**

**5. 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.**

**6. A provision requiring that arbitration or litigation be 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.**

**7. 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:**

**(a) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.**

**(b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.**

**(c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.**

**(d) 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.**

**8. 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 bona 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).**

**9. A provision which 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 CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

**Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than $100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.**

**SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:**

**Department of the Attorney General**
**Consumer Protection Division**
**Antitrust and Franchise Section**
**PO Box 30213**
**Lansing, MI 48909**
**(517) 335-7567**

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| | | Exhibit K | E-Mail Use Agreement |
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| Exhibit E | Table of Contents of Operating Manual | Exhibit M | Receipt |
| Exhibit F | Subordination Agreement | | |

## ITEM 1

## THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

GPPI, Inc., a California corporation ("GPPI," "us," "we" or "our"), does business under its name and the name "Gymboree Play & Music®." GPPI's principal business address is 3180 Campus Drive, San Mateo, California 94403. GPPI's agents for service of process are disclosed in Exhibit G of this Disclosure Document.

**The Gymboree Play & Music® Franchise**. For a number of years, GPPI and its predecessors have sold franchises for the operation of a "play center" business involving non-therapeutic sensory-motor child programs (with or without a parent), birthday parties, theme parties, and story line parties; in 1999, we added an early childhood music program, and in 2002 we added an art program for children in specified age ranges, using specially designed equipment and program aids, under our proprietary system and marks (the "Gymboree Play & Music® System" or the "System"). The Gymboree Play & Music® System currently includes programs for infants and children from birth to the age of 5. We periodically test-market other programs for our franchisees and for our own exclusive use. Franchisees may be required to offer certain programs for children in any age range specified by us. Parent participation is mandatory in most of the programs. We have implemented a virtual curriculum that is available for franchisees to share with their customers. We reserve the right to enroll all customers in virtual classes, as well as to modify or discontinue any program or curriculum, including the virtual curriculum.

GPPI has also developed a mobile version of some of the programs described above, which brings a play program that includes components of the Gymboree Play & Music® System directly to certain preschools, day care centers, community centers, and other child-oriented institutions, or other locations that we approve. This mobile version, which is sometimes called "Gymboree On The Go®" or the "Mobile Play Center," is included in the Gymboree Play & Music® System and is also available as a freestanding franchise model.

The Gymboree Play & Music® franchise consists of a license to use the name "Gymboree Play & Music®" and other marks (the "Proprietary Marks") for the operation of the Gymboree Play & Music® Center as described in this Disclosure Document.

This Disclosure Document describes three related franchise offerings, an offering for a Gymboree Play & Music® Center ("Play & Music Center"), for a Gymboree Play & Music® Metro Play Center ("Metro Play Center"), and for a Gymboree Play & Music® Mobile Play Center ("Mobile Play Center"). All of these franchise offerings use the Proprietary Marks and operate under the Gymboree Play & Music® System. Each of the franchise models described in this Disclosure Document, which differ from one another in market size, premises size, type of programs offered, equipment, and cost, are referred to as a "Center." A Center must be operated in accordance with our proprietary System standards and training materials, which will be provided to you via an online virtual library and other written guidance (collectively, the "Operating Manual").

The Gymboree Play & Music® Center. The full-scale Play & Music Center is our largest model. This model will need 2,500 – 2,800 square feet of space for operations. Play & Music Centers are intended for markets with a minimum of 8,000 – 10,000 children in the newborn to 4-year-old age range and where at least 30% of the households within a 10-minute to 12-minute drive of the center have a minimum household income of $90,000. The full-scale Play & Music Center will include a full-sized "Play Floor" (1,500 sq. ft.) and our largest equipment package, along with a secondary classroom where music and art programs can be offered. In markets where commercial space is sparse or costs are high, a smaller scale model with the same offerings can be substituted (the "Play & Music Mini Center"). In a Play & Music

Mini Center, the premises are smaller (2,000 – 2,300 sq. ft.), the Play Floor is smaller (1,000 sq. ft.), and the equipment package is reduced to fit in the space. We reserve the right to revise these criteria from time to time.

The Gymboree Play & Music® Metro Play Center. The Metro Play Center is a smaller-scale offering. This model will need 2,200 – 2,500 square feet of space for operations. Metro Play Centers are intended for markets with a minimum of 5,000 – 8,000 children in the newborn to 4-year-old age range and where at least 30% of the households within a 10-minute to 12-minute drive of the center have a minimum household income of $90,000. While the full-scale Metro Play Center has a full-sized "Play Floor" (1,500 sq. ft.) and equipment package similar to the full-scale Play & Music Center model, it does NOT have a secondary classroom. Therefore, Metro Play Center model franchisees will NOT offer music and art programs. In markets where commercial space is sparse or costs are high, a smaller scale model with the same offerings can be substituted (the "Metro Play Mini Center"). In a Metro Play Mini Center, the premises are smaller (1,700 – 2,000 sq. ft.), the Play Floor is smaller (1,000 sq. ft.), and the equipment package is reduced to fit in the space. We reserve the right to revise these criteria from time to time.

The Gymboree Play & Music® Mobile Play Center. The Mobile Play Center is our smallest scale offering. This model will need 900-1,500 square feet of space for operations. The Mobile Play Centers are intended for markets with a minimum of 3,000 – 6,000 children in the newborn to 4-year-old age range and where at least 30% of the households within a 10-minute to 20-minute drive of the center have a minimum household income of $70,000. The Mobile Play Center has a smaller footprint (900 sq. ft. – 1,500 sq. ft.), a smaller "Play Floor" (700 sq. ft.), and equipment package is smaller and more portable than the Metro Mini Center model. Mobile Play Center franchisees will be able to offer music and art programs. However, Mobile Play Centers may not be able to offer parent-optional programs, unless these classes are conducted in a Preschool or Daycare with appropriate licensing in place and with our approval. Mobile Play Center franchisees are not encouraged to sign any commercial leases, and programs are typically offered at community centers and other meeting or recreation areas. We reserve the right to revise these criteria from time to time.

The following chart illustrates some differences between the offerings:

| | **Market (kids in households with incomes >$90K)** | **Play Floor Size** | **Secondary Classroom with Music and Art** | **Total Square Footage** |
|---|---|---|---|---|
| Play & Music Center | 8,000-10,000 kids ages 0-4 within 10-12 minutes | 1,500 square feet | Yes | 2,500 – 2,800 square feet |
| Play & Music **Mini** Center | 8,000-10,000 kids ages 0-4 within 10-12 minutes | 1,000 square feet | Yes | 2,000 – 2,300 square feet |
| Metro Play Center | 5,000-8,000 kids ages 0-4 within 10-12 minutes | 1,500 square feet | No | 2,200 – 2,500 square feet |

| | **Market (kids in households with incomes >$90K)** | **Play Floor Size** | **Secondary Classroom with Music and Art** | **Total Square Footage** |
|---|---|---|---|---|
| Metro Play **Mini** Center | 5,000-8,000 kids ages 0-4 within 10-12 minutes | 1,000 square feet | No | 1,700 – 2,000 square feet |
| Mobile Play Center | 5,000-8,000 kids ages 0-4 within 10-20 minutes | 700 square feet | No | 900-1,500 square feet |

You may be given the opportunity to purchase a single Play & Music Center, Metro Play Center, or Mobile Play Center, or you may be given the opportunity to open multiple Play & Music Centers, Metro Play Centers, and/or Mobile Play Centers. In any case, if the site(s) you purchase is/are not already open, you will be required to sign a Development Agreement and pay a development fee. A copy of the current Development Agreement is attached as Exhibit C to this Disclosure Document. Under the Development Agreement, we and you will agree on (1) the number of Play & Music Centers, Metro Play Centers, and/or Mobile Play Centers that you must develop within your development area, and (2) your particular development schedule. The development fee will be the sum of the initial franchise fees for the number and type of Centers you agree to develop. For each Center developed under a Development Agreement, or for each Center which is open upon your purchase, you must sign a separate, then-current Franchise Agreement, which may be different in material respects from the Franchise Agreement included in this Disclosure Document. The development fee will be credited towards the initial franchise fee due under each Franchise Agreement.

**GPPI and Its Predecessors; GPPI's Parent and Affiliate.**

Joan Barnes, the founder of and a predecessor of GPPI, began operating a sensory-motor play program for children in a partnership with TransGlobal Enterprises in September 1976, until she became the sole proprietor in November 1977 and subsequently formed several partnerships. At that time, she operated the business as Kindergym of California. On October 4, 1979, The Gymboree Corporation was incorporated in California and subsequently acquired Ms. Barnes' businesses.

We were incorporated as Gymboree Play Programs, Inc. in California on July 6, 1994 as a wholly owned subsidiary of The Gymboree Corporation, which was our parent and predecessor. On March 31, 1995, The Gymboree Corporation assigned to us all of its rights and obligations under all of its current Franchise Agreements. Gym-Mark, Inc. ("Gym-Mark") was a subsidiary of The Gymboree Corporation and owned certain trademarks and service marks that are licensed to us for use. Gym-Mark never offered franchises. The Gymboree Corporation offered franchises from December 1992 to March 1995. Neither The Gymboree Corporation nor Gym-Mark have offered franchises in other lines of business.

On July 15, 2016, The Gymboree Corporation sold all of our stock to our new parent, Zeavion Holding Pte. Ltd. ("Zeavion"), a Singapore private limited company, with its principal business address at 80 Robinson Road #17-02 Singapore, 068898. In this Franchise Disclosure Document, this transaction will be referred to as the "Acquisition." As part of the Acquisition, Gym-Mark sold to Zeavion the intellectual property of our curriculum and certain of our Proprietary Marks, and licensed Zeavion the rights to use other Proprietary Marks for our use and the use of our franchisees. For additional information,

see Item 13 below. After the Acquisition, we changed our legal name from Gymboree Play Programs, Inc. to GPPI, Inc. Zeavion has offered franchises for Centers outside of the United States and Canada since 2016. Zeavion has never offered franchises in any other line of business.

Zeavion is owned by Gymbo Holdings Group Company Ltd. Gymbo Holdings Group Company Ltd. shares the same ultimate major shareholder with ECE Holdings LLC and Creative Gardens DE LLC. ECE Holdings LLC's subsidiaries own and operate several daycare & preschools under the brand Creative Gardens®. Creative Gardens DE LLC offers a daycare & preschool franchise program under the brand Creative Gardens® which shares management personnel with GPPI.

Our affiliate, Gymbo Global Pte. Ltd. ("Gymbo Global"), is a Singapore private limited company, and a subsidiary of Zeavion. Gymbo Global's principal business address is 80 Robinson Road #17-02 Singapore, 068898. Gymbo Global has never offered franchises for the type of business you will operate, nor has Gymbo Global offered franchises in any other line of business.

We have offered franchises for Centers since May 1995. We have not offered franchises in other lines of business. As of December 31, 2024, we operated a total of 1 company-owned Metro Play Center, in California. See Item 20. We also engage in online sales of certain consumer products using the Proprietary Marks, such as Gymboree Play & Music® bubbles. We reserve the right to engage in other business activities.

We have no other predecessors or affiliates that must be disclosed for purposes of this Item 1.

**Market and Competition.** A Gymboree Play & Music® franchisee offers its products and services to the general public. The market for child play programs is well-developed and competitive. You will have to compete with other individuals, corporations and other entities that may offer products and services similar to the Gymboree Play & Music® System, including other franchise programs. You may be subject to state and local regulations related to child recreation and development programs. We are unaware of any other laws or regulations specific to the play program business, although franchisees must comply with all laws and regulations that apply to businesses generally.

* * *

This Disclosure Document contains a summary of various provisions of the Gymboree Play & Music® Center Franchise Agreement, the Mobile Play Center Addendum, the Development Agreement, State Addenda, and other documents in relatively brief language. We have summarized the main features of our program above and further information appears at appropriate points throughout this Disclosure Document. The descriptions in this Disclosure Document of various documents and their provisions are for general informational purposes only. In many cases (in the interests of brevity and understandability) only excerpts or summaries of documents are discussed. You should carefully read this Disclosure Document and the Franchise Agreement, the Mobile Play Center Addendum, the Development Agreement, State Addenda, and other documents (including all exhibits) for more complete information.

You are responsible for an aggressive, proactive local marketing effort using the techniques and methods of the Gymboree Play & Music® System. Teachers in a Gymboree Play & Music® Center are not generally required to be state certified. We recommend that you perform background checks on your employees.

## ITEM 2

## BUSINESS EXPERIENCE

### Xinkai Chen
### CEO, GPPI and Group Senior Vice President, Gymbo Global Holdings Group Company

Mr. Chen has been our CEO since July 2023 and Group Senior Vice President at Gymbo Global Holdings Group Company Ltd. in Shanghai, China since January 2018. Xinkai Chen manages the Gymboree Play & Music® International Operation including GPPI, Inc. in his capacity as Group Senior Vice President of Gymbo Global Holdings Group Company Ltd. Mr. Chen has been the President of ECE Holdings, LLC in Wilmington, Delaware whose subsidiaries own and operate several daycare & preschools under the brand of Creative Gardens® since November 2018. Mr. Chen has been the President of Creative Gardens DE LLC, in Dover, Delaware which offers a daycare & preschool franchise program under the brand of Creative Gardens® since November 2024. Previously, Mr. Chen served as the General Manager, Greater China for Hugo Boss® from August 2007 to December 2017 in Shanghai, China.

### Kathleen McFerrin
### Senior Director, Franchise Business, North America

Kathleen McFerrin has been GPPI's Senior Director of Franchise Business, North America since January 2018. Prior to that, Ms. McFerrin served as GPPI's Senior Manager of Business Operations from November 2012 to January 2018. Ms. McFerrin has been Senior Manager of Franchise Development for Creative Gardens DE LLC since November 2024.

### Bonnie Stewart
### Manager, Franchise Development and Operations

Bonnie Stewart has been GPPI's Manager of Franchise Development and Operations since January 2018. Prior to that, Ms. Stewart served as GPPI's Franchise Development Administrator from July 2014 to January 2018. Ms. Stewart has been the Manager of Franchise Development for Creative Gardens DE LLC since November 2024.

### Robin Kubota
### Senior Manager, Site Planning and Equipment

Robin Kubota has been GPPI's Senior Manager, Site Planning and Equipment, since February 2013.

### Andrea Coan
### Marketing Manager

Andrea Coan has been GPPI's Marketing Manager since July 2023. Prior to that, Ms. Coan was a Gymboree franchisee owner in Scituate, Massachusetts from June 1997 until Febuary 2024.

**Maura Geiszler**
**Programming and Training Manager**

Maura Geiszler has been GPPI's Programming and Training Manager since March 2022. Prior to that, Ms. Geiszler was GPPI's Assistant Manager of Programming & Training from 2019 to March 2022, and GPPI's Music & ECE Programming Specialist & Teacher from 2017 to 2019.

**Fei (Fay) Li**
**Finance Manager**

Fei (Fay) Li has been GPPI's Finance Manager since May 2022. Prior to that, Ms. Li was the Accounting Manager for Aone Technologies Ltd., in Coquitlam, British Columbia, Canada, from 2002 to June 2021.

Unless otherwise indicated above, the location of employment is San Mateo, California.

## ITEM 3

## LITIGATION

*GPPI, Inc. v. Mary Ann O'Neill, Jimbo Gymnastics, Inc., and Gymbelle Gymnastics, Inc.*, No. 22-cv-3678 (N.D. Cal.); *GPPI, Inc. v. Mary Ann O'Neill, Meghan Fulton, Jimbo Gymnastics, Inc., Gymbelle Gymnastics, Inc., and Brooklyn Babies and Toddlers, Inc.*, No. 22-cv-5167 (E.D.N.Y.); *In re Mary Ann P. O'Neill, Debtor, Ch. 11 Case No. 22-73372-REG (Bankr. E.D.N.Y. filed Nov. 29, 2022)*. On June 22, 2022, GPPI, Inc. filed a lawsuit in federal court in California seeking damages for defendants' failure to pay royalties and other amounts due under five franchise agreements in New York. On or about August 30, 2022, after learning of defendants' efforts to hide their assets, GPPI, Inc. filed a new action in the Eastern District of New York, asserting claims for breach of contract, violations of the New York Uniform Voidable Transactions Act, and fraud. On September 1, 2022, GPPI, Inc. voluntarily dismissed the N.D. Cal. action without prejudice. On November 29, 2022, Ms. O'Neill filed a petition under Chapter 11 of the U.S. Bankruptcy Code. On March 18, 2024, GPPI, Inc.'s Motion for Default Judgment was granted by the Bankruptcy Court and Judgment of $765,920.13 plus post-judgment interest was entered in favor of GPPI, Inc. GPPI, Inc. is participating as a creditor in the bankruptcy proceeding.

No other litigation is required to be disclosed in this Item.

## ITEM 4

## BANKRUPTCY

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

## ITEM 5

## INITIAL FEES

**Development Fee and Initial Franchise Fee for a Single Center**

For a single Center, you must sign a Development Agreement and pay a lump sum, non-refundable development fee, which will be the same amount as the initial franchise fee for the Center. The initial franchise fee for a single Play & Music Center (or Play & Music Mini Center) is $45,000. The initial franchise fee for a single Metro Play Center (or Metro Play Mini Center) is $35,000. The initial franchise fee for a single Mobile Play Center is $20,000. You must pay the entire development fee no later than the date of your signing the Development Agreement. The development fee will be credited towards the initial franchise fee due under the Franchise Agreement.

**Development Fee and Initial Franchise Fees for Multiple Centers**

The minimum number of Centers required to be open under a Development Agreement is one. If you enter into a Development Agreement for the right to develop multiple Centers, you must pay us a lump sum, non-refundable development fee when you sign the Development Agreement. The amount of the development fee will be the sum of the initial franchise fees payable to us (as of the date of the Development Agreement) for each Play & Music Center, Metro Play Center, and/or Mobile Play Center required to be developed under your development schedule ("Development Schedule"). The initial franchise fee that you will pay for each Center will depend on the number and type(s) of Centers that you commit to develop under your Development Agreement. The initial franchise fees are described below. If you remain in full compliance with the Development Schedule, we will credit the development fee against the initial franchise fee payable under each Franchise Agreement signed under the Development Agreement.

**Play & Music Centers, Metro Play Centers, and Mobile Play Centers**

The initial franchise fee schedule for Play & Music Centers, Metro Play Centers, and Mobile Play Centers for franchisees who sign a Development Agreement is currently as follows:

| **Number of Play & Music Centers to be Developed** | ***Initial Franchise Fee** | **Number of Metro Play Centers to be Developed** | ***Initial Franchise Fee** | **Number of Mobile Play Centers to be Developed** | **Initial Franchise Fee** |
|---|---|---|---|---|---|
| 1st Play & Music Center | $45,000 | 1st Metro Play Center | $35,000 | 1st Mobile Play Center | $20,000 |
| 2nd Play & Music Center | $37,500 | 2nd Metro Play Center | $29,000 | 2nd Mobile Play Center | $15,000 |
| 3rd Play & Music Center | $32,500 | 3rd Metro Play Center | $25,000 | 3rd Mobile Play Center | $15,000 |
| 4th Play & Music Center (and each additional Play & Music Center) | $30,000 | 4th Metro Play Center (and each additional Metro Play Center) | $23,000 | 4th Mobile Play Center (and each additional Mobile Play Center) | $15,000 |

*There is no change to the initial franchise fee if developing a Mini Center model.

If you wish to convert your Metro Play Center to a Play & Music Center or your Mobile Play Center to either a Metro Play Center or a Play & Music Center, and you and your market meet our then-current criteria for the conversion, then you would be required to pay an upgrade fee of 10% of the then-current initial franchise fee for a Play & Music Center or Metro Play Center, as applicable. If you wish to convert your Metro Play Mini Center to a full size Metro Play Center or your Play & Music Mini Center to a full size Play & Music Center, there is no upgrade fee. For any upgrade, you will be required to purchase additional play equipment and may be required to make certain site modifications, as needed to meet then-current site requirements.

If initial franchise fees are deferred as a condition of registration in your state, you will be required to pay such fees when your Center opens for business. Failure to pay your initial franchise fees when due is a material breach of the Franchise Agreement and, if not cured in accordance with the provisions of Section 17.3.2 of the Franchise Agreement and applicable law, shall entitle us to terminate the Franchise Agreement.

**Consumer Products, Program Aids, and Play Equipment**

You must pay us other initial fees before you open any Center. Specifically, you must purchase from us certain consumer products for resale and certain equipment and program aids depending on your model.

The following chart illustrates the costs of consumer products and program aids and equipment packages depending on the model. These amounts are not refundable to the extent the orders are not cancellable or we cannot otherwise resell the product or equipment.

| | **Play Floor Size** | **Secondary Classroom with Music and Art** | **Consumer Products and Program Aids** | **Equipment Package** |
|---|---|---|---|---|
| Play & Music Center | 1,500 square feet | Yes | $12,100-$13,000 | $53,700-$55,000 |
| Play & Music **Mini** Center | 1,000 square feet | Yes | $12,100 – $13,000 | $35,200 - $35,700 |
| Metro Play Center | 1,500 square feet | No | $8,000 – $8,500 | $53,700-$55,000 |
| Metro Play **Mini** Center | 1,000 square feet | No | $8,000 – $8,500 | $35,200 - $35,700 |
| Mobile Play Center | 700 square feet | No | $3,300 - $6,000 | $9,240 - $9,500 |

## ITEM 6

## OTHER FEES*

| NAME OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Royalty Fee | 6% of Gross Receipts | Must be paid within 30 days after the last day of each calendar month. At our option, we may require payment at different intervals. | Gross Receipts include all revenue received in connection with your operation of the Center, excluding sales tax and the receipts from the sale of products purchased from us, equipment and furnishings. |

| NAME OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Opening Extension Fee | $2,000 | Upon consent | In our sole discretion, we may extend the deadline for opening the Center. Payment due within five days of our consent. |
| Catalogs and Consumer Products | Varies (see Item 7) | Upon purchase | We may require you to purchase certain approved consumer products and purchase, display and distribute our then-current product catalog. |
| Equipment, Program Aids and Promotional Material | Varies (see Item 7) | Upon purchase | These required items, described in Item 8, may be purchased from us or third parties, but most franchisees buy program aids and some promotional and advertising materials from us; required equipment is only available through us. |
| Local Marketing Expenditures | Not less than $4,000 per calendar year per Center | Paid to suppliers as incurred. | You must implement a local marketing program in accordance with our guidance and the Operating Manual. In addition to your contributions to the Brand Fund, you must spend a minimum of $4,000 per calendar year for local advertising and promotion of your Center. |
| Brand Fund | Up to 5% of Gross Receipts; currently 3.25% | Same as Royalty Fee | See Item 11 for further information. |
| Regional Advertising and Promotional Cooperative | For Play & Music Centers: as determined by the Cooperative, but not to exceed $250 per month ($3,000 per year) per Center; for Metro Play Centers: as determined by the Cooperative, not to exceed $150 per month ($1,800 per year); for Mobile Play Centers: as determined by the Cooperative, not to exceed $150 per month ($1,800 per year). | Must be paid to the Cooperative by the first Friday of each month. | There are currently no Cooperatives in the System. See Item 11 for further information. |
| Care.com License Fees | $230 per month per Center | Payable monthly within 30 days after the last day of each calendar month. At our option, we may require payment at different intervals. | For license and on-going IT support of the Care.com system. |
| Insurance | Reimbursement of any insurance payments that we elect to pay on your behalf if you fail to do | Payable on demand | We, at our option, may obtain required insurance coverage on your behalf if you fail to do so. If you fail to reimburse us for such insurance coverage within 10 |

| NAME OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| | so plus late fees and interest | | days of receipt of notice, we may terminate the Franchise Agreement. |
| Initial Training | Our then-current training fee, which is currently $1,000 per person | As incurred; before commencement | We do not currently charge for initial training for you or your Operations Manager if you attend during the same training session, but we reserve the right to do so in the future. If your Operations Manager enrolls in our initial training program or requires additional training after you complete the initial training program, if you hire a new Operations Manager, or if we require training of other supervisory personnel, you must pay to us our then-current training fee. You will be responsible for all expenses incurred by your employees in connection with training (including transportation, lodging, meals, and wages). |
| Additional Training | Approximately $250 to $1,000 per attendee per training class for regional training; no charge currently for remedial training, but we reserve the right to set remedial training fee in future | As incurred; before commencement | We may require you or your principal operating officer and your Operations Manager and teachers to attend regional training sessions and teacher training programs from time to time. We may also require you or your principal operating officer and your Operations Manager to attend additional remedial training programs whenever, based on your performance, we deem necessary or appropriate. You must pay to us our then-current training fees for regional or remedial training. You will be responsible for all expenses incurred by your employees in connection with training (including transportation, lodging, meals, and wages). |
| Recordings | List cost, plus postage and handling | As incurred. | We may develop audio or video CD's, webinars, or other recordings to update franchisees on new program ideas, lessons, procedures and techniques, which you must purchase. |
| Transfer Fee | 40% of our then-current per-site initial franchise fee (this fee is discounted for transfers to existing franchisees, or transfers of more than one Center to the same transferee) | Prior to transfer. | If a "transfer" occurs under your Franchise Agreement, you must pay to us a non-refundable transfer fee. The Franchise Agreement identifies the events constituting a transfer. However, in the case of a transfer to a corporation or limited liability company formed by you for the convenience of ownership, no transfer fee will be required. |

| NAME OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Renewal Fee | 10% of our then-current initial franchise fee | Prior to expiration of your existing Franchise Agreement. | If you are awarded a successor franchise, you must pay to us a renewal fee. |
| Audit | Cost of audit, including attorneys' and accountants' fees, travel expenses, room, board and applicable per diem charges for our employees | Within 15 days after receipt of inspection or audit report. | Payable only if audit shows an understatement of at least 3% of Gross Receipts for the audit period or if you fail to furnish reports, supporting records, or other required information. |
| Interest | Interest on the overdue amount at a rate equal to lesser of 1.5% per month, or the maximum rate allowed by law | As incurred; payable on demand. | If any payment is overdue, you must pay us interest on the overdue amount. |
| Late and Dishonored Check Fees | $200 late fee; plus, for each 30-day period that the payment continues to be unpaid or report not submitted, $200 per 30-day period<br><br>$50 for each dishonored payment | As incurred; payable on demand. | In addition to payment of interest, if you fail to make any payment or submit any report on or before the date on which it is due, we may impose a late fee.<br><br>To cover additional expenses incurred by us in handling dishonored checks or other payments, you must pay a dishonored payment fee for each dishonored payment tendered by Franchisee. |
| Reimbursements | Amount disbursed | As incurred; on demand. | If we, in our sole and absolute discretion, elect to pay certain expenses of operating your Center when you fail to do so, you must immediately reimburse us all expenses incurred by us, plus applicable late fees. |
| Product Testing | Our actual out of pocket costs, estimated to be from $1,000 to $5,000 | When billed. | Payable when you seek our approval of program aids or other items not purchased from us or from suppliers that we recommend, as further described in Item 8. |
| Annual Meeting | A fee equal to the then-current per-attendee fee, as designated by us prior to the meeting, multiplied by the number of your attendees; currently, the registration fee ranges from $500 to $1,000 per attendee. | Annually; before commencement. | You must attend once annually a franchisee meeting to discuss and review new programming ideas and concepts. You must pay to us the then-current per-attendee fee as designated by us prior to the meeting, and you will be responsible for all expenses incurred by you and your employees in connection with attending the seminar (including transportation, lodging, meals, and wages). |

*****All fees paid to us are non-refundable and imposed uniformly.

## ITEM 7

## ESTIMATED INITIAL INVESTMENT

## YOUR ESTIMATED INITIAL INVESTMENT

### Play & Music Center*

| NAME OF FEE | ESTIMATED COSTS (FULL-SCALE) | ESTIMATED COSTS (MINI) | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|---|
| Initial Franchise Fee (1st Center)[1] | $45,000 | $45,000 | Cash | Signing | GPPI |
| Lease Rental and Deposits (3 months' rent)[2] | $3,000 - $30,000 | $3,000 - $15,000 | Cash | Prior to signing Lease | Landlord |
| Broker Commissions, Key Money for Real Estate[3] | $0 - $2,000 | $0 - $2,000 | Cash | Prior to signing Lease | Landlord/ Broker |
| Construction, Architectural Fees, Related Expenses[4] | $0 - $150,000 | $0 - $75,000 | Cash | Negotiated | Architects, Contractors, Landlord |
| Equipment[5] | $55,000 - $58,700 | $35,200 - $35,700 | Cash | Before opening | GPPI |
| Décor and Signage[6] | $4,400 - $9,000 | $4000 - $9,000 | Cash | Before opening | Vendors |
| Opening Inventory[7] | $12,100 – $13,000 | $12,100 – $13,000 | Cash | On order | GPPI or Vendor |
| Pre-opening Salaries and Training (travel and living expenses)[8] | $250 - $4,000 | $250 - $4,000 | Cash/ Credit | As incurred | Employees, Hotels, Airlines, etc. |
| Office Equipment and Supplies[9] | $5,500 - $10,000 | $5,500 - $10,000 | Cash | As billed | Vendors |
| Insurance[10] | $3,300 - $6,100 | $3,300 - $6,100 | Cash/ Credit | As billed | Insurers |
| Utility Deposits[11] | $250-$500 | $250-$500 | Cash/ Credit | Negotiated | Lessor, Utility Companies |
| Professional Fees[12] | $1,000 - $5,000 | $1,000 - $5,000 | Cash/ Credit | Negotiated | Professionals |
| Music Rights[13] | $500 - $800 | $500 - $800 | Cash | As incurred | BMI and ASCAP |
| Additional Funds for First 3 Months[14] | $30,000 - $60,000 | $30,000 - $45,000 | Cash/ Security | As incurred | GPPI, Landlord, Vendors, Employees, etc. |
| **TOTAL[15]** | **$160,300 - $393,100** | **$140,100- $266,100** | | | |

*Fees paid to us are non-refundable. Fees paid to third party vendors may or may not be refundable, depending on the arrangements that you make with the third party vendor.

**NOTES**

1. See Item 5 for a description of the initial franchise fee for franchisees.

2. You are responsible for locating, negotiating and obtaining your own lease. Estimated lease costs are based upon our own experience and that of our franchisees.

3. The landlord of the premises may require that you pay "key money" in an indeterminable amount in order to secure a lease especially in desirable locations or when vacancies are low. It is extremely difficult to quantify the amount of any key money. In our experience, you should be able to find a suitable location that does not require payment of any key money.

4. Leasehold improvements and related build-out costs, including fixtures will be approximately $0 to $150,000 for a full-scale Play & Music Center, or $0 to $75,000 for a Play & Music Mini Center, depending upon the existing condition of the approved location, local market conditions, and the cost to make any required tenant improvements. In some cases, a landlord will make all necessary leasehold improvements at zero cost up front, and will build the cost into the rent over the lease term.

5. You must purchase certain equipment from us at an approximate cost of $55,200 - $58,700 for a full-scale Play & Music Center, or $35,200 - $35,700 for a Play & Music Mini Center. Actual costs depend on shipping charges and your decision to purchase optional equipment. Estimated shipping costs and taxes are not included in the above estimated costs; actual shipping costs will depend on the delivery destination and the amount of equipment actually purchased. If you choose to participate in the optional "Gymboree On The Go" program, you will need a vehicle. Generally, our franchisees use their personal vehicles in connection with the program, so we have not included any vehicle related costs in the chart above.

6. You must purchase and install a décor package and indoor and outdoor signs as further described in the Franchise Agreement and Operating Manual.

7. The required opening inventory includes print and audio/visual materials; toys, music, apparel and other consumer products; and program aids for all mandatory programs. Estimated shipping costs are not included in the above estimated costs; actual shipping costs will depend on the delivery destination and the amount of product actually purchased.

8. You will incur salary, travel and lodging expenses and related costs for yourself and your personnel in connection with initial training. You will need to arrange for transportation, lodging and food for yourself and any additional employees and pay wages to any employees who attend initial training with you. Your actual costs will depend on, among other things, the distance you must travel and the type of accommodations you choose.

9. We estimate that you will incur expenses to purchase an initial quantity of office supplies (e.g. stationery, staplers, file folders, paper, trash cans, bathroom supplies, step stools, storage containers) and the installation and purchase or lease of a computer system, required software, internet access and other communication devices as described in Item 11.

10. You will need to obtain the necessary insurance required by the Franchise Agreement before opening your Center. The cost of insurance may increase in future years depending on the number of enrollees and/or revenues at your Play & Music Center.

11. We estimate that you may need to provide deposits for utilities. The amount of such deposits will vary depending upon the practices of the utility companies and your landlord.

12. You should employ an attorney, accountant or other professional consultants to assist you in connection with your purchase of this franchise and hiring employees.

13. The ASCAP and BMI music rights fees are collected by us and then paid directly to ASCAP and BMI to cover your use of the music played at your location. These music rights fees are currently collected in January of each calendar year, though subject to change.

14. You will need additional funds in the form of working capital to support ongoing expenses, such as payroll and utilities, to the extent that these costs are not covered by revenue. New businesses often generate a negative cash flow at the beginning. We estimate that the amount of additional funds shown in the initial investment chart will be sufficient to cover ongoing expenses for the start-up phase of the franchised business, which we estimate to be 3 months. We have based our estimated range of additional funds on the experience of our company-owned locations and our franchisees. These amounts are only an estimate, and there is no assurance that additional funds will not be necessary during this start-up phase or afterwards. Working capital amounts do not include any payments to you or your owners for salary or other living or personal expenses. The additional funds shown for the initial start-up phase does not necessarily mean that you will have reached "break-even," "positive cash flow," or any other financial position by the end of 3 months.

15. These figures are estimates only. You may have other categories of expenses, or additional expenses, in opening your Center. These estimates do not provide for any capital or other reserve fund, nor do they include any finance charges, interest or debt service obligations that you may incur. Total costs to begin operations and other financial requirements may be more or less than the figures specified above, depending on the size of your Center, number of employees, initial volume of business and other factors over which we have no control. Total costs will also vary depending on your management skills; experience and business acumen; local economic conditions; the prevailing wage rate; local competition; and the actual sales levels you achieve. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

**Metro Play Center***

| NAME OF FEE | ESTIMATED COSTS (FULL-SCALE) | ESTIMATED COSTS (MINI) | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|---|
| Initial Franchise Fee (1st Center)[1] | $35,000 | $35,000 | Cash | Signing | GPPI |
| Lease Rental and Deposits (3 months' rent)[2] | $3,000 - $15,000 | $3,000 - $15,000 | Cash | Prior to signing Lease | Landlord |
| Broker Commissions, Key Money for Real Estate[3] | $0 - $2,000 | $0 - $2,000 | Cash | Prior to signing Lease | Landlord/ Broker |

| NAME OF FEE | ESTIMATED COSTS (FULL-SCALE) | ESTIMATED COSTS (MINI) | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|---|
| Construction, Architectural Fees, Related Expenses[4] | $0 - $60,000 | $0 - $60,000 | Cash | Negotiated | Architects, Contractors, Landlord |
| Equipment[5] | $55,000 - $58,700 | $35,200- $35,700 | Cash | Before opening | GPPI |
| Décor and Signage[6] | $2,230 - $6,000 | $2,300 - $6,000 | Cash | Before opening | Vendors |
| Opening Inventory[7] | $7,700 - $8,500 | $7,000 - $8,500 | Cash | On order | GPPI or Vendor |
| Pre-opening Salaries and Training (travel and living expenses)[8] | $250 - $4,000 | $250 - $4,000 | Cash/ Credit | As incurred | Employees, Hotels, Airlines, etc. |
| Office Equipment and Supplies[9] | $2,200-$8,000 | $2,000-$8,000 | Cash | As billed | Vendors |
| Insurance[10] | $3,300 - $6,100 | $3,000 - $6,100 | Cash/ Credit | As billed | Insurers |
| Utility Deposits[11] | $250 - $500 | $250 - $500 | Cash/ Credit | Negotiated | Lessor, Utility Companies |
| Professional Fees[12] | $1,000 - $5,000 | $1,000 - $5,000 | Cash/ Credit | Negotiated | Professionals |
| Music Rights[13] | $500 - $800 | $500 - $800 | Cash | As incurred | BMI and ASCAP |
| Additional Funds for First 3 Months[14] | $20,000 - $40,000 | $20,000 - $30,000 | Cash/ Security | As incurred | GPPI, Landlord, Vendors, Employees, etc. |
| **TOTAL[15]** | **$128,200- $249,600** | **$109,500 $216,600** | | | |

*Fees paid to us are non-refundable. Fees paid to third party vendors may or may not be refundable, depending on the arrangements that you make with the third party vendor.

**NOTES**

1. See Item 5 for a description of the initial franchise fee for franchisees.

2. You are responsible for locating, negotiating and obtaining your own lease. Estimated lease costs are based upon our own experience and that of our franchisees.

3. The landlord of the premises may require that you pay "key money" in an indeterminable amount in order to secure a lease especially in desirable locations or when vacancies are low. It is extremely difficult to quantify the amount of any key money. In our experience, you should be able to find a suitable location that does not require payment of any key money.

4. Leasehold improvements and related build-out costs will be approximately $0 to $60,000, depending upon the existing condition of the approved location, local market conditions, and the cost to make any required tenant improvements. In some cases, a landlord will make all necessary leasehold improvements at zero cost up front, and will build the cost into the rent over the lease term.

5. You must purchase certain equipment from us at an approximate cost of $55,000 - $58,700 for a full-scale Metro Play Center, or $35,200 - $35,700 for a Metro Play Mini Center. Actual costs depend on shipping charges and your decision to purchase optional equipment. Estimated shipping costs and taxes are not included in the above estimated costs; actual shipping costs will depend on the delivery destination and the amount of equipment actually purchased. If you choose to participate in the optional "Gymboree On The Go" program, you will need a vehicle. Generally, our franchisees use their personal vehicles in connection with the program, so we have not included any vehicle related costs in the chart above.

6. You must purchase and install a décor package and indoor and outdoor signs as further described in the Franchise Agreement and Operating Manual.

7. The required opening inventory includes print and audio/visual materials; toys, music, apparel and other consumer products; and program aids for all mandatory programs. Estimated shipping costs are not included in the above estimated costs; actual shipping costs will depend on the delivery destination and the amount of product actually purchased.

8. You will incur salary, travel and lodging expenses and related costs for yourself and your personnel in connection with initial training. You will need to arrange for transportation, lodging and food for yourself and any additional employees and pay wages to any employees who attend initial training with you. Your actual costs will depend on, among other things, the distance you must travel and the type of accommodations you choose.

9. We estimate that you will incur expenses to purchase an initial quantity of office supplies (e.g. stationery, staplers, file folders, paper, trash cans, bathroom supplies, step stools, storage containers) and the installation and purchase or lease of a computer system, required software, internet access and other communication devices as described in Item 11.

10. You will need to obtain the necessary insurance required by the Franchise Agreement before opening your Center. The cost of insurance may increase in future years depending on the number of enrollees and/or revenues at your Center.

11. We estimate that you may need to provide deposits for utilities. The amount of such deposits will vary depending upon the practices of the utility companies and your landlord.

12. You should employ an attorney, accountant or other professional consultants to assist you in connection with your purchase of this franchise and hiring employees.

13. The ASCAP and BMI music rights fees are collected by us and then paid directly to ASCAP and BMI to cover your use of the music played at your location. These music rights fees are currently collected in January of each calendar year, though subject to change.

14. You will need additional funds in the form of working capital to support ongoing expenses, such as payroll and utilities, to the extent that these costs are not covered by revenue. New businesses often generate a negative cash flow at the beginning. We estimate that the amount of additional funds shown in the initial investment chart will be sufficient to cover ongoing expenses for the start-up phase of the franchised business, which we estimate to be 3 months. We have based our estimated range of additional funds on the experience of our company-owned locations and our franchisees. These amounts are only an estimate, and there is no assurance that additional funds will not be necessary during this start-up phase or afterwards. Working capital amounts do not include any payments to you or your owners for salary or other living or personal expenses. The additional funds shown for the initial start-up phase does not necessarily mean that you will have reached "break-even," "positive cash flow," or any other financial position by the end of 3 months.

15. These figures are estimates only. You may have other categories of expenses, or additional expenses, in opening your Center. These estimates do not provide for any capital or other reserve fund, nor do they include any finance charges, interest or debt service obligations that you may incur. Total costs to begin operations and other financial requirements may be more or less than the figures specified above, depending on the size of your Metro Play Center, number of employees, initial volume of business and other factors over which we have no control. Total costs will also vary depending on your management skills; experience and business acumen; local economic conditions; the prevailing wage rate; local competition; and the actual sales levels you achieve. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

**Mobile Play Center***

| NAME OF FEE | ESTIMATED COSTS | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|
| Initial Franchise Fee (1st Center)[1] | $20,000 | Cash | Signing | GPPI |
| Lease Rental and Deposits (3 months' rent)[2] | $3,000 to $12,000 per center | Cash | Prior to signing Lease | Landlord |
| Equipment[3] | $9,240 - $9,500 per center | Cash | Before opening | GPPI |
| Signage[4] | $100 - $500 per center | Cash | Before opening | Vendors |
| Opening Inventory (per Center)[5] | $3,000 - $6,000 | Cash | On order | GPPI or Vendor |
| Pre-opening Salaries and Training (travel and living expenses) (per Center)[6] | $250 - $4,000 | Cash/ Credit | As incurred | Employees, Hotels, Airlines, etc. |
| Office Equipment and Supplies (per Center)[7] | $2,000-$8,000 | Cash | As billed | Vendors |
| Insurance[8] | $1,000 - $2,000 per center | Cash/ Credit | As billed | Insurers |

| NAME OF FEE | ESTIMATED COSTS | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|
| Professional Fees[9] | $1,000 - $5,000 | Cash/ Credit | Negotiated | Professionals |
| Music Rights[10] | $500 - $800 per center | Cash | As incurred | BMI and ASCAP |
| Additional Funds for First 3 Months (per Center)[11] | $17,000 - $28,000 | Cash/ Security | As incurred | GPPI, Vendors, Employees, etc. |
| **TOTAL[12]** | **$57,090 - $95,800** | | | |

*Fees paid to us are non-refundable. Fees paid to third party vendors may or may not be refundable, depending on the arrangements that you make with the third party vendor.

**NOTES**

1. See Item 5 for a description of the initial franchise fee for franchisees.

2. We do not encourage Mobile Play Center franchisees to sign a lease. However, some facilities where you will operate the Center, such as community centers, may charge a fee for the use of the facilities, usually on an hourly basis.

3. You must purchase certain equipment from us at an approximate cost of $8,400 to $9,500. Actual costs depend on shipping charges and your decision to purchase optional equipment. Estimated shipping costs and taxes are not included in the above estimated costs; actual shipping costs will depend on the delivery destination and the amount of equipment actually purchased. In addition, you will need a vehicle. Generally, our franchisees use their personal vehicles in connection with the program, so we have not included any vehicle related costs in the chart above.

4. You must purchase and use/install indoor and outdoor signs as further described in the Franchise Agreement and Operating Manual.

5. The required opening inventory includes print and audio/visual materials; toys, music, apparel and other consumer products; and program aids for all mandatory programs. Estimated shipping costs are not included in the above estimated costs; actual shipping costs will depend on the delivery destination and the amount of product actually purchased.

6. You will incur salary, travel and lodging expenses and related costs for yourself and your personnel in connection with initial training. You will need to arrange for transportation, lodging and food for yourself and any additional employees and pay wages to any employees who attend initial training with you. Your actual costs will depend on, among other things, the distance you must travel and the type of accommodations you choose.

7. We estimate that you will incur expenses to purchase an initial quantity of office supplies (e.g. stationery, staplers, file folders, paper, storage containers) and the installation and purchase or lease of a computer system, required software, internet access and other communication devices as described in Item 11.

8. You will need to obtain the necessary insurance required by the Franchise Agreement before opening your Center. The cost of insurance may increase in future years depending on the number of enrollees and/or revenues at your Center.

9. You should employ an attorney, accountant or other professional consultants to assist you in connection with your purchase of this franchise and hiring employees.

10. The ASCAP and BMI music rights fees are collected by us and then paid directly to ASCAP and BMI to cover your use of the music played at your location. These music rights fees are currently collected in January of each calendar year, though subject to change.

11. You will need additional funds in the form of working capital to support ongoing expenses, such as payroll and utilities, to the extent that these costs are not covered by revenue. New businesses often generate a negative cash flow at the beginning. We estimate that the amount of additional funds shown in the initial investment chart will be sufficient to cover ongoing expenses for the start-up phase of the franchised business, which we estimate to be 3 months. We have based our estimated range of additional funds on the experience of our company-owned locations and our franchisees. These amounts are only an estimate, and there is no assurance that additional funds will not be necessary during this start-up phase or afterwards. Working capital amounts do not include any payments to you or your owners for salary or other living or personal expenses. The additional funds shown for the initial start-up phase does not necessarily mean that you will have reached "break-even," "positive cash flow," or any other financial position by the end of 3 months.

12. These figures are estimates only. You may have other categories of expenses, or additional expenses, in opening your Center. These estimates do not provide for any capital or other reserve fund, nor do they include any finance charges, interest or debt service obligations that you may incur. Total costs to begin operations and other financial requirements may be more or less than the figures specified above, depending on the number and cost of locations where you will operate your Mobile Play Center, number of employees, initial volume of business and other factors over which we have no control. Total costs will also vary depending on your management skills; experience and business acumen; local economic conditions; the prevailing wage rate; local competition; and the actual sales levels you achieve. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

## Development Agreement

The estimated initial investment under a Development Agreement is the sum of the initial investment for the number and type(s) of Centers that you agree to develop. For example, if you agree to develop one Center, your estimated initial investment will be the same as that set forth in the corresponding table above. If you agree to develop more than one Center, your estimated initial investment will be the sum of the estimated initial investment for each type of Center that you agree to develop. For example, if you agree to develop one full-scale Metro Play Center and one Mobile Play Center, your estimated initial investment will be the sum of the estimated initial investment for a full-scale Metro Play Center ($128,200-$216,600) plus the estimated initial investment for a Mobile Play Center ($57,090-$95,800), for a total of $185,290-$312,400.

Since costs can vary with each franchise, we strongly recommend that you obtain, before purchasing a franchise or making any other expenditures or commitments, independent estimates of each expense category from third-party vendors and your accountant. The minimum number of Centers required to be opened under a Development Agreement is one. However, if you have a Development Schedule that requires you to open more than one site, you should consider the additional capital you will need if you develop multiple sites simultaneously. You should also discuss with current Gymboree Play & Music® franchisees their actual initial costs to open and begin operating their Center and carefully evaluate the adequacy of your total financial reserves.

## ITEM 8

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must acquire and install at the Center, at your expense, the minimum standard equipment and program aids, telephone and answering equipment, computer hardware, software, and peripherals, all as further specified in the Operating Manual (as it may be amended from time to time). You must purchase from us or other suppliers reasonable quantities of current advertising materials for distribution, and must maintain an adequate supply of all printed advertising and other promotional materials at the Center at all times.

You must purchase all Play Equipment solely from us, unless we, in our discretion, permit otherwise in writing. Because the Play Equipment is proprietary to us, your right to sell it to anyone other than us or another franchisee is limited. For so long as we deem advisable, you must purchase all designated program aids and consumer products from us or our designated supplier at our or the supplier's then-current prices for those products. Payment for these program aids and consumer products will be due and payable in full upon placement of any order with us or upon other terms as we may specify. So long as you are required to carry consumer products, you must at all times maintain an inventory of designated items in the minimum quantities specified by us. The Play Equipment includes a variety of activity structures in a variety of materials. The program aids include a variety of items designed to assist children and their parents to participate in the Gymboree Play & Music® System and recreate some elements of the Gymboree Play & Music® System at home. Consumer products include puppets, musical instruments, bubble pipes, bubble solution, T-shirts and similar items. We may withdraw our approval of program aids and/or consumer products at any time and you must cease to sell or distribute those program aids and consumer products upon receipt of notice from us.

You must sell or offer for sale only such products and services as we have expressly approved for sale in writing or as described in the Operating Manual; refrain from any deviation from our standards and specifications without our prior written consent; and discontinue selling and offering for sale any products and services which we may, in our discretion, disapprove in writing at any time.

We have designated and may, in the future and in our discretion, designate suppliers of the equipment, products, services and supplies that meet our standards and requirements, including standards and requirements relating to reputation, quality, prices, consistency, reliability, financial capability, labor relations and customer relations. We will formulate and modify standards and specifications based on our, our affiliates' and our franchisees' experience in operating Gymboree Play & Music Systems. Our standards and specifications and/or names of approved suppliers will be identified in our Operating Manual or otherwise in writing. You must purchase such equipment, products, services and supplies only from suppliers that we have designated. We have the right, in our discretion, to designate a single supplier or limited number of suppliers, to designate a supplier only as to certain items, and to concentrate purchases

with one or more suppliers to obtain lower prices, advertising support and/or other benefits. We have the right to receive rebates, commissions or other compensation from designated suppliers, and we have the right to designate ourselves or our affiliates as a designated supplier, whether one of many, one of a limited number of suppliers, or the only designated supplier. We negotiate purchase arrangements with some of the suppliers of items sold to franchisees. None of our officers currently owns an interest in any approved supplier, although they may do so in the future. There are no purchasing or distribution cooperatives. We do not provide any material benefits to a franchisee based on the franchisee's purchases of particular products or services or use of designated or approved suppliers or leases from other suppliers by franchisees.

All equipment, program aids, signs, products, services and supplies used or offered for sale at the Center must meet our then-current standards and specifications, as established in the Operating Manual or otherwise in writing. Except as provided by the Franchise Agreement, you must purchase all equipment, program aids, signs, products, services and supplies used or offered for sale at the Center for which we have established standards or specifications solely from suppliers (including manufacturers, distributors and other sources) which demonstrate, to our continuing reasonable satisfaction, the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply franchisees' needs promptly and reliably, and who have been approved by us in the Operating Manual or otherwise in writing.

If you desire to purchase products or services from someone other than an approved supplier, you must submit to us a written request to approve the proposed supplier, together with such evidence of conformity with our specifications as we may reasonably require (including drawings, brochures, samples and related items). We may, in our discretion, decline to provide proprietary information to a proposed supplier. We will have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. A charge not to exceed the reasonable cost of the evaluation and testing must be paid by you. We will use commercially reasonable efforts, within 90 days after our receipt of such completed request and completion of such evaluation and testing (if required by us), to notify you in writing of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld provided the supplier meets our quality controls and capacity needs. You must not sell or offer for sale any items of the proposed supplier until our written approval of the proposed supplier is received. We may from time to time revoke our approval of particular equipment, program aids, signs, products, services or suppliers when we determine, in our discretion, that such products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease to sell any disapproved products or services and cease to purchase from any disapproved supplier.

We estimate that the purchase of play and music equipment, program aids, catalogs, consumer products, training tapes, training devices, certain promotional and advertisement materials, insurance, computer hardware and software and related equipment by you will represent approximately 45% to 50% of the cost to establish a Play & Music Center or a Metro Play Center, and 15% to 30% of the monthly cost to operate a Play & Music Center or a Metro Play Center; they will represent approximately 5% to 10% of the cost to establish and operate a Mobile Play Center.

We sell equipment designed and manufactured by us or on our behalf, and may license any software which we may develop in the future, at or above cost to pay for the research and development required to make the equipment and software, and may earn a profit on the sale or license.

You are required to purchase and maintain the types and amounts of insurance that we require and add GPPI, Inc. as an additional insured to the general liability and umbrella. Currently, we require that you maintain a general liability coverage with limits of $1,000,000 each occurrence with $3,000,000 aggregate, umbrella policy with a $5,000,000 each occurrence limit with a $5,000,000 aggregate; an accident medical

policy with a minimum limit of $25,000 per incident; an automobile liability policy on all owned, leased, non-owned, and hired vehicles with limits of at least $1,000,000 combined single limit; and a workers' compensation policy in an amount required by your state's law. For a Mobile Play Center or a "Gymboree On The Go" program, your teachers must maintain the minimum amount of automobile liability insurance of $100,000. We may, from time to time, change or increase the types and/or amounts of insurance, and you must comply within 30 days of receiving written notice of a change. We may identify certain programs or curricula that you are permitted (or, at our option, required) to purchase, use and/or sell to customers. We do not currently derive any revenue from these purchases, but we reserve our right to do so in the future. We also reserve the right to modify or discontinue any of the programs or curricula, in our sole business judgment.

During the most recent calendar year ending December 31, 2024, we had total revenues of $1,506,737. Of this amount, $77,166 (approximately 5%) represents our revenue from required purchases and leases of products and services by franchisees, such as our sales of program aids, catalogs, and consumer products, and equipment to franchisees. These figures are derived from our audited financial statements.

## ITEM 9

## FRANCHISEE'S OBLIGATIONS

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

| | OBLIGATION | SECTION IN FRANCHISE AGREEMENT | SECTION IN DEVELOPMENT AGREEMENT | DISCLOSURE DOCUMENT ITEM |
|---|---|---|---|---|
| a. | Site selection and acquisition/lease | 2.2 | 2.1, 4, 6.1, 16.8 and 16.9 | 11 |
| b. | Pre-opening purchases/leases | 8.6, 8.7, 8.8 and 8.9 | 4.3 | 5, 6, 7 and 8 |
| c. | Site development and other pre-opening requirements | 6.1, 6.2 and 6.4 | 2.1 and 4 | 11 |
| d. | Initial and ongoing training | 7 | No provision | 6, 7 and 11 |
| e. | Opening | 6.3 | 4.4 | 11 |
| f. | Fees | 5, 6.6 and 15.3.11 | 3 and 8.3.8 | 5, 6 and 7 |
| g. | Compliance with standards and policies/ Operating Manual | 8.3, 8.4, 8.5 and 10.1 | 9.2 | 8 and 11 |
| h. | Trademarks and proprietary information | 9 and 11 | 2.4 and 9.3 | 13 and 14 |

| | OBLIGATION | SECTION IN FRANCHISE AGREEMENT | SECTION IN DEVELOPMENT AGREEMENT | DISCLOSURE DOCUMENT ITEM |
|---|---|---|---|---|
| i. | Restrictions on products/services offered | 8.5, 8.8, 8.9, 8.10 and 8.11 | No provision | 8 and 16 |
| j. | Warranty and customer service requirements | No provision | No provision | No provision |
| k. | Territorial development and sales quotas | 2.3 | 2 | 12 |
| l. | Ongoing product/service purchases | 8.5 and 8.9 | No provision | 8 |
| m. | Maintenance appearance and remodeling requirements | 6.5 and 6.6 | No provision | 11 |
| n. | Insurance | 14 | No provision | 6 and 7 |
| o. | Advertising | 13 | No provision | 6, 7 and 11 |
| p. | Indemnification | 22.3 | 11.3 | 6 |
| q. | Owner's Participation/Management staffing | 8.1 and 8.2 | 9.1 | 11 and 15 |
| r. | Records/reports | 12 | No provision | 6 |
| s. | Inspections/audits | 8.5.3 and 12.4 | No provision | 6 and 11 |
| t. | Transfer | 15 | 8 | 17 |
| u. | Renewal | 3.2 | No provision | 17 |
| v. | Post-termination obligations | 18 | 7.3 and 9.5 | 17 |
| w. | Non-competition covenants | 19.2 and 19.3 | 9.4 and 9.5 | 17 |
| x. | Dispute resolution | 28 | 15 | 17 |

## ITEM 10

## FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligations with third parties.

## ITEM 11

## FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

**Except as listed below, GPPI is not required to provide you with any assistance.**

**Pre-Opening Obligations**

Development Agreement

For each Center developed under the Development Agreement, we will provide you with such site selection guidelines and consultation as we deem advisable. (Development Agreement, Section 6.1.) We will provide training to you and your Operations Manager for each Center you develop (Development Agreement, Section 6.2.) If you have not received access to the Operating Manual under a Franchise Agreement, we, in our sole and absolute discretion, may provide that access prior to your signing a Franchise Agreement but may require you to sign a confidentiality agreement in a form that we approve. (Development Agreement, Section 9.2.)

Franchise Agreement

Before the Center opens, we will provide the following to you:

1. If you purchase a Play & Music Center or Metro Play Center, we will make available to you guidelines for a prototypical Center, including exterior and interior design and layout, fixtures, furnishings, and signs (Franchise Agreement, Section 4.1);

2. We will provide you with electronic access to the Operating Manual upon your completion of the initial training program (Franchise Agreement, Section 4.2);

3. We will provide training to you and your Operations Manager (Franchise Agreement, Sections 4.3 and 7.1);

4. We will provide you with templates to be used in your advertising materials (such as class schedules and Social Media posts) (Franchise Agreement, Section 4.4);

5. We will make available, or designate or approve other suppliers who will make available, to you for purchase (a) at our or the supplier's then-current prices, the Play Equipment, the flooring system, and other equipment, and (b) at the then-current list price, program aids and consumer products for retail sale in the Center (Franchise Agreement, Section 4.8); and

6. At our option, we may establish and administer a Gymboree Play & Music® brand promotion fund (Franchise Agreement, Sections 4.9 and 13.3).

**Continuing Obligations**

Development Agreement

Under the Development Agreement, we are not obligated to furnish any assistance to you after the opening of each Center.

Franchise Agreement

After the Center opens, we will provide the following to you:

1. We will provide to you at the time(s) and in the manner determined by us, in our discretion, advice, assistance, and written materials about operations, services, teaching methods, products, and marketing techniques (Franchise Agreement, Section 4.5);

2. We will make available, or designate or approve other suppliers who will make available, to you for purchase (a) at our or the supplier's then-current prices, the Play Equipment, flooring system, and other equipment, and (b) at the then-current list price, program aids and consumer products for retail sale in the Center for so long as we deem advisable. We may elect to withdraw any or all of the program aids or consumer products from the System at any time, and may elect to sell or distribute, or license others to sell or distribute, the program aids and consumer products for retail sale (Franchise Agreement, Section 4.8).

**Advertising Programs**

***Advertising.*** All advertising and promotion by you must be in such media and of such type and format as we may approve in writing, must be conducted in a dignified manner, and must conform to the standards and requirements as we may specify (including containing copyright, trademark or other notices we require). You must not use any advertising or promotional materials or programs, or coupons (except as provided in the Franchise Agreement) unless and until you have received written approval from us. You must purchase from us or other suppliers reasonable quantities of current advertising materials for distribution, and must maintain an adequate supply of all printed advertising and other promotional materials at the Center at all times. (Franchise Agreement, Section 13.1.) You must submit to us for prior written approval, which we may withhold in our business judgment, samples of all advertising and promotional materials, programs and marketing plans for any print, broadcast, cable, electronic, computer or other media (including the Internet and social media) that you desire to use and that have not been prepared or previously approved by us within the preceding 6 months. You must not use such plans or materials until they have been approved in writing by us. (Franchise Agreement, Section 13.2.)

We may, from time to time, develop, establish, and market special discount, loyalty or coupon programs designed to induce customers to patronize Gymboree Play & Music® Centers , and we may require you to participate in them. We will notify you of the creation of all such discount, loyalty or coupon programs and will advise you with respect to all of its elements. You must adhere to all elements of the program, but you may charge less than the special discounted rates we require. We reserve the right to establish all such discount, loyalty or coupon programs in our discretion without consulting or conferring with you or any other franchisee with respect to the nature, content or amount of any discount, loyalty or coupon program. (Franchise Agreement, Section 13.6.)

***Brand Fund.*** During the term of the Franchise Agreement, you must contribute for advertising and promotion to the System's advertising, publicity and marketing fund ("Brand Fund") up to 5% of your Gross Receipts ("Brand Fee") in the amount as we notify you from time to time. Currently, the Brand Fee is 3.25% of your Gross Receipts, but we may change it. The Brand Fee will be calculated and payable at the same time and in the same manner as the royalty fee. Your contributions to the Brand Fund will be in addition to the local marketing expenditures and Cooperative contributions required by the Franchise Agreement. All company-owned Gymboree Play & Music® Centers currently make contributions to the Brand Fund in the same amount then required of franchisees in the System, but we may elect to contribute in a lesser amount or cease contributions, in our discretion. Due to differing forms of franchise agreements

or otherwise, some franchisees may have different Brand Fund and/or other obligations than in your Franchise Agreement. (Franchise Agreement, Section 13.3.)

We will direct all advertising programs, with sole discretion over all matters relating to the Brand Fund in any way, including its management, financial matters, expenditures, receipts and/or investments by the Brand Fund, timing of expenditures, creative concepts, content, materials and endorsements for any marketing programs, together with their geographic, market, and media placement and allocation. (Franchise Agreement, Section 13.3.1.) Currently, there is a Franchise Advertising Council which serves in an advisory capacity regarding our advertising policies. The council's members are elected by the majority vote of franchisees. We have the right, in our discretion, to modify or dissolve the Franchise Advertising Council at any time. The Brand Fund, all contributions to it, and any of its earnings, will be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, preparing, producing, distributing and using advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the Gymboree Play & Music® brand and Gymboree Play & Music® System, including but not limited to the costs of preparing and conducting electronic (including Internet-based and social media), radio, television, print, direct mail, and billboard advertising; administering national, regional and other marketing, advertising and promotional programs; developing, maintaining and updating websites, social media sites and emerging technologies; SEO software; email marketing; purchasing media and signage; "brand/image advertising"; research and development of new products and services; conducting surveys and secret shopper programs; funding contests, coupons, and other promotional programs; conducting public relations activities and reputation management; purchasing and distributing promotional items; the development and maintenance of mobile applications, intranets, and other media or devices to foster customer engagement and facilitate communication; and expenses associated with any franchisee advisory council(s). We or our Affiliates may perform any or all of these functions ourselves, and we are entitled to be reimbursed from the Brand Fund for the proportionate share of our operating expenses, overhead and compensation of our employees devoted to these functions; and/or we may retain third party agencies, paid from the Brand Fund, to perform any and all of these functions. As an alternative to calculating the proportionate share of operating expenses, overhead, and employee compensation attributable to marketing, advertising and promotional activities, we may pay ourselves an administrative fee of up to 20% of the annual aggregate Brand Fees from the Brand Fund, plus reimbursement for our actual out-of-pocket costs on marketing, advertising and promotional activities. While we do not anticipate that any part of the Brand Fund will be used for advertising that is principally a solicitation for franchisees, we reserve the right to use Brand Fees for public relations or recognition of the Gymboree Play & Music® brand and for the development and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a brief statement in any advertisement regarding the availability of information regarding the purchase of Gymboree Play & Music® franchises. (Franchise Agreement, Section 13.3.2.)

We are not obligated, in administering the Brand Fund, to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly from expenditures by the Brand Fund. (Franchise Agreement, Section 13.3.1.)

All contributions to the Brand Fund will be accounted for separately from our other monies. It is anticipated that all contributions to and earnings of the Brand Fund will be expended during the taxable year within which the contributions are made. If, however, excess amounts remain in the Brand Fund at the end of the taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions. (Franchise Agreement, Section 13.3.4.) Although the Brand Fund is intended to be of perpetual duration, we reserve the right to terminate the Brand Fund. The Brand Fund will not be terminated, however, until all monies in the Brand Fund have been expended for marketing, advertising and/or promotional purposes. On reasonable written request, we will provide you with an annual statement

of monies collected and costs incurred by the Brand Fund for the prior year. We may (but are not required to) have financial statements of the Brand Fund audited, and any related costs will be paid by the Brand Fund. (Franchise Agreement, Section 13.3.5.)

During our most recent fiscal year ending December 31, 2024, we spent approximately 7% of our advertising expenditures on production,53% on media placement, 25% on emails, blog, and other brand advertising; 10% on administrative expenses, and 5% on Advisory Council meetings and related items. No monies were used for advertising that was principally a solicitation for the sale of franchises.

***Local Marketing.*** You must implement a local marketing program in accordance with the Manuals. In addition to the contributions to the Brand Fund, you must spend at least $4,000 annually for local advertising and promotion of the Center, specifically expenses for direct mail and other promotional materials which we have approved in advance in writing. Franchisee shall submit to Franchisor on a monthly basis, in a form prescribed by Franchisor, verification of its expenditures for local advertising and promotion. You must also display in the Center such materials, signs and brochures as we may designate from time to time, including, but not limited to, prospective franchisee inquiry cards which we will supply.

***Advertising Cooperative.*** We will have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"), and to determine whether a Cooperative is applicable to your Center. If a Cooperative has been established applicable to your Center at the time you commence operations under the Franchise Agreement, you must immediately become a member of the Cooperative. If a Cooperative applicable to your Center is established at any later time during the term of your Franchise Agreement, you must become a member of the Cooperative no later than 30 days after the date on which the Cooperative commences operation. (Franchise Agreement, Section 13.5.)

Each Cooperative will be organized and governed in a form and manner, will commence operation on a date, and will operate pursuant to written governing documents, all of which must be approved by us in writing. The voting structure of each Cooperative will be one vote per each franchised Center that is open and in operation. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval . Each Cooperative will have the right to require its members to make ongoing contributions to the Cooperative in the amounts as are determined by the Cooperative, but you will not be required to contribute to any Cooperative in excess of (a) for Play & Music Centers, $250 during any calendar month (or $3,000 during any calendar year), (b) for Metro Play Centers, $150 during any calendar month (or $1,800 during any calendar year), and (c) for Mobile Play Centers, $150 during any calendar month (or $1,800 during any calendar year), except as otherwise agreed to by all members of the Cooperative. We reserve the right to require Cooperatives to be changed, dissolved, or merged. (Franchise Agreement, Section 13.5.)

***Electronic Media and Devices.*** We have the right, but not the obligation, to establish and maintain one or more websites, social media sites, or other electronic media and devices, including but not limited to intranets, extranets, applications, and other means of electronic communication or functionality. We may require you to use designated electronic media and/or devices. We have the sole right to control all aspects of these electronic media and devices, including their respective designs, content, functionality, links to other sites, legal notices, and policies and terms of usage. We also have the right to discontinue use or operation of any or all electronic media at any time with reasonable notice to you. Except as we otherwise approve in advance in writing, you may not establish or maintain any separate websites, social media sites, or other electronic media or devices in connection with your Center. If we grant approval, you

must establish and operate the approved electronic media or devices in accordance with our standards and policies. (Franchise Agreement, Sections 13.7, 13.8.)

**Computer System**

We have the right to specify or require that certain brands, types, makes, and/or models of communications equipment, computer systems, and hardware be used by you at or in connection with your Center, including: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at the Center; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; (d) Internet access mode and speed; and (e) physical, electronic, and other security systems (collectively, the "Computer System"). (Franchise Agreement, Section 8.7.1.)

We also have the right, but not the obligation, to designate, develop or have developed for the System: (a) computer software programs that you must use in connection with the Computer System (the "Required Software"), which you must install at your expense; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install at your expense; (c) the tangible media upon which you record data; and (d) the database file structure of the Computer System. (Franchise Agreement, Section 8.7.2.)

At our request, you must purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. We have the right at any time to remotely retrieve and use such data and information from your Computer System or Required Software that we deem necessary or desirable. You must, at your own expense, keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to your Computer System or Required Software as we direct from time to time in writing. (Franchise Agreement, Section 8.7.3.) There is no limitation on the frequency and cost of your obligation to upgrade the Computer System or Required Software. We do not currently require any annual maintenance, updating, upgrading, or support for the Computer systems and POS systems. If the Computer System or Required Software malfunctions, you will be responsible for repairing or replacing it; there are no contractual limits on the cost of doing so. We have no obligation to provide ongoing maintenance, repairs, upgrades or updates to the Computer System or Required Software.

The approximate cost to purchase or lease the Computer System and Required Software (or any replacement of the Computer System and Required Software) is between $1,700 and $7,300 for a Play & Music Center and between $1,600 and $5,000 for a Metro Play Center or a Mobile Play Center.

You must install and maintain the equipment, make the arrangements, and follow the procedures that we require (including the establishment and maintenance of Internet, intranet, or extranet access or other means of electronic communication, as specified by us) to permit us to access, download, and retrieve electronically, by telecommunication or other designated method, any information stored in your Computer System, including information concerning the Gross Receipts and customers of your Center. We will have access to the information at the times and in the manner that we specify, and there is no contractual limit to our right to access the information. You must sign any and all agreements that we require concerning the Computer System, Internet, intranet or extranet systems (including our "terms of use" for those systems), and must pay any fee imposed by us in connection with hosting an intranet or extranet system. You must adhere to our privacy policy posted on the Gymboree Play & Music® customer website, as amended from time to time by us (Franchise Agreement, Section 8.7.4.) Your computer will be used for reporting Gross Receipts and other information, communicating with our personnel, and accessing our intranet, among other things.

You are also required to sign our current form of Extranet License Agreement to obtain the right to, among other things, access an administrative tool for the input of names and email addresses to effect email communications, mail forwarding, global contact lists, on line discussion forums, file libraries, access to the extranet, customer enrollment, credit card verification services and the publishing of this data and other information, and performance of other electronic services as we may identify in our sole and absolute discretion. We have the right at all times to modify or discontinue any or all of these extranet services. Under the Extranet License Agreement, you must pay us a monthly Care.com license fee, which is currently $230 per month, per Center.

**Site Selection**

Development Agreement

Under the Development Agreement, before your acquisition by lease or purchase of any site for a Play & Music Center or a Metro Play Center, you must submit to us, in the form specified by us, a completed site review form, such other information or materials as we may reasonably require, including a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site. We will have 30 days after receipt of this information to approve or disapprove, in our sole and absolute discretion, the site as a location for the Center, using our then-current site criteria. No proposed site will be deemed approved unless it has been expressly approved in writing by us. You may not make any commitment for a site until we have approved it in writing. We do not select a site for you, and we will not purchase or lease a site for your use. We will furnish to you such site selection guidelines and consultation as we determine are appropriate. (Development Agreement, Section 4.2.) You must sign the Franchise Agreement for each Center you wish to develop within 15 days of our written approval of a site for the Center. (Development Agreement, Section 4.1.) Under the Development Agreement, if you and we fail to agree on a proposed site before the date that the first Center is required to open, you will be in default of the Development Agreement, and we have the right, in our discretion, to terminate the Development Agreement without refunding your development fee. We also reserve the right, in our discretion, to require you to continue looking for sites until we approve a site.

Generally, Play & Music Centers and Metro Play Centers are located in commercial space, typically shopping malls or retail strip center locations. When we review a proposed site, we will consider such factors as size of the space (generally 2,000 to 2,800 square feet, including an equipment storage area, for Play & Music Centers and 1,700 to 2,500 square feet for Metro Play Centers), atmosphere (bright and cheerful), the number of children under four in higher income homes within 10-12 minutes of the proposed site.

Mobile Play Centers will not have a permanent location, but you must identify one or more third party sites within your development area where you intend to offer Gymboree Play & Music® programming, and submit information as we may require about the sites such as the rental cost, if any; availability of equipment storage; insurance; and scheduling. The information we require may change from time to time; our current form is attached as Exhibit H to this Disclosure Document. You will sign the Franchise Agreement for your Mobile Play Center within 15 days of our written approval of one or more third party sites where you may operate your Center.

Franchise Agreement

You must operate the Center only at the location (or, in the case of a Mobile Play Center, locations) approved by us ("Approved Location"). You will not sign a Franchise Agreement until we have approved the location(s) for the Center. You may not relocate the Center without our prior written approval. We may require, in our discretion, that you sign our then-current form of franchise agreement and a general release

prior to granting approval of relocation. (Franchise Agreement, Section 2.2.) You will have up to twelve (12) months from the date you sign the Franchise Agreement to open the Center for operation. We have the right, but not the obligation, to extend this time period. You may request a three (3) month extension to this time period. If granted, an extension fee of $2,000 shall be immediately due and payable to us. If you fail to open the Center within the time period allowed, we have the right to terminate the Franchise Agreement. (Franchise Agreement, Sections 6.3, 17.2.1.)

The typical length of time between signing the Franchise Agreement and opening a Play & Music Center or Metro Play Center is 120 to 180 days; the length of time between signing the Franchise Agreement and opening a Mobile Play Center is anticipated to be 90 to 120 days. Factors affecting this length of time typically include obtaining a satisfactory site, the timing of training sessions, the delivery and installation of equipment, program aids and consumer products, and the timing of the commencement of class sessions.

**Operating Manual**

You must operate the Center in accordance with the specifications, standards, methods, policies and operating procedures specified in the Operating Manual and training library made available by electronic means to you. We may revise all or parts of these materials from time to time in our discretion, and once you are notified of the revisions you must operate in accordance with them. The Table of Contents of the Operating Manual is attached to this Disclosure Document as Exhibit E. The total number of pages and the number of pages devoted to each topic are reflected in the Table of Contents.

**Training Programs**

Before beginning the operation of your Center, you (or, if you are a corporation, partnership or limited liability company, a principal who owns at least 50% of the entity and is approved by us) must attend and complete to our satisfaction the initial training program for franchisees. If you have designated an Operations Manager at the time that you begin the initial training program, you may enroll the Operations Manager in the same initial training program at no additional charge. We will furnish the initial training program at a time and place, and for such period, as we designate in our discretion. If you (or your principal or Operations Manager) have been previously trained, we may elect to waive initial training or may require attendance at a revised or shortened training program. We may require successful completion of training by all of your supervisory personnel and we may furnish such training program at reasonable charges and at the times and places as we designate. In the event that your Operations Manager attends an initial training program after your initial training, and for any persons subsequently employed by you as Operations Manager, we may charge our then-current fee for conducting the initial training program. (Development Agreement, Section 6.2.1; Franchise Agreement, Section 7.1.)

We may require (i) you (or, if you are a corporation, partnership or limited liability company, a principal of you who owns at least 50% of the entity and is approved by us) or your principal operating officer and (ii) your Operations Manager and teachers to attend regional training sessions and teacher training programs from time to time in order to maintain consistency in the Gymboree Play & Music® System. We may also require (i) you (or, if you are a corporation, partnership or limited liability company, a principal of you) or your principal operating officer, and (ii) your Operations Manager to attend additional remedial training programs as specified by our Franchise Operations Department whenever, in our opinion, your performance indicates that supplemental training is necessary or appropriate. You must pay us our then-current fee as set forth in the Operating Manual in connection with such regional and remedial training sessions. (Development Agreement, Section 6.2.2; Franchise Agreement, Section 7.2.)

We may offer an annual franchisee meeting to discuss and review new programming ideas and concepts. If we do, you (or a principal who owns at least 50% of the entity and is approved by us) must

attend. We will designate the times and places for such annual meetings. You must pay us a fee equal to the then-current per-attendee fee for its annual seminar multiplied by the number of your attendees. (Development Agreement, Section 6.2.4; Franchise Agreement, Section 7.4.) All Center teachers must participate in local, regional and/or national teacher training programs which may include additional training at our headquarters or such other locations as we may designate. (Development Agreement, Section 6.2.5; Franchise Agreement, Section 7.5.)

For all training programs and seminars required by the Franchise Agreement, you will be responsible for any and all other expenses incurred by you or your employees in connection with any such courses, seminars, and programs, including the costs of transportation, lodging, meals, and wages. (Development Agreement, Section 6.2.6; Franchise Agreement, Section 7.6.)

The mandatory initial training program generally takes place at our headquarters in San Mateo, California and/or at company-owned sites within the vicinity of San Mateo. The in-person initial training program typically lasts 8 days and averages approximately 9 hours per day. You must successfully complete the initial training program at least 1 month before opening, but we strongly encourage you to attend training at least 2 or more months before opening. The training program is a proprietary presentation based on the Operating Manual, Program Manual, IT Manual, and other materials. We repeat the initial training program regularly, usually once each calendar quarter. We may change our initial training program content, schedule, and format at any time. For example, we have been offering a shorter form of initial training program virtually due to the COVID-19 pandemic, and reserve the right to continue to do so.

The subjects currently covered in the initial training program are described below.

**TRAINING PROGRAM**

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON-THE-JOB TRAINING | LOCATION |
|---|---|---|---|
| Business Operations | 2 | 1 | GPPI's Headquarters/Online |
| Sales Planning | 1.5 | 1.5 | GPPI's Headquarters/Online |
| Real Estate | 3 | 0 | GPPI's Headquarters/Online |
| CRM/CMS | 1 | 0 | GPPI's Headquarters/Online |
| Site Operations | 5.5 | 0 | GPPI's Headquarters/Online |
| Special Events | 2.5 | 0 | GPPI's Headquarters/Online |
| Training | 2 | 0 | GPPI's Headquarters/Online |
| Gymboree On The Go and Mobile Play Center | 1 | 0 | GPPI's Headquarters/Online |
| Site Programming | 19 | 8 | GPPI's Headquarters; Company-Owned Center/Online |

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON-THE-JOB TRAINING | LOCATION |
|---|---|---|---|
| Product/Equipment | 2 | 0 | GPPI's Headquarters/Company-Owned Center/Online |
| Marketing | 3.5 | 0 | GPPI's Headquarters/Online |
| Sales Approach / Customer Service | 2 | 0 | GPPI's Headquarters/Online |
| Site Logistics/Care.Com Operations | 2.5 | 0 | GPPI's Headquarters/Online |
| Administration | 2 | 0 | GPPI's Headquarters/Online |
| **Total Hours** | **49.5** | **10.5** | |

The experience of GPPI's instructors is as follows:

| **Name** | **Position/Subject** | **Relevant Experience, and Experience with GPPI and the Gymboree Corporation** |
|---|---|---|
| Robin Kubota | Site Buildout | Senior Manager of New Franchise Operations of GPPI from (5/06 -2/13); Senior Manager, Site Planning and Equipment, GPPI (2/13-present) |
| Kathleen McFerrin | Operations | Teacher, Corporate Sites, GPPI (1996-6/03), Trainer, Corporate Sites, GPPI (1999-6/03), Area Manager, Corporate Sites, GPPI (2002-6/03), Franchise Development Coordinator, GPPI (6/05-7/06), Regional Field Consultant, East, GPPI (7/06-7/12); Senior Manager of Biz Ops, GPPI (7/12-12/17); Senior Director of NA Biz Ops, GPPI (1/18-present) |
| Albert Kwan | IT systems | Business Systems Analyst Walmart.com (3/08 – 7/14); Business Systems Analyst Excel Jewelry Inc. (7/14 – 3/15); Business Systems Analyst, GPPI (4/15 – Present) |
| Bonnie Stewart | Development & Operations | Franchise Development Coordinator, GPPI (6/06-8/08); Franchise Consultant, GPPI (8/08-7/14); Franchise Development Administrator, GPPI (7/014- 12/17); Franchise Operations & Development Manager (1/18 – Present) |
| Elke Michelucci | Operations | Site Manager, GPPI (11/01 – 8/18); Franchise Development Coordinator, GPPI (8/18-7/19); Franchise Operations Coordinator, GPPI (7/19 – Present) |

## ITEM 12

## TERRITORY

**Development Agreement**

The Development Agreement (which is not applicable to a Mobile Play Center) assigns you a Development Area within which you must develop one or more Play & Music Centers and/or Metro Play Centers under a Development Schedule. Each Center developed under the Development Agreement must be located in the Development Area. The Development Area and the Development Schedule will be identified in an exhibit to the Development Agreement. We must approve the site for each Center you propose to develop in the Development Area. The Development Area may be described by reference to county lines, city lines, zip codes, borders of state parks and recreation areas, and other municipal boundaries, as well as natural boundaries such as rivers and man-made boundaries such as railroad tracks and highways. The size of your Development Area could vary depending on the number of sites that you commit to develop and open, the number of children living in the vicinity, and geographic, socioeconomic and psychographic factors, as well as pre-existing conditions in the vicinity, such as previously awarded territories and/or development rights.

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

Except as otherwise described below, the Development Agreement prohibits us from establishing or operating, or licensing anyone other than you to establish and operate, a Center under the System and Proprietary Marks at any location in the Development Area during the term of the Development Agreement. However, we retain the rights, among others, on any terms and conditions we deem advisable, and without granting any rights or compensation to you: (a) to establish and operate, directly or indirectly, and license others to establish and operate, Play & Music Centers or Metro Play Centers, under the System and Proprietary Marks, at any location outside the Development Area, regardless of the proximity to the Development Area or to any Center developed or operated by you; (b) to develop, sell, or distribute, directly or indirectly, or license others to sell or distribute, programs and services of any kind, including (without limitation) the "Gymboree On The Go" program and other types of programs which may or may not be similar to or contain elements of those offered by Gymboree Play & Music® Centers, at any location whether within or outside the Development Area, or through alternate channels of distribution, under the same or different Proprietary Marks; (c) to sell or distribute, directly or indirectly, and license others to sell or distribute, products of any kind, including branded merchandise, at any location whether within or outside the Development Area, or through alternate channels of distribution, under the same or different Proprietary Marks; (d) to develop or become associated with other concepts (including dual branding and/or other franchise systems) whether or not using the System and/or the Proprietary Marks, and to award franchises or other rights for such other concepts whether within or outside the Development Area; (e) to acquire, merge, affiliate with or engage in any other transaction with other businesses (competitive or not), companies and/or units located anywhere, whether within or outside the Development Area (which may include arrangements involving competing outlets and brand conversions (to or from the Gymboree Play & Music® format)); and (f) to use the Proprietary Marks and/or the System in connection with alternate channels of distribution, and, in our discretion, to restrict your use of alternate channels of distribution and/or particular marketing activities. "Alternate channels of distribution" shall include, without limitation, the Internet, social media platforms and other electronic means of distribution, subscription services, temporary or popup locations or events, catalog sales, telemarketing, and direct mail.

Unless sooner terminated in accordance with the terms of the Development Agreement, the Development Agreement will expire on the earlier of the last date specified in the Development Schedule

or the date when all of the Centers required by the Development Schedule are open and operating. We may establish or license someone other than you to establish a Center in the Development Area after your completion of the Development Schedule, subject to the territorial protections (if any) provided under the Franchise Agreements you sign during the term of the Development Schedule, as described in this Item, below. If you fail to develop the number of Centers in the time-frame established by the Development Schedule, we have the right to terminate the Development Agreement without an opportunity to cure, to terminate or limit the territorial protection granted under the Development Agreement, to terminate the credit for any or all Centers granted in the Development Agreement, to reduce the number of Centers that you may develop, to withhold evaluation or approval of site proposal packages and refuse to approve the opening of any Center developed under the Development Agreement, and/or to accelerate the Development Schedule.

**Franchise Agreement**

Except as otherwise provided in the Franchise Agreement, during the term of the Franchise Agreement, we will not establish or operate, or license any other person to establish or operate, a Play & Music Center, Metro Play Center, or Mobile Play Center under the System and the Proprietary Marks at any location within a specified geographical area, described in the Franchise Agreement ("Territory"). If you purchase a Mobile Play Center, we may establish or operate, or license any other person to establish or operate, a Play & Music Center or Metro Play Center within your Territory or whose territory overlaps your Territory. The Territory will be defined by reference to distance from your Approved Location or (for Mobile Play Centers) by reference to county lines, city lines, zip codes, borders of state parks and recreation areas, and other municipal boundaries, as well as natural boundaries such as rivers and man-made boundaries such as railroad tracks and highways The size of your Territory could vary depending on the number of children living in the area surrounding the Approved Location, and geographic, socioeconomic and psychographic factors. For example, your Territory could vary in radius from 2 miles in an urban location to 10 miles in a suburban or rural area. In certain densely populated areas, the size of your Territory could be less than a 2-mile radius.

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

We retain the rights, among others, on any terms and conditions we deem advisable, and without granting any rights or compensation to you: (a) to establish and operate, directly or indirectly, and license others to establish and operate, a Center, under the System and Proprietary Marks, at any location outside the Territory, regardless of the proximity to the Territory or to your Center; (b) to develop, sell, or distribute, directly or indirectly, or license others to sell or distribute, programs and services of any kind, including (without limitation) the "Gymboree On The Go" program and other types of programs which may or may not be similar to or contain elements of those offered by Gymboree Play & Music® Centers, at any location whether within or outside the Territory, or through alternate channels of distribution, under the same or different Proprietary Marks; (c) to sell or distribute, directly or indirectly, and license others to sell or distribute, products of any kind, including branded merchandise, at any location whether within or outside the Territory, or through alternate channels of distribution, under the same or different Proprietary Marks; (d) to develop or become associated with other concepts (including dual branding and/or other franchise systems) whether or not using the System and/or the Proprietary Marks, and to award franchises or other rights for such other concepts whether within or outside the Territory; (e) to acquire, merge, affiliate with or engage in any other transaction with other businesses (competitive or not), companies and/or units located anywhere, whether within or outside the Territory (which may include arrangements involving competing outlets and brand conversions (to or from the Gymboree Play & Music® format)); and (f) to use the Proprietary Marks and/or the System in connection with alternate channels of distribution, and, in our discretion, to restrict your use of alternate channels of distribution and/or particular marketing activities.

"Alternate channels of distribution" shall include, without limitation, the Internet, social media platforms and other electronic means of distribution, subscription services, temporary or popup locations or events, catalog sales, telemarketing, and direct mail.

You may not establish more than one Center in your Territory, although a Mobile Play Center franchisee may operate in multiple approved third party locations within its Territory. You may not offer or sell products or services from any location other than the Approved Location(s) without our prior written consent, which we are not obligated to give. You may not sell any products or services through alternate channels of distribution. You will not be granted any option, right of first refusal or similar right to acquire additional franchises within your Territory or in a contiguous territory. You may not relocate the Center without our prior written approval. We may require, in our discretion, that you sign our then-current form of franchise agreement and a general release prior to granting approval of relocation.

If you purchase a Play & Music Center or a Metro Play Center, you will be permitted to offer the "Gymboree On The Go" mobile program within your Territory provided that within 10 days of your entering into any agreement to provide, and prior to your providing, the "Gymboree On The Go" program, you provide us with written notice. The programming you offer through "Gymboree On The Go" shall be limited to programming approved for the mobile format.

## ITEM 13

## TRADEMARKS

**Development Agreement**

The Development Agreement does not grant you any right to use or license others to use the Proprietary Marks.

**Franchise Agreement**

You will be granted the right to establish and operate a Center under the Proprietary Marks, including the mark "GYMBOREE PLAY & MUSIC®". The principal trademarks that we license you to use under the Franchise Agreement include the following:

| Mark | Reg. No. | Reg. Date | Class(es) |
|---|---|---|---|
| GYMBOREE PLAY & MUSIC | 3,023,327 | 12/6/2005 | 41 |
| GYMBOREE ON THE GO | 2,322,435 | 2/22/2000 | 41 |
| CLOWN DESIGN (III) | 2,901,157 | 11/9/2004 | 41 |
| GROWING YOUNG MINDS | 3,230,755 | 4/17/2007 | 41 |

Zeavion owns all the marks listed above, which are listed on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"). Zeavion has granted us a non-exclusive license to use the marks listed above, and to sublicense them to our franchisees. The term of the license agreement is indefinite, but either we or Zeavion may terminate the license agreement with or without cause on 90 days' written notice. In the event of termination, Zeavion will assume all of our rights and obligations regarding under any franchise agreements then in effect. Except for the license from Zeavion to us, there are no agreements currently in effect that significantly limit our rights to use or license the use of the marks listed above in any manner material to the franchise.

All affidavits of use and required renewals have been timely filed. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of this state, or court nor any pending infringement, opposition, or cancellation proceeding nor any pending material litigation involving the Proprietary Marks that may be relevant to their use in this state or otherwise.

We do not actually know of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our affiliate's ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlements. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your authorized use of the Proprietary Marks. If we, in our discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will bear the cost of your defense, including the cost of any judgment or settlement. If we, in our discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must bear the cost of your defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Proprietary Marks, you must sign any and all documents and do such acts as may, in the opinion of us, be necessary to carry out your defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these acts.

We reserve the right, in our sole and absolute discretion, to modify, add to, or discontinue use of the Proprietary Marks, or to substitute different proprietary marks for use in identifying the System and the businesses operating under these marks. You must promptly comply with any changes, revisions and/or substitutions. You must bear all costs of modifying your signs, advertising materials, interior graphics and any other items to conform to our new Proprietary Marks.

Our predecessor, The Gymboree Corporation (and its subsidiaries and affiliates) had certain U.S. registered trademarks and service marks using the name "Gymboree" that are not applicable to the franchise. By an Asset Purchase Agreement dated as of March 1, 2019, TCP Brands, LLC assumed those rights. You may not use those trademarks and service marks. You may not use the word "Gymboree" as a standalone mark or in any manner except directly next to, above, or below "Play & Music."

## ITEM 14

## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

**Patents and Copyrights**

We and/or our affiliates are the owner of copyright in various literary, artistic and commercial works used in the franchise activities. You are given a license and right to use this copyrighted material subject to the terms of and for the sole purpose of operating a Center under a Franchise Agreement.

The above described copyrighted material is not registered with the United States Copyright Office or any state agency. We are not required by the Franchise Agreement to protect the rights with which you have to use any of this copyrighted material. We are not aware of any infringing uses of the copyrighted material that could materially affect your use of the material. We are not aware of any presently effective determinations of the United States Copyright Office or of any state or of any court involving this copyrighted material. There are no agreements which limit our right to use or license the use of this copyrighted material in any manner material to the franchise.

Joan Barnes, founder of and predecessor of GPPI, and two other individuals have written and published a book entitled "Gymboree" (Doubleday-Dolphin Books, 1981), which describes child movement education and motor development in lay language for parents. The book draws upon the experience Ms. Barnes acquired in her participation in the Gymboree Play & Music® (formerly Kindergym) program and discusses the uses of equipment and home use ideas for parents. You will not acquire any interest in the copyright of the book acquired by Ms. Barnes and her co-authors, but you will be entitled to use the concepts, material and selected excerpts in accordance with the terms of the Franchise Agreement, solely for the operation of the Center.

We may develop additional books, articles and pamphlets about the Gymboree Play & Music® System. You may use these materials in accordance with the Franchise Agreement and as may be further described in the Operating Manual or otherwise. There are no patents that are material to the Gymboree Play & Music® System.

**Confidential Manuals**

In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate the Center in accordance with the specifications, standards, methods, policies, and operating procedures specified in the Operating Manual. Upon your completion of our initial training program to our satisfaction, we will provide you with access to the Operational Manual for the term of your Franchise Agreement.

You must treat the Operating Manual, its information, any other materials created for or approved for use in the operation of the Center as confidential and must use all reasonable efforts to maintain such information as secret and confidential. You must not print, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person.

We may modify, add to, and delete from, the Operating Manual at any time, and you must comply with each new or changed standard, method, policy and procedure promptly and at your sole expense. The electronic copy (or, if unavailable, the paper copy) of the Operating Manual maintained by us at our home office will be controlling in the event of any dispute as to the Operating Manual' contents. You must use the Operating Manual solely for the operation of the Center.

**Confidential Information**

You must not, during and after the term of the Development Agreement or Franchise Agreement, communicate, divulge or use for the benefit of any other person, partnership, association, limited liability company, corporation or other entity any confidential information, knowledge or know-how concerning the methods of operation of the business franchised under the Franchise Agreement, including (without limitation) the methods of implementing the Gymboree Play & Music® System; contents of video training tapes, trainings, lesson plans, seminars and workshops conducted by us; methods, techniques, specifications, procedures, information, lesson plans, systems and knowledge of and experience in the development, operation, and franchising of Gymboree Play & Music® Centers ; marketing programs and promotional aids; knowledge of test, research and development programs for the development and introduction of products and services to be sold at Gymboree Play & Music® Centers ; business forms; accounting procedures; information bulletins; proprietary software; and customer lists and information, which may be communicated to you or of which you may be apprised or develop by virtue of your operation under the terms of the Franchise Agreement. You may divulge this confidential information only to those of your employees who must have access to it in order to operate the Center and provided they are bound to written confidentiality obligations as described in the Franchise Agreement. Any and all information, knowledge, know-how, techniques and other data which we designate as confidential will be deemed confidential for purposes of the Development Agreement or Franchise Agreement.

## ITEM 15

## OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

During the term of your Franchise Agreement, you (or, if you are a corporation, partnership or limited liability company, at least one of your principals who has signing authority on behalf of the corporation, partnership or limited liability company and is approved by us) must devote full time and best efforts to the management and operation of the Center, and must not engage in any other outside activities which will interfere with the performance of the duties required of you under the Franchise Agreement. You (or, if the Franchisee is a corporation, partnership or limited liability company, a principal of the entity who has signing authority on behalf of the corporation, partnership or limited liability company and who is approved by us) must be in charge of its day-to-day operations.

If at any time you desire to designate a person other than yourself (or, if you are a corporation, partnership or limited liability company, the approved principal) as the Operations Manager for the Center or desire to designate another person as Operations Manager, the designation or change will require our prior written approval, which approval will be given provided the proposed individual (i) attends a personal meeting at GPPI's principal office without expense to GPPI, if requested by GPPI, (ii) satisfies our then-current standards for new franchisees, except for monetary requirements, and (ii) attends (and pays a reasonable fee for attending) the next initial training program and all subsequent regional training sessions and annual seminars, if requested by us. Your Operations Manager need not have an equity interest in the franchised business.

The Center must be personally managed on a full-time basis by a person who has successfully completed all training required by us and meets all of our other then-current standards. We strongly recommend that you personally manage your Center on an "on-premises" basis. You must keep us advised of the identities of the Operations Manager and other supervisors of the Center, and we will have the right to communicate directly with the Operations Manager on matters pertaining to day-to-day operations of,

and reporting requirements for, the Center, or we may elect to communicate directly with you even if you have hired an Operations Manager. You must hire all employees of the Center and be solely responsible for their supervision and possible termination, the terms of their employment and compensation, and for their proper training in the operation of the Center. You will establish and maintain for the Center an ongoing training program, meeting our standards, for new and continuing employees.

You must require your Operations Manager and other personnel having access to any of our confidential information to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by you (attached as Exhibit C to the Franchise Agreement, and Exhibit D to the Development Agreement); where permitted by law, we may require that some or all of your employees execute non-competition covenants. An original of each executed agreement must be available for our inspection during business hours, and, on our request, you must promptly deliver to us copies of the executed agreements. You (or, if the Franchisee is a corporation, partnership or limited liability company, all of your principals and owners) will also be required to personally guarantee all of your obligations under the Franchise Agreement and Development Agreement.

You must open the number of sites in accordance with the agreed-upon Development Schedule in the Development Agreement and to operate each site at a level of operation consistent with our then-current policies. See Item 12.

We do not allow you or your employees to bring your, or their, own children to the Center while you or they are conducting a Gymboree Play & Music® class.

## ITEM 16

## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must (1) sell or offer for sale only those products and services as we have expressly approved for sale in writing and as described in the Operating Manual; (2) refrain from any deviation from our standards and specifications without our prior written consent; and (3) discontinue selling and offering for sale any products and services which we may, in our discretion, disapprove in writing at any time. You must only offer or sell products and services to retail customers for their use and consumption and not for resale. All equipment, program aids, signs, products and supplies used or offered for sale at the Center must meet our then-current standards and specifications, as established in the Operating Manual or otherwise in writing. See Item 8. We have the right to change the types of authorized products and services, and there are no limits on its right to make changes.

If you purchase a Play & Music Center or a Metro Play Center, you will be permitted to offer the "Gymboree On The Go" mobile program within your Territory provided that within 10 days of your entering into any agreement to provide, and prior to your providing, the "Gymboree On The Go" program, you provide us with written notice. The programming you offer through "Gymboree On The Go" shall be limited to programming approved for the mobile format

You must participate in our gift certificate/card program for all Centers operating under the System, as prescribed by us in the Operating Manual or otherwise in writing, including selling and offering for sale gift certificates/cards which may be redeemed at any Center for services or products, and permitting customers who purchased gift certificates/cards from another Center to redeem their gift certificates/cards for services or products at your Center.

You must offer and sell approved products and services only from the Approved Location, except as authorized by us in writing, and only in accordance with the requirements of the Franchise Agreement and the procedures set forth in the Operating Manual. You must not offer or sell products through any other means or locations. You must only offer or sell products and services to retail customers for their use and consumption and not for resale. So long as we require you to carry consumer products, you must at all times maintain an inventory of those items in the minimum quantities we specify from time to time. You must immediately cease to sell or distribute program aids and consumer products we designate upon receipt of a notice from us.

## ITEM 17

## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

**The following tables list important provisions of the Franchise Agreement and Development Agreement. You should read these provisions in the Franchise Agreement and Development Agreement attached to this Disclosure Document.**

### Franchise Agreement

| | PROVISION | SECTION IN FRANCHISE AGREEMENT | SUMMARY |
|---|---|---|---|
| a. | Term of the Franchise | Section 3.1 | 10 years from date the Franchise Agreement is signed. |
| b. | Renewal or extension of the term | Section 3.2 | If you satisfy the requirements listed in (c) below, you will be eligible for a successor franchise for one additional 10-year term. You must sign our then-current form of franchise agreement, which may contain materially different terms and conditions than your initial Franchise Agreement. |
| c. | Requirements for you to renew or extend | Section 3.2 | Conditions include: give timely notice; renovate physical premises; not be in default (or have been in default); have satisfied all monetary obligations; have right to possess the premises during renewal term; sign then-current form of Franchise Agreement (the terms of which may be materially different from those in your franchise agreement); sign a general release; comply with qualification and training requirements; pay a renewal fee equal to 10% of then-current initial franchise fee; and be current on all obligations to your landlord, suppliers, and others with whom you do business. |
| d. | Termination by you | None | You may terminate under any grounds permitted by law. |
| e. | Termination by us without cause | None | Not applicable. |
| f. | Termination by us with cause | Section 17 | GPPI has the right to terminate with cause. |

| | PROVISION | SECTION IN FRANCHISE AGREEMENT | SUMMARY |
|---|---|---|---|
| g. | "Cause" defined - defaults which can be cured | Section 17.3 | Unless otherwise specified, you have 30 days to cure: non-compliance with the Franchise Agreement (except those defaults listed in (h) below); failure to report Gross Receipts (10 day cure period); non-payment of monies or failure to remain current in your payment obligations to us (10 day cure period); failure to maintain insurance (5 day cure period); failure to obtain our prior written approval or consent; using confusingly similar names or marks; failure to retain records; and others. |
| h. | "Cause" defined - defaults which cannot be cured | Sections 17.1, 17.2 and 17.4 | Non-curable defaults include: insolvency, bankruptcy, dissolution, foreclosure, or other similar filings or proceedings; final or unsatisfied judgments; failure to locate an Approved Location or to timely open for business; failure to complete training; abandonment; material misrepresentation or omission in your franchise application or financial reports; conviction of a crime; unapproved transfers; approved transfer not timely effected; failure to comply with covenants; unauthorized disclosure of confidential information; misrepresentation to us or our affiliates; 3 or more customer complaints within 6 months, or 5 or more customer complaints within 12 months; failure to comply with our "terms of use" or privacy policies; refusal to permit inspections; trademark misuse; repeated defaults even if cured; failure to respond to our communication attempts; your or your affiliate's default under the franchise agreement or specified defaults under any other agreement with us or our affiliates; and others. |
| i. | Your obligations on termination/ non-renewal | Section 18 | Obligations include: cease operations of the Center, and use of our confidential information and Marks; cancel assumed name or equivalent registrations, de-identification; payment of amounts due to us and our affiliates; return any hard copies, and delete all electronic copies, of the Operating Manual; return all customer lists and all other confidential information; dispose of all play equipment by destroying it or transferring to another franchisee; cease use of any domain name, URL or home page address containing the Marks; assign or provide access to any social media accounts associated with the Marks; compliance with post-termination non-competition agreement; sign a general release; and others. |
| j. | Assignment of contract by us | Section 15.1 | No restriction on our right to transfer or assign the Franchise Agreement. |
| k. | "Transfer" by you - defined | Section 15.2 | Includes transfer of Franchise Agreement, any direct or indirect interest in the Franchisee, or all or substantially all of the assets of the Center. |
| l. | Our approval of transfer by you | Section 15.2 | All transfers require our prior written consent, which will not be unreasonably withheld. |
| m. | Conditions for our approval of transfer | Section 15.3 | Conditions of approval include: timely written notification to us of the proposed transfer; our prior written consent; you are not in default of any provision of the franchise agreement or specified provisions of other agreements with us or our affiliates; transferee meets our qualifications; transferee |

| | PROVISION | SECTION IN FRANCHISE AGREEMENT | SUMMARY |
|---|---|---|---|
| | | | expressly assumes all of your obligations to us; your monetary and other obligations have been satisfied; the Center is in compliance with our then-applicable specifications and standards for new or renewing Centers; transferee completes all required training programs; transferee timely obtains permits and licenses; you remain liable for all of the obligations to us which arose before the date of transfer, and you sign all instruments which we reasonably request to evidence this liability; all required consents have been obtained; transferee enters into a written assignment and guaranty, if applicable; transferee signs our then-current form of franchise agreement; transferor signs a general release; you or transferee pays a non-refundable transfer fee; and others. |
| n. | Our right of first refusal to acquire your business | Sections 15.6 and 16 | We have a right of first refusal for any proposed transfer of interest in the Center and for any proposed transfer of the Center's Play Equipment. |
| o. | Our option to purchase your business | None | Not applicable. |
| p. | Your death or disability | Section 15.5 | Upon your death or disability, an approved transfer must occur within 6 months. |
| q. | Non-competition covenants during the term of the franchise | Section 19.2 | During the term of the Franchise Agreement, you may not own, maintain, operate, engage in, be employed by, provide services or assistance to, finance, or have any interest in any Similar Business located anywhere. A "Similar Business" includes any business offering or involved with non-therapeutic, sensory motor, child programs (with or without a parent) as well as any business that offers, sells, distributes, provides, or is otherwise involved or deals with any products or services authorized by us to be offered at, from, or by Gymboree Play & Music® Centers. |
| r. | Non-competition covenants after the franchise is terminated or expired | Section 19.3 | For 2 years after termination, expiration, or transfer of the Franchise Agreement, you may not own, maintain, operate, engage in, be employed by, provide services or assistance to, finance, or have any interest in any Similar Business which is located within your Territory, within 10 miles of your Center, or within 10 miles of any business operating under the Proprietary Marks. |
| s. | Modification of the agreement | Section 26 | All amendments, changes, or variances from the Franchise Agreement must be in writing. |
| t. | Integration/merger clause | Section 26 | Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments. |
| u. | Dispute resolution by arbitration or mediation | Section 28.2 | Most disputes and claims relating to the Franchise Agreement must first be submitted to mediation. If the claim cannot be resolved through mediation, litigation is available. |

| | PROVISION | SECTION IN FRANCHISE AGREEMENT | SUMMARY |
|---|---|---|---|
| v. | Choice of forum | Section 28.3 | Any judicial proceeding will be held in the judicial district in which we have our principal place of business at the time the action is commenced (subject to state law). |
| w. | Choice of law | Section 28.1 | All provisions governed by the laws of the state or jurisdiction where the Center is located, except that such state's or jurisdiction's franchise registration, disclosure, or relationship law will only apply where the jurisdictional requirements of the law are otherwise met. |

## Development Agreement

| | PROVISION | SECTION IN DEVELOPMENT AGREEMENT | SUMMARY |
|---|---|---|---|
| a. | Length of the term | Section 5 | The earlier of (1) the last date specified in the Development Schedule; or (2) the date when all of the Centers required by the Development Schedule are open and operating. |
| b. | Renewal or extension of the term | None | Not applicable. |
| c. | Requirements for you to renew or extend | None | Not applicable. |
| d. | Termination by you | None | You may terminate under any grounds permitted by law. |
| e. | Termination by us without cause | None | Not applicable. |
| f. | Termination by us with cause | Section 7 | We have the right to terminate with cause. The termination of the Development Agreement will have no effect on any Franchise Agreements previously issued to you unless you are also in default of such Franchise Agreement. |
| g. | "Cause" defined - defaults which can be cured | None | Not applicable. |
| h. | "Cause" defined - defaults which cannot be cured | Sections 7.1 and 7.2 | Non-curable defaults include: insolvency, bankruptcy, dissolution, foreclosure or other similar findings or proceedings; final or unsatisfied judgments; your non-compliance with the Development Agreement (including the Development Schedule), Franchise Agreement or any other agreement with us or our affiliates; transfer or attempted transfer in violation of the Development Agreement; and others. |
| i. | Your obligations on termination/ non-renewal | Section 7.3 | Obligations include: loss of rights granted under the Development Agreement; and others. |
| j. | Assignment of contract by us | Section 8.1 | No restrictions on our right to transfer or assign the Development Agreement. |
| k. | "Transfer" by you - defined | Section 8.2 | Includes transfer of the Development Agreement, any direct or indirect interest in the Developer, or all or substantially all of the assets of the Centers developed under the Development Agreement. |

| | PROVISION | SECTION IN DEVELOPMENT AGREEMENT | SUMMARY |
|---|---|---|---|
| l. | Our approval of transfer by you | Section 8.2 | All transfers require our prior written consent, which will not be unreasonably withheld. |
| m. | Conditions for our approval of transfer | Section 8.3 | Conditions include: your monetary and other obligations have been satisfied; you are not in default of any material provisions of the Development Agreement; transferee enters into a written assignment assuming to discharge all of your obligations; transferee meets our qualifications; transferee signs a new Development Agreement; each Center opened under the Development Agreement is in full compliance with the applicable Franchise Agreement; you remain liable for all obligations of your business before the date of your transfer; transferor signs a general release; you pay a non-refundable transfer fee; and you first offer to sell that interest to us. |
| n. | Our right of first refusal to acquire your business | Section 8.5 | We have a right of first refusal for any proposed transfer of interest. |
| o. | Our option to purchase your business | None | Not applicable. |
| p. | Your death or disability | Section 8.6 | Upon the death, physical or mental incapacity of Developer or any person with an interest in Developer, an approved transfer must occur within 6 months. |
| q. | Non-competition covenants during the term of the Development Agreement | Section 9.4 | During the term of the Development Agreement, you may not own, maintain, operate, engage in, be employed by, provide services or assistance to, finance, or have any interest in any Similar Business located anywhere. |
| r. | Non-competition covenants after the Development Agreement is terminated or expires | Section 9.5 | For 2 years after termination, expiration, or transfer of the Development Agreement, you may not own, maintain, operate, engage in, be employed by, provide services or assistance to, finance, or have any interest in any Similar Business which is located within your Development Area, within 10 miles of your Development Area, within the state(s) in which your Development Area is located, or within 10 miles of any business operating under the Proprietary Marks. |
| s. | Modification of the agreement | Section 14 | All amendments, changes, or variances from the Development Agreement must be in writing. |
| t. | Integration/merger clause | Section 14 | Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Development Agreement may not be enforceable. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments. |
| u. | Dispute resolution by arbitration or mediation | Section 15.2 | Most disputes and claims relating to the Development Agreement must first be submitted to mediation. If the claim cannot be resolved through mediation, litigation is available. |
| v. | Choice of forum | Section 15.3 | Any judicial proceeding will be held in the judicial district in which we have our principal place of business at the time the action is commenced (subject to state law). |

| | PROVISION | SECTION IN DEVELOPMENT AGREEMENT | SUMMARY |
|---|---|---|---|
| w. | Choice of law | Section 15.1 | All provisions to be governed by the laws of the state or jurisdiction where the Developer's principal place of business is located, except that such state's or jurisdiction's franchise registration, disclosure, or relationship law will only apply where the jurisdictional requirements of the law are otherwise met. |

## ITEM 18

## PUBLIC FIGURES

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

## ITEM 19

## FINANCIAL PERFORMANCE REPRESENTATIONS

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

Except as set forth in this Item 19, 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 Bonnie Stewart, Manager of Franchise Operations and Development, or Kathleen McFerrin, Senior Director of Franchise Business, North America, 3180 Campus Drive, San Mateo, California 94403, 415-604-3094, the Federal Trade Commission, and the appropriate state regulatory agencies.

The financial information in the Tables below has not been audited. This information is based on historical results and prepared in accordance with generally accepted accounting principles. Substantiation of the data used to prepare the figures below will be made available to you upon reasonable request. You should conduct an independent investigation of the costs and expenses You will incur in operating Your franchised business.

Gross Receipts means the total revenue derived from the Center less sales tax, revenue from the sales of produces purchased from the franchisor, and revenue from the sale of equipment and furnishings. The Tables below provide Gross Receipt information that was calculated based on franchisee royalty reports. All franchised Centers included in the Tables below were open for the full twelve-month period – January to December.

**Play & Music Centers**
**Gross Receipts**

| Gross Receipts | Jan – Dec 2022 | Jan – Dec 2023 | Jan – Dec 2024 |
|---|---|---|---|
| Highest | $ 500,508.71 | $564,735.57 | $614,970.00 |
| Lowest | $ 90,901.48 | $102,140.10 | $92,577.40 |
| Average | $ 225,888.40 | $264,492.21 | $254,798.08 |
| Median | $ 208,140.27 | $223,024.70 | $222,872.10 |
| Centers above average | 15 out of 40 | 14 out of 39 | 14 out of 39 |
| | | | |

NOTES:

(1) All Centers in the Table above are full-scale Play & Music Center which is our largest model. This model will need 2,500 - 2,800 square feet of space for operations. Play & Music Centers feature a Play Floor and a secondary classroom.

(2) Gymboree Play & Music Centers:

2024: At the end of December 31, 20234 there were thirty-six (36) full-scale Play & Music Centers operated by franchisees. Four (4) Play & Music Centers were excluded from the Table as they were not open for the full 12-month period.

2023: At the end of December 31, 2023, there were thirty-nine (39) full-scale Play & Music Centers operated by franchisees. Three (3) Play & Music Centers were excluded from the Table as they were not open for the full 12-month period.

2022: As of December 31, 2022, there were there were forty (40) full-scale Play & Music Centers operated by franchisees. One (1) Play & Music Center was excluded from the Table as it was not open for the full 12-month period.

(3) Gymboree Play & Music Centers - Highest & Lowest Gross Receipts:

2024: The Play & Music Center with the highest Gross Receipts has been operating for nine (9) years and the franchisee has been in our system for over seventeen (17) years. This Center is in Nevada. The Play & Music Center with the lowest Gross Receipts has been operating for thirteen (13) years and was purchased by the current franchisee nine (9) years ago. This Center is in Michigan

2023: The Play & Music Center with the highest Gross Receipts has been operating for twelve (12) years and the franchisee has been in our system for over forty (40) years. This Center is in Florida. The Play & Music Center with the lowest Gross Receipts has been operating for twelve (12) years and was purchased by the current franchisee eight (8) years ago. This Center is in Michigan.

2022: The Gymboree Play & Music Center with the highest Gross Receipts has been operating for seventeen (17) years and was purchased by the current franchisee fifteen (15) years ago. This Center is in California. The Play & Music Center with the lowest Gross Receipts has been operating for eleven (11) years and was purchased by the current franchises seven (7) years ago. This Center is in Michigan.

(4) Gymboree Play & Music Centers – Gross Receipts above Average:

2024: The fourteen (14) Play & Music Centers with above average Gross Receipts are in California (5), Arizona (1), District of Columbia (1), Florida (1), Indiana (1), New Jersey (1), Nevada (2), and Texas (1) and one (1) Georgia. Of these fourteen Centers, one Center has been operating for thirty- one (31) years in California, one Center for thirty (30) years in Arizona, one Center in Georgia for twenty five (25) years. Two Centers for twenty two (22) years located in Texas and Nevada, two Centers for twenty one years (21) years in California and Nevada, two Centers for twenty years (20) years both in California and one in Indiana, one Center for eighteen (18) years in California, one location in Florida for thirteen (13) years, and two locations at ten (10) in New Jersey and DC and one at 10 years (10) in California.

2023: The fourteen (14) Play & Music Centers with above average Gross Receipts are in California (7), Arizona (1), District of Columbia (1), Florida (1), Indiana (1), New Jersey (1), Nevada (1), and Texas (1). Of these fourteen Centers, one Center has been operating for thirty (30) years in California, one Center for twenty-nine (29) years in Arizona, three Centers for twenty (20) years located in Texas, Nevada and California, two Centers for nineteen (19) years in California and Indiana, two Centers for seventeen (17) years both in California, one Center for twelve (12) years in Florida, two locations at 10 years (NJ, DC) and one location at 9 years (CA).

2022: The fifteen (15) Play & Music Centers with above average Gross Receipts are in California (6), Arizona (1), District of Columbia (1), Florida (2), Indiana (1), Nevada (2), New York (1), and Texas (1). Of these fifteen Centers, one has been operating for twenty-nine (29) years in California, one for twenty-eight (28) years in Arizona, two for twenty (20) years in Texas and Nevada, two for nineteen (19) years in Nevada and California, three for eighteen (18) years in California, Indiana and New York, one for sixteen (16) years in California, one for fourteen (14) years in California, one for eleven (11) years in Florida, one for nine (9) years in DC, one of eight (8) years in California, and one for six (6) years in Florida.

(5) Centers with longer operating history may have a strong and loyal customer base that newer locations that are still building. Your Center may be first Gymboree Play & Music in your area.

(6) Gross Receipts means the total revenue derived from the Center less sales tax, revenue from the sales of produces purchased from the franchisor, and revenue from the sale of equipment and furnishings. The Gross Receipt information was calculated based on franchisee royalty reports.

(7) The Table above does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Receipts figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Center. Franchisees or former franchisees listed in the disclosure document may be one source of information.

**Metro Play Center**
**Gross Receipts**

| Gross Receipts | Jan – Dec 2022 | Jan – Dec 2023 | Jan – Dec 2024 |
|---|---|---|---|
| Highest | $ 334,164.15 | $428,856.01 | $421,003.76 |
| Lowest | $ 154,053.78 | $97,030.67 | $113,148.05 |
| Average | $244,108.97 | $230,670.13 | $238,909.02 |
| Median | $244,108.97 | $198,396.93 | $210,742.13 |
| Centers above average | 1 out of 2 | 1 out of 4 | 2 out of 4 |
| | | | |

**NOTES:**

(1) The Metro Play Center is our smaller-scale offering. These Centers feature a Play Floor, but no secondary classroom. This model will need 2,200 - 2,500 square feet of space for operations. In markets where commercial space is sparse or costs are high, we allow a smaller model with 1,700 - 2,000 sq. ft. The Table above include both types of Metro Play Centers. (2) Metro Play Centers:

2024: At the end of December 31, 2024, there were four (4) Metro Play Center operated by franchisees. All four Centers were in operation for the full 12-month period.

2023: At the end of December 31, 2023, there were four (4) Metro Play Center operated by franchisees. All four Centers were in operation for the full 12-month period.

2022: As of December 31, 2022, there were two (2) Metro Play Center operated by franchisees. All two Centers were in operation for the full 12-month period.

(3) Gymboree Play & Music Centers - Highest & Lowest Gross Receipts:

2024: The Metro Play Center with the highest Gross Receipts has been operating for twenty-two (23) years and was purchased by the current franchisee eleven (11) years ago. This Center is in Hawaii. The Metro Play Centers with the lowest Gross Receipts has been operating for less than three years and the franchisee has been in our system for fifteen (15) years. This Center is in California.

2023: The Metro Play Center with the highest Gross Receipts has been operating for twenty-two (22) years and was purchased by the current franchisee ten (10) years ago. This Center is in Hawaii. The Metro Play Centers with the lowest Gross Receipts has been operating for twenty (20) months and the franchisee has been in our system for fourteen (14) years. This Center is in California.

2022: The Metro Play Center with the highest Gross Receipts has been operating for twenty-one (21) years and was purchased by the current franchisee nine (9) years ago. This Center is in Hawaii. The Metro Play Centers with the lowest Gross Receipts has been operating for over twenty (20) years and was purchased by the current franchisee less than one year ago. This location in California.

(4) Metro Play Center – Gross Receipts above Average:

2024: The two locations with gross receipts above average are in Hawaii and in Florida. The location in Hawaii has been in operations for twenty-three (23) years and the one in Florida has been in operations for two (2) years.

2023: The Metro Play Center with above average Gross Receipts is in Hawaii and has been operating for twenty-two (22) years. The other Centers are in California (22 years) and Florida (less than 1 year).

2022: The Metro Play Center with above average Gross Receipts is in Hawaii and has been operating for twenty-one (21) years. The other Center is in California and has been operating for nineteen (19) years.

(5) Centers with longer operating history may have a strong and loyal customer base that newer locations that are still building. Your Center may be first Gymboree Play Center in your area.

(6) Gross Receipts means the total revenue derived from the Center less sales tax, revenue from the sales of produces purchased from the franchisor, and revenue from the sale of equipment and furnishings. The Gross Receipt information was calculated based on franchisee royalty reports.

(7) The Table above does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Receipts figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Center. Franchisees or former franchisees listed in the disclosure document may be one source of information.

* * * * * * * * * * *

**Some Centers have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much**.

## ITEM 20

## OUTLETS AND FRANCHISEE INFORMATION

### Table 20.1a
### SYSTEM-WIDE OUTLET SUMMARY
### FOR YEARS 2021 TO 2023
### (PLAY & MUSIC CENTERS)

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2022 | 48 | 41 | -7 |
| | 2023 | 41 | 40 | -1 |
| | 2024 | 40 | 36 | -4 |
| | | | | |
| Company-Owned | 2022 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 |
| | | | | |
| Total Outlets | 2022 | 48 | 41 | -7 |
| | 2023 | 41 | 40 | -1 |
| | 2024 | 40 | 36 | -4 |

### Table 20.1b
### SYSTEM-WIDE OUTLET SUMMARY
### FOR YEARS 2021 TO 2023
### (METRO PLAY CENTERS)

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2022 | 2 | 4 | +2 |
| | 2023 | 4 | 4 | 0 |
| | 2024 | 4 | 4 | 0 |
| | | | | |
| Company-Owned | 2022 | 2 | 1 | -1 |
| | 2023 | 1 | 1 | 0 |
| | 2024 | 1 | 1 | 0 |
| | | | | |
| Total Outlets | 2022 | 4 | 5 | +1 |
| | 2023 | 5 | 5 | 0 |
| | 2024 | 5 | 5 | 0 |

**Table 20.2**
**TRANSFERS OF**
**OUTLETS FROM FRANCHISEES TO NEW OWNERS**
**(OTHER THAN THE FRANCHISOR)**
**FOR YEARS 2021 TO 2023***

| State | Year | Number of Transfers |
|---|---|---|
| CA | 2022 | 2 |
| | 2023 | 0 |
| | 2024 | 2 |
| | | |
| IN | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 1 |
| | | |
| TX | 2022 | 0 |
| | 2023 | 1 |
| | 2024 | 0 |
| | | |
| **Total** | **2022** | **2** |
| | **2023** | **1** |
| | **2024** | **3** |

*The figures in the above table represent transfers of Play & Music Centers only.

**Table 20.3a**
**STATUS OF FRANCHISED OUTLETS**
**FOR YEARS 2022 TO 2024**
**(PLAY & MUSIC CENTERS)**

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewal | Reacquired by Franchisor | Ceased Operations–Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| AZ | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| | | | | | | | | |
| CA | 2022 | 16 | 0 | 0 | 0 | 0 | 4 | 12 |
| | 2023 | 12 | 0 | 0 | 0 | 0 | 0 | 12 |
| | 2024 | 12 | 0 | 0 | 0 | 0 | 1 | 11 |
| | | | | | | | | |
| DC | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | |
| FL | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | |

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewal | Reacquired by Franchisor | Ceased Operations–Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| GA | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | | | | | | | | |
| IL | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| IN | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | |
| MI | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | |
| NV | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | |
| NJ | 2022 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| | 2023 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2024 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | | | | | | | | |
| NY | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 0 | 0 | 0 | 0 | 1 | 3 |
| | | | | | | | | |
| OH | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | |
| TX | 2022 | 6 | 0 | 0 | 0 | 0 | 3 | 3 |
| | 2023 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2024 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | | | | | | | | |
| WA | 2022 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| **Total** | **2022** | **48** | **1** | **0** | **0** | **0** | **8** | **41** |
| | **2023** | **41** | **1** | **0** | **0** | **0** | **2** | **40** |
| | **2024** | **40** | **0** | **0** | **0** | **0** | **4** | **36** |

**Table 20.3b**
**STATUS OF FRANCHISED OUTLETS**
**FOR YEARS 2022 TO 2024**
**(METRO PLAY CENTERS)**

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewal | Reacquired by Franchisor | Ceased Operations–Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| CA | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | | | | | | | | |
| FL | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | |
| HI | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | | |
| **Total** | **2022** | **2** | **2** | **0** | **0** | **0** | **0** | **4** |
| | **2023** | **4** | **0** | **0** | **0** | **0** | **0** | **4** |
| | **2024** | **4** | **0** | **0** | **0** | **0** | **0** | **4** |

**Table 20.4a**
**STATUS OF COMPANY-OWNED OUTLETS**
**FOR YEARS 2021 TO 2023**
**(PLAY & MUSIC CENTERS)**

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| CA | 2022 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | |
| **Total** | **2022** | **1** | **0** | **0** | **0** | **1** | **0** |
| | **2023** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **2024** | **0** | **0** | **0** | **0** | **0** | **0** |

**Table 20.4b**
**STATUS OF COMPANY-OWNED OUTLETS**
**FOR YEARS 2021 TO 2023**
**(METRO PLAY CENTERS)**

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| CA | 2022 | 2 | 0 | 0 | 1 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |
| | | | | | | | |
| **Total** | **2022** | **2** | **0** | **0** | **1** | **0** | **1** |
| | **2023** | **1** | **0** | **0** | **0** | **0** | **1** |
| | **2024** | **1** | **0** | **0** | **0** | **0** | **1** |

**PROJECTED OPENINGS OF NEW U.S. CENTERS**
**AS OF DECEMBER 31, 2024**

| State | Play & Music Center Franchise Agreements Signed But Centers Not Opened | Projected New Franchised Play & Music Centers in Next Fiscal Year* | Metro Play Center Franchise Agreements Signed But Centers Not Opened | Projected New Franchised Metro Play Centers in Next Fiscal Year* | Projected New Company-Owned Centers in Next Fiscal Year |
|---|---|---|---|---|---|
| FL | 1 | 1 | 0 | 0 | 0 |
| **TOTAL** | 1 | 1 | 0 | 0 | 0 |

*NOTE: This table gives the projected number of new franchised and company-owned centers during the one-year period January 1, 2025 through December 31, 2025.

Attached as Exhibit A-1 is a list of names, addresses and telephone numbers of all of our franchisees as of the Issuance Date.

We list on Exhibit A-2 of this Disclosure Document the name and last known contact of franchisees (some may have had multiple outlets) who either (i) had an outlet terminated, transferred, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recent fiscal year ending December 31, 2024, or (ii) have not communicated with us within ten weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed confidentiality clauses during the last three fiscal years that restrict their ability to speak with you about their franchised business.

The Gymboree Play & Music Franchise Association is a franchisee organization endorsed by us, which is comprised of current franchisees who are voted onto the board by their peers on an annual basis. The Association represents only U.S. and Canada, not international master franchisees. You may contact us to obtain the name, telephone number, and e-mail address of the Association's current representative. As of the date of this Disclosure Document, the Association's representative is Erica Kamanu Lincoln, who can be reached at (808) 723-9352 or ekkamanu@yahoo.com.

## ITEM 21

## FINANCIAL STATEMENTS

Included in this Item 21 and attached as Exhibit B are our audited financial statements for the years ending December 31, 2024, December 31, 2023, and December 31, 2022.

## ITEM 22

## CONTRACTS

The following agreements are attached to this Disclosure Document:

(a) Development Agreement (with exhibits) **– Exhibit C**
(b) Play & Music Center Franchise Agreement (with exhibits) **– Exhibit D-1**
(c) Mobile Play Center Addendum **– Exhibit D-2**
(d) Subordination Agreement – **Exhibit F**
(e) Mobile Contract Worksheet – **Exhibit H**
(f) Extranet License Agreement **– Exhibit J**
(g) E-Mail Use Agreement **– Exhibit K**

## ITEM 23

## RECEIPTS

The very last page of this Disclosure Document is a detachable receipt (Exhibit M) for your records. You should sign both copies of the receipt. Keep one copy for your records and return one copy to us. If these pages or any other pages or exhibits are missing from your copy of the Disclosure Document, please contact us at the address and phone number on the cover page of this Disclosure Document.

EXHIBIT A TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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LIST OF CURRENT AND FORMER FRANCHISEES

EXHIBIT A-1 TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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LIST OF U.S. FRANCHISEES (as of December 31, 2024)

| State | Site Name | Address | City | Zip | Last Name | Phone |
|---|---|---|---|---|---|---|
| AZ | Chandler | 2160 W. Chandler Blvd., #18 | Chandler | 85224 | Catmull | 602-510-5391 |
| AZ | Glendale | 19420 N. 59th Ave., Suite A103 | Glendale | 85308 | Abrahamsen | 623-939-1777 |
| CA | Aliso Viejo | 27131 Aliso Creek Road #140 | Aliso Viejo | 92656 | Burkhart | 949-680-7187 |
| CA | Cypress | 4175 Ball Rd | Cypress | 90630 | Lee | 714-886-2811 |
| CA | El Cerrito Plaza | 704 El Cerrito Plaza, Mezzanine Level | El Cerrito | 94530 | Mengesha | 510-528-3002 |
| CA | Encino | 16101 Ventura Blvd #150 | Encino | 91436 | Hobird | 818-788-8845 |
| CA | The Hub | 220 Fremont Hub Courtyard | Fremont | 94538 | Aminzadeh | 510-739-6150 |
| CA | Fullerton | 415 Imperial Hwy | Fullerton | 92835 | Lucero | 714-449-2000 |
| CA | Lafayette | 3450 Mt. Diablo Blvd. | Lafayette | 94549 | Treadway | 925-298-5789 |
| CA | Oakland- Lakeshore Avenue | 3433 Lakeshore Ave. | Oakland | 94610 | Treadway | 510-834-0982 |
| CA | Oakhills Shopping Center | 5460-9 Sunol Blvd. | Pleasanton | 94566 | Clarke | 925-249-0006 |
| CA | Claremont Mesa | 4340 Genessee Ave., Ste. 103 | San Diego | 92117 | Durby | 858-571-7173 |
| CA | Evergreen | 4075 Evergreen Village Square #180 | San Jose | 95135 | Vyas | 408-300-0552 |
| CA | Torrance | 22724 Hawthorne Blvd | Torrance | 90505 | Harders | 310-373 3222 |
| CA | Upland Plaza 66 | 791 East Foothill Blvd, Suite G | Upland | 91786 | Edwards | 909-981-8227 |
| DC | Gymboree Play & Music DC | 2639 Connecticut Ave. NW, #113 | Washington | 20008 | Brown | 202-627-2450 |
| FL | Coral Gables | 358 San Lorenzo Ave #3205 | Coral Gables | 33146 | Goudie | 305-476-9500 |
| FL | Nona | 10743 Narcoossee Rd | Orlando | 32832 | Sirianni | 407-900-3709 |
| GA | Atlanta/Sandy Springs: Fountain Oaks | 4920 Roswell Road | Atlanta | 30342 | Williams | 404-256-2223 |
| HI | Pearlridge Center | 98-163 Kaonohi St. | Aiea | 96701 | Lincoln | 808-486 7529 |
| IN | Brookshire Village Shops | 12524 N. Gray Road | Carmel | 46033 | Hunnicutt | 317-574-9626 |
| MI | Rochester | 2220 Crooks Road | Rochester Hills | 48309 | Pelfrey | 248-289-6179 |

| State | Site Name | Address | City | Zip | Last Name | Phone |
|---|---|---|---|---|---|---|
| NJ | Howell | 2438 Route 9 South | Howell | 07731 | Weiss | 732-462-4450 |
| NJ | Jersey City | 197 Van Vorst St. | Jersey City | 07302 | Gupta | 201-267-6869 |
| NJ | Cobblestone Village | 869 W. Park Ave. | Ocean Township | 07712 | Fazio | 732-493-1993 |
| NJ | Pine Brook/ Fairfield | 321 Changebridge Road | Pine Brook | 07058 | Singer | 973-227-7588 |
| NJ | Princeton: Princeton Forrestal Village | 113 Rockingham Row | Princeton | 08540 | Patel | 609-951-8665 |
| NJ | Red Bank | 26 Applegate Street | Red Bank | 07701 | Olsen | 732-872 8500 |
| NJ | Toms River | 1333 Route 9 | Toms River | 08755 | Deserto | 732-349-7988 |
| NJ | Westfield | 422 Central Avenue | Westfield | 07090 | Dunn | 908-233-6669 |
| NV | Summerlin Gateway Plaza | 7550 W Lake Mead Blvd. #2 | Las Vegas | 89128 | Birnbaum | 702-395-6336 |
| NV | Reno | 3987 S. McCarran | Reno | 89502 | Hess | 775-852-4386 |
| NY | Airport Executive Park | 204 Airport Exec. Park | Nanuet | 10954 | Leishman | 845-356-6619 |
| NY | Upper East Side | 1622 First Avenue | New York | 10028 | Hirkaler | 212-452-9814 |
| NY | Upper West Side | 120 Riverside Blvd | New York | 10023 | Hirkaler | 212-724-2140 |
| OH | Village Square | 1364 Cherry Bottom Road | Columbus | 43230 | Stanish | 614-414-7265 |
| TX | Central | 1990 Post Oak Blvd. | Houston | 77056 | Afolabi | 713-622-3155 |
| TX | Riverstone | 5201 Hwy 6 South, Suite 300 | Missouri City | 77459 | Khan | 281-208-4302 |
| TX | Northeast Tarrant County, Gateway Plaza | 2960 E. Southlake Blvd., Suite 170 | Southlake | 76092 | Fagin | 817-421-9300 |
| TX | Frisco | 15900 State Highway 121 | Frisco | 75035 | Lloyd | 972-332-8291 |

EXHIBIT A-1 TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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FRANCHISE AGREEMENT SIGNED BUT LOCATION NOT YET OPEN (as of Issuance Date).

| Address | City | Zip | Franchisee |
|---|---|---|---|
| 14853 S Dixie Highway | Miami, FL | 33157 | Helen Wright |

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LIST OF CANADIAN FRANCHISEES (as of December 31, 2024)

| Address | City | Zip | Email | Site Phone | Franchisee |
|---|---|---|---|---|---|
| 85 Laird Dr, Unit No. 2 | Toronto, Ontario | M4G 3T8 | torontoon@gymboreeclasses.com | 416-410-6386 | Maggie Ling |
| Linden Ridge Shopping Center Unit 3, 1727 Kenaston Blvd | Winnipeg, Manitoba | R3Y 1V5 | swinnipegmb@gymboreeclasses.com | 204-416-7636 | Tina Lu |
| 100-445 W 6th Ave | Vancouver, British Columbia | V5Y 1L3 | vanwestbc@gymboreeclasses.com | 604-220-8171 | Joanna Pang |
| 8771 Douglas St | Richmond, British Columbia | V6X 1V2 | richmondbc@gymboreeclasses.com | 778-871-5888 | Nora Gao |
| 1 Promenade Circle | Vaughan, Ontario | L4J 4P8 | thornhillon@gymboreeclasses.com | 905-763-0668 | Maggie Ling |

EXHIBIT A-2 TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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LIST OF FORMER FRANCHISEES*

| **Former Outlet Location** | **Full Name** | **Telephone Number** |
|---|---|---|
| Scottsdale, AZ | Adam Abrahamsen | 480-205-9480 |
| San Dimas, CA | Liz Edwards | 909-838-1450 |
| Johns Creek, GA | Tiffany Williams | 706-691-4703 |
| Murray Hill, NY | Joanne Hirkaler | 201-314-7201 |
| Fremont, CA (transfer) | Anny Chen | 650-766-1485 |
| Oakland, CA (transfer) | Heather Clarke | 925-812-1895 |
| Carmel, IN (transfer) | Mike Shultz | 317-698-6725 |

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

EXHIBIT B TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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FINANCIAL STATEMENTS

# GPPI, Inc.

Financial Statements

December 31, 2024, and December 31, 2023 (Restated)


**KNAV CPA LLP**

Certified Public Accountants

One Lakeside Commons, Suite 850

990 Hammond Drive NE, Atlanta, GA 30328



CPA℠

America Counts on CPAs

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# Independent Auditor's Report

To the Stockholder's,
GPPI, Inc.

## Opinion

We have audited the accompanying financial statements of GPPI, Inc. (the 'Company') which comprise the balance sheet as of December 31, 2024, and the related statements of operations, stockholder's deficit, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are required to be independent of GPPI, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Other matter

The financial statements of the Company for the year ended December 31, 2023, were audited by other auditors, whose report dated March 13, 2024, expressed an unmodified opinion on those statements.

As the prior period financial statements have been presented herein, the balance sheet as of December 31, 2023, and the related statements of operations, cash flows, and the stockholder's deficit for the year then ended are restated to represent the correction of errors as discussed in Note A(2) to the financial statements. Our opinion is not modified with respect to this matter.

## 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GPPI, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GPPI, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GPPI, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

KNAV CPA LLP

Atlanta, Georgia
April 30, 2025

**GPPI, Inc.**

Financial Statements

December 31, 2024, and December 31, 2023 (Restated)

# Financial Statements

**GPPI, Inc.**
Financial Statements
December 31, 2024, and December 31, 2023 (Restated)

# Balance sheets

| *(All amounts are in United States Dollars, unless otherwise stated)* | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | 138,440 | 107,961 |
| Accounts receivables, net of allowances | 182,255 | 202,452 |
| Accounts receivables, related party | 61,766 | - |
| Inventories, net | 37,024 | 77,749 |
| Prepaid expenses | 8,170 | 22,683 |
| **Total current assets** | **427,655** | **410,845** |
| **Non-current assets** | | |
| Property and equipment, net | - | 164 |
| Operating lease right-of-use-assets | 328,699 | 398,879 |
| Long term receivables | 29,337 | 35,231 |
| **Total non-current assets** | **358,036** | **434,274** |
| **Total assets** | **785,691** | **845,119** |
| **LIABILITIES AND STOCKHOLDER'S DEFICIT** | | |
| **Current liabilities** | | |
| Accounts payable | 107,506 | 213,725 |
| Accounts payable, related party | - | 109,298 |
| Operating lease liability, current portion | 87,576 | 85,636 |
| Other current liabilities | 1,054,587 | 1,070,178 |
| **Total current liabilities** | **1,249,669** | **1,478,837** |
| **Non-current liabilities** | | |
| Operating lease liability, non-current portion | 254,973 | 320,424 |
| **Total non-current liabilities** | **254,973** | **320,424** |
| **Stockholder's deficit** | | |
| Common stock - *no par value, 1000 shares authorized; 100 shares issued and outstanding as of December 31, 2024 and December 31, 2023* | 25,718,466 | 25,718,466 |
| Accumulated deficit | (26,437,417) | (26,672,608) |
| **Total stockholder's deficit** | **(718,951)** | **(954,142)** |
| **Total liabilities and stockholder's deficit** | **785,691** | **845,119** |

*(The accompanying notes are an integral part of these financial statements)*

# Statements of operations

*(All amounts are in United States Dollars, unless otherwise stated)*

| | For the year ended December 31, 2024 | For the year ended December 31, 2023 (Restated) |
|---|---|---|
| **Revenue** | | |
| Royalty fees | 968,380 | 1,011,527 |
| Franchise fees | 211,250 | 218,160 |
| Corporate revenues | 249,941 | 235,925 |
| Product and equipment sales | 77,166 | 125,606 |
| **Total revenue** | **1,506,737** | **1,591,218** |
| | | |
| Operating expenses | 203,227 | 133,304 |
| Selling, general and administrative expenses | 1,065,175 | 1,174,384 |
| Depreciation expenses | 164 | 492 |
| **Total operating expenses** | **1,268,566** | **1,308,180** |
| | | |
| **Income from operations** | **238,171** | **283,038** |
| | | |
| Other income | 8,979 | 10,000 |
| **Income from operations before income taxes** | **247,150** | **293,038** |
| | | |
| Income tax expense | 11,959 | 1,401 |
| **Net income** | **235,191** | **291,637** |

*(The accompanying notes are an integral part of these financial statements)*

# Statements of stockholder's deficit

**For the years ended December 31, 2024, and December 31, 2023 (Restated)**

*(All amounts are in United States Dollars, except number of shares)*

| | Common stock | | | | Additional paid-in capital | Accumulated deficit | Total stockholders' deficit |
|---|---|---|---|---|---|---|---|
| | Authorized | | Issued and outstanding | | | | |
| | Shares | Amount | Shares | Amount | | | |
| **Balance as at January 01, 2023 (as orignally presented)** | **1,000** | **-** | **100** | **-** | **25,718,466** | **(26,920,782)** | **(1,202,316)** |
| Adjustments due to correction of errors in previous year balances (Refer note A(2.1)) | - | - | - | - | - | (43,463) | **(43,463)** |
| **Balance as at January 01, 2023 (as restated)** | **1,000** | **-** | **100** | **-** | **25,718,466** | **(26,964,245)** | **(1,245,779)** |
| Net income for the year | - | - | - | - | - | 287,073 | **287,073** |
| Adjustments due to correction of errors in previous year statement of income (Refer note A(2.2)) | - | - | - | - | - | 4,564 | **4,564** |
| **Balance as at December 31, 2023 (Restated)** | **1,000** | **-** | **100** | **-** | **25,718,466** | **(26,672,608)** | **(954,142)** |
| **Balance as at January 01, 2024** | **1,000** | **-** | **100** | **-** | **25,718,466** | **(26,672,608)** | **(954,142)** |
| Net income for the year | - | - | - | - | - | 235,191 | **235,191** |
| **Balance as at December 31, 2024** | **1,000** | **-** | **100** | **-** | **25,718,466** | **(26,437,417)** | **(718,951)** |

*(The accompanying notes are an integral part of these financial statements)*

# Statements of cash flows

*(All amounts are in United States Dollars, unless otherwise stated)*

| | For the year ended | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| **Cash flows from operating activities** | | |
| Net income | 235,191 | 291,637 |
| **Adjustments to reconcile net income to net cash provided by/(used in) operating activities** | | |
| Depreciation expenses | 164 | 492 |
| Additional allowance for expected credit loss | 53,571 | 78,214 |
| Reversal of provision on accounts receivables | (85,582) | (243,810) |
| Additional provision on inventories | 32,848 | - |
| Reversal of provision on inventories | (15,547) | (65,661) |
| Forgiveness from government funded loans payable | - | (10,000) |
| Change in present value on long term receivables | (1,306) | (1,541) |
| **Changes in operating assets and liabilities:** | | |
| Accounts receivables, net of allowances | 52,208 | 128,475 |
| Accounts receivables, related party | (61,766) | - |
| Inventories, net | 23,424 | 51,250 |
| Prepaid expenses | 14,513 | (6,483) |
| Other non-current assets | 7,200 | 41,037 |
| Accounts payable | (106,219) | (150,898) |
| Accounts payable, related party | (109,298) | (270,153) |
| Other current liabilities | (15,591) | 58,848 |
| Operating lease liabilities | 6,669 | 7,181 |
| **Net cash used in / (provided by) operating activities** | **30,479** | **(91,412)** |
| **Net increase / (decrease) in cash** | **30,479** | **(91,412)** |
| Cash at the beginning of the year | 107,961 | 199,373 |
| **Cash at the end of the year** | **138,440** | **107,961** |
| **Supplemental cash flow information** | | |
| Cash paid for income taxes | 2,711 | 1,401 |
| Capitalized operating lease right-of-use asset and liability | - | 468,524 |

*(The accompanying notes are an integral part of these financial statements)*

# Notes to financial statements

## NOTE A - NATURE OF OPERATIONS, RESTATEMENTS AND MANAGEMENT PLANS

**1. Nature of operations**

Gymboree Play Programs, Inc. was originally incorporated on July 6, 1994 in the state of California and is headquartered in San Francisco, California. On July 15, 2016, Zeavion Holding Pte. Ltd. (the Parent) acquired all of its outstanding common stock of Gymboree Play Programs, Inc. from the Gymboree Corporation (Gymboree). Subsequent to the acquisition, the Gymboree Play Programs, Inc. was renamed GPPI, Inc. ("Company" or "GPPI"). In connection with the acquisition, the Company entered into a trademark license and assignment agreement (License agreement) with the Parent.

The Company offers directed developmental play programs at franchised and Company-operated Gymboree Play & Music locations in North America. In support of its efforts to offer a consistent programming experience to its customers, the Company sells product merchandise and equipment to franchise locations. There were a total of 47 franchise locations, including one corporate site store in operation at December 31, 2024 (49 franchise locations, including one corporate site, at December 31, 2023). The financial statements are prepared for the purpose of Franchise Distribution documentation ("FDD").

**2. Restatements**

**2.1 Correction of errors in balances as of January 01, 2023**

As of January 01, 2023, the Company failed to record certain adjustments amounting to $43,463 to the opening balances, resulting in incorrect carry forward of accounts receivable, long term receivables and accrued expenses balances. These errors have been corrected in the accompanying financial statements.

The following table summarizes the adjustments made as of January 01, 2023:

| **Particulars** | **Amount** |
|---|---|
| Bad debt expenses | (77,145) |
| Change in present value on long term receivables | 9,281 |
| Other expenses | (2,549) |
| Personnel expenses | 20,425 |
| Write off accrued expenses | 6,525 |
| **Total** | **(43,463)** |

**2.2. Correction of errors in during the year ended December 31, 2023**

During the year ended December 31, 2023, the Company failed to record certain adjustments amounting to $4,564 to the 'statement of operations' , resulting in an incorrect carry forward of long term receivables, lease assets and lease liabilities. These errors have been corrected in the accompanying financial statements.

The following table summarizes the adjustments made for the year ended December 31, 2023:

| **Particulars** | **Amount** |
|---|---|
| Amortization of operating leases | 7,006 |
| Change in present value on long term receivables | (2,442) |
| **Total** | **4,564** |

**2.3. Regrouping during the year ended December 31, 2023**

During the year ended December 31, 2023, the Company failed to record certain balances correctly and resulting in an incorrect classification of corresponding balances. This error has been corrected in these financial statements.

The following table summarizes the reclassifications made in the balance sheet as of December 31, 2023:

| **Particulars** | **As previously reported December 31, 2023** | **Regrouping Entries** | **Restatement adjustment** | **As restated December 31, 2023** |
|---|---|---|---|---|
| **Carve-out of Balance sheet** | | | | |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Accounts receivables, net of allowances | 242,106 | 37,491 | (77,145) | 202,452 |
| **Total current assets** | **450,499** | **37,491** | **(77,145)** | **410,845** |

| Particulars | As previously reported December 31, 2023 | Regrouping Entries | Restatement adjustment | As restated December 31, 2023 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Operating lease right-of-use-assets | 383,052 | 15,827 | - | 398,879 |
| Long term receivables | 65,885 | (39,935) | 9,281 | 35,231 |
| **Total non-current assets** | **449,101** | **(24,108)** | **9,281** | **434,274** |
| **Total assets** | **899,600** | **13,383** | **(67,864)** | **845,119** |
| | | | | |
| **LIABILITIES AND STOCKHOLDER'S DEFICIT** | | | | |
| **Current liabilities** | | | | |
| Accounts payable | 215,369 | (1,644) | - | 213,725 |
| Accounts payable, related party | - | 109,298 | - | 109,298 |
| Operating lease liability, current portion | 68,241 | 17,395 | - | 85,636 |
| Other current liabilities | 1,202,251 | (107,672) | (24,401) | 1,070,178 |
| **Total current liabilities** | **1,485,861** | **17,377** | **(24,401)** | **1,478,837** |
| | | | | |
| **Non-current liabilities** | | | | |
| Operating lease liability, non-current portion | 328,982 | (8,558) | - | 320,424 |
| **Total non-current liabilities** | **328,982** | **(8,558)** | **-** | **320,424** |
| | | | | |
| **Stockholder's deficit** | | | | |
| Accumulated deficit | (26,633,709) | 4,564 | (43,463) | (26,672,608) |
| **Total stockholder's deficit** | **(915,243)** | **4,564** | **(43,463)** | **(954,142)** |
| **Total liabilities and stockholder's deficit** | **899,600** | **13,383** | **(67,864)** | **845,119** |

The following table summarizes the reclassifications made in the statement of operations for the year ended December 31, 2023:

| Particulars | As previously reported December 31, 2023 | Regrouping Entries | Restatement adjustment | As restated December 31, 2023 |
|---|---|---|---|---|
| **Carve-out of statement of operations** | | | | |
| Royalty fees | 1,229,687 | (218,160) | - | 1,011,527 |
| Franchise fees | - | 218,160 | - | 218,160 |
| **Total revenue** | **1,591,218** | **-** | **-** | **1,591,218** |
| | | | | |
| Operating expenses | 91,674 | 41,630 | - | 133,304 |
| Corporate Site Operating Expenses | 217,470 | (217,470) | - | - |
| Selling, general and administrative expenses | 1,003,600 | 175,348 | (4,564) | 1,174,384 |
| Depreciation expenses | - | 492 | - | 492 |
| **Total operating expenses** | **1,312,744** | **-** | **(4,564)** | **1,308,180** |
| | | | | |
| **Income from operations** | **278,474** | **-** | **4,564** | **283,038** |
| | | | | |
| **Income from operations before income taxes** | **288,474** | **-** | **4,564** | **293,038** |
| | | **-** | | |
| **Net income** | **287,073** | **-** | **4,564** | **291,637** |

The following table summarizes the adjustments made in the statement of cash flows for the year ended December 31, 2023:

| Particulars | As previously reported December 31, 2023 | Regrouping adjustment | As restated December 31, 2023 |
|---|---|---|---|
| **Carve-out of statement cash flows** | | | |
| **Cash flows from operating activities** | | | |
| Net income | 287,073 | 4,564 | 291,637 |
| **Adjustments to reconcile net income to net cash used in operating activities** | | | |
| Amortization of operating lease right-of-use asset | 71,823 | (71,823) | - |
| Additional allowance for expected credit loss | (239,209) | 317,423 | 78,214 |
| Reversal of provision on accounts receivables | - | (243,810) | (243,810) |
| Additional provision on inventories | (65,661) | 65,661 | - |
| Reversal of provision on inventories | - | (65,661) | (65,661) |
| Change in present value on long term receivables | (3,968) | 2,427 | (1,541) |
| **Changes in operating assets and liabilities:** | | | |
| Accounts receivables, net of allowances | 202,087 | (73,612) | 128,475 |
| Accounts payable | (149,270) | (1,628) | (150,898) |
| Accounts payable, related party | - | (270,153) | (270,153) |
| Other current liabilities | (212,931) | 271,779 | 58,848 |
| Operating lease liabilities | (57,652) | 64,833 | 7,181 |
| **Net cash used in operating activities** | **(91,412)** | **-** | **(91,412)** |
| **Net increase in cash** | **(91,412)** | **-** | **(91,412)** |
| Cash at the beginning of the year | 199,372 | - | 199,372 |
| **Cash at the end of the year** | **107,961** | **-** | **107,961** |

**3. Management plans:**
During the year ended December 31, 2024, the Company reported income from operations of $235,191 and had an accumulated deficit of $26,437,417 and working capital deficit of $822,014 at December 31, 2024.

Management implemented a plan to leverage the Parent's global platform and synergize global resources to reduce overall operating expenses associated with the Company's business and global partners. The Parent Company signed a letter of support and is committed to supporting the Company through twelve months from the date these financial statements are issued. As a result, management believes the Parent Company's continued support along with plans of increasing revenue and managing expenditures, will allow the Company to sustain operations through at least April 2026.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

1 *Basis of preparation*

a. The accompanying financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States of America ('US GAAP'), to reflect the balance sheets, statements of operations, statements of stockholder's deficit, and statements of cash flows.

a. All the amounts are in United States Dollars except as otherwise specified.

c. The financial statements are prepared for the years ended December 31, 2024 and December 31, 2023 (Restated)

*2 Revenue recognition*

The Company recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606).

The Company determines revenue recognition through the following steps:
- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company recognizes franchising and royalty revenue at a contractual percentage of the franchisees' reported gross receipts. Franchise fees and royalties are governed by the terms and conditions of the Franchise Disclosure Document ("FDD"). In addition, the Company sells product and equipment to franchisees to aid in their program offerings. The Company recognizes product and equipment sales when the risk of loss and title pass to the franchisee, generally at the time of shipment.

Royalties and franchise fees:
Royalty revenue is measured based on the consideration which the entity is expected to be entitled to in the ordinary course of the Company's activities. This is primarily composed of the contractual percentage of the franchisees' reported gross receipts or a predetermined fixed rate per month, whichever is higher. The royalty revenue is recognized by the Company at the point of sale.

Product and equipment sales:
Other revenue includes product and equipment sales. Other revenue are recognized when the Company has delivered the products or equipment to the franchisee and there is no unfulfilled obligation that could affect the acceptance of the product and equipment.

Consulting revenue:
The Company earns consulting revenue from the Parent under a service agreement.

*3 Cash*

The carrying value of cash approximates fair value because of the short maturities of those financial instruments. Cash balances in bank accounts are insured by Federal Deposit Insurance Corporation up to an aggregate of $250,000 per depositor at each financial institution.

*4 Accounts receivable and allowance for expected credit losses*

In accordance with Accounting Standards Codification (ASC) 326, "Financial Instruments—Credit Losses," accounts receivable are initially recorded at the invoiced amount, net of an allowance for expected credit losses. The Company evaluates the adequacy of the allowance for credit losses on a regular basis, considering various factors such as historical loss experience, current market conditions, the aging of receivables, payment terms, and forward-looking loss expectations.

*5 Inventories, net*

Inventory is stated at the lower of average cost or market. Management routinely evaluates the carrying value of its inventory and provides a reserve when appropriate to reduce inventory to reflect its estimated net realizable value.

*6 Property and equipment, net*

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful lives of the assets as mentioned below.

The estimated useful life used to determine depreciation is:

| | |
|---|---|
| Furniture and fixtures | 3 to 7 years |
| Leasehold improvements | Shorter of remaining lease term or useful life of asset |

*7 Income taxes:*

In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740 "Income Taxes," income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in statements of operations in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the assets will not be realized. All deferred tax assets and liabilities, along with any related valuation allowance, are classified as noncurrent on the balance sheets.

*8 Use of estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company's most significant estimates include, but are not limited to, allowance for expected credit loss and reserve for inventory obsolescence, and the recoverability of deferred income tax assets. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

*9 Leases*

The Company accounts for its leases in accordance with FASB ASC Topic 842, Leases (Topic 842), which requires all entities that lease assets with terms greater than twelve months to capitalize the assets and related liabilities on the balance sheet. Leases are classified as either an operating or finance lease under Topic 842, with classification affecting the pattern of expense recognition in operations. An operating lease right-of-use asset (ROU asset) represents the right to use a specified asset for the stated lease term, and a lease liability represents the legal obligation to make lease payments over the lease term. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the expected lease term. The Company uses the implicit interest rate in a lease when it is readily determinable. Since most operating leases do not provide an implicit interest rate to determine the present value of lease payments, management has elected an accounting policy election to use the risk-free discount rate for a period comparable to the lease term based on the information available at the lease commencement date. ROU assets also include any lease payments previously made and exclude any landlord lease incentives in a lease.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

*10 Fair value measurements and financial instruments*

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

· Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as at the measurement date.

· Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

· Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's financial instruments consist of cash, accounts receivable, related party receivables and payables and accounts payable. The estimated fair value of these instruments approximate their carrying amounts due to the short-term nature of these instruments. None of these instruments are held for trading purposes.

*11 Commitments and contingencies*

Legal:

From time to time, the Company may be involved in legal disputes. The Company is not aware of any legal claims at December 31, 2024. In the opinion of management, any liabilities resulting from future legal claims will not have a material adverse effect on the Company's financial position or results from operations. As a result, no liability for future legal claims has been recorded at December 31, 2024 and December 31, 2023 (Restated).

*12 Advertising expenses*

Advertising is expensed as incurred. Advertising expense is $15,296 and $11,886 for the year ended December 31, 2024 and December 31, 2023, respectively and is included in selling, general and administrative expenses.

*13 Brand fund*

The franchisees of the Company contribute a percentage of their reported gross receipts to the Company's advertising, publicity and marketing fund (the Brand Fund) for the purpose of marketing and promoting the brand. The Brand Fund is administered by the Company.

At December 31, 2024 and December 31, 2023 (Restated)., the Company had a payable balance of $131,694 and $127,116, respectively, to the Brand Fund related to expenses incurred in advance of brand funds received, which is included in other current liabilities.

## NOTE C - CASH

Cash includes the following:

| | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| Balances with banks | 138,440 | 107,961 |
| **Total** | **138,440** | **107,961** |

## NOTE D - ACCOUNTS RECEIVABLES, NET OF ALLOWANCES

Accounts receivables, net of allowances includes the following:

| | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| Accounts receivable | 610,470 | 662,678 |
| Less: allowance for expected credit loss | (428,215) | (460,226) |
| **Accounts receivable, net of allowances** | **182,255** | **202,452** |

The activity in allowance for expected credit loss is as follows:

| | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| **Balance at beginning of the year** | 460,226 | 625,822 |
| Add: additional allowance for expected credit loss | 53,571 | 78,214 |
| Less: reversal of provision during the year | (85,582) | (243,810) |
| **Balance at the end of the year** | **428,215** | **460,226** |

## NOTE E - INVENTORIES, NET

Inventories, net includes the following:

| | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| Finished goods | 178,058 | 201,482 |
| Less: provision for inventory obsolesce | (141,034) | (123,733) |
| **Inventory, net** | **37,024** | **77,749** |

The activity in inventory reserve is as follows:

| | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| **Balance at beginning of the year** | **123,733** | **189,394** |
| Add: additional provision during the year | 32,848 | - |
| Less: reversal of provision during the year | (15,547) | (65,661) |
| **Balance at the end of the year** | **141,034** | **123,733** |

## NOTE F - PREPAID EXPENSES

Prepaid expenses includes the following:

| | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| Prepaid expenses | 8,170 | 22,683 |
| **Total** | **8,170** | **22,683** |

## NOTE G - PROPERTY AND EQUIPMENT, NET

Property and equipment, net includes the following:

| | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| Furniture and fixtures | 2,461 | 136,255 |
| Leasehold improvements | - | 116,185 |
| | **2,461** | **252,440** |
| Less: accumulated depreciation and amortization | (2,461) | (252,276) |
| **Total** | **-** | **164** |

Depreciation expense for the years ended December 31, 2024 and December 31, 2023 is $164 and $492, respectively. During the year ended December 31, 2024, the Company wrote off assets with gross block and accumulated depreciation of $249,979. Net block for the assets written off as of December 31, 2024 is NIL.

## NOTE H - LONG TERM RECEIVABLES

Long term receivables includes the following:

| | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| Long term receivables | 32,100 | 39,300 |
| Less amount representing present value impact | (2,763) | (4,069) |
| **Total*** | **29,337** | **35,231** |

*In October 2022, the Company restructured accounts receivable balances totalling $48,600 through long-term receivable arrangement with some of the franchisees. Under these agreements, the franchisees are obligated to make monthly payments of $600, to the Company. The long-term receivables are recorded at their present value using the risk free discounting rate of 3.97%, with maturity on June 2029. As of December 31, 2024 and December 31, 2023 (Restated), the outstanding balances of these receivables, net of discount, were $29,337 and $35,231, respectively. Management considers these long term receivables to be fully collectible and, accordingly, has not recorded an allowance for credit losses for the years ended December 31, 2024 and December 31, 2023. During the years ended December 31, 2024 and December 31, 2023 (Restated), the Company recognized $1,306 and $1,541 as income due to change in present value of long term receivables.

## NOTE I - OTHER CURRENT LIABILITIES

Other current liabilities includes the following:

| | As at | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| Accrued expenses | 315,651 | 350,548 |
| Gift certificate liabilities | 376,095 | 351,072 |
| Employee related liabilities | 212,885 | 236,040 |
| Brand funds | 131,694 | 127,116 |
| Statutory liabilities | 2,224 | 2,071 |
| Provision for income taxes | 9,748 | 500 |
| Other liabilities | 6,290 | 2,831 |
| **Total** | **1,054,587** | **1,070,178** |

## NOTE J - COMMON STOCK

*Common stock*
The authorized share capital of Common Stock of GPPI, Inc. as of December 31, 2024 and December 31, 2023, is 1,000 shares of NIL par value each. Out of the total shares, the Company had 100 shares issued and outstanding.

*Voting*
Each holder of common stock is entitled to one vote in respect of each share held by them in the records of the Company for all matters submitted to a vote.

*Liquidation*
In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the stockholders.

## NOTE K - REVENUE FROM CONTRACT WITH CUSTOMERS

The Company's contracts with customers are comprised of contracts for providing franchising services. These contracts with customers consist of royalty fees, marketing fees, franchisee fees and product and equipment sales.

The following table presents revenue disaggregated by source of revenue:

| | For the year ended | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| Royalties | 968,380 | 1,011,527 |
| Franchise fees* | 211,250 | 218,160 |
| Corporate revenues | 249,941 | 235,925 |
| Product and equipment sales | 77,166 | 125,606 |
| **Total** | **1,506,737** | **1,591,218** |

*The Company discontinued its association with two and one franchises for the years ended December 31, 2024 and December 31, 2023, respectively. The Company has fulfilled all its duties and obligations to the franchisees in relation to the initial franchise fees. 'Franchise fee' revenue are as stated above.

The following table presents revenue disaggregated by timing of recognition:

| | For the year ended | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| Services transferred over a period of time | 1,429,571 | 1,465,612 |
| Products transferred at a point of time | 77,166 | 125,606 |
| **Total** | **1,506,737** | **1,591,218** |

The following table presents revenue disaggregated based on geographical regions:

| | For the year ended | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| United States of America | 1,472,670 | 1,575,823 |
| Canada | 34,067 | 15,395 |
| **Total** | **1,506,737** | **1,591,218** |

## NOTE L - RELATED PARTY TRANSACTIONS

**Related party with whom transactions have taken place during the year:**
Zeavion Holding Pte. Ltd - Parent Company
GymboGlobal (China) Trading Co., Ltd - Affiliate of Parent Company

**The summary of balances due from related party is as follows:**

| | As at | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| **Accounts receivables, related party** | | |
| Zeavion Holding Pte. Ltd | 61,766 | - |
| **Accounts payable, related party** | | |
| Zeavion Holding Pte. Ltd | - | 109,298 |

**The summary of transactions with related party is as follows:**

| | For the year ended | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| Consulting revenue | 290,000 | 290,000 |
| Purchase of Inventory | 8,275 | 2,465 |
| Reimbursement of expenses | 1,674 | 1,674 |

## NOTE M - EMPLOYEE BENEFIT PLAN

The Company maintains a defined contribution 401(k) plan under which employees may contribute a portion of their compensation to the plan, subject to the limitations of the Internal Revenue Code. For the years ended December 31, 2024 and December 31, 2023, the Company recognized contribution expenses of $15,207 and $15,550, respectively, related to this plan.

## NOTE N - INCOME TAXES

For the years ended December 31, 2024 and December 31, 2023, the Company will file federal and state tax returns as per regulations applicable to Chapter C corporations in the United States of America.

The components of the provision for income taxes are as follows:

| | For the year ended December 31, 2024 | For the year ended December 31, 2023 (Restated) |
|---|---|---|
| **Current taxes** | | |
| Federal | 11,959 | 1,401 |
| State | - | - |
| | **11,959** | **1,401** |
| **Deferred taxes** | | |
| Federal | - | - |
| State | - | - |
| | **-** | **-** |
| **Total** | **11,959** | **1,401** |

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities are as follows:

| | As at December 31, 2024 | As at December 31, 2023 (Restated) |
|---|---|---|
| **Non-current deferred tax assets:** | | |
| Net operating losses | 963,000 | 1,027,000 |
| **Total deferred tax asset** | **963,000** | **1,027,000** |
| | | |
| **Net deferred taxes** | **963,000** | **1,027,000** |
| Less: deferred tax asset valuation allowance | (963,000) | (1,027,000) |
| **Net deferred taxes** | **-** | **-** |

Realization of net deferred tax assets is dependent upon generation of sufficient taxable income in future years, benefit from the reversal of taxable temporary differences and tax planning strategies. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

However, the management believes that it is more likely that the deferred tax assets may not be realized during foreseeable future and accordingly, a valuation allowance of $963,000 and $1,027,000 was created as at December 31, 2024 and December 31, 2023 (Restated), respectively for the entity located in United States of America.

The Company has federal net operating loss carry forwards ("NOL's") of $4,035,598 and $4,287,517 as at December 31, 2024, and December 31, 2023 (Restated), respectively. The NOLs are generated after 2018-19 and will be carried forward indefinitely.

The Company has state net operating loss carry forwards ("NOL's") of $1,304,875 and $1,431,688 as at December 31, 2024

*Accounting for uncertain tax position*
The Company recognizes the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. Interest and penalties, if incurred, are recognized in the statements of operations. The Company has no unrecognized tax positions at December 31, 2024 and December 31, 2023.

The tax years of 2021 through 2023 remain subject to examination by the taxing authorities.

## NOTE O - LEASES

**General description of the lease:** The Company has Office space rented at San Mateo, California. The lease agreement is up to March 31, 2029, for rent amounting to $7,298 and $7,136 per month during the years ended December 31, 2024 and December 31, 2023, respectively.

***The Company used the following policies and/or assumptions in evaluating the lease population:***

**Lease determination:** The Company considers a contract to be or to contain a lease if the contract conveys the right to control the use of identified property (an identified asset) for a period of time in exchange for consideration.

**Discount rate:** When the lease contracts do not provide a readily determinable implicit rate, the Company uses the risk-free rate at the inception of the lease.

**Renewal options:** In the previous year ended December 31, 2023, the Company renewed the lease term to include additional five years.

**Residual value guarantees, restrictions, or covenants:** The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The table below presents the classification of the operating lease assets and liabilities:

| | As at | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| Operating lease right-of-use asset | 328,699 | 398,879 |
| Operating lease liability, current portion | 87,576 | 85,636 |
| Operating lease liability, non-current portion | 254,973 | 320,424 |

The components of lease cost for operating lease for the years ended December 31, 2024 and December 31, 2023 (Restated), are summarized below

| | For the year ended | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| Operating lease cost* | 91,165 | 85,329 |

*Operating lease expense has been recognised in the statements of operations under the head "Selling, general and administrative expenses"

**Supplemental cash flow information related to leases for the years ended December 31, 2024 and December 31, 2024 was as follows:**

| | For the year ended | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| Cash flows from operating lease | 87,091 | 78,147 |
| Right-of-use asset obtained in exchange for operating lease obligations | - | 468,524 |

The future minimum payments required under these non-cancellable operating leases are outlined as follows:

| For the year ended December 31, | Amount |
|---|---|
| 2025 | 87,576 |
| 2026 | 87,576 |
| 2027 | 87,576 |
| 2028 | 87,576 |
| 2029 | 21,894 |
| **Total future minimum rental commitments** | **372,198** |
| Less: imputed interest | (29,649) |
| **Total lease liability** | **342,549** |

| | For the year ended | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 (Restated) |
| Weighted average remaining lease term | 5.25 years | 6.25 years |
| Weighted average discount rate | 3.89% | 3.89% |

## NOTE P - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such cash balances and accounts receivables involve risk, including the credit risk of non-performance by counterparties.

In management's opinion, for the year ended December 31, 2024, there was no significant risk of loss in the event of non-performance of the counterparties to these cash balances and accounts receivables.

As of December 31, 2024, two customers accounted for approximately 66% of the accounts receivable.
As of December 31, 2023, two customers accounted for approximately 61% of the accounts receivable.

## NOTE Q - SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date these financial statements were available to be issued (April 30, 2025) . Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

# GPPI, Inc.
# (a wholly-owned subsidiary of Zeavion Holding Pte. Ltd.)
# Financial Statements
# December 31, 2023 and 2022

Frank, Rimerman + Co. LLP

Board of Directors
GPPI, Inc.
San Francisco, California

Certified Public Accountants

# INDEPENDENT AUDITORS' REPORT

## Opinion

We have audited the accompanying financial statements of GPPI, Inc. (a wholly-owned subsidiary of Zeavion Holding Pte. Ltd.) (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and related statements of income, stockholder's equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

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

## Basis for Opinion

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

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are available to be issued.



An independent member of Baker Tilly International

Frank Rimerman + Co. LLP is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

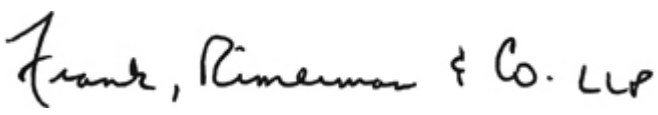
**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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



San Francisco, California
March 13, 2024

**GPPI, Inc. (a wholly-owned subsidiary of Zeavion Holding Pte. Ltd.)**
**Balance Sheets**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash | $ 107,961 | $ 199,373 |
| Accounts receivable, net of allowance of $386,613 ($625,822 at 2022) | 242,106 | 204,984 |
| Inventory, net | 77,749 | 63,338 |
| Prepaid expenses and other current assets | 22,683 | 16,200 |
| Total current assets | 450,499 | 483,895 |
| Property and Equipment, net | 164 | 656 |
| Long-Term Receivables | 65,885 | 102,954 |
| Operating Lease Right-of-Use Asset, net | 383,052 | - |
| Total assets | $ 899,600 | $ 587,505 |
| **LIABILITIES AND STOCKHOLDER'S DEFICIT** | | |
| Current Liabilities | | |
| Accounts payable | $ 215,369 | $ 364,639 |
| Accrued expenses and other current liabilities | 1,202,251 | 1,415,182 |
| Operating lease liability | 68,241 | - |
| Total current liabilities | 1,485,861 | 1,779,821 |
| Operating Lease Liability, net of current portion | 328,982 | - |
| Government Funded Loan Payable | - | 10,000 |
| Total liabilities | 1,814,843 | 1,789,821 |
| Commitments and Contingencies (Notes 5 and 6) | | |
| Stockholder's Equity Deficit | | |
| Common stock, no par value; 1,000 shares authorized; 100 shares issued and outstanding | 25,718,466 | 25,718,466 |
| Accumulated deficit | (26,633,709) | (26,920,782) |
| Total stockholder's deficit | (915,243) | (1,202,316) |
| Total liabilities and stockholder's deficit | $ 899,600 | $ 587,505 |

See Notes to Financial Statements

## GPPI, Inc. (a wholly-owned subsidiary of Zeavion Holding Pte. Ltd.)
## Statements of Income

| | Years Ended December 31, 2023 | 2022 |
|---|---|---|
| Revenue | | |
| Revenue from franchising and royalty activities | $ 1,229,687 | $ 1,120,803 |
| Revenue from company-operated locations | 235,925 | 260,072 |
| Product and equipment sales | 125,606 | 113,513 |
| Total revenue | 1,591,218 | 1,494,388 |
| Corporate Site Operating Expenses | 217,470 | 253,827 |
| Cost of Revenue | 91,674 | 87,858 |
| Gross margin | 1,282,074 | 1,152,703 |
| Operating Expenses | | |
| Selling, general and administrative | 1,003,600 | 1,413,794 |
| Total operating expenses | 1,003,600 | 1,413,794 |
| Income (loss) from operations | 278,474 | (261,091) |
| Other Income | 10,000 | 716,499 |
| Income from operations before income taxes | 288,474 | 455,408 |
| Income Tax Benefit (Expense) | (1,401) | 2,641 |
| Net income | $ 287,073 | $ 458,049 |

See Notes to Financial Statements

**GPPI, Inc. (a wholly-owned subsidiary of Zeavion Holding Pte. Ltd.)**
**Statements of Stockholder's Deficit**
**Years ended December 31, 2023 and 2022**

| | Common Stock | | Accumulated | Total Stockholder's |
|---|---|---|---|---|
| | Shares | Amount | Deficit | Equity (Deficit) |
| Balances, December 31, 2021 | 100 | $ 25,718,466 | (27,378,831) | (1,660,365) |
| Net income | - | - | 458,049 | 458,049 |
| Balances, December 31, 2022 | 100 | 25,718,466 | (26,920,782) | (1,202,316) |
| Net income | - | - | 287,073 | 287,073 |
| Balances, December 31, 2023 | 100 | $ 25,718,466 | $ (26,633,709) | $ (915,243) |

See Notes to Financial Statements

**GPPI, Inc. (a wholly-owned subsidiary of Zeavion Holding Pte. Ltd.)**
**Statements of Cash Flows**

| | Years Ended December 31, 2023 | 2022 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Net income | $ 287,073 | $ 458,049 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 492 | 777 |
| Amortization of operating lease right-of-use asset | 71,823 | - |
| Allowance for doubtful accounts | (239,209) | (12,965) |
| Reserve for inventory obsolescence | (65,661) | 137,137 |
| Forgiveness from government funded loans payable | (10,000) | (462,222) |
| Gain on settlement of lease liability | - | (250,718) |
| Change in discount on long term receivables | (3,968) | 14,891 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 202,087 | 204,082 |
| Inventory | 51,250 | 35,922 |
| Prepaid expenses and other current assets | (6,483) | 21,670 |
| Long term receivables | 41,037 | 27,755 |
| Accounts payable | (149,270) | (407,229) |
| Accrued expenses and other current liabilities | (212,931) | 42,935 |
| Operating lease liability | (57,652) | 94,682 |
| Net cash used in operating activities | (91,412) | (95,234) |
| Net Decrease in Cash | (91,412) | (95,234) |
| Cash, beginning of the year | 199,373 | 294,607 |
| Cash, end of the year | $ 107,961 | $ 199,373 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid (received) for income taxes | $ 1,401 | $ (2,641) |
| Supplemental Schedule of Noncash Investing and Financing Activities | | |
| Capitalized operating lease right-of-use asset and liability | $ 454,875 | $ - |
| Accounts receivable converted to long term receivable | $ - | $ 145,600 |
| Operating lease liabities converted to accounts payable | $ - | $ 267,600 |

See Notes to Financial Statements

1. Nature of Business and Management's Plans Regarding the Financing of Future Operations

**Nature of Business**

Gymboree Play Programs, Inc. was originally incorporated on July 6, 1994 in the state of California and is headquartered in San Francisco, California. On July 15, 2016, Zeavion Holding Pte. Ltd. (the Parent) acquired all of the outstanding common stock of Gymboree Play Programs, Inc. from The Gymboree Corporation (Gymboree). Subsequent to the acquisition, the Gymboree Play Programs, Inc. was renamed GPPI, Inc. (the Company). In connection with the acquisition, the Company entered into a trademark license and assignment agreement (License Agreement) with the Parent.

The Company offers directed developmental play programs at franchised and Company-operated Gymboree Play & Music locations in North America. In support of its efforts to offer a consistent programming experience to its customers, the Company sells product merchandise and equipment to franchise locations. There were a total of 49 stores, including one corporate site store in operation at December 31, 2023 (50 stores, including one corporate site, at December 31, 2022). Of those stores, two were owned and operated by the Company.

**Management's Plans Regarding the Financing of Future Operations**

In 2023, the Company reported income from operations of $278,474 and had an accumulated deficit of $26,633,709 at December 31, 2023, of which $13,925,182 was related to goodwill impairment recorded in 2021 and $9,678,000 recorded in 2017 (Note 2). The impairment loss was recorded as a result of the transfer of intellectual property in connection with the Company's acquisition in July 2016 with 2017 being a transition year. In 2021, the Company fully impaired goodwill due to the economic climate. Management implemented a plan to leverage the Parent's global platform and synergize global resources to reduce overall operating expenses associated with the Company's business and global partners. The Parent signed a letter of support and is committed to supporting the Company through at least fiscal year 2025. As a result, management believes the Parent's continued support along with plans of increasing revenue and managing expenditures, will allow the Company to sustain operations through at least March 2025.

2. Significant Accounting Policies

*Basis of Presentation:*

The financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (U.S.) (GAAP).

*Acquisition Accounting:*

In connection with the acquisition, the Parent valued the assets acquired and liabilities assumed from the Company at fair value. The results of the purchase price allocation were "pushed down" and a revaluation of the acquired assets and assumed liabilities are reflected in the Company's financial statements, resulting in a new accounting basis for the Company's assets and liabilities and the recording of significant goodwill. Upon acquisition, the Company was considered a new accounting entity with the results of operations and cash flows being presented in the financial statements from the acquisition date. The consideration from the acquisition included in the financial statements includes only the portion related to the activities of the Company. The remaining consideration is included in the financial statements of the Parent, as defined in the purchase agreement.

*Revenue Recognition:*

The Company recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606).

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company recognizes franchising and royalty revenue at a contractual percentage of the franchisees' reported gross receipts. Franchising and royalty revenue is governed by the terms and conditions of the Franchise Disclosure Document (the Disclosure Document). In addition, the Company sells product and equipment to franchisees to aid in their program offerings. The Company recognizes product and equipment sales when the risk of loss and title passes to the franchisee, generally at the time of shipment. The Company recognizes revenue from Company-operated locations as services and products are provided to customers.

2. Significant Accounting Policies (continued)

*Royalty Revenue:*

Royalty revenue is measured based on the consideration which the entity is expected to be entitled to in the ordinary course of the Company's activities. This is primarily composed of the contractual percentage of the franchisees' reported gross receipts and is recognized by the Company at the point of sale.

*Product and Equipment Sales:*

Product and equipment sales are recognized when the Company has delivered the products or equipment to the franchisee and there is no unfulfilled obligation that could affect the acceptance of the product and equipment.

*Consulting Revenue:*

The Company earns consulting revenue from the Parent under a service agreement (Note 8).

*Cost of Revenue:*

Cost of revenue consists of the costs of product and equipment sales.

*Cash and Cash Equivalents:*

Cash and cash equivalents include all cash balances and highly liquid investments purchased with a remaining maturity of three months or less. There were no cash equivalents at December 31, 2023 and 2022.

*Accounts Receivable:*

Accounts receivable are contract assets consisting primarily of amounts due from franchising fees and product and equipment sales to franchisees. Gross accounts receivables were $628,719 and $830,806 at December 31, 2023 and 2022 ($1,034,838 at December 31, 2021). The Company determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of outstanding accounts. Changes to the allowance are charged to selling, general and administrative expenses.

2. Significant Accounting Policies (continued)

*Credit Losses:*

Effective January 1, 2023, the Company adopted FASB ASC Topic 326, *Credit Losses* (Topic 326), which replaces the incurred credit loss model with the current expected credit loss model for the measurement of credit losses. Topic 326 requires all entities to evaluate, on an ongoing basis, future expected credit losses for financial instruments recorded at amortized cost, including accounts receivable and long-term receivables. Under Topic 326, credit losses for the Company's receivables are measured and recognized based on historical experience along with current and reasonably supportable forecasted conditions, and are reported at amortized cost, which is the amount the Company expects to collect. The adoption of Topic 326 did not have a material impact on the Company's financial statements, as the Company's expectation for credit losses did not change materially as a result of the change in methodology. Credit losses have been within management's expectations as of December 31, 2023.

*Concentration of Credit Risk and Major Customers:*

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and accounts receivable. The Company maintains its cash deposits at two U.S. financial institutions. Cash deposits exceeded the Federal Deposit Insurance Corporation insurable limit of $250,000 at each institution at December 31, 2023 and 2022.

In 2023, the Company had one major customer, the Parent (Note 8), representing 18% of revenue (20% in 2022). Major customers are defined as those generating revenue exceeding 10% of the Company's annual revenue. The Company had no balance outstanding from the Parent at December 31, 2023 or 2022.

*Inventory:*

Inventory is stated at the lower of average cost or market. Management routinely evaluates the carrying value of its inventory and provides a reserve when appropriate to reduce inventory to reflect its estimated net realizable value.

*Property and Equipment:*

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over estimated useful lives of the assets of three to seven years. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the remaining lease term.

2. Significant Accounting Policies (continued)

*Leases:*

The Company accounts for its leases in accordance with FASB ASC Topic 842, *Leases* (Topic 842), which requires all entities that lease assets with terms greater than twelve months to capitalize the assets and related liabilities on the balance sheet. Leases are classified as either an operating or finance lease under Topic 842, with classification affecting the pattern of expense recognition in operations.

An operating lease right-of-use (ROU) asset (ROU asset) represents the right to use a specified asset for the stated lease term, and a lease liability represents the legal obligation to make lease payments over the lease term. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the expected lease term. The Company uses the implicit interest rate in a lease when it is readily determinable. Since most operating leases do not provide an implicit interest rate to determine the present value of lease payments, management has elected an accounting policy election to use the risk-free discount rate for a period comparable to the lease term based on the information available at the lease commencement date. ROU assets also include any lease payments previously made and exclude any landlord lease incentives in a lease.

The Company has also elected an accounting policy to not capitalize assets with a lease term of twelve months or less if the lease does not provide an option to purchase the assets at the end of the lease term or an option to extend the lease longer than twelve months that management was not reasonably certain to exercise at the lease commencement date.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

*Accounting for Impairment of Long-Lived Assets:*

Long-lived assets consist of property and equipment and ROU asset. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying cost or fair value less cost to sell. The Company did not record an impairment loss in 2023 or 2022 as a result of this analysis.

2. Significant Accounting Policies (continued)

*Goodwill:*

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired by the Parent on July 15, 2016. Goodwill was not amortized but was subject to impairment goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of the goodwill. The Company tested goodwill for impairment at least annually or at any time events or circumstances indicated whether it was more likely than not the fair value of the Company was less than its carrying value. If the assessment was made that the carrying amount of the Company exceeded its fair value, an impairment loss would be recognized for the excess of the carrying amount of the goodwill over the fair value of the Company's net assets. The Company recorded a goodwill impairment loss of $9,678,000 in 2017 when the fair value of intellectual property acquired in July 2016 was transferred to the Parent. In 2021, the Company recorded an additional goodwill impairment loss of $13,925,182 due to the long-term economic impact of the novel coronavirus on Company operations (Note 6), reducing the goodwill balance to zero.

*Income Taxes:*

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recorded based on the estimated future tax effects of differences between the financial statement and income tax bases of existing assets and liabilities. Deferred income tax assets and liabilities are recorded net and classified as noncurrent on the balance sheet. A valuation allowance is provided against the Company's deferred income tax assets when their realization is not reasonably assured.

*Advertising Expense:*

Advertising is expensed as incurred. Advertising expense was $11,886 in 2023 ($5,157 in 2022) and is included in selling, general and administrative expenses.

*Brand Fund:*

The franchisees of the Company contribute a percentage of their reported gross receipts to the Company's advertising, publicity and marketing fund (the Brand Fund) for the purpose of marketing and promoting the brand. The Brand Fund is administered by the Company.

At December 31, 2023, the Company had a payable balance of $127,116 to the Brand Fund (payable balance of $19,709 at December 31, 2022) related to expenses incurred in advance of brand funds received, which is included in accrued expenses.

2. Significant Accounting Policies (continued)

*Use of Estimates:*

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Significant estimates made in preparing the financial statements include the allowance for doubtful accounts receivable, reserve for inventory obsolescence, impairment of long-lived assets, and the recoverability of deferred income tax assets.

3. Balance Sheet Detail

*Inventory:*

Inventory consists of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Finished goods | $ 201,482 | $ 252,732 |
| Less reserve for obsolescence | (123,733) | (189,394) |
| | $ 77,749 | $ 63,338 |

*Property and Equipment:*

Property and equipment consist of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Furniture and fixtures | $ 136,255 | $ 136,255 |
| Leasehold improvements | 116,185 | 116,185 |
| | 252,440 | 252,440 |
| Less accumulated depreciation and amortization | (252,276) | (251,784) |
| | $ 164 | $ 656 |

3. Balance Sheet Detail

*Long-Term Receivables:*

In October 2022, the Company negotiated with five franchisees and entered into long term receivable arrangements to restructure accounts receivable balances of $145,600. The franchisees are required to make monthly payments ranging from $200-$950. Long-term receivables are presented at present value using the Company's borrowing rate of 4.25%. The long-term receivables are due at dates from November 2025 to July 2029. At December 31, 2023, the outstanding balance of the long term receivables was $65,885, net of the discount ($102,954 at December 31, 2022). Management believes the notes are collectible, and no allowance for credit loss has been recorded at December 31, 2023.

4. Income Taxes

The Company applies the provisions set forth in FASB ASC Topic 740, *Income Taxes,* to account for the uncertainty in income taxes. In the preparation of income tax returns in the U.S. federal and state jurisdictions, the Company asserts certain income tax positions based on its understanding and interpretation of income tax laws. The taxing authorities may challenge these positions and the resolution of the matters could result in recognition of income tax expense in the Company's financial statements. Management believes it has used reasonable judgments and conclusions in the preparation of its income tax returns.

The Company uses the "more likely than not" criterion for recognizing the income tax benefit of uncertain income tax positions and establishing measurement criteria for income tax benefits. The Company has evaluated the impact of these tax positions and believes its income tax filing positions and deductions will be sustained upon examination. Accordingly, no reserve for uncertain income tax positions or related accruals for interest and penalties have been recorded through December 31, 2023. In the event the Company should need to recognize interest and penalties related to unrecognized income tax liabilities, this amount will be recorded as an accrued liability and an increase to income tax expense.

Deferred income taxes result from the tax effect of transactions recognized in different periods for financial statement and income tax reporting purposes. The Company's net deferred income tax assets at December 31, 2023 were approximately $1,014,000, and have been fully offset by a valuation allowance, as their realization is not reasonably assured ($1,011,000 at December 31, 2022). Deferred income tax assets consist primarily of net operating losses, which may be carried forward to offset future income tax liabilities. At December 31, 2023, the Company has federal and state net operating loss carryforwards of $4,361,000 and $1,412,000, respectively, which begin to expire in 2036 ($4,344,000 and $1,409,000, respectively, at December 31, 2022).

4. Income Taxes (continued)

Section 382 of the Internal Revenue Code limits the amount of net operating loss carryforwards that can be used annually. Section 382 also limits the use of net operating losses in certain situations where changes occur in stock ownership of a company. Due to the change in ownership that occurred in July 2016, the net operating loss carryforwards will be subject to the limitations of Section 382.

The Company is subject to U.S. federal income taxes and various state income taxes. Tax regulations within each jurisdiction are subject to the interpretation of the related income tax laws and regulations and require significant judgment to apply. The Company was incorporated in Delaware in 2007 and is subject to U.S. federal, state and local tax examinations by taxing authorities for all open years due to the availability of net operating loss carryforwards.

The Company recognizes liabilities for uncertain income tax positions based on a two-step process. First, the tax position is evaluated for recognition by determining if it is more likely than not the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. If the income tax position is deemed more likely than not to be sustained, the tax position is then assessed to determine the amount of income tax benefit to be recognized in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. At December 31, 2023 and 2022, the Company identified no uncertain income tax positions.

Interest and penalties are recorded as income tax expense. At December 31, 2023 and 2022, no interest or penalties were recorded. The Company does not anticipate a significant change in uncertain income tax positions over the next twelve months.

5. Operating Leases

The Company leases or leased Company-operated locations under non-cancelable operating lease agreements. The Company is responsible for certain insurance, property tax and maintenance expenses under the terms of the leases.

The leases were classified as operating leases under Topic 842. Certain operating leases had options to extend the lease term; however, it was not considered reasonably certain these options would be exercised and the renewal terms were not included in the calculation of the operating lease assets and liabilities upon the adoption of Topic 842.

5. Operating Leases (continued)

In October 2022, the Company entered into a settlement agreement with the Los Altos retail location's landlord for $90,000 payable in monthly payments. The Company had a remaining balance of $42,000, which was recorded in accounts payable at December 31, 2023 ($78,000 at December 31, 2022).

In June 2022, the Company entered into a settlement agreement with the Los Angeles retail location, which the landlord claimed a lease liability balance of $538,000 but agreed to settle for $286,000 due in monthly payments over forty months. The Company recorded a gain of $250,700 in 2022 other income after applying the lease deposit and reclassified the remaining $267,600 of the lease liability to accounts payable. The Company had a remaining settlement balance of $95,000 in accounts payable at December 31, 2023 ($165,000 at December 31, 2022).

In October 2023, the Company entered into an extension for the San Mateo corporate and retail location under an operating agreement expiring in March 2029. The Company recorded a ROU asset and lease liability of $454,875 for the new lease agreement. The lease agreement contains scheduled rent increases and is classified as operating lease under Topic 842. The ROU asset is amortized ratably over the term of the lease. Lease expense under the operating lease, including interest on the operating lease liability, was $92,318 in 2023.

At December 31, 2023, the ROU asset had a balance of $383,052, as shown in noncurrent assets on the balance sheet. The lease liability is recorded as current and noncurrent liability, of $68,241 and $328,982, respectively. The lease liability is collateralized by the leased facility. The ROU asset and lease liability were calculated using a risk-free discount rate of 4.75%. At December 31, 2023, the remaining lease term was 5.33 years.

Aggregate future minimum payments under the non-cancelable operating lease are as follows:

| Years ending December 31: | |
|---|---|
| 2024 | $ 85,636 |
| 2025 | 85,636 |
| 2026 | 85,636 |
| 2027 | 85,636 |
| 2028 | 85,636 |
| Thereafter | 21,410 |
| Total minimum lease payments | 449,590 |
| Less amount representing interest | (52,367) |
| Present value of operating lease liability | 397,223 |
| Less current portion | (68,241) |
| Noncurrent portion | $ 328,982 |

6. Commitments and Contingencies

*Legal:*

From time to time, the Company may be involved in legal disputes. The Company is not aware of any legal claims at December 31, 2023. In the opinion of management, any liabilities resulting from future legal claims will not have a material adverse effect on the Company's financial position or results from operations. As a result, no liability for future legal claims has been recorded at December 31, 2023.

*Global Pandemic:*

The global outbreak of the novel coronavirus continues to be a rapidly evolving situation. The virus has disrupted much of society, impacted global travel and supply chains, adversely impacted global and domestic commercial activity in most industries. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse effect on the economic and market conditions and extend the period of global economic uncertainty. These conditions have materially impacted and may continue to impact the Company's operating performance in the near term.

7. Government Funded Loans Payable

On March 24, 2021, the Company entered into an unsecured loan of $462,222 under the Paycheck Protection Program (the PPP) (the PPP Loan). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) and is administered by the U.S. Small Business Administration (the SBA). The loan was made through a financial institution. Outstanding borrowings under the PPP Loan bore interest at a fixed rate of one percent (1%) per annum, with the first six months of interest deferred. Principal and interest were payable monthly commencing on the first day of the next month after the expiration of the initial six-month deferment period and could be prepaid by the Company at any time prior to maturity without penalty. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP, with the forgiveness to be determined, subject to limitations, based on the use of loan proceeds for payment of permitted and eligible payroll costs, rent and utilities. Interest payable on the PPP Loan could forgiven only if the SBA agreed to pay such interest on the forgiven principal amount of the Note. Interest on the PPP Loan was not material in 2021 or 2022. The Company was obligated to repay any portion of the principal amount of the loan that was not forgiven, together with any accrued interest, until the unforgiven portion was paid in full in April 2022. In June 2022, the Company received notification the SBA agreed to forgive the PPP Loan and the Company recognized the $462,222 as other income in 2022.

In April 2020, the Company received an unsecured $10,000 small business loan under the SBA's Economic Injury Disaster Loan program. The outstanding balance at December 31, 2022 was $10,000.

The Company received notification the SBA agreed to forgive the Economic Injury Disaster Loan and the Company recognized the $10,000 as other income in 2023.

In connection with the forgiveness of the loans, the SBA reserves the right to challenge its decision reached, and the resolution of the matters could result in the Company being required to repay all or a portion of the amounts forgiven, along with possible interest and penalties. In the opinion of management, the Company used reasonable judgment in requesting the loans to be forgiven and its determination of the requirements for forgiveness were met and will be sustained upon further SBA examination.

8. Capital Stock

The Company is authorized to issue 1,000 shares of common stock. At December 31, 2023 and 2022, the Company had 100 common shares issued and outstanding to the Parent.

9. Related Party Transactions

In 2023, the Company recorded consulting revenue from the Parent of $290,000 ($300,000 in 2022). At December 31, 2023, the Company had an account payable balance of $109,298 due to the Parent ($379,450 at December 31, 2022).

10. Employee Benefit Plan

The Company maintains a defined contribution 401(k) plan under which employees may contribute a portion of their compensation to the plan, subject to the limitations of the Internal Revenue Code. In 2023, the Company recorded a contribution expense to the 401(k) plan of $15,550 ($18,731 in 2022) for eligible employees.

11. Subsequent Events

Subsequent events have been evaluated through March 13, 2024, which is the date the financial statements were approved by the Company and available to be issued.

EXHIBIT C TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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# DEVELOPMENT AGREEMENT

# GPPI, INC.

# GYMBOREE PLAY & MUSIC

# DEVELOPMENT AGREEMENT

**GYMBOREE PLAY & MUSIC**
**DEVELOPMENT AGREEMENT**
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**GYMBOREE PLAY & MUSIC**
**DEVELOPMENT AGREEMENT**

This Development Agreement (this "Development Agreement") is effective as of _____, 20__, by and between GPPI, Inc., a California corporation with its principal place of business at 3180 Campus Drive, San Mateo, California 94403 ("Franchisor"), and _____ ("Developer") a _____, with its principal place of business at _____.

## INTRODUCTION

Franchisor, as the result of the expenditure of time, skill, effort, and money, has developed, and continues to develop, the System (as defined below);

The System is identified by means of the Proprietary Marks (as defined below);

Developer desires to obtain certain development rights to open and operate one or more Play & Music Centers, Metro Play Centers, and/or Mobile Play Centers (each as defined below), and wishes to enter into an agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith;

Developer understands and acknowledges the importance of Franchisor's high standards of quality, appearances, and service and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications;

The parties agree as follows:

## 1. DEFINITIONS

For purposes of this Development Agreement, capitalized terms will have the meanings ascribed to them, below.

1.1 "**Affiliate**" means any person, company or other entity which controls, is controlled by, or is under common control with, another person, company or other entity.

1.2 "**Center**" means any Gymboree Play & Music business to be developed by Developer under this Development Agreement. The term "Center" shall include a Play & Music Center, a Metro Play Center, or a Mobile Play Center as applicable.

1.3 "**Development Area**" means the geographic area described in Exhibit A hereto.

1.4 "**Development Fee**" means the development fee set forth in Section 3.1 below.

1.5 "**Development Schedule**" means the development schedule set forth in Exhibit A hereto.

1.6 "**Franchise Agreement**" means a Gymboree Play & Music Center Franchise Agreement.

1.7 "**Manuals**" means one or more confidential handbooks, manuals, bulletins and/or volumes, other written materials, and video, audio and/or software media (including materials distributed electronically or otherwise), regardless of title, containing (among other things) specifications, standards, policies and procedures prescribed from time to time by Franchisor and to be complied with by Developer in Developer's operation and performance under this Development Agreement. The Manuals include all changes and supplements issued by Franchisor in the future, each of which Developer shall promptly comply with.

1.8 "**Metro Play Center**" means a type of Center operated at a facility owned or leased by a franchisee, typically featuring a main Play Floor and no secondary classroom.

1.9 **"Mobile Play Center"** means a type of Center that is operated at one or more third party facilities, such as community centers and daycare centers, rather than at a facility owned or leased by the franchisee.

1.10 "**Play & Music Center**" means a type of Center operated at a facility owned or leased by a franchisee, typically featuring a main Play Floor and a secondary classroom.

1.11 "**Play Equipment**" means Franchisor's proprietary equipment (including, without limitation, a variety of climbing, sliding and other structures in a variety of materials) that Franchisor requires or permits to be used in the Center.

1.12 "**Proprietary Marks**" means certain trade names, service marks, trademarks, trade dress, logos, emblems, and indicia of origin, including, but not limited to, the mark "Gymboree Play & Music," as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System.

1.13 "**Similar Business**" means any business that now and/or in the future offers, sells, distributes, provides or is otherwise involved or deals with, whether at wholesale, retail or otherwise (and any business similar to and/or competitive with such businesses), any products and/or services now or in the future required or permitted by Franchisor to be offered at or from a Center, or similar products and/or services. The term "Similar Business" includes a business that licenses or franchises a Similar Business to or from another person.

1.14 "**System**" or "**Gymboree Play & Music System**" means Franchisor's distinctive system for the establishment and operation of Play & Music Centers, Metro Play Centers, and Mobile Play Centers which offer non-therapeutic sensory-motor, child programs (with or without a parent), early childhood music and art programs, exercise programs, birthday parties, theme parties and story line parties for infants and children in specified ages, and programs for parents and parents-to-be, using specially designed equipment and program aids, and such other programs as Franchisor develops or designates from time to time, under the trade name "Gymboree Play & Music" or otherwise, which may include mobile programs such as "Gymboree On The Go" for preschools, day care centers and other child-oriented institutions. The System includes, without limitation, the distinctive image, design, appearance, layout and color scheme of a Center; design,

style, color and other distinguishing characteristics of fixtures, showcases, signs and furnishings; layout, design and selection of equipment; specifications used in preparing products for sale; methods used for selecting, purchasing, marketing, displaying and selling products; operating, marketing and other systems, procedures and standards; and the standards of quality, service and cleanliness used in the operation of a Center; all of which may be changed, improved and further developed by Franchisor from time to time.

## 2. GRANT

2.1 Grant of Development Rights. Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Development Agreement, the development rights, and Developer hereby undertakes the obligation, to establish _____ (_____) Play & Music Centers, _____ (_____) Metro Play Centers, and _____ (_____) Mobile Play Centers in accordance with the Development Schedule, and to operate each Center under separate franchise agreements (as provided in Sections 2.2 and 4.1 hereof) in accordance with the System. Each Center developed hereunder shall be located in the Development Area.

2.2 Franchise Agreements. Each Center developed hereunder shall be established and operated pursuant to a separate Gymboree Play & Music Center Franchise Agreement entered into between Developer and Franchisor in accordance with Section 4.1 hereof.

2.3 Development Area. Except as otherwise provided in this Development Agreement, during the term of this Development Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Center under the System and the Proprietary Marks at any location within the Development Area. Franchisor, for itself and its Affiliates, retains the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Developer any rights or compensation:

2.3.1 to establish and operate, directly or indirectly, and license others to establish and operate, one or more Centers under the System and the Proprietary Marks at any location outside the Development Area, regardless of the proximity to the Development Area or to any Center developed or to be developed by Developer;

2.3.2 to develop, sell, or distribute, directly or indirectly, or license others to sell or distribute, programs and services of any kind, including (without limitation) the "Gymboree On The Go" program and other types of programs which may or may not be similar to or contain elements of those offered by Gymboree Play & Music® Centers, at any location whether within or outside the Development Area, or through alternate channels of distribution, under the same or different Proprietary Marks;

2.3.3 to sell or distribute, directly or indirectly, and license others to sell or distribute, products of any kind, including branded merchandise, at any location whether within or outside the Development Area, or through alternate channels of distribution, under the same or different Proprietary Marks;

2.3.4 to develop or become associated with other concepts (including dual branding and/or other franchise systems) whether or not using the System and/or the Proprietary Marks, and to award franchises or other rights for such other concepts whether within or outside the Development Area;

2.3.5 to acquire, merge, affiliate with or engage in any other transaction with other businesses (competitive or not), companies and/or units located anywhere, whether within or outside the Development Area. Such transactions may include, without limitation, arrangements involving competing outlets and brand conversions (to or from the Gymboree Play & Music® format). Such transactions are permitted under this Development Agreement, and Developer agrees to fully participate in any such conversion, including all re-branding, all at Developer's sole expense; and

2.3.6 to use the Proprietary Marks and/or the System in connection with alternate channels of distribution, and, in Franchisor's sole discretion, to restrict Developer's use of alternate channels of distribution.

2.4 Alternate Channels of Distribution. The term "alternate channels of distribution" shall include, without limitation, the Internet, social media platforms and other electronic means of distribution, subscription services, temporary or popup locations or events, catalog sales, telemarketing, and direct mail.

2.5 Limitation of Rights. Developer acknowledges and agrees that this Development Agreement is not a franchise agreement and does not grant to Developer any right to use in any manner Franchisor's Proprietary Marks or System. Developer shall have no right under this Development Agreement to license others to use in any manner the Proprietary Marks or System.

2.6 Mobile Play Centers. The following provisions of this Development Agreement do not apply to Mobile Play Centers unless otherwise agreed in writing by both parties: Sections 4.2, 4.3, 6.1, 6.2, 16.8, 16.9, and Exhibit C.

## 3. DEVELOPMENT FEE

3.1 Development Fee. In consideration of the development rights granted herein, Developer shall pay to Franchisor, upon execution of this Development Agreement, the Development Fee of _____ Dollars ($_____), receipt of which is hereby acknowledged by Franchisor. The Development Fee shall be deemed fully earned and non-refundable upon execution of this Development Agreement in consideration of the administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted to Developer herein.

3.2 Initial Franchise Fee Credit. Except as otherwise provided herein, Franchisor shall credit the Development Fee against the initial franchise fee payable under each Franchise Agreement to be executed hereunder, which credit shall be made upon Developer's execution of each such Franchise Agreement.

## 4. DEVELOPMENT OBLIGATIONS

4.1 Execution of Franchise Agreements. In exercising its development rights and fulfilling its development obligations under this Development Agreement, Developer shall execute a Gymboree Play & Music Franchise Agreement for each Center at a site approved by Franchisor in the Development Area as hereinafter provided. Developer shall execute such Franchise Agreement within fifteen (15) days of Franchisor's written site approval pursuant to Section 4.2 below. The Franchise Agreement for each Center developed hereunder shall be the then-current form of Franchise Agreement being used for new Gymboree Play & Music Centers, generally, by Franchisor at the time each such Franchise Agreement is executed, except that Developer shall not be required to pay any initial franchise fee.

4.2 Site Approval. Prior to Developer's acquisition by lease or purchase of any site for a Center to be developed hereunder, Developer shall submit to Franchisor, in the form specified by Franchisor and as further described in the Manuals, a completed site review form, such other information or materials as Franchisor may reasonably require, and a letter of intent or other evidence satisfactory to Franchisor which confirms Developer's favorable prospects for obtaining the proposed site. The requirements for obtaining Franchisor's approval of a proposed site are more thoroughly described in Franchisor's Manuals, which Developer shall follow. Franchisor shall have thirty (30) days after receipt of such information and materials from Developer to approve or disapprove, in Franchisor's sole discretion, the site as a location for the Center. No proposed site shall be deemed approved unless (a) it has been expressly approved in writing by Franchisor and (b) Developer has first executed the Site Acknowledgment Form attached as Exhibit C hereto. Developer shall not make any commitment for a site until Franchisor has approved it in writing. Franchisor shall furnish to Developer such site selection guidelines and consultation as Franchisor deems advisable.

4.3 The Lease. If Developer will occupy the premises of the Center under a lease, Developer shall, prior to the execution thereof, (1) execute Franchisor's current form of Conditional Assignment of Lease and obtain the Lessor's execution of Franchisor's current form of Consent and Agreement of Lessor, and (2) upon Franchisor's request, submit the lease to Franchisor for its prior written approval. Developer shall furnish Franchisor with a copy of any executed lease within five (5) days after Franchisor's request. The lease for the premises of the Center shall include the following terms and conditions:

a. That the initial term of the lease, or the initial term together with renewal terms, shall be for ten (10) years, including options;

b. That the lessor consents to Developer's use of such Proprietary Marks and signage as Franchisor may prescribe for the Center;

c. That the use of the premises be restricted solely to the operation of the Center;

d. That Developer be prohibited from subleasing, assigning, pledging or hypothecating all or any part of its occupancy rights or extending the term of, or modifying or

renewing the lease without Franchisor's prior written consent, which may be withheld in Franchisor's sole discretion;

e. That the lessor concurrently provide Franchisor with a copy of any written notice of default under the lease and granting Franchisor the right (but without any obligation) to cure any default under the lease and providing that if Developer fails to effect such cure during the time period permitted under the lease, then within thirty (30) days after the expiration of the period in which Developer can cure the default, Franchisor may (at Franchisor's option) receive an assignment of Developer's leasehold interest but without any liability for past defaults or other obligations other than those solely related to Franchisor's period of occupancy;

f. That Franchisor have the right to enter the premises to make modifications necessary to protect the Proprietary Marks or the System or to cure any default under the Franchise Agreement or under the lease;

g. That Franchisor (or Franchisor's designee) have the option, without however any obligation, upon default, expiration or termination of the Franchise Agreement, and upon notice to the lessor, to assume all of Developer's rights under the lease terms, including the right to assign or sublease; and

h. That the lessor acknowledges and agrees that the Play Equipment is based on the proprietary designs of Franchisor; that Franchisor owns or has the first right to purchase the Play Equipment; that Franchisor shall have the right to enter the premises to obtain possession of the Play Equipment; that lessor shall provide Franchisor written notice (i) immediately on lessor's possession of the Play Equipment, and (ii) at least ten (10) days prior to any sale, transfer or other disposal of the Play Equipment; and that the Play Equipment shall not be subject to any landlord lien, landlord's right of sale, right to distrain, sale in distress or any other encumbrance or remedy.

4.4 Adherence to Development Schedule. Recognizing that time is of the essence, Developer agrees to develop, open and operate in the Development Area the number of Centers designated herein by the dates described in the Development Schedule and Section 2.1 of this Development Agreement. Developer's failure to do so shall constitute a material default of this Development Agreement for which Franchisor shall have the right to all remedies described in Section 7.2 hereof.

## 5. TERM

Unless sooner terminated in accordance with the terms of this Development Agreement, the term of this Development Agreement and all rights granted hereunder shall expire on the earlier of: (1) the last date specified in the Development Schedule; or (2) the date when Developer has open and in operation all of the Centers required by the Development Schedule.

## 6. DUTIES OF THE PARTIES

6.1 Franchisor's Obligations. Subject to Section 9.2 and regardless of the number of Centers developed pursuant to this Development Agreement, Franchisor shall loan to Developer one set of Franchisor's site selection guidelines and provide consultation as Franchisor deems advisable.

6.2 Developer's Obligations.

6.2.1 Initial Training Program. Developer agrees to complete, and to ensure that its employees have successfully completed, all initial training programs then required by Franchisor before the Franchisor will authorize the Center to open for business. For all training programs required by Franchisor, Developer shall be responsible for any and all other expenses incurred by Developer or its employees in connection with any such programs, including, without limitation, the costs of transportation, lodging, meals, and wages.

6.2.2 Annual or Regional Meetings. If an annual or regional franchisee meeting is held during the term of this Development Agreement, Developer (or a principal of Developer who owns at least fifty percent (50%) of Developer and is approved by Franchisor) shall attend to discuss and review new programming ideas and concepts. Franchisor shall designate the times and places for such meetings. Developer agrees to pay to Franchisor, at such time as Franchisor designates prior to the meeting, a fee equal to the then-current per-attendee fee for Franchisor's annual pr regional meeting multiplied by the number of Developer's attendees.

6.2.3 Developer Corporation. If Developer is a corporation, it shall comply with the following requirements:

6.2.3.1 Developer shall be newly organized and its charter shall at all times provide that its activities are confined exclusively to developing and operating the Centers;

6.2.3.2 Copies of Developer's filed, stamped Articles of Incorporation, Bylaws and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Development Agreement, shall be promptly furnished to Franchisor upon Franchisor's request (which can be at any time during the term of this Development Agreement);

6.2.3.3 Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate of Developer shall have conspicuously endorsed upon its face a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Development Agreement; and

6.2.3.4 Developer shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities or securities convertible into voting securities of Developer and shall furnish the list to Franchisor upon request.

6.2.4 Developer Partnership. If Developer or any successor or assignee of Developer is a partnership, it shall comply with the following requirements:

6.2.4.1 Developer shall furnish Franchisor with a copy of its fully executed partnership agreement as well as such other documents as Franchisor may reasonably request at any time in Franchisor's sole discretion, and any amendments thereto;

6.2.4.2 The partnership agreement shall at all times note conspicuously that partnership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Development Agreement; and

6.2.4.3 Developer shall prepare and furnish to Franchisor, upon request, a list of all general and limited partners in Developer and their home addresses.

6.2.5 Developer Limited Liability Company. If Developer or any successor to or assignee of Developer is a limited liability company, it shall comply with the following requirements:

6.2.5.1 Developer shall furnish Franchisor with a copy of its filed, stamped articles of organization and operating agreement as well as such other governing documents as Franchisor may reasonably request at any time in Franchisor's sole discretion, and any amendments thereto;

6.2.5.2 The articles of organization or operating agreement shall at all times note conspicuously that membership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Development Agreement; and

6.2.5.3 Developer shall prepare and furnish to Franchisor, upon request, a list of all members in Developer and their home addresses.

6.2.6 Limitation on Owners. If Developer is a corporation, partnership, limited liability company, or other form of entity, there shall never be more than four owners with ownership, partnership or membership interests in Developer (married couples and family trusts to be considered together as one for these purposes).

6.2.6 Personal Guarantee. If Developer is a corporation, partnership, limited liability corporation, or other form of entity, or if any successor to or assignee of Developer is a corporation, partnership, limited liability corporation, or other form of entity, then all of the principals thereto shall execute a Guarantee, Indemnification, and Acknowledgment in the form attached hereto as Exhibit B.

6.2.7 Compliance With Laws. Developer shall comply with all requirements of federal, state, and local laws, rules, and regulations.

6.2.8 Compliance With Terms. Developer shall comply with all of the other terms, conditions and obligations of Developer under this Development Agreement.

## 7. DEFAULT AND TERMINATION

7.1 Automatic Termination. Developer shall be deemed in default under this Development Agreement, and all rights granted herein shall automatically terminate, without notice to Developer, if Developer becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Developer or such a petition is filed against and

consented to by Developer; if Developer is adjudicated bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; if a receiver or other custodian (permanent or temporary) of Developer's business or assets or any part thereof is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if execution is levied against Developer's business or assets; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against Developer and not dismissed within thirty (30) days; or if the real or personal property of any of Developer's Centers shall be sold after levy thereupon by any sheriff, marshal or constable.

7.2 Franchisor's Rights Upon Developer's Default. If Developer fails to comply with or to perform any of the terms, conditions or obligations of this Development Agreement, including the development obligations described in Sections 2.1 and 4.4 hereof or any of the Manuals, or makes or attempts to make a transfer or assignment in violation of Section 8.2 hereof, such failure or action shall constitute a default under this Development Agreement. Upon such default, Franchisor shall have the right, in its sole discretion:

7.2.1 To terminate this Development Agreement and all rights granted hereunder without affording Developer any opportunity to cure the default, effective immediately upon receipt by Developer of written notice;

7.2.2 To terminate the territorial protection granted under Section 2.3 hereof, and Franchisor shall have the right, among other things, to establish and operate, and license others to establish and operate, one or more Gymboree Play & Music Centers within the Development Area;

7.2.3 To terminate the credit for any or all Centers granted in Section 3.2 hereof;

7.2.4 To reduce the number of either or both types of Centers that Developer has the right to develop pursuant to Section 2.1 hereof;

7.2.5 To reduce the size of the Development Area for which Developer is granted territorial protection under Section 2.3 hereof;

7.2.6 To withhold evaluation or approval of site proposal packages and refuse to approve the opening of any Center developed hereunder; and/or

7.2.7 To accelerate the Development Schedule.

7.3 Obligations Upon Termination or Expiration. Upon termination or expiration of this Development Agreement, Developer shall have no right to establish or operate any Centers for which a Franchise Agreement has not been executed by Franchisor at the time of termination. Franchisor shall have the right to establish and operate, and to license others to establish and operate, one or more Gymboree Play & Music Centers in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Developer.

7.4 Cross Default. Any material default by Developer or any of its Affiliates under any other agreement between Franchisor or any of its Affiliates as one party and Developer or any of its Affiliates as the other party (including, but not limited to, a franchise agreement, development agreement, lease, sublease, or loan agreement) ("Other Agreement") shall be deemed to be a material default of this Development Agreement, and Franchisor shall have the right, at its option, to terminate this Development Agreement, effective immediately upon notice to Developer. A material default shall include, but is not limited to: (a) the failure to make payments of any amounts due to Franchisor or any Affiliate of Franchisor under any Other Agreement when due; (b) a default of any Other Agreement for health or safety reasons; or (c) a failure to maintain the insurance required by any Other Agreement.

7.5 No Exclusive Right or Remedy. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

7.6 Force Majeure. Neither Franchisor, Franchisor's Affiliates, nor Developer shall be responsible or liable for any delays in the performance of any duties under this Development Agreement to the extent such are not the fault or within the reasonable control of that party including, but not limited to, the inability of Franchisor or its Affiliates to manufacture or distribute equipment or products, fire, flood, natural disasters, acts of God, delays in deliveries, governmental acts or orders, late deliveries of products or furnishing of services by third party vendors, civil disorders, or strikes and any other labor-related disruption, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay or impossibility. Provided, however, this clause shall not apply to and not result in an extension of: (1) the time for payments to be made hereunder; or (2) the term of this Development Agreement.

## 8. TRANSFERS

8.1 Franchisor's Right to Transfer. Franchisor shall have the right to transfer or assign this Development Agreement, and assign or delegate all or any part of its rights or obligations under this Development Agreement, to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Development Agreement from the date of the assignment. Developer shall execute such documents of attornment or other documents as Franchisor may request.

8.2 Developer's Conditional Right to Transfer. Developer understands and acknowledges that the rights and duties set forth in this Development Agreement are personal to Developer, and that Franchisor has granted this franchise in reliance on Developer's (or, if Developer is a corporation, partnership, or limited liability company, its principals') business skill, financial capacity and personal character. Accordingly, neither Developer nor any immediate or remote successor to any part of Developer's interest in this Development Agreement, nor any individual, partnership, limited liability company, corporation or other legal entity which directly or indirectly owns any interest in Developer or in the Centers developed hereunder, shall sell, assign, transfer, convey, pledge, encumber, merge or give away (collectively, "transfer") this Development Agreement, any direct or indirect interest in Developer, or all or substantially all of the assets of the Centers developed hereunder without the prior written consent of Franchisor. Any purported assignment or transfer not having the written consent of Franchisor required by this

Section 8.2 shall be null and void and shall constitute a material breach of this Development Agreement, for which Franchisor may immediately terminate without opportunity to cure pursuant to Section 7.2 of this Development Agreement.

8.3 Conditions of Transfer. Developer shall notify Franchisor in writing of any proposed transfer of this Development Agreement, any direct or indirect interest in Developer, or in all or substantially all of the assets of the Centers developed hereunder, at least forty-five (45) days before such transfer is proposed to take place. Franchisor shall not unreasonably withhold its consent to any transfer. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

8.3.1 That Developer or its Affiliates must be in full compliance with (a) all of the provisions of this Development Agreement and any amendment or successor hereto, (b) Developer's or its Affiliates' obligations to make timely payments of any amounts due to Franchisor or any Affiliate of Franchisor under any Other Agreement; (c) the health or safety requirements under any Other Agreement; and (d) the insurance requirements of any Other Agreement; and (e) all leases/subleases with any third parties and, at the time of transfer, shall not be in default thereof;

8.3.2 That the transferee (and, if the transferee is other than an individual, all owners of the transferee as Franchisor may request) demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to develop Centers (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital to develop Centers;

8.3.3 That all of Developer's accrued monetary obligations and all other outstanding obligations to Franchisor and its Affiliates have been satisfied;

8.3.4 That Developer remain liable for all of the obligations to Franchisor in connection with this Development Agreement which arose prior to the effective date of the transfer and execute any and all instruments reasonably requested by Franchisor to evidence such liability;

8.3.5 That, at Franchisor's sole discretion, (1) (a) the transferee (and, if the transferee is other than an individual, all principals of the transferee as Franchisor may request) enter into a written assignment, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Developer's obligations under this Development Agreement, or (b) the transferee execute, for a term ending on the expiration date of this Development Agreement, the Franchisor's then-current form of development agreement and other ancillary agreements as Franchisor may require, which agreements shall supersede this Development Agreement in all respects, and which may have a different or smaller Development Area, except that the Development Schedule thereunder shall remain the same as in this Development Agreement; and (2) such principals of the transferee as Franchisor requires shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

8.3.6 That the transferor and its principals shall have executed a general release, in a form required by Franchisor, of any and all claims against Franchisor and its Affiliates, and their respective officers, directors, agents, shareholders, and employees;

8.3.7 That Developer shall pay to Franchisor a transfer fee equal to twenty percent (20%) of the Development Fee then in effect, or such greater amount as is required to reimburse Franchisor for its reasonable costs and expenses, including attorneys' fees, associated with its review and approval of the proposed transfer; provided, however, the transfer fee shall be waived if the transfer is for Developer's convenience of ownership and the transferee is an entity controlled by Developer; and

8.3.8 That the transferor shall have first offered to sell such interest to Franchisor pursuant to Section 8.5 hereof.

8.4 No Security Interest. Developer shall not grant a security interest in this Development Agreement or in any of the assets of any Center developed hereunder unless the secured party agrees that in the event of any default by Developer under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Developer, and, in the event Franchisor exercises such option, any acceleration of indebtedness due to Developer's default shall be void.

8.5 Franchisor's Right of First Refusal. If any party holding any direct or indirect interest in this Development Agreement, in Developer, or in all or substantially all of the assets of any Center developed hereunder desires to accept any bona fide offer from a third party to purchase such interest, Developer shall notify Franchisor and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within ninety (90) days from the date of notice to the seller of the election to purchase by Franchisor. If Franchisor elects not to purchase the seller's interest, any material change thereafter in the terms of the offer from a third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 8.5 shall not constitute a waiver of any other provision of this Development Agreement, including all of the requirements of this Section 8, with respect to a proposed transfer. In the event the consideration, terms and/or conditions offered by a third party are not for a cash sum, and are such that Franchisor may not reasonably be required to furnish the same consideration, terms and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser shall be designated by Franchisor at Franchisor's expense, and the appraiser's determination shall be binding.

8.6 Death or Disability. On Developer's death or permanent disability or, if the Developer is a corporation or partnership, on the death or permanent disability of the owner of a controlling interest in the Developer, the executor, administrator, conservator, guardian or other personal representative of such person will transfer his or her interest in this Development Agreement, or such interest in Developer, to a third party subject to Franchisor's consent and all of the provisions of this Development Agreement with respect to a transfer and possible exercise of Franchisor's right-of-first-refusal. Such disposition of this Development Agreement, or such

interest in Developer (including, without limitation, transfer by bequest or inheritance), will be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability and will be subject to all the terms and conditions applicable to inter vivos transfers contained in this Development Agreement. Failure to so transfer the interest in this Development Agreement, or such interest in Developer, within said period of time will constitute a breach of this Development Agreement. Developer shall be deemed to have a "permanent disability" if Developer's personal, active participation in fulfilling Developer's obligations under this Development Agreement is for any reason curtailed for a continuous period of six (6) months.

8.7 Non-waiver. Franchisor's consent to a transfer of any interest in this Development Agreement, in Developer, or in all or substantially all of the assets of the Centers developed hereunder shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Development Agreement by the transferor or transferee.

## 9. COVENANTS

9.1 Best Efforts. Developer covenants that during the term of this Development Agreement, except as otherwise approved in writing by Franchisor, Developer (or, if Developer is a corporation, partnership, or limited liability company, a principal of Developer approved by Franchisor) shall devote full time, energy, and best efforts to fulfilling Developer's obligations under this Development Agreement, including the development of the Centers pursuant to the Development Schedule.

9.2 Manuals. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, all Centers shall be operated in accordance with the specifications, standards, methods, policies, and operating procedures specified in the Manuals. If Developer has not previously received a copy of the Manuals pursuant to a Franchise Agreement, Franchisor, in its sole discretion, may lend Developer a copy of the Manuals prior to Developer's execution of a Franchise Agreement, pursuant to the following terms and conditions:

9.2.1 Developer shall treat the Manuals and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential pursuant to Section 9.3 below;

9.2.2 Developer shall not copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or otherwise make the same available to any person not authorized in writing by Franchisor;

9.2.3 The Manuals contain confidential business information and trade secrets that belong to Franchisor. Franchisor owns the Manuals and all rights, including proprietary rights, in, and to, the Manuals and their information. Any copies and summaries of the Manuals are, and shall at all times remain, the property solely of Franchisor;

9.2.4 Developer shall ensure that the Manuals are kept current at all times; and

9.2.5 Upon executing its first Franchise Agreement, Developer shall retain the Manuals pursuant to the terms and conditions of such Franchise Agreement.

9.3 Confidential Information. Developer shall not, during the term of this Development Agreement or thereafter, communicate, divulge or use for the benefit of any other person, partnership, association, limited liability company, corporation or other entity any confidential information, knowledge or know-how concerning the methods of operation of the business franchised hereunder, including, without limitation, the methods of implementing the System; contents of video training tapes, trainings, lesson plans, seminars and workshops conducted by Franchisor; methods, techniques, specifications, procedures, information, lesson plans, systems and knowledge of and experience in the development, operation, and franchising of Gymboree Play & Music Centers; marketing programs and promotional aids; knowledge of test, research and development programs for the development and introduction of products and services to be sold at Gymboree Play & Music Centers; business forms; accounting procedures; information bulletins; proprietary software; and customer lists and information, which may be communicated to Developer or of which Developer may be apprised or develop by virtue of Developer's operation under the terms of this Development Agreement. Developer shall divulge such confidential information only to such of its employees as must have access to it in order to comply with its obligations under this Development Agreement. Any and all information, knowledge, know-how, techniques and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Development Agreement. Developer acknowledges and agrees that all such confidential information is a valuable asset of Franchisor, and that Developer shall not acquire any ownership interest therein.

9.4 In-Term Covenant. Developer specifically acknowledges that, pursuant to this Development Agreement, Developer will receive valuable, specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Development Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

9.4.1 Divert or attempt to divert any present or prospective business or customer of Developer's Centers or any other Center to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

9.4.2 Own, maintain, operate, engage in, be employed by, provide any services or assistance to, finance, or have any interest in (as owner or otherwise) any Similar Business located anywhere.

9.5 Post-Term Covenants. Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a continuous uninterrupted period of two (2) years commencing upon the later of (a) a transfer permitted under Section 8 of this Development Agreement, (b) expiration of this Development Agreement, (c) termination of this Development Agreement (regardless of the cause for termination), or (d) a final order of a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 9.5, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed

by, provide services or assistance to, finance, or have any interest in (as owner or otherwise) any Similar Business which is, or is intended to be, located within:

9.5.1 The Development Area;

9.5.2 Ten (10) miles of the Development Area;

9.5.3 The state(s) in which the Development Area is located; or

9.5.4 Ten (10) miles of any business operating under the Proprietary Marks.

The prohibitions of Sections 9.4.3 and 9.5 shall not apply to Developer's interests in or operation of a Center under an effective Franchise Agreement.

9.6 No Application to Equity Securities. Sections 9.4.2 and 9.5 shall not apply to ownership by Developer of less than a three percent (3%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities and Exchange Act of 1934.

9.7 Reduction of Scope of Covenants. Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 9.4 and 9.5 of this Development Agreement or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof; and Developer agrees to comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 14 hereof.

9.8 No Defense. Developer expressly acknowledges that the existence of any claims which Developer may have against Franchisor, whether or not arising from this Development Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 9.

9.9 Independent Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Development Agreement. Developer acknowledges and agrees that California Business and Professions Code Section 16600 (and any related California law) shall not apply to the foregoing covenants for any principal place of business located outside of California. If all or any portion of a covenant in this Section 9 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer 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 resulting covenant were separately stated in and made a part of this Section 9.

9.10 Irreparable Injury. Developer acknowledges that Developer's violation of the terms of this Section 9 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available; and Developer accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, an injunction prohibiting any conduct by Developer in violation of the terms of this Section 9.

9.11 Confidentiality Agreements. Developer shall require Developer's manager and other such personnel having access to any of Franchisor's confidential information to execute covenants to maintain the confidentiality of information they receive in connection with their employment by Developer; where permitted by law, Franchisor may also require such employees to sign non-competition covenants. Such covenants shall be in a form acceptable to Franchisor, which may include the form attached hereto as Exhibit D. An original of each executed agreement shall be available for Franchisor's inspection during business hours, and, on Franchisor's request, Developer shall deliver to Franchisor copies of such executed agreements. On occasion, Franchisor may request Developer to require Developer's manager or other such personnel having access to any of Franchisor's confidential information to execute additional covenants.

## 10. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Development Agreement or of the Manuals will be deemed so delivered at the time delivered by hand, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to Franchisor at GPPI, Inc., 3180 Campus Drive, San Mateo, California 94403 (or Franchisor's then-current headquarters), to the attention of the Vice President, with a copy to the Legal Department at the same address, and to Developer at any of the Approved Locations of any of its Centers and/or any address appearing in Developer's application for a development agreement or in Franchisor's records. Notice to Developer, or to any owner of Developer, shall be deemed effective as to all Developers and owners of Developer.

## 11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1 Independent Contractor. Franchisor and Developer agree that this Development Agreement does not create a fiduciary relationship between them, that Developer shall be an independent contractor, and that nothing in this Development Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. Developer acknowledges and agrees that Franchisor's usual business is the offering and selling rights to operate Gymboree Play & Music Centers using the Proprietary Marks and System, developing enhancements to the System, and providing assistance to Gymboree Play & Music franchisees and developers, and, accordingly, Franchisor's usual business is different from Developer's usual business of developing and operating retail Centers. During the term of this Development Agreement, Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Development Agreement.

11.2 No Authority to Contract. Nothing in this Development Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Developer in Developer's operations hereunder or for any claim or judgment arising therefrom against Franchisor or Developer.

11.3 Indemnification. Developer shall indemnify, defend, and hold harmless Franchisor and its Affiliates, and their respective partners, shareholders, officers, directors, agents, attorneys, accountants and employees harmless, against any and all claims, losses, lawsuits, liens, demands, costs, expenses, liabilities and damages arising directly or indirectly from, as a result of, or in connection with Developer's operations hereunder. Developer shall reimburse Franchisor and its Affiliates, and their respective partners, shareholders, officers, directors, agents, attorneys, accountants and employees for any expenses or costs any such party incurs as the result of a claim covered by the Developer's indemnification obligation.

## 12. APPROVALS AND WAIVERS

12.1 Approval and Consent. Whenever this Development Agreement requires the prior approval or consent of Franchisor, Developer shall make timely written request to Franchisor therefor, and such approval or consent must be obtained in writing. In no event shall Developer make any claim, whether directly, by way of set-off, counter-claim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of any consent or approval by Franchisor. Unless otherwise expressly provided in this Development Agreement, approvals and consents may be withheld by Franchisor in Franchisor's sole and absolute discretion.

12.2 No Warranties or Guarantees. Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by providing any waiver, approval, advice, consent, or suggestion to Developer in connection with this Development Agreement, or by reason of any neglect, delay, or denial of any request therefor.

12.3 No Waiver. No failure of Franchisor to exercise any power reserved to it by this Development Agreement, or to insist upon strict compliance by Developer 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 by Developer shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of Franchisor to exercise any power or right arising out of any breach or default by Developer 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 right hereunder, or the right to declare any subsequent breach or default and to terminate this Development Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Development Agreement.

## 13. SEVERABILITY AND CONSTRUCTION

13.1 Severability. Except as otherwise stated in this Development Agreement, each provision of this Development Agreement, and any portion of any provision, is severable (including, but not limited to, any provision relating to dispute resolution), and the remainder of this Development Agreement will continue in full force and effect. To the extent that any provision is deemed unenforceable, Developer and Franchisor agree that such provisions will be enforced to

the fullest extent permissible under governing law. Franchisor may modify any invalid or unenforceable provision to the extent required to be valid and enforceable and Developer will be bound by the modified provisions.

13.2 Survival. Any provision or covenant in this Development Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Development Agreement (regardless of the cause for termination), shall survive such expiration, termination or assignment, including but not limited to Sections 9, 11.3, and 15.

13.3 No Rights or Remedies Conferred. Except as expressly provided to the contrary herein, nothing in this Development Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's officers, directors, shareholders, agents and employees, and such of Franchisor's successors and assigns as may be contemplated by Section 8 hereof, any rights or remedies under or by reason of this Development Agreement.

13.4 Promises and Covenants. Developer expressly agrees to be bound by any promise or covenants imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Development Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

13.5 Captions and Headings. All captions and headings in this Development Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

## 14. ENTIRE AGREEMENT

This Development Agreement, the documents referred to herein, and the exhibits hereto, if any, constitute the entire, full, and complete agreement between Franchisor and Developer concerning the subject matter hereof and supersede any and all prior agreements. Except as set forth in Section 9 hereof, no amendment, change, or variance from this Development Agreement shall be binding on either party unless executed in writing. Nothing in this Development Agreement or in any related agreement between Franchisor and Developer is intended to disclaim the representations made in Franchisor's Franchise Disclosure Document.

## 15. APPLICABLE LAW AND DISPUTE RESOLUTION

15.1 Applicable Law. This Development Agreement shall be interpreted, construed and governed exclusively under the laws of the state in which the Developer's principal place of business is located, without regard to the application of such state's conflict-of-law rules; provided, however, that no state's franchise registration, disclosure, or relationship law shall be applicable unless the jurisdictional requirements of that law are met.

15.2 Mediation. Except as otherwise provided herein, if a dispute arises out of or relates to this Development Agreement, the breach hereof, the rights and obligations of the parties hereto,

or the making, interpretation, or performance of either party under this Development Agreement, the parties agree first to try in good faith to settle the dispute by mediation administered by JAMS (or any successor organization) in accordance with its franchise mediation rules before resorting to litigation or some other dispute resolution procedure. Such mediation shall take place before a sole mediator where Franchisor has its principal place of business at such time. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between Franchisor and Developer. Mediation shall not be required with respect to: (a) any claim or dispute involving less than Fifty Thousand Dollars ($50,000); (b) any claim or dispute involving actual or threatened disclosure or misuse of Franchisor's confidential information; (c) any claim or dispute involving the ownership, validity, or use of the Proprietary Marks; (d) any claim or dispute involving the indemnification provisions of this Development Agreement; or (e) any action by Franchisor to enforce the covenants set forth in Section 9 of this Development Agreement.

15.3 Jurisdiction and Venue. Except as described in Sections 15.2 and 15.6 hereof, any action, whether or not arising out of, or relating to, this Development Agreement shall be brought exclusively in the judicial district in which Franchisor has, at the time of commencement of such action, its principal place of business. Developer hereby waives all objections to personal jurisdiction or venue for purposes of this Section 15.3 and agrees that nothing in this Section 15.3 shall be deemed to prevent Franchisor from removing an action from state court to federal court.

15.4 No Exclusivity. No right or remedy conferred upon or reserved to Franchisor or Developer by this Development Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

15.5 Waiver of Punitive Damages. Franchisor and Developer hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

15.6 Injunctive Relief. Nothing contained herein, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions, shall bar Franchisor's right to obtain injunctive relief from a court of competent jurisdiction with respect to claims relating to (a) any disclosure or threatened disclosure of Franchisor's confidential information, (b) any violation or threatened violation of Franchisor's rights in and to Franchisor's intellectual and/or proprietary property, including, but not limited to, the Manuals and Proprietary Marks, or (c) any violation or threatened violation of Sections 9.4 or 9.5 of this Development Agreement.

15.7 Attorneys' Fees and Costs. In any action relating to this Development Agreement, the substantially prevailing party shall be entitled to recover its attorneys' fees and costs.

## 16. ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES

16.1 Independent Investigation. Developer acknowledges that it has conducted an independent investigation of the business franchised hereunder, and recognizes that the business venture contemplated by this Development Agreement involves business risks and that its success will be largely dependent upon the ability of Developer (or, if Developer is a corporation, partnership or limited liability company, the ability of its principals) as an independent businessperson. Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Development Agreement.

16.2 Acknowledgment of Receipt. Developer acknowledges that it received a complete copy of this Development Agreement, the attachments hereto, and agreements relating thereto, if any, at least fourteen (14) days prior to the date on which this Development Agreement was executed.

16.3 Acknowledgment of Understanding; Opportunity to Consult. Developer acknowledges that it has read and understood this Development Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Developer ample time and opportunity to consult with an attorney or other advisor of Developer's own choosing about the potential benefits and risks of entering into this Development Agreement.

16.4 No Warranty. Developer acknowledges that with respect to anything (products, services or otherwise) provided, approved or otherwise by Franchisor and/or any of Franchisor's Affiliates in any way with and/or referred or "approved" by Franchisor or them, other than specific written warranties expressly provided by Franchisor in connection with such items, such items are provided without any warranties, express or implied, the warranties of merchantability and fitness for a particular purpose being expressly disclaimed, nor do there exist any express or implied warranties on the part of Franchisor or any Affiliate as to the design, condition, capacity, performance or any other aspect of such (or other) items or their material or workmanship. There is no specific date in this Development Agreement by which Franchisor must deliver any products, equipment or supplies purchased from Franchisor or any operational guidelines. Franchisor shall assign to Developer any warranty or guarantee Franchisor obtains from the manufacturer or supplier of such products, equipment or supplies. Developer acknowledges that Franchisor is not in the business of manufacturing such items and must rely on the professional ability and workmanship supplied by third parties.

16.5 Dealings With Franchisor. Developer acknowledges and agrees that in all of Developer's dealings with Franchisor, the officers, directors, employees, and agents of Franchisor act only in a representative capacity and not in an individual capacity. Developer further acknowledges that this Development Agreement, and all business dealings between Developer and such individuals as a result of this Development Agreement, are solely between Developer and Franchisor and that no other persons and/or entities, including Franchisor's Affiliates, and Franchisor's and its Affiliates' respective partners, shareholders, officers, directors, agents, attorneys, accountants, or employees, have or will have any duties or obligations to Developer. Developer further represents to Franchisor, as an inducement to Franchisor's entry into this Development Agreement, that Developer has made no misrepresentations in obtaining the Franchised Business.

16.6 Developer's Information. Developer hereby consents to Franchisor's disclosure in its franchise offering circulars or otherwise of information relating to Developer's ownership and operation of the Center, either as required by law or which Franchisor may choose to disclose in its sole discretion, including, but not limited to, Developer's name, business address and telephone number, home address and telephone number, revenues, expenses, profits and/or any other financial information relating to the Center and other related information.

16.7 Compliance With Anti-Terrorism Laws. Developer acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Order"), Franchisor is prohibited from engaging in any transaction with any Specially Designated National or Blocked Person. "Specially Designated National" or "Blocked Person" shall mean (1) those persons designated by the U.S. Department of Treasury's Office of Foreign Assets Control from time to time as a "specially designated national" or "blocked person" or similar status, (2) a person engaged in, or aiding any person engaged in, acts of terrorism, as defined in the Order, or (3) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business. Currently, a listing of such designations and the text of the Order are published at the Internet website address, www.ustreas.gov/offices/enforcement/ofac. Accordingly, Developer represents and warrants to Franchisor that as of the date of this Development Agreement, neither Developer nor any person holding any ownership interest in Developer, controlled by Developer, or under common control with Developer is a Specially Designated National or Blocked Person, and that Developer (1) does not, and hereafter shall not, engage in any terrorist activity; (2) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (3) is not acquiring the rights granted under this Development Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity. Developer agrees that Developer shall immediately provide written notice to Franchisor of the occurrence of any event which renders the representations and warranties in this Section 16.7 incorrect.

16.8 Site Approval. Developer hereby acknowledges and agrees that Franchisor's approval of a site for a Center does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for the Center or for any other purpose. Franchisor's approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Developer and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of an approved site to meet Developer's expectations as to revenue or operational criteria. Developer further acknowledges and agrees that its acceptance of a franchise for the operation of a Center at an approved site is based on its own independent investigation of the suitability of the site, and that Franchisor strongly recommends that all matters related to Developer's site selection and securing be reviewed by Developer's independent attorney, real estate broker, architect and other professionals.

16.9 Site Selection. Developer understands and agrees that the selection and securing of a site hereunder, the negotiation of a lease or purchase, the selection of developers, real estate agents, site selection specialists, contractors, etc., financing and all other matters related in any way to Developer's site are exclusively and entirely Developer's sole and ultimate responsibility and that neither Franchisor, any Affiliate of Franchisor, nor any of their respective partners, shareholders, officers, directors, agents, attorneys, accountants or employees, in any way will have any liability or responsibility with respect to any matters related in any way to the site for any of Developer's Centers, including (but not limited to) site location, identification, evaluation, selection, lease/purchase negotiation, financing, review of documents, construction, build out, compliance with local requirements, suitability for any use or purpose and/or any other aspect of the development process (and any related steps) or otherwise, all such responsibilities being solely Developer's.

**IN WITNESS WHEREOF**, the parties hereto have fully executed, sealed, and delivered this Development Agreement on the day and year first above written.

| | |
|---|---|
| _____ | **GPPI, INC.** |
| **DEVELOPER** | |
| By:_____ | By:_____ |
| Name:_____ | Name: Xinkai Chen |
| Title:_____ | Title: CEO |
| Date:_____ | Date:_____ |

**EXHIBIT A TO**
**GYMBOREE PLAY & MUSIC**
**DEVELOPMENT AGREEMENT**

**DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE**

1. Each Center developed under this Development Agreement shall be located in the following area (the "Development Area"):

_____

_____

_____

2. Recognizing that time is of the essence, Developer agrees to satisfy the development schedule set forth below (the "Development Schedule"):

| **By (Date)** | **Cumulative Total Number of Play & Music Centers Which Developer Shall Have Open and in Operation** | **Cumulative Total Number of Metro Play Centers Which Developer Shall Have Open and in Operation** | **Cumulative Total Number of Mobile Play Centers Which Developer Shall Have Open and in Operation** |
|---|---|---|---|
| _____, 20___ | | | |
| _____, 20___ | | | |
| _____, 20___ | | | |
| _____, 20___ | | | |
| _____, 20___ | | | |

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Exhibit A in duplicate on the same date as the Development Agreement to which this is an exhibit.

_____ **GPPI, INC.**
**DEVELOPER**

By:_____ By:_____

Name:_____ Name: Xinkai Chen

Title:_____ Title: CEO

**EXHIBIT B TO**
**GYMBOREE PLAY & MUSIC**
**DEVELOPMENT AGREEMENT**

## GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGMENT

As an inducement to GPPI, Inc. ("Franchisor") to execute the Development Agreement between Franchisor and _____ ("Developer") dated _____, 20___ (the "Agreement"), the undersigned (the "Guarantors"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Developer's obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the Guarantors will immediately make each payment and perform each obligation required of Developer under the Agreement. The Guarantors hereby waive any right to require Franchisor to: (a) proceed against Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Developer; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer. Without affecting the obligations of the Guarantors under this Guarantee, Franchisor may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer. The Guarantors waive notice of amendment of the Agreement and notice of demand for payment by Developer, and agree to be bound by any and all such amendments and changes to the Agreement.

The Guarantors hereby agree to defend, indemnify, and hold Franchisor and its affiliates harmless against any and all losses, claims, damages, demands, lawsuits, liens, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, and court costs) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

This Guarantee shall terminate upon the termination or expiration of the Agreement or upon the transfer or assignment of the Agreement by Developer, except that all obligations and liabilities of the Guarantors which arose from events which occurred on or before the effective date of such termination, expiration, transfer, or assignment of the Agreement shall remain in full force and effect until satisfied or discharged by the Guarantors, and all covenants which by their terms continue in force after the termination, expiration, transfer, or assignment of the Agreement shall remain in force according to their terms. This Guarantee shall not terminate upon the transfer or assignment of the Agreement or this Guarantee by Franchisor. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 15 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the state

in which the Developer's principal place of business is located, without regard to, and without giving effect to, the application of such state's conflict of law rules.

The Guarantors hereby acknowledge and agree to be individually bound by all of the Developer's promises and covenants in the Agreement, including but not limited to the confidentiality provisions and non-competition covenants, as if the Guarantors executed the Development Agreement in their individual capacity.

The Guarantors agree that the dispute resolution and attorney fee provisions in Sections 9.10 and 15 of the Agreement are hereby incorporated into this Guarantee by reference, and references to "Developer" and the "Development Agreement" therein shall be deemed to apply to "Guarantors" and this "Guarantee," respectively, herein.

All written notices and reports permitted or required to be delivered by the provisions of this Guarantee will be deemed so delivered at the time delivered by hand, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to Franchisor at GPPI, Inc., 3180 Campus Drive, San Mateo, California 94403 (or Franchisor's then-current headquarters), to the attention of the Vice President, with a copy to the Legal Department at the same address, and to the Guarantors at the Approved Location of any of Developer's Centers and/or any address appearing in Developer's application for a development agreement or in Franchisor's records. Notice to any one Guarantor shall be deemed effective as to all Guarantors.

**IN WITNESS WHEREOF**, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTORS

_____

_____

_____

STATE OF _____)
)
COUNTY OF _____)

Personally appeared before me this ____ day of _____, 200___, _____ _____ and _____, to me known to be the persons who executed the foregoing Guarantee.

Notary Public: _____

(NOTARY SEAL)
My Commission Expires: _____

**EXHIBIT C TO**
**GYMBOREE PLAY & MUSIC**
**DEVELOPMENT AGREEMENT**

## SITE SELECTION ACKNOWLEDGMENT

This Site Selection Acknowledgment is signed and submitted by _____ ("Franchisee", "I"; "me" or "mine").

GPPI, Inc. (referred to as "Franchisor," "you" or "your") and Franchisee entered into a Development Agreement dated _____ and/or a Franchise Agreement dated _____ (collectively, "Franchise Agreement"). Unless otherwise defined, terms used in herein have the same meaning as set forth in the Franchise Agreement.

This Site Selection Acknowledgment refers to the following proposed location: _____ (the "Site").

I agree that Franchisor's acceptance of the Site is subject to the terms and conditions set forth in the Franchise Agreement regarding the site selection process, including, but not limited to, the Site Selection process section of Franchisor's Operations Manual.

I hereby represent that the Site is within the Territory described in the Franchise Agreement.

I hereby reaffirm all of the representations and covenants that I made in the Franchise Agreement regarding the site selection process so that they are made specifically with respect to the Site. Without limiting the generality of the foregoing, I hereby acknowledge and agree that:

1. Although Franchisor, and/or Franchisor's Affiliates, may have assisted me, or may in the future assist me, with respect to the "site-related matters" described below, and while the identification and selection of the Site by me is subject to Franchisor's prior written approval, neither Franchisor, nor any of Franchisor 's Affiliates has, or will have in the future, any liability with respect to the Site, Franchisor's approval of the Site, or any other site-related matters pertaining to the Site. I irrevocably waive any claims that I now or in the future may have, whether known or unknown, against Franchisor and against all current and/or future Franchisor Affiliates and their respective principals and representatives with respect to the Site, or Franchisor's approval of the Site, or any other site-related matters pertaining to the Site.
2. For purposes of this Site Selection Acknowledgment, "site-related matters" includes, but is not limited to the following: the identification, securing, financing and/or developing the Site; consultation, evaluation and/or other assistance, including providing references to potential locations, contractors, real estate agents, site selection specialists and other professionals; and all other matters related in any way to the Site, whether discussed in this Site Selection Acknowledgment or not.
3. I have selected the Site. I acknowledge and agree that location is a significant factor in the possible success of my Gymboree Play & Music Center, as applicable. Franchisor's approval of the Site is in no way a recommendation or endorsement of the Site, nor a representation, warranty or guarantee of the Site's potential for success.

4. Notwithstanding the foregoing, the selection, securing and/or construction of any site is exclusively and entirely your responsibility. Although Franchisor may, but is not obligated to, assist you with site selection or construction matters, Franchisor in no way recommends, endorses or guarantees the success of any specific location or construction. Franchisor shall have absolutely no liability with respect to any site-related and/or construction-related matters whatsoever. You must ultimately select, obtain and develop the site, and you will be the only person and/or company with the responsibility for those decisions. Franchisor strongly recommends that you seek professional advice from an independent real estate broker, accountant, architect, engineer, attorney and/or other qualified personnel regarding site-related or construction-related matters.
5. Franchisor does not guarantee the success of the Site or any other location that I may propose.
6. I understand and agree that without Franchisor's ability to limit Franchisor's liability with respect to the Site and all site-related matters as set forth herein as well as in the Franchise Agreement, Franchisor would not grant a franchise to me or be involved in any way in assisting me in any site-related matters.
7. I understand and agree that Franchisor strongly recommends that I have all matters related to selecting a site, including this Site Selection Acknowledgment, reviewed by my own independent attorney, accountant, real estate broker, architect, or construction consultant retained by me.
8. Franchisor (having no obligation to do so) may have made, or may make, available to me standard and/or site-specific plans and specifications to be utilized by me in the construction of my Gymboree Play & Music Center, as applicable, at the Site. I will obtain, at my sole expense, all further qualified architectural and engineering services to prepare appropriate surveys, site and foundation plans and adapt any plans and specifications to the Site in compliance with all applicable laws, regulations and ordinances and the terms of the Franchise Agreement and related documents. Neither Franchisor, nor any person or company recommended by and/or affiliated in any way with Franchisor, will have any liability with respect to any plans, specifications and/or other items or services provided to me (or otherwise) and/or to be utilized in the construction, operation or otherwise of my Gymboree Play & Music Center, as applicable, at the Site.
9. I certify to Franchisor that the Site and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act and all local zoning regulations and building codes. I acknowledge that I am an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control or a lease of the Site. I acknowledge that Franchisor has relied on the information contained in this certification. Furthermore, I agree to indemnify Franchisor and its affiliates, in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with my compliance (or failure to comply) with the Americans with Disabilities Act, all local zoning regulations and building codes and otherwise, as well as the costs, including attorneys' fees, related to the same.
10. I am signing this Site Selection Acknowledgment on my individual, joint and several behalf and on behalf of all other individuals and/or entities who have executed the Franchise Agreement as Franchisee, and I represent that the individuals listed below are the sole persons

with any financial or other interest in the franchise that is the subject of the Franchise Agreement. Any personal guaranty that has been previously given by me, shall apply to my representations and covenants set forth in this Site Selection Acknowledgment.

11. This Site Selection Acknowledgment shall be governed by, and construed and enforced in accordance with the law of the state in which the Developer's principal place of business is located, without regard to such state's conflicts of laws or choice of laws provision. Any dispute between me and Franchisor regarding this Site Selection Acknowledgment and/or any matters related to it will be resolved in accordance with the dispute avoidance and resolution provisions of the Franchise Agreement.
12. The benefits and protections of this Development Agreement, which apply to Franchisor shall also apply to any and all current and/or future Franchisor Affiliates as if they were expressly named beneficiaries of such provisions.

GPPI, INC.

By: _____

Name: Xinkai Chen

Its: CEO

Date: _____

FRANCHISEE

_____

Printed Name:

_____

Date:

_____

_____

Printed Name:

_____

Date:

_____

Individually and/or as an officer or partner of

_____, a

(_____)

corporation

(_____)

partnership

**EXHIBIT D TO**
**GYMBOREE PLAY & MUSIC**
**DEVELOPMENT AGREEMENT**

## NON-DISCLOSURE AGREEMENT

In consideration of my position as _____of _____ (the "Developer"), I hereby acknowledge and agree that:

1. GPPI, Inc. (the "Franchisor"), as the result of the expenditure of time, skill, effort, and money, has developed, and continues to develop, a distinctive system relating to the establishment and operation of Gymboree Play & Music Centers, which offer non-therapeutic sensory-motor, child play programs (with or without a parent), early childhood music and art programs, exercise programs, birthday parties, theme parties and story line parties for infants and children in specified ages, and programs for parents and parents-to-be, using specially designed equipment and program aids, and such other programs as the Franchisor develops or designates from time to time, under the trade name "Gymboree Play & Music" which may include, without limitation, "Gymboree On The Go" or other mobile play programs for preschools, day care centers and other child-oriented institutions (collectively, the "System").

2. As an employee of the Developer, I will receive valuable confidential information, the disclosure of which would be detrimental to the Franchisor and the Developer, such as information relating to the operations of the business developed by the Developer and methods of implementing the Gymboree Play & Music System; contents of video training tapes, trainings, lesson plans, seminars and workshops conducted by the Franchisor; methods, techniques, specifications, procedures, information, lesson plans, systems and knowledge of and experience in the development, operation, and franchising of Gymboree Play & Music Centers; marketing programs and promotional aids; knowledge of test, research and development programs for the development and introduction of products and services to be sold at Gymboree Play & Music Centers; business forms; accounting procedures; information bulletins; proprietary software; customer lists; and information which may be communicated to me or of which I may be apprised or develop by virtue of my work with the Developer. This list of confidential matters is illustrative only, and does not include all matters considered confidential by the Franchisor and the Developer.

3. I will hold in strict confidence all of the Franchisor's and Developer's confidential information. Unless the Franchisor otherwise agrees in writing, I will disclose and/or use the confidential information only in connection with my duties as an employee of the Developer. My undertaking not to disclose confidential information is a condition of my position with the Developer, and continues even after I cease to be in that position.

4. While in my position with the Developer, I will not do anything which may injure the Developer or the Franchisor, such as (a) divert or attempt to divert any present or prospective business or customer of any Gymboree Play & Music Center to any competitor, by direct or indirect inducement or otherwise; or (b) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Franchisor's marks and the System.

5. The Franchisor is a third-party beneficiary of this Development Agreement and may enforce it, solely and/or jointly with the Developer. I am aware that my violation of this Development Agreement will cause the Franchisor and the Developer irreparable harm; therefore, I acknowledge and agree that the Franchisor and/or the Developer may apply for the issuance of an injunction preventing me from violating this Development Agreement in addition to any other remedies it may have hereunder, at law or in equity; and I agree to pay the Franchisor and the Developer all the costs it/they incur/s, including without limitation attorneys' fees, if this Development Agreement is enforced against me. Due to the importance of this Development Agreement to the Franchisor and the Developer, any claim I have against the Franchisor or the Developer is a separate matter and does not entitle me to violate, or justify any violation of, this Development Agreement. If any part of this Development Agreement is held invalid by a court or agency having valid jurisdiction, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency. I agree that all the words and phrases used in this Development Agreement will have the same meaning as used in the Development Agreement, and that such meaning has been explained to me.

6. The Franchisor may, in its sole discretion, reduce the scope of any covenant set forth in this Development Agreement, without my consent, effective immediately upon my receipt of written notice thereof; and I agree to comply with any covenant as so modified.

7. This Development Agreement shall be interpreted and construed under the laws of the state in which the Developer's principal place of business is located. The only way this Development Agreement can be changed is in a writing signed by both the Developer and me.

Signature:_____

Name:_____

Address:_____

Title:_____

Date:_____

ACKNOWLEDGED BY DEVELOPER:

By:_____

Name:_____

Title:_____

EXHIBIT D-1 TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

---

# GYMBOREE PLAY & MUSIC CENTER FRANCHISE AGREEMENT

# GPPI, INC.

# GYMBOREE PLAY & MUSIC CENTER

# FRANCHISE AGREEMENT

_____

**Franchisee**

_____

_____

**Location**

**Type of Center [check one]:**

___ Play & Music Center – Standard
___ Play & Music Center – Mini
___ Metro Play Center – Standard
___ Metro Play Center – Mini
___ Mobile Play Center

_____

**Effective Date of Agreement**

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**GYMBOREE PLAY & MUSIC CENTERS**
**FRANCHISE AGREEMENT**

This Franchise Agreement (the "Agreement") is effective as of _____, 202__, by and between GPPI, Inc., a California corporation with its principal place of business at 3180 Campus Drive, San Mateo, California 94403 ("GPPI" or "Franchisor"), and _____, a [corporation/limited liability company/partnership], with its principal place of business at _____ ("Franchisee").

## INTRODUCTION

Franchisor, as the result of the expenditure of time, skill, effort, and money, has developed, and continues to develop, the Gymboree Play & Music System (as defined below);

The System is identified by means of the Proprietary Marks (as defined below);

Franchisee desires to enter into the business of operating a Gymboree Play & Music Center (as defined below), and wishes to enter into an agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith; and

Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, appearances, and service and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications;

The parties agree as follows:

## 1. DEFINITIONS

For purposes of this Agreement, capitalized terms will have the meanings ascribed to them, below.

1.1 "**ADA**" means the Americans with Disabilities Act.

1.2 "**Affiliate**" means any person, company or other entity which controls, is controlled by, or is under common control with, another person, company or other entity.

1.3 "**Approved Location**" means the physical location(s) that Franchisor has approved, in writing, for the Franchisee to offer products and services under this Agreement. Each Play & Music Center or Metro Play Center will have a single "brick and mortar" Approved Location that is owned or leased by the Franchisee for the duration of this Agreement. For a Mobile Play Center or for a "Gymboree On The Go" program, an Approved Location is a third-party facility, such as a community center or daycare center located within the Franchisee's Territory, where the Franchisee provides approved products and services. A Mobile Play Center or a "Gymboree On the Go" program may have more than one Approved Location. An Approved

Location is one that is approved in writing by the Franchisor, in accordance with the Franchisor's then-current approval standards and procedures.

1.4 "**Brand Fund**" means the System's advertising, publicity and marketing fund, as further described in Section 13.3 below.

1.5 **"Center"** or "**Franchised Business**" means any Gymboree Play & Music business operated under the Proprietary Marks, including the one operated by Franchisee pursuant to this Agreement. The term "Center" shall include a Play & Music Center, a Metro Play Center, or a Mobile Play Center, as applicable.

1.6 "**Cooperative**" means a regional advertising and promotional cooperative, as further described in Section 13.5 below.

1.7 **"Development Agreement"** means the development agreement, if such agreement is entered into between Franchisor and Franchisee or an affiliate of Franchisee, that gives Franchisee the right to enter into this Agreement.

1.8 **"Development Area"** means the geographical area described in Exhibit A of the Development Agreement, if such agreement is entered into between Franchisor and Franchisee or an affiliate of Franchisee.

1.9 "**Expiration Date**" means the date on which the term of this Agreement ends.

1.10 "**Gross Receipts**" means all revenues which are received or earned by Franchisee (and/or any Affiliate and/or on/for Franchisee's behalf or benefit) in connection with Franchisee's operation of the Center (including, without limitation, class fees for the "Gymboree On The Go" program and such other programs as GPPI designates from time to time, membership fees, and revenues from special events and parties), whether such revenues are in the form of cash, check, credit, charge, account, barter or exchange. Gross Receipts shall not include the sale of equipment or furnishings used in the operation of the Franchised Business, the sale of retail products purchased directly from Franchisor or its Affiliate, any sales taxes or other taxes collected from customers by Franchisee and paid directly to the appropriate taxing authority, or actual customer refunds, adjustments or credits. All sales and/or billings, whether collected or not, will be included in Gross Receipts, with no deduction for credit card or other charges.

1.11 "**Manuals**" means one or more confidential handbooks, manuals, bulletins and/or volumes, other written materials, and video, audio and/or software media (including materials distributed electronically or otherwise), regardless of title, containing (among other things) specifications, standards, policies and procedures prescribed from time to time by Franchisor and to be complied with by Franchisee in Franchisee's operation of the Center and performance under this Agreement. The Manuals include all changes and supplements issued by Franchisor in the future, each of which Franchisee shall promptly comply with.

1.12 "**Metro Play Center**" means a type of Center operated at a facility owned or leased by the franchisee, typically featuring a main Play Floor and no secondary classroom.

1.13 **"Mobile Play Center"** means a type of Center that is operated at one or more third party facilities, such as community centers and daycare centers, rather than at a facility owned or leased by the franchisee.

1.14 "**Operations Manager**" means the person (an owner or employee of Franchisee) in charge of the day-to-day operations of the Franchised Business or involved with hiring, training, supervising or dismissing instructors, or implementing or interpreting the Gymboree Play & Music System in a supervisory fashion (i.e., other than solely as an instructor).

1.15 "**Play & Music Center**" means a type of Center operated at a facility owned or leased by the franchisee, typically featuring a main Play Floor and a secondary classroom.

1.16 "**Play Equipment**" means Franchisor's proprietary equipment (including, without limitation, a variety of activity structures in a variety of materials) that Franchisor requires or permits to be used in the Center.

1.17 "**Proprietary Marks**" means certain trade names, service marks, trademarks, trade dress, logos, emblems, and indicia of origin, including, but not limited to, the mark "Gymboree Play & Music," as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System.

1.18 "**Renewal Notice Deadline**" means the date that is six (6) months prior to the Expiration Date.

1.19 "**Similar Business**" means any business that now and/or in the future offers, sells, distributes, provides or is otherwise involved or deals with, whether at wholesale, retail or otherwise (and any business similar to and/or competitive with such businesses) any products and/or services now or in the future required or permitted by Franchisor to be offered at or from a Center, or similar products and/or services. The term "Similar Business" includes a business that licenses or franchises a Similar Business to or from another person.

1.20 "**System**" or "**Gymboree Play & Music System**" means Franchisor's distinctive system for the establishment and operation of Gymboree Play & Music Centers, which offer non-therapeutic sensory-motor child programs (with or without a parent), early childhood music and art programs, exercise programs, birthday parties, theme parties and story line parties for infants and children in specified ages, and programs for parents and parents-to-be, using specially designed equipment and program aids, and such other programs as Franchisor develops or designates from time to time, under the trade name "Gymboree Play & Music" or otherwise, which may include mobile programs such as "Gymboree On The Go" for preschools, daycare centers and other child-oriented institutions. The System includes, without limitation, the distinctive image, design, appearance, layout and color scheme of a Gymboree Play & Music Center; design, style, color and other distinguishing characteristics of fixtures, showcases, signs and furnishings; layout, design and selection of equipment; specifications used in preparing products for sale; methods used for selecting, purchasing, marketing, displaying and selling products; operating, marketing and other systems, procedures and standards; and the standards of quality, service and cleanliness

used in the operation of a Gymboree Play & Music Center; all of which may be changed, improved and further developed by Franchisor from time to time.

1.21 "**Territory**" means the geographical area within which Franchisor may not establish or operate, or license another person to establish or operate, a Center, subject to certain reservations of rights set forth in Section 2.3 of this Agreement. For a Play & Music Center or a Metro Play Center, the Territory is defined in terms of a specific radius (measured as the crow flies) from the Approved Location. For a Mobile Play Center, the Territory is defined by reference to county lines, city lines, zip codes, borders of state parks and recreation areas, and other municipal boundaries, as well as natural boundaries such as rivers and man-made boundaries such as railroad tracks and highways. Franchisee's Territory is described in Exhibit A to this Agreement.

1.22 "**Web site,**" **"Internet,"** and **"social media"** refer to interactive electronic media and shall be interpreted in their broadest sense to encompass media and technologies that may not exist as of the date of this Agreement and in any event shall include, without limitation, any account, page, or other presence on a social or business networking media site, such as Facebook, Twitter, LinkedIn, Instagram and on-line blogs and forums.

## 2. GRANT

2.1 Grant of Franchise.

(a) For a Play & Music Center or a Metro Play Center, Franchisor grants to Franchisee the right, and Franchisee undertakes the obligation, upon the express terms and conditions set forth in this Agreement, to establish and operate the Center, and to use the Proprietary Marks and the System, as they may be changed and improved from time to time in Franchisor's discretion, solely in connection therewith and only (i) at the Approved Location set forth on Exhibit A of this Agreement, and (ii) if Franchisee opts to offer the "Gymboree On The Go" program, at one or more Approved Locations within a third party facility such as a community center or daycare center located within Franchisee's Territory.

(b) For a Mobile Play Center, Franchisor grants to Franchisee the right, and Franchisee undertakes the obligation, upon the express terms and conditions set forth in this Agreement as amended by the Mobile Play Center Addendum, to establish and operate the Center, and to use the Proprietary Marks and the System, as they may be changed and improved from time to time in Franchisor's discretion, solely in connection therewith and only at one or more Approved Locations within a third party facility such as a community center or daycare center located within Franchisee's Territory.

(c) Franchisee is authorized to offer and sell only products and services authorized by Franchisor, only to retail customers and not for resale, and only in accordance with the requirements of this Agreement and the policies, procedures and standards set forth in the Manuals, as they may be modified by Franchisor from time to time.

2.2 Approved Location. Franchisee shall operate the Franchised Business only at the Approved Location(s). Franchisee shall not operate the Franchised Business at any location that

is not an Approved Location or relocate the Franchised Business without the prior written approval of Franchisor. Franchisor may require, in its discretion, that Franchisee execute Franchisor's then-current form of franchise agreement, its site selection acknowledgement agreement, and a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its Affiliates prior to granting approval of relocation.

2.3 Territory. Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Center under the System and the Proprietary Marks at any location within the Territory, as set forth in Exhibit A of this Agreement. Franchisor, for itself and its Affiliates, retains the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights or compensation:

2.3.1 to establish and operate, directly or indirectly, and license others to establish and operate, one or more Centers under the System and the Proprietary Marks at any location outside the Territory, regardless of the proximity to your Territory or to your Center;

2.3.2 to develop, sell, or distribute, directly or indirectly, or license others to sell or distribute, programs and services of any kind, including (without limitation), the "Gymboree On The Go" program and other types of programs which may or may not be similar to or contain elements of those offered by Gymboree Play & Music Centers, at any location whether within or outside the Territory, or through alternate channels of distribution, under the same or different Proprietary Marks;

2.3.3 to sell or distribute, directly or indirectly, and license others to sell or distribute, products of any kind, including branded merchandise, at any location whether within or outside the Territory, or through alternate channels of distribution, under the same or different Proprietary Marks;

2.3.4. to develop or become associated with other concepts (including dual branding and/or other franchise systems) whether or not using the System and/or the Proprietary Marks, and to award franchises or other rights for such other concepts whether within or outside the Territory;

2.3.5 to acquire, merge, affiliate with or engage in any other transaction with other businesses (competitive or not), companies and/or units located anywhere, whether within or outside the Territory. Such transactions may include, without limitation, arrangements involving competing outlets and brand conversions (to or from the Gymboree Play & Music format). Such transactions are permitted under this Agreement, and Franchisee agrees to fully participate in any such conversion, including all re-branding, all at Franchisee's sole expense; and

2.3.6 to use the Proprietary Marks and/or the System in connection with alternate channels of distribution, and, in Franchisor's discretion, to restrict Franchisee's use of alternate channels of distribution and/or particular marketing activities.

2.4 Alternate Channels of Distribution. The term "alternate channels of distribution" shall include, without limitation, the Internet, social media platforms and other electronic means of distribution, subscription services, temporary or popup locations or events, catalog sales, telemarketing, and direct mail. Franchisee shall not offer or sell products or services through alternate channels of distribution without Franchisor's prior written consent.

2.5 Modifications to the System. Franchisee acknowledges that the System may be supplemented, improved, and otherwise modified from time to time by Franchisor; and Franchisee agrees to comply with all reasonable requirements of Franchisor in that regard, including, without limitation, offering and selling new or different programs, affiliations or products as specified by Franchisor. Franchisor may, in its discretion, at any time upon written notice to Franchisee, cancel, replace or modify any portions of the System, including the "Gymboree On The Go" program.

## 3. TERM AND RENEWAL

3.1 Term. This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, the term of this Agreement shall be ten (10) years from the date written in the first paragraph of this Agreement, unless this Agreement is sooner terminated pursuant to its terms.

3.2 Successor Franchise. Franchisee's rights and Franchisor's obligations under this Agreement shall terminate at the end of the term of this Agreement, but at that time, subject to the provisions below, Franchisee shall be eligible to be awarded a successor franchise (which may materially differ, in economic terms and other terms, from this Agreement and its requirements) for the Center for one (1) additional consecutive term of ten (10) years, without any further term, successor franchise or right of renewal. Franchisor may require, in its discretion, that any or all of the following conditions be met prior to any award of a successor franchise:

3.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than twelve (12) months prior to the Expiration Date. Within ninety (90) days after Franchisor's receipt of such notice, Franchisor will furnish Franchisee with written notice of: (a) any reasons which could cause Franchisor not to award the successor franchise, including any deficiencies which require correction and a schedule for correction thereof by Franchisee, and (b) Franchisor's then-current requirements relating to the image, appearance, decoration, furnishing, equipping, stocking and programs of a Gymboree Play & Music Center, and a schedule for effecting such upgrading, modifications or otherwise, as a condition of receiving the successor franchise;

3.2.2 Prior to the Expiration Date, or within a time period approved in writing by Franchisor, Franchisee shall cure all deficiencies and shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Approved Location as Franchisor may reasonably require, including, without limitation, purchase and/or installation of new Play Equipment and renovation of signs, furnishings, fixtures, and décor to reflect the then-current standards and image of the System;

3.2.3 Franchisee shall not be in default of (a) any provision of this Agreement or any amendment hereof or successor hereto, (b) Franchisee's or its Affiliate's obligations to make payments of any amounts due to Franchisor or any Affiliate of Franchisor under any Other Agreement (as defined in Section 17.4) when due; (c) health or safety requirements under any Other Agreement; or (d) the insurance requirements of any Other Agreement;

3.2.4 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its Affiliates, and shall have timely met those obligations throughout the term of this Agreement;

3.2.5 Prior to the Expiration Date, Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Approved Location for the period of ten (10) years, including options, or shall obtain Franchisor's approval of a new location for the Franchised Business that fully complies with all the terms and conditions of this Agreement and the Manuals;

3.2.6 Prior to the Expiration Date, Franchisee shall, at Franchisor's option, execute Franchisor's then-current form of Gymboree Play & Music Center franchise agreement, which agreement shall contain no right to an additional successor franchise and which shall supersede this Agreement in all respects, and the economic terms and other terms of which may differ materially from the terms of this Agreement, including, without limitation, a higher royalty fee and advertising contribution and a different or smaller Territory (depending on changes in the demographics of the Territory), except that Franchisee shall not be required to pay any initial franchise fee;

3.2.7 Prior to the Expiration Date, Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its Affiliates, and their respective officers, directors, agents, and employees. A copy of Franchisor's general release language as currently used by Franchisor (which is subject to change) is attached as Exhibit B and is approved by Franchisee;

3.2.8 Prior to the Expiration Date, Franchisee shall comply with Franchisor's then-current qualification and training requirements. Franchisor may require Franchisee's personnel to attend and successfully complete any retraining program(s), and at such times and location(s), as Franchisor then specifies. Franchisee shall be responsible for all travel, meals, lodging and other expenses of Franchisee and Franchisee's personnel;

3.2.9 Prior to the Expiration Date, Franchisee shall pay Franchisor a renewal fee in an amount equal to ten percent (10%) of Franchisor's then-current initial franchise fee (or, if no franchises are then being offered, ten percent (10%) of the initial franchise fee most recently charged); and

3.2.10 Franchisee shall be current with respect to its obligations to lessor, suppliers, and any others with whom Franchisee does business.

## 4. DUTIES OF FRANCHISOR

4.1 Guidelines. Franchisor shall make available at no charge to Franchisee guidelines for a prototypical Gymboree Play & Music Center, including exterior and interior design and layout, fixtures, furnishings and signs. Franchisee acknowledges that such guidelines shall not reflect the requirements of any federal, state or local law, code or regulation (including, without limitation, those concerning the ADA or similar rules governing public accommodations or commercial facilities for persons with disabilities).

4.2 Manuals. Upon completion by Franchisee of Franchisor's initial training program to Franchisor's satisfaction, Franchisor shall either lend Franchisee one paper copy of Franchisor's Manuals, as more fully described in Section 10 hereof, or provide Franchisee with electronic access to the Manuals (via intranet, extranet, or other electronic means) for Franchisee's use during the term of this Agreement only. If Franchisee has previously received a paper copy of the Manuals in connection with a Gymboree Play & Music Center Franchise Agreement, Franchisee shall not receive an additional copy pursuant to this Agreement. During the term of this Agreement, Franchisor will provide Franchisee with modifications, additions and deletions to the Manuals from time to time in the manner determined by Franchisor.

4.3 Training. Franchisor shall provide training as set forth in Section 7 hereof.

4.4 Advertising. Franchisor shall furnish to Franchisee templates to be used in Franchisee's advertising materials (such as class schedules and newspaper ads).

4.5 Ongoing Advice. Franchisor shall provide to Franchisee at the time(s) and in the manner determined by Franchisor, in its discretion, advice, assistance, and written materials about operations, services, teaching methods, products, and marketing techniques.

4.6 Reserved.

4.7 Reserved.

4.8 Equipment and Products. Franchisor shall make available, or designate or approve other suppliers who shall make available, to Franchisee for purchase, at Franchisor's or such supplier's then-current prices, (a) the Play Equipment, and (b) program aids and consumer products for retail sale in the Franchised Business for so long as Franchisor deems advisable. Franchisor may elect to withdraw any or all of the program aids or consumer products from the System at any time, and may elect to sell or distribute, or license others to sell or distribute, such program aids and consumer products for retail sale.

4.9 Brand Fund. Franchisor shall have the right, without the obligation, to establish and administer a Brand Fund in the manner set forth in Section 13 hereof.

4.10 Performance by Designee. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement or applicable law may be performed by any designee, employee, or agent of Franchisor, as Franchisor may direct.

## 5. FEES

5.1 Initial Franchise Fee. In consideration of the franchise granted herein, Franchisee shall pay to Franchisor, on execution of this Agreement, an initial franchise fee of N/A Dollars ($N/A), receipt of which is hereby acknowledged, which is fully earned and non-refundable in consideration of administrative and other expenses incurred by Franchisor in entering into this Agreement and for Franchisor's lost or deferred opportunity to enter into this Agreement with others.

5.2 Royalty Fee. Franchisee shall pay to Franchisor a continuing royalty fee in an amount equal to six percent (6%) of Gross Receipts, which shall be paid to Franchisor in accordance with Section 5.4 below, and submit to Franchisor such reports as required by Section 12.2 below.

5.3 Advertising Expenditures and Contributions. Franchisee shall make expenditures and contributions for advertising and promotion as specified in Section 13 hereof.

5.4 Payments. All payments to Franchisor required by Sections 5.2 and 13 hereof shall be paid within thirty (30) days after the last day of each month based on the Gross Receipts from the preceding month. Franchisor reserves the right to require Franchisee to make all payments hereunder by credit card or electronic funds or wire transfer, upon written notice to Franchisee or as Franchisor may prescribe in the Manuals or otherwise in writing from time to time. Any payment not actually received by Franchisor on or before such date shall be deemed overdue. If any payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until received by Franchisor, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by applicable law, whichever is less. In addition to payment of interest, if Franchisee fails to make any payment or submit any report on or before the date on which it is due, Franchisor may impose a late fee of two hundred dollars ($200). For each thirty-day period that the payment continues to be unpaid or the report not submitted, Franchisor may impose an additional late fee of two hundred dollars ($200) per each thirty (30) day period. To cover additional expenses incurred by Franchisor in handling dishonored checks or other payments, Franchisee agrees to pay a dishonored payment fee of fifty dollars ($50) for each dishonored payment tendered by Franchisee. If Franchisee tenders two (2) or more dishonored payments within a one (1) year period or becomes two (2) or more months (or whatever periods in which Franchisor bills) delinquent in any of Franchisee's accounts with Franchisor and/or any Affiliate, Franchisor may require payments on any or all amounts to be made by cashier's check, wire transfer, electronic funds transfer or money order. The fees described in this Section 5.4 are intended to reimburse Franchisor's expenses and to compensate Franchisor for its inconvenience. Entitlement to such interest and fees shall be in addition to any other remedies Franchisor may have. No delay or omission on the part of Franchisor to collect interest or fees shall operate as a waiver of entitlement to such interest and fees, nor shall any waiver by Franchisor to collect interest or fees on any one occasion be deemed a bar to, or waiver of, such collection right or rights on any future occasion. Franchisee shall not be entitled to set off any payments required to be made under this Section 5 against any monetary claim it may have against Franchisor. At its option, upon three (3) months

prior written notice, Franchisor may change the payment schedule described in this Section 5.4 or the reporting schedule described in Section 12.2 to more frequent intervals or otherwise.

5.5 Electronic Funds Transfer. If Franchisor designates that payments required under Sections 5 and 13 hereof be made by electronic fund transfer, Franchisee shall maintain one or more bank accounts solely for the purpose of processing revenues from the operation of its Franchised Business and will deposit all such revenues (including cash, checks, credit card receipts or the value of other forms of payment) into the bank account(s) on or before the payment due date. Franchisee shall furnish to Franchisor, upon Franchisor's request, such bank and account number(s), a voided check from each such bank account, and written authorization for Franchisor to withdraw funds from such bank account(s) via electronic funds transfer without further consent or authorization for Franchisee's royalty fees due to Franchisor based upon Franchisee's Gross Receipts reports for the relevant time periods. Franchisee agrees to execute any and all documents as may be necessary to effectuate and maintain the electronic funds transfer arrangement, as required by Franchisor. Franchisee agrees to pay its portion of costs associated with any such transfer as may be required by its bank. In the event Franchisee changes banks or accounts for the bank account(s) required by this Section 5.5, Franchisee shall provide such information concerning the new account(s) and an authorization to make withdrawals therefrom at least five (5) business days prior to such change. Franchisee's failure to provide such information concerning the bank account(s) required by this Section 5.5 or any new account(s), or Franchisee's withdrawal of consent to withdrawals for whatever reason and by whatever method shall be a breach of this Agreement.

## 6. ESTABLISHMENT AND MAINTENANCE OF APPROVED LOCATION

6.1 Construction. Franchisee shall renovate or construct, and equip, the Franchised Business at Franchisee's own expense. Before commencing any renovation or construction of the Center, Franchisee, at its expense, shall prepare preliminary and final architectural drawings and specifications of the Approved Location in accordance with Franchisor's standard plans. Such preliminary and final drawings and specifications shall be submitted to Franchisor for its prior written approval. The drawings and specifications shall not thereafter be changed or modified without the prior written approval of Franchisor. Franchisor's approval shall not relate to Franchisee's obligations with respect to any federal, state or local laws, codes, regulations, ordinances, or building codes, including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Business, which shall be Franchisee's sole responsibility.

6.2 Permits. Franchisee shall be responsible, at Franchisee's expense, for conforming the Approved Location to federal, state, and local laws, codes, regulations, ordinances, building codes and the ADA, and for obtaining all zoning classifications, permits, and clearances, including, but not limited to, certificates of occupancy and certificates of health, which may be required by federal, state or local laws, codes, ordinances, or regulations, or which may be necessary or advisable owing to any restrictive covenants relating to the premises or required by the lessor.

6.3 Time of Opening. Franchisee shall obtain Franchisor's written approval prior to first opening the Franchised Business, which approval shall be subject to compliance with

Franchisor's then-current requirements. Franchisee shall commence operation of the Franchised Business not later than twelve (12) months after Franchisee has signed this Agreement. Franchisor has the right, but not the obligation, to extend this time period. Franchisee may request in writing a three (3) month extension to this time period. If granted, an extension fee of $2,000 shall be due and payable in full to Franchisor within five days of Franchisor's consent to extend. . The parties agree that time is of the essence in the opening of the Franchised Business.

6.4 ADA Certification. Prior to opening the Franchised Business, and after any renovation, as described in Section 6.1 above, Franchisee shall execute and deliver to Franchisor an ADA Certification in a form prescribed by Franchisor, to certify to Franchisor that the Center complies with the ADA.

6.5 Maintenance of Approved Location. Franchisee shall (a) maintain the condition and appearance of the Center, its equipment, furniture, fixtures, signs, and the Approved Location in accordance with Franchisor's specifications and standards, and consistent with the approved image of the System and as provided in the Manuals, as each may change from time-to-time; (b) perform such ongoing repair, maintenance and upgrading, with respect to the décor, equipment, furniture, fixtures, signs and otherwise, of the Center and the Approved Location, as may be required by Franchisor from time-to-time in its sole and absolute discretion (including, without limitation: (i) thorough cleaning, repainting and redecorating of the interior and exterior; (ii) interior and exterior repair of the Approved Location; and (iii) repair or replacement of damaged, worn out or obsolete equipment, furniture, fixtures, signs and otherwise); (c) not make any material alterations to the Approved Location or other items, or to the appearance of the Center as originally approved by Franchisor, without Franchisor's prior written approval; and (d) place or display at the Approved Location (interior and exterior) and on all other items only such signs, emblems, lettering, logos and display and advertising materials that are from time-to-time designated by Franchisor.

6.6 Closure of the Center. Franchisee and Franchisor recognize that closure of the Center may become necessary from time-to-time for remodeling, due to fire or other casualty, governmental action, shopping center or street closure, or other reasons. If the Center, the Approved Location or any significant assets used in the operation of the franchise are damaged or become inoperable or if the Center is closed for any reason, Franchisee shall promptly undertake all steps necessary to remedy such conditions and return the Center to full operation as soon as possible. If any closure of the Center takes place for any reason, Franchisee shall immediately notify Franchisor, submit a plan for re-opening (with discussion of budget, deadlines, possible relocation and subject to Franchisor's reasonable approval) and diligently take (at Franchisee's expense) all steps necessary to fully re-open the Center for business as soon as possible but in no event later than six (6) months after the closure. If Franchisee fails to re-open the Center at an Approved Location within six (6) months, then Franchisee shall begin paying all amounts due or to become due to Franchisor or any Affiliate that are calculated based on Gross Receipts or similar amounts (including, without limitation, percentage royalty fees and percentage Brand Fund contributions). For purposes of calculating these payments, Franchisee's weekly Gross Receipts will be assumed to be equal to the average weekly Gross Receipts during the three (3) four-week periods (or shorter period if the Center was not open for such three (3) four-week periods) immediately preceding the closure of the Center.

## 7. TRAINING

7.1 Initial Training Program. Prior to the operation of the Franchised Business, Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, a principal of Franchisee who owns at least fifty percent (50%) of Franchisee and is approved by Franchisor) shall attend and complete to Franchisor's satisfaction the initial training program for franchisees offered by Franchisor. If Franchisee has designated an Operations Manager at the time that Franchisee begins the initial training program, Franchisee may enroll the Operations Manager in the same initial training program at no additional charge. Franchisor will furnish the initial training program at a time and place, and for such period, as Franchisor designates in its discretion. If Franchisee (or its principal or Operations Manager) has been previously trained, Franchisor may elect to waive initial training or may require attendance at a revised or shortened training program. Franchisor may require successful completion of training by all of Franchisee's supervisory personnel and Franchisor may furnish such training program at reasonable charges and at such times and places as Franchisor designates. In the event that Franchisee's Operations Manager attends an initial training program after Franchisee's initial training, and for any persons subsequently employed by Franchisee as Operations Manager, Franchisor may charge Franchisor's then-current fee for conducting such initial training program.

7.2 Additional Training Programs. Franchisor may require (i) Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, a principal of Franchisee who owns at least fifty percent (50%) of Franchisee and is approved by Franchisor) or Franchisee's principal operating officer and (ii) Franchisee's Operations Manager and teachers to attend regional training sessions and teacher training programs from time to time in order to maintain consistency in the Gymboree Play & Music System. Franchisor may also require (a) Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, a principal of Franchisee) or Franchisee's principal operating officer, and (b) Franchisee's Operations Manager to attend additional remedial training programs as specified by Franchisor from time to time whenever, in Franchisor's opinion, Franchisee's performance indicates that supplemental training is necessary or appropriate. Franchisee agrees to pay Franchisor its then-current fee as set forth in the Manuals in connection with such regional and remedial training sessions.

7.3 Failure to Complete Initial Training. If Franchisor, in its sole and absolute discretion, determines that Franchisee (or a principal of Franchisee who owns at least fifty percent (50%) of Franchisee and is approved by Franchisor) has not successfully completed Franchisor's initial training program, Franchisor may terminate this Agreement and/or any other agreements with Franchisee. Upon such termination, Franchisee must return all Manuals, Franchisee (and each Affiliate of Franchisee's) must execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its Affiliates, and their respective officers, directors, agents, and employees. Since the possibility of such termination exists, Franchisee understands that if Franchisee makes any investments or signs any documents prior to completion of training, Franchisee is at risk.

7.4 Annual or Regional Meetings. Franchisee (or a principal who owns fifty percent (50%) of Franchisee and is approved by Franchisor) shall attend every annual or regional

franchisee meeting that Franchisor may offer to discuss and review new programming ideas and concepts. Franchisor shall designate the times and places for such meetings. Franchisee agrees to pay to Franchisor, at such time as Franchisor designates prior to the meeting, a fee equal to the then-current per-attendee fee for Franchisor's annual or regional meeting multiplied by the number of Franchisee's attendees.

7.5 Teacher Training. Franchisor may require all Center teachers to participate in local, regional and/or national teacher training programs which may include training at Franchisor's principal office or such other locations as Franchisor may designate. Franchisee shall provide to Franchisor periodic reports of participation in the teacher training programs on behalf of each teacher in such form and manner as Franchisor prescribes.

7.6 Franchisee's Expenses. For all training programs and seminars required by this Section 7, Franchisee shall be responsible for any and all other expenses incurred by Franchisee or its employees in connection with any such courses, seminars, and programs, including, without limitation, the costs of transportation, lodging, meals, and wages.

7.7 Recordings. From time to time, Franchisor may develop audio or video CD's, webinars, or other recordings to update System franchisees on new program ideas, lessons, procedures and techniques. Franchisee agrees to purchase or download such recordings from Franchisor at list cost, plus postage and handling, and to promptly view and/or listen to such recordings upon Franchisee's receipt thereof, and incorporate such ideas, lessons, procedures and techniques in the operation of the Center.

## 8. DUTIES OF FRANCHISEE

8.1 Active Participation. Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, a principal of Franchisee having signing authority on behalf of Franchisee and who is approved by Franchisor) shall be in charge of its day-to-day operations. If at any time Franchisee desires to designate a person other than Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, the approved principal) as the Operations Manager for the Franchised Business or desires to designate another person as Operations Manager, such designation or change shall require the prior written approval of Franchisor, which approval will be given provided the proposed individual (i) satisfies Franchisor's then-current standards for new franchisees except for monetary requirements, and (ii) attends (and pays a reasonable fee for attending) the next initial training program and all subsequent regional training sessions and annual seminars, if requested by Franchisor.

8.2 Management. The Center must be personally managed on a full-time basis by a person who has successfully completed all training required by Franchisor and meets all of Franchisor's other then-current non-financial standards, unless otherwise approved in writing by Franchisor. Franchisor strongly recommends that Franchisee personally manage its Center on an "on-premises" basis. Franchisee shall keep Franchisor advised in writing of the identities of the Operations Manager and other supervisors of the Center, and Franchisor will have the right to communicate directly with the Operations Manager on matters pertaining to day-to-day operations of, and reporting requirements for, the Center, or Franchisor may elect to communicate directly

with Franchisee even if Franchisee has hired an Operations Manager. Franchisee shall hire all employees of the Center and shall be solely responsible for their supervision and possible termination, the terms of their employment and compensation and for the proper training of such employees in the operation of the Center. Franchisee will establish and maintain for the Center an ongoing training program, meeting Franchisor's standards, for new and continuing employees. Franchisee shall take such steps as are necessary to ensure that its employees comply with Franchisor's policies and standards. Nothing in this paragraph shall relieve Franchisee of its obligation under Section 19.1 of this Agreement to devote full time and best efforts to the management and operation of the Franchised Business.

8.3 Operating Standards. Franchisee understands and acknowledges that every detail of the Franchised Business is important to Franchisee, Franchisor and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products and services sold by all franchised businesses operating under the System, and to protect Franchisor's reputation and goodwill.

8.4 Center Operations. Franchisee shall use the Approved Location solely for the operation of the Center; shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may specify; shall refrain from using or permitting the use of the Approved Location for any other purpose or activity at any time without first obtaining the written consent of Franchisor; and shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from deviating from such standards, specifications, and procedures without Franchisor's prior written consent.

8.5 Adherence to Standards and Specifications. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee acknowledges and agrees that Franchisee's failure to comply with the Manuals shall constitute a material breach of this Agreement. Franchisee agrees that:

8.5.1 Franchisee and all staff of the Center shall comply with Franchisor's qualifications, dress, grooming, general appearance and demeanor standards and wear such uniforms as Franchisor specifies from time to time in its sole and absolute discretion.

8.5.2 Franchisee shall (a) sell or offer for sale only such products and services as have been expressly approved for sale in writing by Franchisor and/or as described in the Manuals, (b) refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent, and (c) immediately discontinue selling and offering for sale any products and services which Franchisor may, in its discretion, disapprove in writing at any time.

8.5.3 Franchisor and its agents shall have the right, at any time during business hours, and without prior notice, to (1) inspect the Approved Location, equipment, furniture, fixtures, signs, operating materials and supplies; (2) observe, photograph and video tape the operations of the Center for such consecutive or intermittent periods as Franchisor deems

necessary in its sole and absolute discretion; (3) authorize third-party agents, shoppers or investigators to inspect and observe the operations of the Center; (4) interview personnel and customers of the Center; (5) remove samples of any items for testing and analysis; and (6) inspect, and/or conduct, supervise or observe a physical count of, the inventory and assets of the Center. Franchisee must fully cooperate with Franchisor in connection with any such inspections, observations, photography, audio and video recording and interviews. Franchisee must present to its customers such evaluation forms (including electronic forms) as are periodically prescribed by Franchisor and must participate and request its customers to participate in any surveys performed by or on behalf of Franchisor.

8.5.4 Franchisee agrees to promptly and regularly enter the names and addresses of its class and open house attendees and other names and addresses gathered as a result of Franchisee's marketing program, together with such other information as Franchisor may require, into the Computer System (as defined below) to be accessed by Franchisor as described in Section 8.7.4 below. Franchisor may use the lists and information (1) to analyze enrollment trends, (2) to market Franchisor-developed products and services, or products and services consistent with the System image, (3) to provide the lists and information to third parties, and (4) for such other purposes as Franchisor deems appropriate.

8.5.5 On Franchisor's request, Franchisee shall purchase, display, and distribute Franchisor-specified quantities of the then-current Gymboree Play & Music® product catalog to Franchisee's classes and its open house attendees (the costs therefor to be borne by Franchisee).

8.5.6 In the event Franchisor, in its sole and absolute discretion and without obligation to do so, elects to pay certain expenses of operating Franchisee's Center when Franchisee fails to do so, Franchisee shall immediately reimburse Franchisor in the amount of such payments and all expenses incurred in connection therewith plus late fees as provided for herein.

8.5.7 Franchisee is permitted to offer the "Gymboree On The Go" within the Territory provided within ten (10) days of Franchisee's entering into any agreement to provide, and prior to Franchisee providing, the "Gymboree On The Go" program, Franchisee shall provide Franchisor with written notice thereof.

8.5.8 Franchisee shall participate in Franchisor's gift certificate/card program for all Gymboree Play & Music Centers operating under the System, as prescribed by Franchisor in the Manuals or otherwise in writing from time to time, including, but not limited to, selling and offering for sale gift certificates/cards which may be redeemed at any Center for services or products, and permitting customers who purchased gift certificates/cards from another Center or Franchisor to redeem their gift certificates for services or products at Franchisee's Center.

8.5.9 Franchisee shall purchase and install, at Franchisee's sole expense, a décor package and indoor and outdoor signage in the form and in the manner required by Franchisor in the Manuals or otherwise in writing from time to time.

8.6 Equipment and Program Aids. Franchisee shall acquire and install at the Center, at Franchisee's expense, the minimum standard equipment and program aids (specified in the

Manuals), telephone and answering equipment, facsimile machine, computer, printer and software, including but not limited to an e-mail system, as further specified in the Manuals. For a Mobile Play Center, office equipment may be installed in a Franchisee's home office.

8.7 Computer System and Required Software.

8.7.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by Franchisee at or in connection with the Center, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at the Center; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; (d) Internet access mode and speed; and (e) physical, electronic, and other security systems (collectively, the "Computer System").

8.7.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs that Franchisee must use in connection with the Computer System (the "Required Software"), which Franchisee shall install at Franchisee's expense; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install at Franchisee's expense; (c) the tangible media upon which Franchisee records data; and (d) the database file structure of the Computer System.

8.7.3 At Franchisor's request, Franchisee shall purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. Franchisor shall have the right at any time to remotely retrieve and use such data and information from Franchisee's Computer System or Required Software that Franchisor deems necessary or desirable. Franchisee expressly agrees to strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and any Required Software in accordance with Franchisor's standards and specifications. Franchisee agrees, at its own expense, to keep its Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to Franchisee's Computer System or Required Software as Franchisor directs from time to time in writing. Franchisee agrees that its compliance with this Section 8.7 shall be at Franchisee's sole cost and expense.

8.7.4 Franchisee shall install and maintain the equipment, make the arrangements, and follow the procedures that Franchisor requires in the Manuals (including the establishment and maintenance of Internet, intranet, or extranet access or other means of electronic communication, as specified by Franchisor from time to time) to permit Franchisor to access, download, and retrieve electronically, by telecommunication or other designated method, any information stored in Franchisee's Computer System, including information concerning the Gross Receipts and customers of the Center. Franchisor shall have access to the information at the times and in the manner that Franchisor specifies from time to time. Franchisee shall execute any and all agreements that Franchisor requires concerning the Computer System, Internet, intranet or extranet systems (including, without limitation, Franchisor's then-current Extranet License Agreement), and shall agree to Franchisor's "terms of use" for such systems, and Franchisee shall pay any fee imposed by Franchisor in connection with hosting such intranet or extranet system.

Franchisee shall adhere to Franchisor's privacy policy posted on Franchisor's customer Web Site, as amended from time to time by Franchisor in its discretion.

8.7.5 Franchisee shall use its best efforts to protect customers against a cyber-event, identity theft, or theft of personal information. Franchisee must at all times be in compliance with (a) the Payment Card Industry Data Security Standards ("PCI DSS") (as they may be modified from time to time or as successor standards are adopted), (b) the Fair and Accurate Credit Transactions Act ("FACTA"), (c) regional, national, and local laws and regulations relating to data and personal privacy, data security, security breaches, and electronic payments, (d) the operating rules and regulations of all credit card, debit card and/or ACH processors and networks that are utilized in the Franchised Business, and (e) Franchisor's security policies and guidelines, all as may be amended from time to time.

8.8 Play Equipment. Franchisee shall purchase all Play Equipment solely from Franchisor, unless Franchisor, in its sole and absolute discretion, permits otherwise in writing. Franchisee acknowledges that the Play Equipment is essential to the operation of the Franchised Business; and that the Play Equipment is proprietary to Franchisor. Franchisee shall not sell, assign, transfer, convey, pledge, encumber, dispose of, or otherwise give away any Play Equipment, or interest therein, except as provided in Sections 16 and 18.8 hereof.

8.9 Program Aids and Consumer Products; Programs and Curricula. For so long as Franchisor deems advisable (as described in Section 4.8 above), Franchisee shall purchase all designated program aids and consumer products from Franchisor or its designated supplier at Franchisor's or the supplier's then-current list price for such products. Payment for such program aids and consumer products shall be due and payable in full upon placement of any order with Franchisor or upon such other terms as Franchisor may from time to time specify. So long as Franchisee is required to carry consumer products, it shall at all times maintain an inventory of designated items in the minimum quantities specified by Franchisor from time to time. Franchisee shall immediately cease to sell or distribute such program aids and consumer products designated by Franchisor upon receipt of notice from Franchisor. Franchisor may identify certain programs or curricula that Franchisee is permitted (or, at Franchisor's option, required) to purchase, use and/or sell to customers. Franchisor reserves the right to modify or discontinue any of the programs or curricula, in its sole business judgment.

8.10 Designated Suppliers. Franchisor has designated and may, in the future and in its sole and absolute discretion, designate suppliers of the equipment, products, services and supplies that meet its standards and requirements, including, without limitation, standards and requirements relating to reputation, quality, prices, consistency, reliability, financial capability, labor relations and customer relations. Franchisee agrees that Franchisee will purchase such equipment, products, services and supplies only from suppliers that Franchisor has designated. Franchisor has the right, in its sole and absolute discretion, to designate a single supplier or limited number of suppliers, to designate a supplier only as to certain items, and to concentrate purchases with one or more suppliers to obtain lower prices, advertising support and/or other benefits. Franchisor has the right to receive rebates, commissions, or other compensation from designated suppliers, and has the right to designate itself or an affiliate to be an approved supplier, or the only approved supplier, of any products or other items.

8.11 Approved Suppliers. All equipment, program aids, signs, products, services and supplies used or offered for sale at the Center shall meet Franchisor's then-current standards and specifications, as established in the Manuals or otherwise in writing. Except as provided by Sections 8.8, 8.9 and 8.10 hereof, Franchisee shall purchase all equipment, program aids, signs, products, services and supplies used at the Center for which Franchisor has established standards or specifications solely from suppliers (including manufacturers, distributors and other sources) which demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's standards and specifications, who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, and who have been approved by Franchisor in the Manuals or otherwise in writing. If Franchisee desires to purchase products or services from a party other than an approved supplier, Franchisee shall submit to Franchisor a written request to approve the proposed supplier, together with such evidence of conformity with Franchisor's specifications as Franchisor may reasonably require (including, without limitation, drawings, brochures, samples and related items). Franchisor shall have the right to require that the proposed supplier sign a nondisclosure agreement, that Franchisor's representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor shall use commercially reasonable efforts, within ninety (90) days after its receipt of such completed request and completion of such evaluation and testing (if required by Franchisor), to notify Franchisee in writing of its approval or disapproval of the proposed supplier. Approval shall not be unreasonably withheld provided the supplier meets Franchisor's quality controls and capacity needs. Franchisee shall not use, sell or offer for sale any items of the proposed supplier until Franchisor's written approval of the proposed supplier is received. Franchisor may from time to time revoke its approval of particular equipment, program aids, signs, products or suppliers when Franchisor determines, in its discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee shall immediately cease to sell any disapproved items and cease to purchase from any disapproved supplier. Franchisee agrees that it shall use items purchased from approved suppliers solely for the purpose of operating the Franchised Business and not for any other purpose, including, without limitation, resale. Nothing in the foregoing shall be construed to require Franchisor to make available to prospective suppliers, standards and specifications for equipment, program aids, signs, products or supplies that Franchisor, in its discretion, deems confidential.

8.12 Advertising and Promotional Materials. Franchisee shall ensure that all advertising and promotional materials, signs, decorations and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor and otherwise comply with Franchisor's "Brand Builder" materials provided to Franchisee at the initial franchise training and such other materials provided by Franchisor in its discretion from time to time.

8.13 Changes to the System. Franchisee shall not implement any change, amendment or improvement to the System without the express prior written consent of Franchisor. Franchisee shall notify Franchisor in writing of any change, amendment or improvement in the System which Franchisee proposes to make, and shall provide to Franchisor such information as Franchisor requests regarding the proposed change, amendment or improvement. Franchisee acknowledges

and agrees that Franchisor shall have the right to incorporate the proposed change, amendment or improvement into the System and shall thereupon obtain all right, title and interest therein without compensation to Franchisee.

8.14 Compliance With Lease. Franchisee shall comply with all the terms of its lease or sublease and all other agreements affecting the operation of the Franchised Business; shall, upon Franchisor's request, promptly furnish Franchisor a copy of its lease and all lease amendments and related documents (including, without limitation, estoppel certificates and subordination, non-disturbance and attornment agreements (SNDAs)); shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and shall refrain from any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Franchised Business premises.

8.15 Health and Safety Standards. Franchisee shall meet and maintain the highest health and safety standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor within five (5) business days after receipt thereof, a copy of any violation or citation which indicates Franchisee's failure to maintain local health or safety standards in the operation of the Franchised Business.

8.16 Crimes. Franchisee shall notify Franchisor within five (5) business days if Franchisee or any of its owners is charged with or convicted by a trial court of or pleads no contest to a felony, or to any crime or offense that may adversely affect the reputation of Franchisee (including, but not limited to, child abuse or other mistreatment, health or safety hazards, drug or alcohol problems, or allowing unlawful activities or unauthorized or illegal items to be used or distributed at the Approved Location).

8.17 Customer Surveys. Franchisor reserves the right to establish reasonable customer satisfaction standards and a scoring system for customer satisfaction ratings as prescribed from time to time in the Manuals or otherwise in writing, based on customer surveys conducted by Franchisor or its designee. Franchisee shall continuously maintain acceptable customer satisfaction ratings (as reasonably determined by Franchisor and described in the Manuals or otherwise in writing) throughout the term hereof. Franchisee acknowledges and agrees that its maintenance of such customer satisfaction ratings throughout the term hereof is a material obligation of Franchisee hereunder.

## 9. PROPRIETARY MARKS

9.1 Franchisor Representations. Franchisor represents with respect to the Proprietary Marks:

9.1.1 Franchisor has the right to use, and to license others to use, the Proprietary Marks; and

9.1.2 The owner of the Proprietary Marks has taken and will take all steps reasonably necessary to preserve and protect the ownership and validity of the Proprietary Marks.

9.2 Franchisee's Use of Marks. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

9.2.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor in writing;

9.2.2 Franchisee shall use the Proprietary Marks only for the operation of the Franchised Business, or in advertising for the Franchised Business conducted at or from the Approved Location;

9.2.3 Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Franchised Business only under the name "Gymboree Play & Music" and shall use all Proprietary Marks without prefix or suffix. Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name;

9.2.4 During the term of this Agreement and any renewal or extension hereof, Franchisee shall identify itself as the owner of the Franchised Business (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including, but not limited to, on invoices, order forms, receipts, checks, business stationery, and contracts with all third parties or entities, as well as the display of such notices in such content and form and at such conspicuous locations as Franchisor may designate in writing;

9.2.5 Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of the rights of the owner of the Proprietary Marks and will entitle Franchisor to exercise all of its rights under this Agreement in addition to all rights available at law or in equity;

9.2.6 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

9.2.7 Franchisee shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability;

9.2.8 Franchisee acknowledges and represents to Franchisor that Franchisee has investigated the region in which Franchisee desires to open the Center and has found therein no use by an unauthorized person or entity of the name "Gymboree Play & Music" or any similar trade name, or other commercial identification. Franchisee shall promptly notify Franchisor in writing of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor's Affiliate's ownership of, Franchisor's right to use and to license others to use, or Franchisee's right to use, the Proprietary Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. Franchisor shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Marks. If

Franchisor, in its discretion, determines that Franchisee has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing such acts;

9.2.9 Franchisee shall not attempt to register or otherwise obtain any interest in any Internet domain name or URL containing any of the Proprietary Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Proprietary Marks; and

9.2.10 Franchisee shall not use the word "Gymboree" as a standalone mark or in any manner except directly next to, above, or below "Play & Music."

9.3 Acknowledgments. Franchisee expressly understands and acknowledges that:

9.3.1 Franchisor's affiliate, Zeavion Holding Pte. Ltd., is the owner of all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and Franchisor has the right to use, and license others to use, the Proprietary Marks;

9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System;

9.3.3 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of the ownership of the Proprietary Marks, or Franchisor's right to use and to license others to use the Proprietary Marks;

9.3.4 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

9.3.5 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of the trademark owner, and upon expiration or termination of this Agreement and the license granted herein, no monetary amount shall be assigned to Franchisee or any of its principals, Affiliates, subsidiaries, successors, licensees or assigns as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

9.3.6 Except as specified in Section 2.3 hereof, the license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Proprietary Marks itself in connection with selling any products and services; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish

other systems using the Proprietary Marks, similar marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee;

9.3.7 Franchisor reserves the right, in Franchisor's discretion, to modify, add to, or discontinue use of the Proprietary Marks, or to substitute different proprietary marks, for use in identifying the System and the businesses operating thereunder. Franchisee agrees promptly to comply with such changes, revisions and/or substitutions, and to bear all the costs of modifying Franchisee's signs, advertising materials, interior graphics and any other items which bear the Proprietary Marks to conform therewith; and

9.3.8 There could be one or more businesses, similar to the Franchised Business, operating in or near the area(s) where Franchisee may conduct business or otherwise, using a name and/or proprietary marks similar to the Proprietary Marks. Franchisor strongly recommends that Franchisee conduct an independent investigation of such possibility, using telephone directories, local filings, conducting internet searches and by other means, prior to Franchisee's execution of this Agreement, any other documents, expending or paying any sums, or making any commitments related to the Franchised Business.

## 10. OPERATING MANUALS

10.1 Center Operation. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee shall at all times operate the Franchised Business in accordance with the specifications, standards, methods, policies, and operating procedures specified in the Manuals. Franchisor will provide to Franchisee on loan, or make available by electronic means, one copy of the Manuals for the term of this Agreement in accordance with Section 4.2 hereof.

10.2 Confidentiality. The Manuals contain confidential business information and trade secrets that belong to Franchisor. Franchisor owns the Manuals and all rights, including proprietary rights, in, and to, the Manuals and their information. Any copies and summaries of the Manuals are, and shall at all times remain, the property solely of Franchisor. Franchisee shall at all times treat the Manuals, their information, any other manuals or other documents created for or approved for use in the operation of the Center as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any person not authorized in writing by Franchisor.

10.3 Revisions to Manuals. Franchisor has the sole and absolute right to modify, add to, and delete from, the Manuals at any time. When notified in writing by Franchisor, Franchisee shall promptly update Franchisee's copy of the Manuals with any modifications of, additions to, and deletions from, them. If Franchisee does not receive a paper copy of the Manuals, but instead is provided electronic access to the Manuals, all modifications of, additions to, and deletions from the Manuals will be made by Franchisor. Any written notice that Franchisor delivers to Franchisee containing any such modification of, addition to, and deletion from the Manuals shall bind Franchisee upon Franchisor's delivery of such notice. Franchisee shall be solely responsible to ensure that the Center is operated in compliance with the most current and up-to-date version of

the Manuals. Franchisee expressly agrees to comply with and implement each new or changed standard, method, policy and procedure promptly and at Franchisee's sole expense.

10.4 Electronic Access to Manuals. Franchisor has the right to maintain all or any portions of the Manuals in written or electronic form, including, without limitation, on one or more Web sites. If Franchisor maintains the Manuals in electronic form or on one or more Web sites, Franchisee agrees (a) to install, maintain, and upgrade continually throughout the term of this Agreement and as required by Franchisor in the Manuals and in writing from time to time, at Franchisee's sole expense, the highest-speed Internet connection available to provide access to such portions of the Manuals; (b) to make no more than one copy of such portions of the Manuals and to maintain such copies and their contents as secret and confidential; and (c) Franchisee and none of Franchisee's principals or employees shall make any electronic copy of any portion of the Manuals.

10.5 Master Copy. The electronic copy (or, if unavailable, the paper copy) of the Manuals maintained by Franchisor at its home office is, and shall be, controlling in the event of any dispute as to the Manuals' contents. Franchisee shall use the Manuals solely for the operation of the Center.

## 11. CONFIDENTIAL INFORMATION

11.1 Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person, partnership, association, limited liability company, corporation or other entity any confidential information, knowledge or know-how concerning the methods of operation of the business franchised hereunder, including, without limitation, the methods of implementing the System; contents of video training tapes, trainings, lesson plans, seminars and workshops conducted by Franchisor; methods, techniques, specifications, procedures, information, lesson plans, systems and knowledge of and experience in the development, operation, and franchising of Gymboree Play & Music Centers; marketing programs and promotional aids; knowledge of test, research and development programs for the development and introduction of products and services to be sold at Gymboree Play & Music Centers; business forms; accounting procedures; information bulletins; proprietary software; and customer lists and information, which may be communicated to Franchisee or of which Franchisee may be apprised or develop by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Business provided such persons are bound to written confidentiality obligations as described in Section 11.2. Any and all information, knowledge, know-how, techniques and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement. Franchisee acknowledges and agrees that all such confidential information is a valuable asset of Franchisor, and that Franchisee shall not acquire any ownership interest therein.

11.2 Confidentiality Agreements. Franchisee shall require Franchisee's Operations Manager and other such personnel having access to any of Franchisor's confidential information to execute covenants to maintain the confidentiality of information they receive in connection with their employment by Franchisee; where permitted by law, Franchisor may also require such

employees to sign non-competition covenants. Such covenants shall be in a form acceptable to Franchisor, which may include the form attached hereto as Exhibit B. An original of each executed agreement shall be available for Franchisor's inspection during business hours, and, on Franchisor's request, Franchisee shall promptly deliver to Franchisor copies of such executed agreements. On occasion, Franchisor may request Franchisee to require Franchisee's Operations Manager or other such personnel having access to any of Franchisor's confidential information to execute additional covenants.

## 12. ACCOUNTING AND RECORDS

12.1 Recordkeeping. Franchisee shall maintain such records and furnish such reports to Franchisor in such form as Franchisor from time to time prescribes. Franchisee shall establish and maintain at its own expense a bookkeeping, accounting and recordkeeping system conforming to the requirements, data processing systems, formats and accounting basis prescribed by Franchisor from time to time. Franchisee shall prepare, and shall preserve for at least five (5) years from the dates of their preparation, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing.

12.2 Monthly Reports. Within thirty (30) days after the last day of each month and concurrently with each payment of royalty fees, Franchisee shall deliver to Franchisee a statement of Gross Receipts, expenses, class attendance, and related information for each monthly session on a form provided by Franchisor as well as any other reports Franchisor may request from time to time. In addition, Franchisee shall provide to Franchisor at certain times during a class session's term, estimates of revenue and other related information as specified in the Manuals. Franchisee agrees to keep and maintain, at Franchisee's principal place of business, records of Gross Receipts and expenses. At its option, Franchisor may change the reporting schedule, with three (3) months prior written notice to Franchisee, to more frequent intervals or otherwise.

12.3 Other Reports. Franchisee shall furnish to Franchisor, in the form from time to time prescribed by Franchisor upon its request, such data, information, and records for such periods as Franchisor from time to time requires (including, without limitation, federal, state and local sales, income or other tax returns filed by Franchisee or its principals). Any such information submitted by Franchisee to Franchisor shall be verified and signed by Franchisee in the manner prescribed by Franchisor.

12.4 Inspection and Audit. Franchisor and its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, accounts and tax returns of Franchisee, whether in electronic or paper form. Franchisor shall also have the right, at any time, to have an independent audit made of the books, records, accounts and tax returns of Franchisee. If an inspection should reveal that any payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest and late fees (at the rate and on the terms provided in Section 5.4 above) from the date such amount was due until paid. In the event Franchisee fails to provide all documents to Franchisor or its designated agents for examination as required herein, it will be presumed that payments due to Franchisor have been understated by at least five percent

(5%). Further, in the event such inspection or audit is made necessary by the failure of Franchisee to furnish reports, supporting records, or other information, as herein required, or to furnish such reports, records, or information on a timely basis, or if an understatement of Gross Receipts for any period of any audit is determined by any such audit or inspection to be greater than three percent (3%), Franchisee shall reimburse Franchisor immediately upon Franchisor's demand (but in no case more than five (5) business days after Franchisor's request) for the cost of such inspection or audit, including, without limitation, the charges of attorneys and any independent accountants, and the travel expenses, room and board and applicable per diem charges for Franchisor's employees, attorneys, and independent accountants. In addition, Franchisee shall pay interest at a rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by applicable law, whichever is less, on the amount owed, and Franchisor shall have the right to terminate this Agreement. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## 13. ADVERTISING AND PROMOTION

Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotion programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

13.1 Advertising Materials. All advertising and promotion by Franchisee shall be in such media and of such type and format as Franchisor approves in writing, shall be conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may specify (including, without limitation, containing copyright, trademark or other notices required by Franchisor). Franchisee shall not use any advertising or promotional materials or programs, or coupons (except as described in Section 13.6 below) unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 13.2 below. Franchisee shall purchase from Franchisor or approved suppliers reasonable quantities of current advertising materials for distribution, and shall maintain an adequate supply of all printed advertising and other promotional materials at the Center at all times.

13.2 Approval of Advertising Materials. Franchisee shall submit to Franchisor samples of all advertising and promotional materials, programs and marketing plans for any electronic, print, broadcast, or other media (including, without limitation, the Internet and social media) that Franchisee desires to use and that have not been prepared or previously approved by Franchisor within the preceding six (6) months (as provided in Section 23 hereof), for Franchisor's prior written approval (except with respect to minimum prices to be charged). Franchisee shall not use such plans or materials until they have been approved in writing by Franchisor. Franchisor may withhold its approval in its business judgment.

13.3 Brand Fund. During the term of this Agreement, Franchisee shall also contribute for advertising and promotion to the System's Brand Fund up to five percent (5%) of Franchisee's Gross Receipts ("Brand Fee") in such amount as Franchisor notifies Franchisee from time to time in writing or in the Manuals. The Brand Fee shall be calculated and payable at the same time and in the same manner as the royalty fee pursuant to Section 5.4 above. Such contributions to the Brand Fund shall be in addition to the expenditures required by Sections 13.4 and 13.5 below. All

Franchisor-operated play centers will make contributions to the Brand Fund in the same amount then required of franchisees in the System. Franchisee understands and acknowledges that, due to differing forms of franchise agreements or otherwise, some franchisees may have different Brand Fund and/or other obligations than in this Agreement.

The Brand Fund shall be maintained and administered by Franchisor as follows:

13.3.1 Franchisor shall direct all advertising programs, with sole discretion over all matters relating to the Brand Fund (consistent with its purposes and the provisions of this Agreement) in any way, including, but not limited to, its management, financial matters, expenditures, receipts and/or investments by the Brand Fund, timing of expenditures, creative concepts, content, materials and endorsements for any marketing programs, together with the geographic, market, and media placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition, acceptance, and use of the System; and that Franchisor is not obligated, in administering the Brand Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or from expenditures by the Brand Fund.

13.3.2 The Brand Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, preparing, producing, distributing and using advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image of the Gymboree Play & Music brand and System, including but not limited to the costs of preparing and conducting electronic (including Internet-based and social media), radio, television, print, direct mail, and billboard advertising; administering national, regional and other marketing, advertising and promotional programs; developing, maintaining and updating web sites, social media sites and emerging technologies; SEO software; email marketing; purchasing media and signage; "brand/image advertising"; research and development of new products and services; conducting surveys and secret shopper programs; funding contests, coupons, and other promotional programs; conducting public relations activities and reputation management; purchasing and distributing promotional items; the development and maintenance of mobile applications, intranets, and other media or devices to foster customer engagement and facilitate communication; and expenses associated with any franchisee advisory council(s). Franchisor reserves the right to use the Brand Fund for public relations or recognition of the Gymboree Play & Music brand and for the development and maintenance of a web site, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a brief statement in any advertisement regarding the availability of information regarding the purchase of Gymboree Play & Music franchises.

13.3.3 Franchisor or its affiliates may perform any or all of the functions described in this Section 13 themselves, and they shall be reimbursed from the Brand Fund for the proportionate share of their operating expenses, overhead and compensation of their employees devoted to these functions; and/or they may retain third party agencies, paid from the Brand Fund, to perform any and all of these functions. As an alternative to calculating the proportionate share of operating expenses, overhead, and employee compensation attributable to marketing,

advertising and promotional activities, Franchisor may pay itself an administrative fee of 10% of the annual aggregate Brand Fees from the Brand Fund, plus reimbursement for its out-of-pocket costs on marketing, advertising and promotional activities.

13.3.4 Franchisor shall maintain separate bookkeeping accounts for the Brand Fund. Franchisee acknowledges that Franchisor is not a fiduciary to Franchisee of the monies in the Brand Fund. It is anticipated that all contributions to and earnings of the Brand Fund will be expended during the taxable year within which the contributions are made. If, however, excess amounts remain in the Brand Fund at the end of such taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

13.3.5 Although the Brand Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Brand Fund. The Brand Fund shall not be terminated, however, until all monies in the Brand Fund have been expended for marketing, advertising and/or promotional purposes. Franchisor shall prepare an annual statement of monies collected and costs incurred by the Brand Fund for the prior year, which Franchisor will provide to Franchisee upon reasonable written request. Franchisor may (but is not required to) have financial statements of the Brand Fund audited, and any related costs shall be paid by the Brand Fund.

13.4 Local Marketing Program. Franchisee shall implement a local marketing program in accordance with the Manuals. In addition to the contributions to the Brand Fund required by Section 13.3 above, Franchisee shall spend for local advertising and promotion of the Center not less than Four Thousand Dollars ($4,000) per calendar year. In determining if Franchisee has met this obligation, Franchisor shall only consider expenses paid for direct mail and other promotional materials which Franchisor has approved in advance in writing. Franchisee shall submit to Franchisor on a monthly basis, in a form prescribed by Franchisor, verification of its expenditures for local advertising and promotion. Franchisee shall also display in the Center such materials, signs and brochures as designated by Franchisor from time to time, including, but not limited to, prospective franchisee inquiry cards which shall be supplied to Franchisee by Franchisor.

13.5 Cooperative. Franchisor reserves the right to designate any geographical area for purposes of establishing a Cooperative, and to determine whether a Cooperative is applicable to the Center. If a Cooperative has been established applicable to the Center at the time the Franchisee commences operations hereunder, Franchisee shall immediately become a member of the Cooperative. If a Cooperative applicable to the Center is established at any later time during the term of this Agreement, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation.

13.5.1 Each Cooperative shall be organized and governed in a form and manner, shall commence operation on a date, and shall operate pursuant to written governing documents, all of which must be approved by Franchisor in writing. The voting structure of each Cooperative shall be one vote per each franchised Center that is open and in operation.

13.5.2 Each Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized advertising materials for use by the members in local advertising.

13.5.3 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 13.2 hereof.

13.5.4 Each Cooperative shall have the right to require its members to make ongoing contributions to the Cooperative in such amounts as are determined by the Cooperative; provided, however, that a franchisee of a Play & Music Center shall not be required to contribute to any Cooperative in excess of Two Hundred Fifty Dollars ($250) during any calendar month (or Three Thousand Dollars ($3,000) during any calendar year), and a franchisee of a Metro Play Center or Mobile Play Center shall not be required to contribute to any Cooperative in excess of One Hundred Fifty Dollars ($150) during any calendar month (or One Thousand Eight Hundred Dollars ($1,800) during any calendar year), except as otherwise agreed to by all members of the Cooperative.

13.5.5 Each member franchisee shall submit to the Cooperative, no later than the first Friday of each month for the preceding month, its contribution as provided in Section 13.5.4 hereof, together with such other statements or reports as may be required by Franchisor or by the Cooperative with Franchisor's prior approval.

13.5.6 Franchisor reserves the right to require Cooperatives to be changed, dissolved, or merged.

13.6 Discount Programs. Franchisor may, from time to time, develop, establish, and market special discount, loyalty, or free coupon programs designed to induce customers to patronize Gymboree Play & Music Centers, and Franchisor may require Franchisee to participate therein. Franchisor shall notify Franchisee of the creation of all such discount, loyalty, or coupon programs and shall advise Franchisee with respect to all of the elements thereof. Franchisee shall in all respects adhere to all elements of said program; provided, however, that Franchisee may charge less than the special discounted rates required by Franchisor. Franchisor shall establish all such discount, loyalty, or coupon programs in its discretion and shall not be required to consent, consult or confer with Franchisee or any other Gymboree Play & Music franchisee with respect to the nature, content or amount of any discount or coupon established pursuant to any such program.

13.7 Electronic Media. Franchisee specifically acknowledges and agrees that web sites and social media sites will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under this Section 13.

13.7.1 Franchisor may establish and maintain one or more web sites, social media sites, or other electronic media, including but not limited to intranets, extranets, applications, and/or other means of electronic communication or functionality. Franchisor shall have the sole right to control all aspects of these electronic media sites, including without limitation their

respective design, content, functionality, links to other sites, legal notices, and policies and terms of usage. Franchisor shall have the right to discontinue operation or use of any or all electronic media at any time with reasonable notice to Franchisee.

13.7.2 Except as approved in advance in writing by Franchisor, Franchisee shall not establish or maintain any separate web sites, social media sites, or other electronic media in connection with the Center. If such written approval is granted by Franchisor, Franchisee shall establish and operate the approved electronic media in accordance with Franchisor's standards and policies set forth in the Manuals or otherwise in writing from time to time.

13.7.3 Franchisee shall not use any web site, social media site, or other electronic media in a manner that is offensive, inflammatory, or indecent or otherwise harms the goodwill and public image of the System and/or the Proprietary Marks.

13.7.4 Franchisor may, from time to time in its sole discretion, establish additional or different policies and standards respecting the use of web sites, social media sites, and other electronic media, and Franchisee will be required to comply with them.

13.8 Mobile Applications. Franchisor may establish or use, and may permit or require Franchisee to use, one or more mobile applications (a "Mobile App") for registration, scheduling, electronic payments, or any other use in connection with the System. The term "Mobile App" shall include any application for use on smart phones, tablets, or other mobile devices, and may include a loyalty or reward program or other features. If Franchisor requires Franchisee to use a Mobile App, then Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) for connecting to, and utilizing, such technology in connection with Franchisee's operation of the Franchised Business.

## 14. INSURANCE

14.1 Minimum Insurance Requirements. Franchisee shall procure, prior to the commencement of any renovation or construction, or the opening, of the Center, and shall maintain in full force and effect at all times during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee and protecting and naming as additional insureds, Franchisor, and their Affiliates and their respective officers, directors, partners, agents and employees against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Franchised Business, as specified by Franchisor from time-to-time in Franchisor's discretion. Franchisor may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Franchisee agrees to comply with all insurance requirements, as they may be changed over time, within 30 days after receiving written notice of any change.

For Franchisee's information, Franchisor's current insurance requirements for Franchisee's Play & Music Center include the following: The minimum amount of insurance

required shall be general liability coverage with $1,000,00 each occurrence with $3,000,000 aggregate and a umbrella policy with a $5,000,000 each occurrence with a $5,000,000 aggregate. In addition, Franchisee shall secure and maintain at no cost to Franchisor (i) an accident, medical and dental expense policy with a minimum limit of $25,000 per incident, (ii) automobile liability insurance on all Franchisee's vehicles (all Owned, Leased, Non-Owned and Hired Vehicles) with limits of not less than $1,000,000 combined single limit, and (iii) (as required by law) a workers' compensation policy covering its employees. For all mobile programs, including Mobile Play Centers and "Gymboree On The Go" programs, Franchisee's teachers also must maintain $100,000 of automobile liability insurance or higher as required by law.

14.2 Certificate of Insurance. Prior to the commencement of any renovation or construction, and prior to the opening, of the Center, and any time thereafter upon Franchisor's request, Franchisee shall provide Franchisor with a Certificate of Insurance reflecting that the insurance coverage is in effect, that Franchisor and its Affiliates are additional insureds on the public and product liability (if required) and automobile liability and umbrella policies, and that all insurance policies may not be changed or canceled except upon thirty (30) days' prior written notice by the insurance carrier to Franchisor. All insurance policies shall be issued by insurance companies with a financial rating of at least A- status as rated in the most recent edition of Best's Insurance Reports and must be approved by Franchisor. Franchisee shall provide Franchisor with a copy of the full policy or policies within 10 days of Franchisor's request.

14.3 Non-Waiver. Franchisee's obligation to obtain and maintain the policy or policies in the amounts specified in the Manuals shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 22.3 of this Agreement.

14.4 Franchisor Entitled to Recover. All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor or its Affiliates, or their respective servants, agents or employees by reason of the negligence of Franchisee or its servants, agents or employees.

14.5 Franchisor's Right to Procure Insurance. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## 15. TRANSFER OF INTEREST

15.1 Franchisor's Right to Transfer. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of

Franchisor under this Agreement from the date of assignment. Franchisee shall execute such documents of attornment or otherwise as Franchisor may request.

15.2 Franchisee's Conditional Right to Transfer. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee's (or, if Franchisee is a corporation, partnership, or limited liability company, its principals') business skill, financial capacity and personal character. Accordingly, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, nor any individual, partnership, limited liability company, corporation or other legal entity which directly or indirectly owns any interest in Franchisee or in the Franchised Business shall sell, assign, transfer, convey, pledge, encumber, merge or give away (collectively, "transfer") any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business without the prior written consent of Franchisor. Any purported assignment or transfer not having the prior written consent of Franchisor required by this Section 15.2 shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate without opportunity to cure pursuant to Section 17.2.6 of this Agreement.

15.3 Conditions of Transfer. Franchisee shall notify Franchisor in writing of any proposed transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business at least forty-five (45) days before such transfer is proposed to take place. Franchisor shall not unreasonably withhold its consent to any transfer. Franchisor may, in its discretion, require any or all of the following as conditions of its approval:

15.3.1 That Franchisee or its Affiliates must be in full compliance with (a) all of the provisions of this Agreement and any amendment or successor hereto, (b) Franchisee's or its Affiliates' obligations to make timely payments of any amounts due to Franchisor or any Affiliate of Franchisor under any Other Agreement (as defined in Section 17.4); (c) the health or safety requirements under any Other Agreement; (d) the insurance requirements of any Other Agreement; and (e) all leases/subleases with any third parties; and, at the time of transfer, shall not be in default thereof;

15.3.2 That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital to operate the Franchised Business;

15.3.3 That all of Franchisee's obligations (including all obligations of any entity affiliated with and/or related to Franchisee) hereunder to Franchisor (including any entity affiliated with and/or related to Franchisor) must be expressly assumed by the transferee;

15.3.4 That all of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor and its Affiliates have been fully satisfied, all obligations to third parties arising out of the operation of the Center have been satisfied or assumed by the transferee, and the Center and its operations must have been brought into full compliance with the specifications and standards then applicable for new and/or renewing Centers, including, without limitation, a full upgrade to the same first-class condition as a new Center; installation of new equipment, furniture, furnishings, tenant improvements, décor package, signage, and computer hardware and software; compliance with all then-current standards for facility design, plus such renovation and modernization of the Center as Franchisor may require to reflect the then-current standards and image of the System, all at Franchisee's (or the transferee's) sole expense;

15.3.5 That the transferee and its personnel (at Franchisor's option) must successfully complete (prior to the transfer) Franchisor's initial training program to Franchisor's satisfaction; Franchisee agrees the transfer fee is non-refundable even in the event the transferee does not successfully complete Franchisor's initial training program to Franchisor's satisfaction;

15.3.6 That the transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Franchised Business;

15.3.7 That Franchisee remain liable for all of the obligations to Franchisor in connection with the Franchised Business which arose prior to the effective date of the transfer and execute any and all instruments reasonably requested by Franchisor to evidence such liability;

15.3.8 To the extent required by the terms of any leases or other agreements, that the lessors or other parties whose consent is required must have consented to the proposed transfer;

15.3.9 That (1) (a) the transferee (and, if the transferee is other than an individual, all owners of the transferee as Franchisor may request) enter into a written assignment, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement, or (b) the transferee execute, for a term ending on the expiration date of this Agreement and with such renewal term(s) as may be provided by this Agreement, the Franchisor's then-current form of Gymboree Play & Music Center Franchise Agreement and other ancillary agreements as Franchisor may require for the Franchised Business, which agreements shall supersede this Agreement in all respects, and the economic and other terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty fee and marketing contribution and a different or smaller Territory (depending on changes to the demographics of the Territory), except that the transferee shall not be required to pay any initial franchise fee; and (2) such principals of the transferee as Franchisor requires shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

15.3.10 That the transferor and its principals shall have executed a general release, in a form required by Franchisor, of any and all claims against Franchisor and its Affiliates, and their respective officers, directors, agents, shareholders, and employees;

15.3.11 That Franchisee or the transferee pays to Franchisor a non-refundable transfer fee which shall be fully earned by Franchisor when paid and shall be in an amount equal to forty percent (40%) of the per-site initial franchise fee then being charged to new franchisees (or, if no franchises are then being offered, the initial franchise fee most recently charged); provided however, (a) if the transfer is to an existing Gymboree Play & Music franchisee, the transfer fee shall be in an amount equal to ten percent (10%) of the per-site initial franchise fee(s) then being charged existing Gymboree Play & Music franchisees (or, if no franchises are then being offered, the initial franchise fee most recently charged) for the number of sites being transferred; and (b) if more than one site is being transferred in the same transaction to the same transferee (who is not an existing Gymboree Play & Music franchisee), the transfer fee for each additional site shall be discounted to the following percentages of the per-site initial franchise fee(s) then being charged Gymboree Play & Music franchisees (or, if no franchises are then being offered, the initial franchise fee most recently charged) for the number of sites being transferred: thirty percent (30%) for the second site being transferred, twenty-five percent (25%) for the third site being transferred, and twenty percent (20%) for the fourth site and each additional site being transferred. (For example, if Franchisee is transferring four sites to the same transferee in the same transaction, the transfer fee would be the sum of: forty percent (40%) of the then-current initial franchise fee being charged Gymboree Play & Music franchisees for the first site, plus thirty percent (30%) of the then-current initial franchise fee being charged Gymboree Play & Music franchisees for the second site, plus twenty-five percent (25%) of the then-current initial franchise fee for Gymboree Play & Music franchisees for the third site, plus twenty percent (20%) of the then-current initial franchise fee for Gymboree Play & Music franchisees for the fourth site.); and (c) in the case of a transfer to a corporation or limited liability company formed by Franchisee for the convenience of ownership (as determined by Franchisor in its discretion), no such transfer fee shall be required. The transfer fee is due upon Franchisor's receipt of the fully executed release and franchise agreement between the transferee and Franchisor;

15.3.12 If transferee finances any portion of the total purchase price, that transferee expressly, in writing, subordinates all third-party interests in the Franchised Business to the interests of Franchisor; and

15.3.13 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises.

15.4 No Security Interest. Franchisee shall not grant a security interest in the Franchised Business or in any of the assets of the Franchised Business unless the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness due to Franchisee's default shall be void.

15.5 Death or Disability. On Franchisee's death or permanent disability or, if the Franchisee is a corporation, partnership, or limited liability company, on the death or permanent disability of the owner of a controlling interest in the Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person will transfer his or her interest in this Agreement and the Franchised Business, or such interest in Franchisee, to a third

party subject to Franchisor's consent and all of the provisions of this Agreement with respect to a transfer and possible exercise of Franchisor's right-of-first-refusal. Such disposition of this Agreement and the Franchised Business, or such interest in Franchisee (including, without limitation, transfer by bequest or inheritance), will be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability and will be subject to all the terms and conditions applicable to inter vivos transfers contained in this Agreement. Failure to so transfer the interest in this Agreement and the Franchised Business, or such interest in Franchisee, within said period of time will constitute a breach of this Agreement. Franchisee shall be deemed to have a "permanent disability" if Franchisee's personal, active participation in management of the Center is for any reason curtailed for a continuous period of six (6) months.

15.6 Right of First Refusal. Except as otherwise provided in Sections 16 hereof, if any party holding any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business desires to accept any bona fide offer from a third party to purchase such interest, Franchisee shall notify Franchisor in writing forty-five (45) days before accepting such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor or a buyer approved by Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that Franchisor or a buyer approved by Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor or a buyer approved by Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor. If Franchisor or any buyer approved by Franchisor elects not to purchase the seller's interest, any material change thereafter in the terms of the offer from a third party shall constitute a new offer subject to the same rights of first refusal by Franchisor or a buyer approved by Franchisor as in the case of the third party's initial offer. Failure of Franchisor or a buyer approved by Franchisor to exercise the option afforded by this Section 15.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15, with respect to a proposed transfer. In the event the consideration, terms and/or conditions offered by a third party are such that Franchisor or a buyer approved by Franchisor may not reasonably be required to furnish the same consideration, terms and/or conditions, then Franchisor or a buyer approved by Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser shall be designated by Franchisor at Franchisor's expense, and the appraiser's determination shall be binding.

15.7 Non-Waiver. Franchisor's consent to a transfer of any interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

## 16. FRANCHISOR'S OPTION TO PURCHASE PLAY EQUIPMENT

If Franchisee or any other party owning any of the Play Equipment desires to sell, assign, transfer, convey, pledge, encumber, dispose of, or otherwise give away such Play Equipment, such party shall notify Franchisor in writing forty-five (45) days before such transfer is to take place, and shall first offer to sell the Play Equipment to Franchisor at fair market value or at Franchisee's depreciated book value, whichever is less. Franchisor or its designated Affiliate shall have the right and option, exercisable within fifteen (15) days after receipt of such written notification, to send written notice to the seller that Franchisor or its Affiliate intends to purchase the Play Equipment. If the parties cannot agree on the price of the Play Equipment within fifteen (15) days of such written notification, an independent appraisal shall be conducted by an appraiser designated by Franchisor at Franchisee's expense, and the appraiser's determination shall be binding.

## 17. DEFAULT AND TERMINATION

17.1 Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated bankrupt or insolvent; 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; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the premises of the Franchised Business or Play Equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

17.2 Notice Without Opportunity to Cure. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the date of the written notice of termination to Franchisee (in the manner provided under Section 25 hereof):

17.2.1 If Franchisee fails to construct and open the Franchised Business within the time limits provided in Section 6.3 hereof;

17.2.2 If Franchisee or Franchisee's personnel fail to complete the initial training program described in Section 7.1 hereof to Franchisor's satisfaction;

17.2.3 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Business for more than five (5) calendar days, or loses the right to possession of the premises of the Franchised Business without having found another Approved Location, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located. However, if, through no fault of Franchisee, the premises of the Franchised Business are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the premises of the Franchised Business, which approval shall not be unreasonably withheld;

17.2.4 If Franchisee or any of its owners has made any material misrepresentation or omission in Franchisee's application for the Franchised Business, including without limitation failure to disclose any prior litigation or criminal convictions (other than minor traffic offenses);

17.2.5 If Franchisee or any of its owners is convicted by a trial court of or pleads no contest to a felony, or to any crime or offense that may adversely affect the reputation of Franchisee or any owner or the Center or the goodwill associated with the Proprietary Marks or engages in any misconduct which unfavorably affects the reputation of Franchisee or any owner or the Center, Franchisor or the goodwill associated with the Proprietary Marks or System (including, but not limited to, child abuse or other mistreatment, health or safety hazards, drug or alcohol problems, or allowing unlawful activities or unauthorized or illegal items to be used or distributed at the Approved Location);

17.2.6 If any purported assignment or transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business is made to any third party without Franchisor's prior written consent or otherwise contrary to the terms of Sections 15 or 16 hereof;

17.2.7 If an approved transfer is not effected within the time provided following death or disability, as required by Section 15.5 hereof;

17.2.8 If Franchisee fails to comply with the covenants in Section 19.2.1 or 19.2.3 hereof or fails to obtain execution of the covenants required under Section 11.2 hereof;

17.2.9 If, contrary to the terms of Sections 10 or 11 hereof, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

17.2.10 If Franchisee or any of its owners, or any Affiliate of Franchisee, or any Franchisee Affiliate's owners make any misrepresentation to Franchisor or any Affiliate, including (but not limited to) any misrepresentation of Gross Receipts or any amounts due Franchisor or any Affiliate, or commit any other act or omission constituting fraud, misrepresentation or similar act or omission, whether with respect to Franchisor or its Affiliates;

17.2.11 If there are three (3) or more significant (as determined by Franchisor in its reasonable discretion) customer complaints with respect to the Center in any six-month period or five (5) or more significant (as determined by Franchisor in its reasonable discretion) customer complaints with respect to the Center in any twelve-month period, whether or not resolved;

17.2.12 If Franchisee fails to comply with Franchisor's "terms of use" and/or adhere to Franchisor's privacy policies or any applicable privacy laws (and/or any other requirements) regarding all computer and other systems, Internet use, and marketing;

17.2.13 If Franchisee refuses to permit Franchisor to inspect the Franchised Business premises, or the books, records or accounts of Franchisee upon demand as described in Section 12 hereof;

17.2.14 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or otherwise significantly impairs, as Franchisor determines in its reasonable discretion, the goodwill associated therewith or Franchisor's rights therein;

17.2.15 If Franchisee defaults on three (3) or more separate occasions within any twelve-month period, or on four (4) or more separate occasions within any twenty-four-month period, (a) in any obligation(s) (whether the same or different) under this Agreement, (b) in any obligation under any Other Agreement (as defined in Section 17.4) provided such default under such Other Agreement constitutes one of the following defaults: (i) Franchisee's or its Affiliate's obligations to make payments of any amounts due to Franchisor or any Affiliate of Franchisor under any Other Agreement when due; (ii) the health or safety requirements under an Other Agreement; or (iii) the insurance requirements of any Other Agreement, whether or not such defaults are timely cured; or

17.2.16 If Franchisee fails to respond to Franchisor's communication (whether via electronic system, mail or phone) attempts for thirty (30) days or more.

17.3 Notice With Opportunity to Cure. Except as otherwise provided in Sections 17.1 and 17.2 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 25 hereof) stating the nature of the default to Franchisee at least thirty (30) days (unless otherwise specified) prior to the effective date of termination; provided, however, that Franchisee may avoid termination by curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the applicable cure period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the applicable cure period or such longer period as applicable law may require. Defaults which are susceptible of cure hereunder include the following illustrative events:

17.3.1 If Franchisee fails to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by the Manuals, or failure to carry out the terms of this Agreement in good faith;

17.3.2 If Franchisee fails to report accurately and in a timely manner the Gross Receipts according to Franchisor's standards of the Center or fails to make payments of any amounts due to Franchisor or any Affiliate of Franchisor when due and does not correct such failure within ten (10) calendar days after written notice is delivered to Franchisee;

17.3.3 If Franchisee fails to maintain the insurance required by this Agreement and does not correct such failure within five (5) calendar days after written notice is delivered to Franchisee;

17.3.4 Except as provided in Section 17.2.6 hereof, if Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement;

17.3.5 If Franchisee engages in any business or markets any service or product under a name or mark which, in Franchisor's opinion, is confusingly similar to the Proprietary Marks;

17.3.6 If Franchisee fails to remain current in its payment obligations to taxing authorities, landlords, equipment lessors, suppliers, creditors or others and does not correct such failure within ten (10) calendar days after written notice is mailed to Franchisee; or

17.3.7 If Franchisee has failed to retain any records required under Section 12 hereof or which are otherwise required for Franchisor to confirm Franchisee's compliance with the provisions of this Agreement or any other agreement between Franchisor and Franchisee.

17.4 Cross Default. Any material default by Franchisee or any of its Affiliates under any other agreement between Franchisor or any of its Affiliates as one party and Franchisee or any of its Affiliates as the other party (including, but not limited to, a franchise agreement, development agreement, lease, sublease, or loan agreement) ("Other Agreement") shall be deemed to be a material default of this Agreement, and Franchisor shall have the right, at its option, to terminate this Agreement, effective immediately upon notice to Franchisee. A material default shall include, but is not limited to: (a) the failure to make payments of any amounts due to Franchisor or any Affiliate of Franchisor under any Other Agreement when due; (b) a default of any Other Agreement for health or safety reasons; or (c) a failure to maintain the insurance required by any Other Agreement.

17.5 Extended Cure Period. Notwithstanding anything contained herein to the contrary, where Franchisor has the right to terminate this Agreement, Franchisor shall have the right, to be exercised in its discretion, to grant to Franchisee an extended period of time to cure the breach which gave rise to Franchisor's right to terminate. Franchisee acknowledges that Franchisor's election to grant such an extended cure period to Franchisee shall not operate as a waiver of any of Franchisor's rights hereunder and that, in consideration for such an extension, Franchisee shall execute a general release, in a form prescribed by Franchisor, and, if Franchisee fails to execute such release, the grant of such an extension will, in itself, constitute such a release. Franchisee acknowledges that any extension of a cure period will be granted only in the form of a writing from Franchisor.

17.6 Suspension of Products, Services or Benefits. If Franchisor issues a notice of default to Franchisee, Franchisor and each of its Affiliates shall have the right, in addition to Franchisor's other rights and remedies, (a) to discontinue selling and/or providing any products and/or services to Franchisee until Franchisee has cured all defaults, and Franchisor and its Affiliates may cease providing such items to Franchisee; and/or (b) to deny access to any and all programs and/or materials created by, and benefits of, the Brand Fund until such defaults have been cured.

## 18. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement or Franchisee abandoning the Franchised Business, all rights granted hereunder to Franchisee shall forthwith terminate, and:

18.1 Cease Operations. Franchisee shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

18.2 Cease Use of Confidential Information and Proprietary Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, the confidential information described in Section 11.1 above, any confidential methods, procedures and techniques associated with the System; the Proprietary Marks and all other distinctive forms, slogans, signs, symbols, devices, advertising materials, displays, stationery, forms, products and any other articles which display the Proprietary Marks.

18.3 Cancellation of Registrations. Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark "Gymboree Play & Music" or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

18.4 Assignment of Lease. Franchisee shall, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Franchised Business premises. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Franchised Business premises, Franchisee shall make such modifications or alterations to the premises (including, without limitation, the changing of, and the assigning to Franchisor of, the telephone number, facsimile number and e-mail address) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the premises from that of the Franchised Business under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 18.4, Franchisor shall have the right to enter upon the premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

18.5 Subsequent Use of Proprietary Marks Prohibited. 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 Proprietary Marks, either in connection with such other business or the promotion thereof, which, in Franchisor's discretion, is likely to cause confusion, mistake or deception, or which, in Franchisor's discretion, is likely to dilute Franchisor's rights in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description or representation (including but not limited to reference to the Franchisor, the System or the Proprietary Marks) which, in Franchisor's discretion, suggests or represents a present or former association or connection with Franchisor, the System or the Proprietary Marks.

18.6 Payment. Franchisee shall immediately pay all sums owing to Franchisor and its Affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid-in-full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment (including, without limitation, the Play Equipment), signs, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

18.7 Return Franchisor Materials. Franchisee shall immediately deliver to Franchisor the Manuals, all customer lists and information, all software, tapes and CDs provided by Franchisor, and all other records, correspondence and instructions containing confidential information relating to the operation of the Franchised Business (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor. Franchisee shall not retain a copy or record of any of the foregoing, with the exception of Franchisee's copy of this Agreement, any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

18.8 Destruction or Authorized Sale of Play Equipment. Franchisee shall, within sixty (60) days of termination or expiration of this Agreement or of Franchisee abandoning the Franchised Business, either (a) destroy the Play Equipment, or (b) sell, assign, transfer, or convey the Play Equipment to another approved franchisee currently operating a Center in the System. Franchisee shall provide Franchisor with evidence satisfactory to Franchisor of the action taken. Franchisor may, in its sole discretion, provide Franchisee with a list of franchisees in the System to whom Franchisee may sell, assign, transfer, or convey the Play Equipment. For the purposes of this Section 18.8, the term "Play Equipment" shall include any equipment acquired by Franchisee pursuant to Section 8.8 above.

18.9 Electronic Media. Franchisee shall cease use of any web site, social media site, domain name, URL, or home page address containing any of the Proprietary Marks or used in connection with the Center, and shall not establish any such electronic media presence using any similar domain name, URL, and/or home page address.

18.10 Compliance With Covenants. Franchisee shall comply with the covenants contained in Sections 11.1 and 19.3 of this Agreement.

18.11 General Release. In Franchisor's discretion, in any case where Franchisee has committed a default under this Agreement, any lease/sublease and/or otherwise which would allow Franchisor to terminate Franchisee's rights, Franchisor may (but is not required to) waive Franchisor's rights to collect any royalties, advertising contributions and/or other amounts which would have become due if Franchisee had continued in operation as a Gymboree Play & Music franchisee, and Franchisee shall, in consideration for such waiver, execute a general release, in a form prescribed by Franchisor. This option may be exercised by Franchisor at any time, including before, at the same time as, or after termination or expiration of this Agreement, and whether or not Franchisee or Franchisor has made any claims, or begun any proceedings, against the other or anyone else.

## 19. COVENANTS

19.1 Best Efforts. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, a principal, general partner or member having signing authority on behalf of Franchisee and who is approved by Franchisor) shall devote full time and best efforts to the management and operation of the Franchised Business, and shall not engage in any other outside activities which will interfere with the performance of the duties required of Franchisee hereunder.

19.2 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques 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 or legal entity:

19.2.1 Divert or attempt to divert any present or prospective business or customer of any Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or

19.2.2 Own, maintain, operate, engage in, be employed by, provide any services or assistance to, finance, or have any interest in (as owner or otherwise) any Similar Business located anywhere.

19.3 Post-Term Covenants. Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, for a continuous uninterrupted period of two (2) years commencing upon the later of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 19.3; or (e) any or all of the foregoing; either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by,

provide services or assistance to, finance, or have any interest in (as owner or otherwise) any Similar Business which is, or is intended to be, located at or within:

19.3.1 The Territory;

19.3.2 Ten (10) miles of the Approved Location; or

19.3.3 Ten (10) miles of any business operating under the Proprietary Marks.

However, Sections 19.2.3 and this Section 19.3 shall not apply to the operation by Franchisee of any business under the System which is franchised by Franchisor to Franchisee under an effective Franchise Agreement.

19.4 No Application to Equity Securities. Sections 19.2.2 and 19.3 shall not apply to ownership by Franchisee of a less than three percent (3%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

19.5 Reduction of Scope of Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, in its discretion, to reduce the scope of any covenant set forth in Sections 19.2 and 19.3, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 26 hereof.

19.6 No Defense. Franchisee expressly agrees that the existence of any claims 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 in this Section 19.

19.7 Independent Covenants. The parties agree that each of the foregoing covenants in this Section 19 shall be construed as independent of any other covenant or provision of this Agreement. Franchisee acknowledges and agrees that California Business and Professions Code Section 16600 (and any related California law) shall not apply to the foregoing covenants for any Approved Location located outside of California. If all or any portion of a covenant in this Section 19 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed 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 on Franchisee permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 19.

19.8 Irreparable Injury. Franchisee acknowledges that Franchisee's violation of any of the terms of this Section 19 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 19.

## 20. CORPORATE, PARTNERSHIP OR LIMITED LIABILITY COMPANY FRANCHISEE

20.1 Corporate Franchisee. If Franchisee is a corporation, Franchisee shall comply with the following requirements:

20.1.1 Franchisee shall be newly organized and its charter shall at all times provide that its activities are confined exclusively to operating the Franchised Business.

20.1.2 Copies of Franchisee's Articles of Incorporation (copy of the filed, stamped), Bylaws and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement, shall be promptly furnished to Franchisor upon Franchisor's request (which can be at any time during the term of this Agreement).

20.1.3 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate of Franchisee shall have conspicuously endorsed upon its face a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement.

20.1.4 Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities or securities convertible into voting securities of Franchisee and shall furnish the list to Franchisor upon request.

20.2 Partnership Franchisee. If Franchisee or any successor to or assignee of Franchisee is a partnership, it shall comply with the following requirements:

20.2.1 Franchisee shall furnish Franchisor with a copy of its fully executed partnership agreement as well as such other documents as Franchisor may reasonably request at any time in Franchisor's discretion, and any amendments thereto.

20.2.2 The partnership agreement shall at all times note conspicuously that partnership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Franchise Agreement.

20.2.3 Franchisee shall prepare and furnish to Franchisor, upon request, a list of all general and limited partners in Franchisee and their home addresses.

20.3 Limited Liability Company Franchisee. If Franchisee or any successor to or assignee of Franchisee is a limited liability company, it shall comply with the following requirements:

20.3.1 Franchisee shall furnish Franchisor with a copy of its filed, stamped articles of organization and operating agreement as well as such other documents as Franchisor may reasonably request at any time in Franchisor's discretion, and any amendments thereto.

20.3.2 The articles of organization or operating agreement shall at all times note conspicuously that membership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Franchise Agreement.

20.3.3 Franchisee shall prepare and furnish to Franchisor, upon request, a list of all members in Franchisee and their home addresses.

20.4 Number of Owners. If Franchisee is a corporation, partnership or limited liability company, there shall never be more than four owners with ownership, partnership or membership interests in Franchisee (married couples and family trusts to be considered together as one for these purposes).

20.5 Guarantee and Indemnification. If Franchisee is a corporation, partnership, limited liability company, or any other form of entity, or if any successor to or assignee of Franchisee is a corporation, partnership, limited liability company, or other form of entity, then all of the principals thereto shall execute a Guarantee, Indemnification, and Acknowledgment in the form attached hereto as Exhibit C.

## 21. TAXES, PERMITS, AND INDEBTEDNESS

21.1 Payment of Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, employer's portion of employment-related taxes (FICA, Medicare and unemployment taxes) and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any state or local taxes, including, without limitation, sales, use, service, occupation, employment related, excise, gross receipts, income, property or other taxes, that may be imposed on Franchisor as a result of Franchisor's receipt or accrual of the initial franchise fee, royalty fees, advertising fees, renewal fees, and all other fees that are referenced in this Agreement, whether assessed against Franchisee through withholding or other means or whether paid by Franchisor directly, unless the tax is credited against income tax otherwise payable by Franchisor. In such event, Franchisee shall pay to Franchisor (or to the appropriate governmental authority) such additional amounts as are necessary to provide Franchisor, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that Franchisor would have received or accrued had such withholding or other payment, whether by Franchisee or by Franchisor, not been required.

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

21.3 Permits and Licenses. Franchisee shall comply with all federal, state, and local laws, rules, ordinance, codes, and regulations (including, without limitation, the applicable

provisions of the ADA regarding the construction, design and operation of the Franchised Business), and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, health permits, building permits, handicap permits and fire clearances.

21.4 Notification of Adverse Action. Franchisee shall immediately notify Franchisor in writing of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

## 22. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

22.1 Independent Contractor. Franchisor and Franchisee agree that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever. Franchisee acknowledges and agrees that Franchisor's usual business is the offering and selling rights to operate Gymboree Play & Music Centers using the Proprietary Marks and System, developing enhancements to the System, and providing assistance to Gymboree Play & Music franchisees, and, accordingly, Franchisor's usual business is different from Franchisee's usual business of operating a retail Center. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement with Franchisor. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place at the premises of the Franchised Business, the content of which Franchisor reserves the right to specify. Notwithstanding any other provision of this Agreement, Franchisor and Franchisee acknowledge and agree that Franchisee is solely responsible for all personnel and employment decisions relating to the Franchised Business.

22.2 No Authority to Contract. 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; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its operation of the business franchised hereunder or for any claim or judgment arising therefrom against Franchisee or Franchisor.

22.3 Indemnification. Franchisee shall indemnify, defend, and hold Franchisor and its Affiliates, and their respective partners, shareholders, officers, directors, agents, attorneys, accountants and employees harmless, against any and all claims, losses, lawsuits, liens, demands, costs, expenses, liabilities and damages arising directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Franchised Business and/or Franchisee's and/or its Affiliates' and their respective partners', shareholders', officers', directors', agents', attorneys', accountants' and employees' unauthorized use of the Proprietary Marks or Manuals. Franchisee shall reimburse Franchisor and its Affiliates, and their respective partners, shareholders, officers,

directors, agents, attorneys, accountants and employees for any expenses or costs any such party incurs as the result of a claim covered by the Franchisee's indemnification obligation.

## 23. APPROVALS AND WAIVERS

23.1 Approval and Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing. In no event shall Franchisee make any claim, whether directly, by way of set-off, counter-claim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of consent or approval by Franchisor. Unless otherwise expressly provided in this Agreement, approvals and consents may be withheld by Franchisor in Franchisor's sole and absolute discretion.

23.2 No Warranties or Guarantees. 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 in connection with this Agreement and/or the Franchised Business, or by reason of any neglect, delay or denial of any request therefor, provided that Franchisee may rely on the disclosures set forth in Franchisor's most recent Franchise Disclosure Document provided to Franchisee.

23.3 No Waiver. 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 hereof. Waiver by Franchisor of any particular default of Franchisee shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar, or different nature; nor shall any delay, force, or omission of Franchisor to exercise any power or right arising out of any breach of 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 right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

23.4 Force Majeure. Neither Franchisor, Franchisor's Affiliates, nor Franchisee shall be responsible or liable for any delays in the performance of any duties under this Agreement to the extent such are not the fault or within the reasonable control of that party including, but not limited to, the inability of Franchisor or its Affiliates to manufacture or distribute equipment or GPPI products, fire, flood, natural disasters, acts of God, delays in deliveries, governmental acts or orders, late deliveries of products or furnishing of services by third party vendors, civil disorders, or strikes and any other labor-related disruption, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay or impossibility. Provided, however, this clause shall not apply to and not result in an extension of: (1) the time for payments to be made by Franchisee as required by Section 5.4 hereof; or (2) the term of this Agreement.

## 24. GRANT OF SECURITY INTEREST

As security for the payment of all amounts from time to time owing by Franchisee to Franchisor under this Agreement and all other agreements between the parties, and performance of all obligations to be performed by Franchisee, Franchisee hereby grants to Franchisor a security interest in all of the assets of Franchisee, including, without limitation, all equipment, Play Equipment, furniture, fixtures, and building and road signs, as well as all proceeds of the foregoing (the "Collateral"). Franchisee warrants and represents that the security interest granted hereby is prior to all other security interests in the Collateral except bona fide purchase money security interests, if any. Franchisee agrees not to remove the Collateral, or any portion thereof, from the Approved Location without the prior written consent of Franchisor. Upon the occurrence of any event entitling Franchisor to terminate this Agreement or any other agreement between the parties, Franchisor shall have all the rights and remedies of a secured party under the Uniform Commercial Code of the State in which the Franchised Business is located, including, without limitation, the right to take possession of the Collateral. Franchisee agrees to execute and deliver to Franchisor financing statements or such other documents as Franchisor reasonably deems necessary to perfect Franchisor's interest in the Collateral within ten (10) days of receipt by Franchisee of such documents from Franchisor. Any notices delivered or mailed in accordance with Section 25 hereof at least thirty (30) days prior to disposition of the Collateral, or any portion thereof, and, in reference to a private sale, need state only that Franchisee intends to negotiate such a sale.

## 25. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manuals will be deemed so delivered at the time delivered by hand, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, two (2) business days after being placed in the hands of a commercial courier service for second day delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to Franchisor at GPPI, Inc., 3180 Campus Drive, San Mateo, California 94403 (or Franchisor's then-current headquarters), to the attention of the Vice President, with a copy to the Legal Department at the same address, and to Franchisee at the Approved Location and/or any address appearing in Franchisee's application for a franchise or in Franchisor's records. All payments and reports required by this Agreement will be directed to Franchisor at Franchisor's address as specified above. Any required payment or report not actually received by Franchisor during regular business hours on the date due will be deemed delinquent. Notice to Franchisee, or to any owner of Franchisee, shall be deemed effective as to all Franchisees and owners of the Franchisee.

## 26. ENTIRE AGREEMENT

This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified or supplemented except by means of a written agreement signed by both Franchisee and Franchisor's CEO or one of its Vice Presidents, provided that changes to the Manuals and covenants may be made by Franchisor at any time and will be fully binding on Franchisee notwithstanding any provisions of this Section 26 or otherwise. No other officer, field representative, salesperson or other person has

the right or authority to sign on behalf of Franchisor, to make oral or written modifications to this Agreement, or to make any representations or agreements on behalf of Franchisor, and any such modifications, representations and/or agreements shall not be binding on Franchisor. Franchisee expressly acknowledges that no oral promises, representations or declarations were made to or relied on by Franchisee and that Franchisor's obligations are confined exclusively to the terms herein. Franchisee understands and assumes the business risks inherent in the Franchised Business. Nothing in this Agreement or in any related agreement between Franchisor and Franchisee is intended to disclaim the representations made in Franchisor's Franchise Disclosure Document.

## 27. SEVERABILITY AND CONSTRUCTION

27.1 Severability. Except as otherwise stated in this Agreement, each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision related to dispute resolution), and the remainder of this Agreement will continue in full force and effect. To the extent that any provision is deemed unenforceable, Franchisee and Franchisor agree that such provisions will be enforced to the fullest extent permissible under governing law. Franchisor may modify any invalid or unenforceable provision to the extent required to be valid and enforceable and Franchisee will be bound by the modified provisions.

27.2 Survival. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), shall survive such expiration, termination or assignment, including but not limited to Sections 11, 19, 22.3, and 28.

27.3 No Rights or Remedies Conferred. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, shareholders, agents, and employees, and such of Franchisor's successors and assigns as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

27.4 Promises and Covenants. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

27.5 Captions and Headings. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

## 28. APPLICABLE LAW AND DISPUTE RESOLUTION

28.1 Applicable Law. This Agreement shall be interpreted, construed and governed exclusively under the laws of the state in which the Franchised Business is located, without regard to the application of such state's conflict-of-law rules; provided, however, that no state's franchise registration, disclosure, or relationship law shall be applicable unless the jurisdictional requirements of that law are met.

28.2 Mediation. Except as otherwise provided herein, if a dispute arises out of or relates to this Agreement, the breach hereof, the rights and obligations of the parties hereto, or the making, interpretation, or performance of either party under this Agreement, the parties agree first to try in good faith to settle the dispute by mediation administered by JAMS (or any successor organization) in accordance with its franchise mediation rules before resorting to litigation or some other dispute resolution procedure. Such mediation shall take place before a sole mediator where Franchisor has its principal place of business at such time. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between Franchisor and Franchisee. The parties hereto agree that mediation shall not be required with respect to: (a) any claim or dispute involving less than Fifty Thousand Dollars ($50,000); (b) any claim or dispute involving actual or threatened disclosure or misuse of Franchisor's confidential information; (c) any claim or dispute involving the ownership, validity, or use of the Proprietary Marks; (d) any claim or dispute involving the insurance or indemnification provisions of this Agreement; or (e) any action by Franchisor to enforce the covenants set forth in Section 19 of this Agreement.

28.3 Jurisdiction and Venue. Except as described in Sections 28.2 and 28.7 hereof, any action, whether or not arising out of, or relating to, this Agreement shall be brought exclusively in the judicial district in which Franchisor has, at the time of commencement of such action, its principal place of business. Franchisee hereby waives all objections to personal jurisdiction or venue for purposes of this Section 28.3 and agrees that nothing in this Section 28.3 shall be deemed to prevent Franchisor from removing an action from state court to federal court.

28.4 No Exclusivity. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

28.5 Notice of Claim. Prior to Franchisee taking any legal or other action against Franchisor, its Affiliates, or their respective partners, shareholders, officers, directors, agents, attorneys, accountants, or employees, whether for damages, injunctive, equitable or other relief (including but not limited to rescission), Franchisee will first give Franchisor thirty (30) days prior written notice and opportunity to cure such alleged act or omission (or, if such alleged act or omission cannot reasonably be cured within such thirty (30) day period, and Franchisor is diligently continuing efforts to attempt to cure such alleged act or omission, such additional time as Franchisor is continuing such efforts); provided that any dispute regarding Franchisor's withholding consent with respect to a proposed transfer by Franchisee may be immediately submitted to mediation as provided in Section 28.2 above.

28.6 Waiver of Punitive Damages. Franchisor and Franchisee hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of any actual damages sustained by it.

28.7 Injunctive Relief. Nothing contained herein, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions, shall bar Franchisor's right to obtain injunctive relief from a court of competent jurisdiction (without any requirement for Franchisor to post a bond) with respect to claims relating to (a) any disclosure or threatened disclosure of Franchisor's confidential information, (b) any violation or threatened violation of Franchisor's rights in and to Franchisor's intellectual and/or proprietary property, including, but not limited to, the Manuals and Proprietary Marks, or (c) any violation or threatened violation of Sections 19.2 and 19.3 of this Agreement.

28.8 NO CLASS ACTIONS OR JURY TRIALS

NEITHER FRANCHISEE NOR FRANCHISOR SHALL SEEK TO LITIGATE AGAINST THE OTHER PARTY TO THIS AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER PARTY TO THIS AGREEMENT. NO ACTION OR PROCEEDING UNDER THIS AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN FRANCHISEE AND FRANCHISOR AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, FRANCHISEE OR FRANCHISOR, UNLESS BOTH FRANCHISEE AND FRANCHISOR CONSENT IN WRITING. FRANCHISOR HAS THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. FRANCHISEE AGREES AND ACKNOWLEDGES THAT ANY JUDICIAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN FRANCHISEE AND ANY AFFILIATE OF FRANCHISOR WILL BE CONSIDERED UNIQUE ON ITS FACTS AND MAY NOT BE BROUGHT AS A CLASS OR GROUP ACTION.

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW.

28.9 Attorneys' Fees and Costs. In any action relating to this Agreement, the substantially prevailing party shall be entitled to recover its attorneys' fees and costs.

## 29. FRANCHISEE'S ACKNOWLEDGMENTS AND REPRESENTATIONS

29.1 Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business franchised hereunder, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, the ability of its principals) 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 venture contemplated by this Agreement.

29.2 Acknowledgment of Receipt. Franchisee acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

29.3 Acknowledgment of Understanding; Opportunity to Consult. Franchisee acknowledges that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with an attorney or other advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

29.4 No Warranty. Franchisee acknowledges that with respect to anything (products, services or otherwise) provided, approved or otherwise by Franchisor and/or any of Franchisor's Affiliates in any way with and/or referred or "approved" by Franchisor or them, other than specific written warranties expressly provided by Franchisor in connection with such items, such items are provided without any warranties, express or implied, the warranties of merchantability and fitness for a particular purpose being expressly disclaimed, nor do there exist any express or implied warranties on the part of Franchisor or any Affiliate as to the design, condition, capacity, performance or any other aspect of such (or other) items or their material or workmanship. There is no specific date in this Agreement by which Franchisor must deliver any products, equipment or supplies purchased from Franchisor or any operational guidelines. Franchisor shall assign to Franchisee any warranty or guarantee Franchisor obtains from the manufacturer or supplier. Franchisee acknowledges that Franchisor is not in the business of manufacturing such items and must rely on the professional ability and workmanship supplied by third parties.

29.5 Dealings With Franchisor. Franchisee acknowledges and agrees that in all of Franchisee's dealings with Franchisor, the officers, directors, employees, and agents of Franchisor act only in a representative capacity and not in an individual capacity. Franchisee further acknowledges that this Agreement, and all business dealings between Franchisee and such individuals as a result of this Agreement, are solely between Franchisee and GPPI and that no other persons and/or entities, including Franchisor's Affiliates, and Franchisor's and its Affiliates' respective partners, shareholders, officers, directors, agents, attorneys, accountants, or employees,

have or will have any duties or obligations to Franchisee. Franchisee further represents to Franchisor, as an inducement to Franchisor's entry into this Agreement, that Franchisee has made no misrepresentations in obtaining the Franchised Business.

29.6 Franchisee's Information. Franchisee hereby consents to Franchisor's disclosure in its franchise disclosure documents or otherwise of information relating to Franchisee's ownership and operation of the Play & Music Center, either as required by law or which Franchisor may choose to disclose in its discretion, including, but not limited to, Franchisee's name, business address and telephone number, home address and telephone number, revenues, expenses, profits and/or any other financial information relating to the Play & Music Center and other related information.

29.7 Compliance With Anti-Terrorism Laws. Franchisee acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Order"), Franchisor is prohibited from engaging in any transaction with any Specially Designated National or Blocked Person. "Specially Designated National" or "Blocked Person" shall mean (1) those persons designated by the U.S. Department of Treasury's Office of Foreign Assets Control from time to time as a "specially designated national" or "blocked person" or similar status, (2) a person engaged in, or aiding any person engaged in, acts of terrorism, as defined in the Order, or (3) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business. Currently, a listing of such designations and the text of the Order are published at the URL www.ustreas.gov/offices/enforcement/ofac. Accordingly, Franchisee represents and warrants to Franchisor that as of the date of this Agreement, neither Franchisee nor any person holding any ownership interest in Franchisee, controlled by Franchisee, or under common control with Franchisee is a Specially Designated National or Blocked Person, and that Franchisee (1) does not, and hereafter shall not, engage in any terrorist activity; (2) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (3) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity. Franchisee agrees that Franchisee shall immediately provide written notice to Franchisor of the occurrence of any event which renders the representations and warranties in this Section 29.7 incorrect.

29.8 Site Approval. Franchisee hereby acknowledges and agrees that Franchisor's approval of a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Franchisor's approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of an Approved Location to meet Franchisee's expectations as to revenue or operational

criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Franchised Business at the Approved Location is based on its own independent investigation of the suitability of the site, and that Franchisor strongly recommends that all matters related to Franchisee's site selection and securing be reviewed by Franchisee's independent attorney, real estate broker, architect and other professionals.

29.9 Site Selection. Franchisee understands and agrees that the selection and securing of a site hereunder, the negotiation of a lease or purchase, the selection of developers, real estate agents, site selection specialists, contractors, etc., financing and all other matters related in any way to Franchisee's site are exclusively and entirely Franchisee's sole and ultimate responsibility and that neither Franchisor, any Affiliate of Franchisor, nor any of their respective partners, shareholders, officers, directors, agents, attorneys, accountants or employees, in any way will have any liability or responsibility with respect to any matters related in any way to the site for Franchisee's Center, including (but not limited to) site location, identification, evaluation, selection, lease/purchase negotiation, financing, review of documents, construction, build out, compliance with local requirements, suitability for any use or purpose and/or any other aspect of the development process (and any related steps) or otherwise, all such responsibilities being solely Franchisee's.

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

**I HAVE READ THE ABOVE FRANCHISE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS FRANCHISE AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

| | |
|---|---|
| _____ | **GPPI, INC.** |
| **FRANCHISEE** | |
| By:_____ | By:_____ |
| Name:_____ | Name: Xinkai Chen |
| Title:_____ | Title: CEO |
| Date:_____ | Date:_____ |
| By:_____ | |
| Name:_____ | |
| Title:_____ | |
| Date:_____ | |

By:_____

Name:_____

Title:_____

Date:_____

**EXHIBIT A TO**
**GYMBOREE PLAY & MUSIC CENTER**
**FRANCHISE AGREEMENT**

1. For a Play & Music Center or a Metro Play Center, the Approved Location is:

   _____

   _____

2. The Territory is [check one]:

   ___ For a Play & Music Center or a Metro Play Center, a _____-mile radius from the address set forth in Section 1 of this Exhibit.

   ___ For a Mobile Play Center, the following description:

   _____

   _____

3. If Franchisee is a business entity, its owners are as follows:

| **Name** | **Home Address** | **Cell Phone** | **Ownership Percentage** |
|---|---|---|---|
| | | | |
| | | | |
| | | | |

**EXHIBIT B TO**
**GYMBOREE PLAY & MUSIC CENTER**
**FRANCHISE AGREEMENT**

**CURRENT FORM OF GPPI, INC.**
**RELEASING LANGUAGE (SUBJECT TO CHANGE)**

Release-General Provisions. The Franchisee(s), together with any owner of the Franchisee(s) (if the Franchisee(s) are or become a business entity), and/or any person, company or other entity which controls, is controlled by, or is under common control with the Franchisee, as well as any Franchisee spouse, parent, child and/or sibling and any entity controlled by any spouse, parent, child and/or sibling, each of the foregoing being referred to, collectively and individually, as the "Releasing Parties," hereby jointly and severally release and forever discharge each and all of the Franchisor-Related Persons/Entities (as defined below) of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands, damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, known or unknown, fixed or contingent, past or present, that the Releasing Parties (or any of them) now has or may hereafter have against all or any of the Franchisor-Related Persons/Entities by reason of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the "Claims"), it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims by any of the Releasing Parties against any of the Franchisor-Related Persons/Entities are hereby forever canceled and forgiven.

THE RELEASING PARTIES ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

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

THE RELEASING PARTIES, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, CALIFORNIA AND/OR JURISDICTIONS OF RELEASING PARTIES' RESIDENCE AND LOCATION OF FRANCHISED UNITS.

The Releasing Parties expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Releasing Parties, and it is the Releasing Parties' intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the

beginning of time to the date of this document finally and forever and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Releasing Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Releasing Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Releasing Parties, in the Releasing Parties' independent judgment, believe necessary or appropriate.

All Releasing Parties, except those to whom the Washington Franchise Investment Protection Act, RCW 19.100, applies, agree that the Releasing Parties have not relied on any statement, promise, representation or otherwise, whether of fact, law or otherwise, or lack of disclosure of any fact, law or otherwise, by the Franchisor-Related Persons/Entities or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

No Assignment or Transfer of Interest. The Releasing Parties represent and warrant that there has been, and there will be, no assignment or other transfer of any interest in any Claims that the Releasing Parties may have against any or all of the Franchisor-Related Persons/Entities, all Claims having been fully and finally extinguished, and the Releasing Parties agree to forever indemnify and hold the Franchisor-Related Persons/Entities harmless from any liability, claims, demands, damages, losses, costs, expenses or attorneys' fees incurred by any of the Franchisor-Related Persons/Entities as a result of any person asserting any voluntary, involuntary or other assignment or transfer, or any rights or claims under such assignment or transfer. It is the intention of the parties that this indemnity does not require payment by any of the Franchisor-Related Persons/Entities as a condition precedent to recovery against the Releasing Parties under this indemnity.

Attorneys Fees. If the Releasing Parties, or anyone acting for, or on behalf of, the Releasing Parties or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commence, join in, or in any manner seek relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder or in any manner asserts against all or any of the Franchisor-Related Persons/Entities any of the Claims released hereunder, the Releasing Parties agree to pay all attorneys' fees and other costs incurred by any of the Franchisor-Related Persons/Entities in defending or otherwise responding to said suit or assertion directly to the Franchisor-Related Persons/Entities incurring such costs.

"Franchisor-Related Persons/Entities." GPPI, Inc., its past, current and future: predecessors, successors, partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees and/or any affiliated companies and/or persons, and each of their respective partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees, as well as any company(ies)/person(s) acting by, through, under or in concert or affiliated or associated in any way with any of the foregoing, including (among others) The Gymboree Corporation and each of its shareholders, officers, directors, agents, attorneys, accountants, and/or employees, as well as any of the Affiliates, successors and/or assigns of any of the foregoing.

Date of Releases, Joint and Several Liability; Governing Law. The releases granted hereunder shall be deemed effective as of the date hereof. The liabilities and obligations of each of the Releasing Parties (and any other person/entity providing releases to the Franchisor-Related Persons/Entities) shall be joint and several. Any dispute arising out of or concerning the provisions of this release agreement will be governed by, and construed and enforced in accordance with, the law of the state in which the Franchised Business is located, without regard to such state's conflicts of laws or choice of law rules.

This release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

FRANCHISEE:

| | |
|---|---|
| Signature | Signature |
| Printed Name | Printed Name |
| Date | Date |

**EXHIBIT C TO**
**GYMBOREE PLAY & MUSIC CENTER**
**FRANCHISE AGREEMENT**

## NON-DISCLOSURE AGREEMENT

In consideration of my position as _____ of _____ (the "Franchisee"), I hereby acknowledge and agree that:

1. GPPI, Inc. (the "Franchisor"), as the result of the expenditure of time, skill, effort, and money, has developed, and continues to develop, a distinctive system relating to the establishment and operation of Gymboree Play & Music Centers, which offer non-therapeutic sensory-motor, child programs (with or without a parent), early childhood music and art programs, exercise programs, birthday parties, theme parties and story line parties for infants and children in specified ages, and programs for parents and parents-to-be, using specially designed equipment and program aids, and such other programs as the Franchisor develops or designates from time to time, under the trade name "Gymboree Play & Music", and which may offer "Gymboree On The Go," which are mobile versions of the programs described above, offered to preschools, daycare centers and other child-oriented institutions (collectively, the "System").

2. As an employee of the Franchisee, I will receive valuable confidential information, the disclosure of which would be detrimental to the Franchisor and the Franchisee, such as information relating to the operations of the business franchised by the Franchisee and methods of implementing the System; contents of video training tapes, trainings, lesson plans, seminars and workshops conducted by the Franchisor; methods, techniques, specifications, procedures, information, lesson plans, systems and knowledge of and experience in the development, operation, and franchising of Gymboree Play & Music Centers; marketing programs and promotional aids; knowledge of test, research and development programs for the development and introduction of products and services to be sold at Gymboree Play & Music Centers; business forms; accounting procedures; information bulletins; proprietary software; customer lists; and information which may be communicated to me or of which I may be apprised or develop by virtue of my work with the Franchisee. This list of confidential matters is illustrative only, and does not include all matters considered confidential by the Franchisor and the Franchisee.

3. I will hold in strict confidence all of the Franchisor's and Franchisee's confidential information. Unless the Franchisor otherwise agrees in writing, I will disclose and/or use the confidential information only in connection with my duties as an employee of the Franchisee. My undertaking not to disclose confidential information is a condition of my position with the Franchisee, and continues even after I cease to be in that position.

4. While in my position with the Franchisee, I will not do anything which may injure the Franchisee or the Franchisor, such as (a) divert or attempt to divert any present or prospective business or customer of any Gymboree Play & Music Center to any competitor, by direct or indirect inducement or otherwise; or (b) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Franchisor's marks and the System.

5. The Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will

cause the Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisor and/or the Franchisee may apply for the issuance of an injunction preventing me from violating this Agreement in addition to any other remedies it may have hereunder, at law or in equity; and I agree to pay the Franchisor and the Franchisee all the costs it/they incur/s, including without limitation attorneys' fees, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisor and the Franchisee, any claim I have against the Franchisor or the Franchisee is a separate matter and does not entitle me to violate, or justify any violation of, this Agreement. If any part of this Agreement is held invalid by a court or agency having valid jurisdiction, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency. I agree that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, and that such meaning has been explained to me.

6. The Franchisor may, in its discretion, reduce the scope of any covenant set forth in this Agreement, without my consent, effective immediately upon my receipt of written notice thereof; and I agree to comply with any covenant as so modified.

7. This Agreement shall be interpreted and construed under the laws of the state in which the Franchised Business is located, without regard to such state's conflict of law rules. The only way this Agreement can be changed is in a writing signed by both the Franchisee and me.

ACKNOWLEDGED BY FRANCHISEE:

By:_____ Signature:_____

Name: _____ Name:_____

Title:_____ Address:_____

Title:_____

Date:_____

**EXHIBIT D TO**
**GYMBOREE PLAY & MUSIC CENTER**
**FRANCHISE AGREEMENT**

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to GPPI, Inc. ("Franchisor") to execute the Franchise Agreement between Franchisor and _____ ("Franchisee") dated _____, 202__ (the "Agreement"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned will immediately make each payment to, and perform each obligation for, Franchisor required of Franchisee under the Agreement. The undersigned hereby waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The undersigned waive notice of amendment of the Agreement and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement. The undersigned waive all legal and equitable defenses to enforcement of the terms of the Agreement and this Guarantee, including but not limited to waiver of all statute of limitations and laches defenses.

The undersigned hereby agree to defend, indemnify, and hold Franchisor and its affiliates harmless against any and all losses, claims, damages, demands, lawsuits, liens, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, and court costs) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 28 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the state

in which the Franchised Business is located, without regard to, and without giving effect to, such state's conflict of law rules.

The undersigned hereby acknowledge and agree to be individually bound by all of the Franchisee's promises and covenants in the Franchise Agreement, including but not limited to the confidentiality provisions and non-competition covenants contained in Sections 11 and 19 of the Agreement, as if the undersigned executed the Franchise Agreement in his/her individual capacity.

The Guarantors agree that the dispute resolution provisions in Section 28 of the Agreement are hereby incorporated into this Agreement by reference, and references to "Franchisee" and the "Franchise Agreement" therein shall be deemed to apply to "Guarantors" and this "Guarantee," respectively, herein.

Any and all notices required or permitted under this Guarantee shall be in writing and shall be personally delivered, sent by registered mail, or sent by other means which afford the sender evidence of delivery or rejected delivery, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: GPPI, Inc.
3180 Campus Drive
San Mateo, CA 94403
Attn: Legal Department

Notices to Guarantors: _____
_____
_____
_____

Any notice by a method which affords the sender evidence of delivery or rejected delivery shall be deemed to have been given at the date and time of receipt or rejected delivery.

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTORS

_____

_____

_____

**STATE OF _____)**
**)**
**COUNTY OF _____)**

**Personally appeared before me this ____ day of _____, 20___, _____ _____ and _____, to me known to be the persons who executed the foregoing Guarantee.**

**Notary Public: _____**

**(NOTARY SEAL)**
**My Commission Expires: _____**

**EXHIBIT E TO**
**GYMBOREE PLAY & MUSIC CENTER**
**FRANCHISE AGREEMENT**

## COMMUNICATIONS ASSIGNMENT

The undersigned ("Franchisee"), hereby nominates GPPI, Inc. as Attorney-In-Fact to transfer all of Franchisee's right, title, and interest in all telephone numbers, facsimile numbers, e-mail addresses, and domain names used in connection with Franchisee's Gymboree Play & Music Center to GPPI, Inc.

This nomination is only effective where Franchisee is in default of the Franchise Agreement to which this Communications Assignment is attached and Franchisee has failed to cure such defaults under the terms of the Franchise Agreement or where the Franchise Agreement, to which this Communications Assignment is attached, has expired.

FRANCHISEE:

By:_____

Title: _____

Dated: _____

By:_____

Title: _____

Dated: _____

EXHIBIT D-2 TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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# MOBILE PLAY CENTER ADDENDUM

**GYMBOREE PLAY & MUSIC CENTERS**
**FRANCHISE AGREEMENT**

**MOBILE PLAY CENTER ADDENDUM**

This Mobile Play Center Addendum (the "Addendum") is effective as of _____, 202__, by and between GPPI, Inc., a California corporation with its principal place of business at 3180 Campus Drive, San Mateo, California 94403 ("GPPI" or "Franchisor") and _____, a _____ [corporation/limited liability company/partnership], with its principal place of business at _____ ("Franchisee").

## INTRODUCTION

Franchisor and Franchisee have signed the Gymboree Play & Music Centers Franchise Agreement (the "Franchise Agreement") dated _____.

Under the Franchise Agreement, Franchisee was granted the right, and undertook the obligation, to operate a Gymboree Play & Music Mobile Play Center ("Mobile Play Center").

GPPI and Franchisee wish to amend certain provisions of the Franchise Agreement to reflect the practical and legal differences inherent in operating a Mobile Play Center.

The parties agree as follows:

1. The first sentence of Section 2.3 of the Franchise Agreement is deleted and replaced with the following:

   > Territory. Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Center under the System and the Proprietary Marks at any location within the Territory, as set forth in Exhibit A of this Agreement, except that Franchisor reserves the right to establish or operate, or license any other person to establish or operate, a Play & Music Center or a Metro Play Center (a) within the Territory or (b) whose territory fully or partially overlaps the Territory.

2. Notwithstanding Sections 3.2.1, 3.2.2, 8.5.9, and 15.3.4 of the Franchise Agreement, Franchisee shall have no obligation, at renewal or otherwise, to make or provide for renovations or modernization of any Approved Location or to purchase a décor package or upgrade the image, appearance, or decoration of any Approved Location. However, Franchisor reserves the right to inspect the Approved Locations and may withdraw its approval for Franchisee to use the facility as an Approved Location if the Approved Location no longer meets Franchisor's standards. Franchisor may, as a condition of approving a transfer or renewal term require Franchisee to purchase new equipment, including but not limited to Play Equipment, signs, computer equipment, and furnishings.

3. Sections 6.1, 6.2, 6.4, and 6.5 of the Franchise Agreement are deleted in their entirety.

4. Section 6.6 of the Franchise Agreement is deleted and replaced with the following:

> Closure or Unavailability of the Center. Franchisee and Franchisor recognize that an Approved Location may close or otherwise become unavailable to Franchisee from time-to-time. If an Approved Location closes or becomes unavailable to Franchisee for any reason, or if any significant assets used in the operation of the Center are damaged or become inoperable, Franchisee shall immediately inform Franchisor, communicate diligently with the facility operator to ascertain the likely reopening time-frame, and (if it appears that the facility will be unavailable to the Franchisee for more than one month) submit a plan for relocation and/or the proposal of one or more alternative Approved Locations, subject to Franchisor's reasonable approval. If Franchisee fails to re-open the Center at an Approved Location within six (6) months, then Franchisee shall begin paying all amounts due or to become due to Franchisor or any Affiliate that are calculated based on Gross Receipts or similar amounts (including, without limitation, percentage royalty fees and percentage Brand Fund contributions). For purposes of calculating these payments, Franchisee's weekly Gross Receipts will be assumed to be equal to the average weekly Gross Receipts during the three (3) four-week periods (or shorter period if the Center was not open for such three (3) four-week periods) immediately preceding the closure or unavailability of the facility.

5. Section 8.4 of the Franchise Agreement is deleted and replaced with the following:

> Center Operations. Franchisee shall operate the Franchised Business for such minimum hours and days as Franchisor may specify; and shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from deviating from such standards, specifications, and procedures without Franchisor's prior written consent.

6. Section 8.5.7 of the Franchise Agreement is deleted in its entirety.

7. Section 8.14 of the Franchise Agreement is deleted in its entirety.

8. This Addendum and the Franchise Agreement and any other amendments or addenda to the Franchise Agreement constitute the entire, full and complete agreement between GPPI and Franchisee concerning the subject matter hereof, and supersede all prior agreements, with no other representations having induced Franchisee to sign this Addendum, except that Franchisee may rely on GPPI's representations in the most recent Franchise Disclosure Document (the "FDD") GPPI delivered to Franchisee, including its exhibits and any amendments or addenda, in connection with the Franchise Agreement and this Addendum. No representations, inducements, promises or agreements, oral or otherwise, not appearing in or attached to the Franchise Agreement or this Addendum (unless of subsequent date) or in the FDD were made by any party, and none shall be of any force and effect with reference to this Addendum or otherwise. No amendment, change or variance from this Addendum shall be binding on either party unless it is mutually agreed to in

writing. Except as expressly modified in this Addendum, all terms and conditions in the Franchise Agreement are hereby ratified and confirmed. If there is a conflict between the terms of this Addendum and the Franchise Agreement, the terms of this Addendum shall control.

**I HAVE READ THE ABOVE ADDENDUM AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS ADDENDUM IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

| GPPI, INC. | FRANCHISEE |
|---|---|
| By:_____ | _____ |
| Name: Xinkai Chen | |
| Its: CEO | _____ |
| | Individually and/or as an officer or partner of _____, a (_____) corporation (_____) partnership |

EXHIBIT E TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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MANUAL

EXHIBIT E TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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| 1 Standards & Policies | 14 pages |
| 2 The Gymboree Program | 6 pages |
| 3 Business Procedures | 19 pages |
| 4 Site Selection | 26 pages |
| 5 Product & Equipment | 24 pages |
| 6 Human Resources | 25 pages |
| 7 Health & Safety | 12 pages |
| Total | 126 pages |

EXHIBIT F TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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# SUBORDINATION AGREEMENT

**SUBORDINATION AGREEMENT**

[TO BE USED WHEN FRANCHISEE IS TRANSFERRING THE FRANCHISE OR WHEN CONTROLLING INTEREST IN FRANCHISEE IS BEING TRANSFERRED]

THIS SUBORDINATION AGREEMENT ("Agreement") is entered into as of _____, 20__, by _____, with its principal office at _____ ("Subordinated Lender"), _____ with its principal office at _____ ("Transferee") and GPPI, Inc., a California corporation, with its principal office at 3180 Campus Drive, San Mateo, California 94403 ("GPPI").

A. Subordinated Lender is a franchisee or owns an interest in a franchisee pursuant to a franchise agreement between GPPI and _____ dated _____, 20____.

B. Subordinated Lender is transferring to Transferee all or a portion of its interest in the franchise agreement or its interest in the franchisee pursuant to that certain agreement dated _____, 20____ (the "Sale Agreement").

C. In connection with the Sale Agreement, Subordinated Lender is making a loan to Transferee in the principal amount of $_____ (including all accrued interest and other charges thereon, the "Purchase Debt") to finance a part of the sale price under the Sale Agreement. The Purchase Debt and all other debts, liabilities and obligations of the Transferee to the Subordinated Lender, its successors and assigns, whether now existing or hereafter arising, whether direct, indirect, absolute or contingent, or due or to become due are hereinafter referred to as the "Subordinated Debt".

D. Subordinated Lender is willing to subordinate the Subordinated Debt to the Senior Debt (as defined below) on the terms and conditions set out in this Agreement. Senior Debt as used herein shall refer to: (a) the obligations of Transferee to pay franchise fees, Advertising Fund contributions and other amounts due to GPPI and any other entities under common control therewith and otherwise to comply with any franchise agreement between Transferee and GPPI, and (b) the obligations of Transferee pursuant to any continuing personal guaranties executed by Transferee in favor of GPPI (including accrued interest and all other charges thereon, collectively, the "Senior Debt").

NOW, THEREFORE, it is agreed as follows:

1. Subordination.

A. Subordinated Lender hereby subordinates the Subordinated Debt and all claims or demands arising therefrom to the Senior Debt. Subject to the other terms of this Agreement, Subordinated Lender agrees that all Senior Debt shall first be paid to GPPI before Subordinated Lender shall be paid anything on account of the Subordinated Debt and that Subordinated Lender will not take, demand or receive, and Transferee will not make, give or permit, any payment in respect of Subordinated Debt, provided that Transferee may make regularly scheduled payments (but not prepayments) in connection with the Subordinated Debt strictly in accordance with the terms of the documents evidencing the Subordinated Debt as originally set forth therein, unless and until either (i) any insolvency or bankruptcy proceeding is commenced by or granted against Transferee or (ii) Subordinated Lender shall have received from GPPI written notice (a "Default Notice") that a default has occurred and is continuing under the Senior Debt. GPPI agrees to send to the Subordinated Lender a copy of the notice to the Transferee describing the default together with the Default Notice. Upon the occurrence of a default described above, Subordinated Lender will not take, demand or receive, and Transferee will not make, give or permit, any payment in connection with the Subordinated Debt, provided that any payments in respect of the Subordinated Debt which are received by Subordinated Lender prior thereto and which are otherwise permitted to be made by this Section 1.A. may be retained by Subordinated Lender. If an event or condition which is the subject of a Default Notice shall be cured within the applicable grace period or if GPPI agrees to accept a cure of such default, Transferee may resume payments (including, so long as no default under

the Senior Debt would result therefrom, payments previously accrued and not paid pursuant to the provisions of the preceding sentence) on the Subordinated Debt subject to receipt of any future Default Notice.

B. The provisions of this Agreement shall be enforceable during any bankruptcy, insolvency or reorganization proceeding.

C. At any general meeting of the creditors of the Transferee or in the event of any proceeding, voluntary or involuntary, for the distribution, division or application of all or part of such assets of the Transferee or its business, receivership, insolvency or bankruptcy proceedings, an assignment for the benefit of creditors or proceedings by or against the Transferee for relief under any bankruptcy, reorganization or insolvency law or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension or otherwise, if all Senior Debt has not been paid in full at the time, GPPI is hereby irrevocably authorized at any such meeting or any such proceeding, to collect any assets of the Transferee distributed, divided or applied by way of dividend or payment or any securities issued on account of Subordinated Debt and apply the same or the proceeds of any realization upon the same that GPPI elects to effect, to the Senior Debt until all Senior Debt shall have been paid in full, rendering any surplus to the Subordinated Lender.

2. Distribution of Proceeds. Upon distribution of assets of the Transferee upon any acceleration of the Senior Debt, dissolution, winding up, liquidation or reorganization (including an arrangement) of the Transferee (whether in bankruptcy, insolvency or receivership proceedings) or upon an assignment for the benefit of creditors or any other dissolution, winding up, liquidation or reorganization of the Transferee:

D. GPPI shall first be entitled to receive payment in full of the Senior Debt before the Subordinated Lender is entitled to receive any payment on account of the Subordinated Debt;

E. Any payment or distribution of assets of the Transferee of any kind or character, whether in cash, property or securities to which the Subordinated Lender would be entitled except for these subordination provisions shall first be paid by the liquidating trustee or agent or other person making such a payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or other trustee or agent, directly to GPPI or its representative, to the extent necessary to make payment in full of all Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution to GPPI, and then to the Subordinated Lender; and

F. In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Transferee of any kind or character, whether in cash, property or securities, shall be received by the Subordinated Lender before all Senior Debt is paid in full, such payment or distribution shall be paid over to GPPI or its representative, for application to the payment of such Senior Debt until all such Senior Debt shall have been paid in full, after giving effect to any concurrent payment or distribution to GPPI.

3. Improper Payments. Should any payment, distribution of security or proceeds thereof be received by Subordinated Lender upon or with respect to Subordinated Debt in violation of the subordination provisions of this Agreement (after notice as provided in Section 1 hereof), prior to the satisfaction of all of the Senior Debt, Subordinated Lender shall forthwith deliver the same to GPPI in the form received (except for endorsement or assignment by Subordinated Lender where required by GPPI), for application on any Senior Debt, and, until so delivered, the same shall be held in trust by Subordinated Lender as property of GPPI. Any payment received by Subordinated Lender and delivered or held in trust by Subordinated Lender as provided in the immediately preceding sentence shall not be deemed to be a payment by Transferee of Subordinated Debt. In the event of the failure of Subordinated Lender to make any such endorsement or assignment, GPPI, or any officer or employee of GPPI on behalf of GPPI, is hereby irrevocably authorized to make the same. Subordinated Lender agrees that any acceleration, collection proceedings, exercise of remedies or acceptance of prepayment by Subordinated Lender shall not affect the subordination (as provided in Sections 1 and 2 hereof) of any amounts received by Subordinated Lender as a result of such action. When required to prevent the barring of any claim thereon by the applicable statute of limitations, Transferee shall give written acknowledgment of liability thereon.

4. Assignment. Subordinated Lender will not assign or deliver to any person other than GPPI the Subordinated Debt or any evidence thereof or security therefor, unless Subordinated Lender obtains the assignee's agreement in writing to be bound by this Agreement and the holders of the Senior Debt shall have been furnished with original copies of such agreement.

5. Subordinated Debt Amendments. Subordinated Lender, at any time and from time to time, may enter into such agreement or agreements with Transferee as Subordinated Lender may deem proper extending the time of payment or renewing or otherwise altering the terms of all or any of the Subordinated Debt or affecting any security underlying any or all of such indebtedness, or may exchange, sell or surrender or otherwise deal with any security, or may release any balance of funds of Transferee with Subordinated Lender, without notice to GPPI, provided, however, that without the prior written consent of GPPI, neither the Transferee nor Subordinated Lender nor any future holder of the Subordinated Debt will permit, consent to or agree to any of the following: (1) amendments to increase the principal amount or to change the interest rate of the Subordinated Debt; (2) any amendments or modification of the documents evidencing the Subordinated Debt which amends or modifies the subordination provisions thereof or the principal amortization or interest payment amounts or dates set forth therein to an amount or amounts larger, or a date or dates earlier, than those presently set forth in the documents evidencing the Subordinated Debt; and (3) amendments to charge any additional fees.

6. Senior Debt Amendments. GPPI, at any time and from time to time, may enter into such agreement or agreements with Transferee as GPPI may deem proper altering the terms of all or any of the Senior Debt or affecting any security underlying any or all of such indebtedness, or may exchange, sell or surrender or otherwise deal with any security, or may release any balance of funds of Transferee with GPPI, without notice to Subordinated Lender and without in any way impairing or affecting this Agreement.

7. Notice of Subordination. The Subordinated Lender agrees that each of the documents evidencing the Subordinated Debt shall contain a prominent notice to the effect that the terms of such documents are subject to the terms of this Agreement.

8. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns.

9. Notice. Subordinated Lender and GPPI agree to give the other written notice of any default under any agreement between them and the Transferee. Notices hereunder shall be addressed to each respective party as specified below or as otherwise may be designated in writing as set forth herein, shall be sent certified or registered mail, return receipt requested, and shall be effective 48 hours after deposit in the United States Mail, postage prepaid.

If to GPPI: GPPI, Inc.
3180 Campus Drive
San Mateo, CA 94403
Attention: President

If to Subordinated Lender: _____
_____
Attn: _____

If to Transferee: _____
_____
Attn: _____

10. Governing Law; Dispute Resolution. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and shall be governed by the laws of the state in which the Franchised Business is located, without regard to such state's conflict of laws rules. The parties hereby incorporate by this reference the Franchise Agreement Article captioned "Dispute Avoidance and Resolution," acknowledge that they have reviewed such Article, and agree that it shall apply to any dispute arising out of or concerning this Agreement or its enforcement, interpretation or construction.

11. Miscellaneous. This instrument embodies the entire agreement of the parties hereto with respect to the subject matter hereof, the there are no courses of dealing, usages of trade, or other representations, promises, terms or conditions referring to such subject matter, and no inducements or representations leading to the execution hereof other than as mentioned herein. This Agreement may not be modified except in writing executed by all of the parties hereto. No failure or delay by any party hereto to exercise any right hereunder shall operate as a waiver of the right to exercise the same or any other right at any time or times. All remedies of GPPI and Subordinated Lender shall be cumulative. This Agreement may be executed in one or more counterparts, each of which shall constitute an original document, but all of which together shall constitute one and the same instrument. Article and section headings are inserted herein solely for convenience and the same shall not by themselves alter, modify, limit, expand or otherwise affect the meaning of any provision of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed and consented to by the respective parties hereto as of the date first above written.

GPPI, INC.

By: _____

Its: _____

SUBORDINATED LENDER:

_____

Individually and/or as an officer or partner of

_____, a

(_____) corporation
(_____) partnership

TRANSFEREE:

_____

Individually and/or as an officer or partner of

_____, a

(_____) corporation
(_____) partnership

EXHIBIT G TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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# LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT G TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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# LIST OF STATE ADMINISTRATORS
# AND
# AGENTS FOR SERVICE OF PROCESS

## LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

### California

Commissioner, Department of Financial Protection and Innovation
(866) 275-2677 (toll free)

320 W. 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7505

2101 Arena Blvd
Sacramento, California 95834

1350 Front Street
San Diego, California 92101
(619) 525-4044

One Sansome Street, Suite 600
San Francisco, California 94104
(415) 557-3787

### Hawaii

(for service of process)
Commissioner of Securities
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)
Business Registration Division
Department of Commerce & Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722

### Illinois

Office of Attorney General
State of Illinois
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 administrator)
Indiana Secretary of State
Securities Division, Room E-111
302 West Washington, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

### Kentucky

Commonwealth of Kentucky
Office of the Attorney General
Consumer Protection Division
1024 Capital Center Drive
Frankfort, Kentucky 40602

### Maryland

Maryland Securities Commissioner
Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

### Michigan

(for service of process)
Michigan Department of Commerce, Corporations and Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48909
(517) 335-7567

(state agency)
Michigan Attorney General's Office
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913
(517) 335-7567

**Minnesota**

Commissioner of Commerce
Minnesota Department of Commerce
Securities Unit
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1500

**Nebraska**

Department of Banking and Finance
1526 K Street, Suite 300
PO Box 95006
Lincoln, Nebraska 68508

**New York**

(for service of process)
Secretary of State of New York
99 Washington Ave
Albany, NY 12231-0001
(518) 474-4750

(state agency)
New York State Department of Law
Bureau of Investor Protection and Securities
28 Liberty Street
New York, New York 10005
(212) 416-8236

**North Dakota**

North Dakota Securities Department
Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-2910

**Oregon**

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

**Rhode Island**

Division of Securities

John O. Pastore Center,
Building 69, First Floor
1511 Pontiac Avenue
Cranston, Rhode Island 02910
(401) 462-9527

**South Dakota**

Department of Labor and Regulation
Division of Insurance Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501-3185
(605) 773-3563

**Texas**

Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

**Virginia**

(for service of process)
Clerk, State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

**Washington**

(for service of process)
Director of Financial Institutions
Securities Division
150 Israel Rd. 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**

Securities and Franchise Registration
Wisconsin Securities Commission
201 W. Washington Avenue, Suite 300
Madison, Wisconsin 53703
(608) 266-3431

EXHIBIT H TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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# MOBILE CONTRACT WORKSHEET

# Mobile Contract Worksheet

This worksheet helps to highlight the important terms of a mobile contract

The selection, securing of any site is exclusively and entirely the sole responsibility of the Franchisee. Although GPP, Inc I may assist, but is not obligated to assist, the Franchisee with site selection, GPPI, Inc. I in no way recommends, endorses or approves any specific location or construction. GPPI Inc. shall have absolutely no liability with respect to any such site-related matters whatsoever. The Franchisee must ultimately select, obtain and develop the site, and the Franchisee will be the only person and/or company with any responsibility for those decisions. GPPI, Inc. strongly recommends that the Franchisee seek professional advice from an independent real estate broker, accountant, architect, engineer, attorney and/or other qualified professional regarding site-related and/or related matters.

## Overview

Proposed Center Name | Suite/Unit # | County

Address | City | State/Province | Zip/Postal Code

## CONTRACT POINTS

| ITEM | COMMENT |
|---|---|
| Term of Agreement | |
| Options | |
| Rental Terms | |
| Total Sq. Ft. of Space | |
| Days and Times of GPM operations at location | |
| Set Up and Break Down Times | |
| Estimated Cost per Month for Space | |
| Has Insurance Approved this Location? (both for use at this space by owner and by a GPM approved insurance broker) | |
| If the storage is onsite, is the storage unit secured on premises? Please explain | |

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| ITEM | COMMENT |
|---|---|
| Capacity of space for both children and/or adults using space | |
| Is there any advertising/marketing contribution required for this contract? | |
| What other classes/programs/other at this location | |
| Number of parking spaces at the center (if applicable) | |
| Number of bathrooms in facility and proximity to GPM space. | |
| Has the floor plan and pictures of space been submitted and reviewed and approved by GPM. | |
| Contact Number of Location | |
| Written Contract and/or Verbal Agreement to general terms | |
| Rights to terminate agreement by facility and rights to terminate by franchisee | |
| Please specify if this space resides within your current territory | |
| Date of signing of contract and date of commencement of operations at the space | |
| Other Comments: | |

**Franchisee**

To the best of my ability all information in this document is accurate and correct.

**Signature of Franchisee**

**Printed Name**

**Franchise #**

**_____Date:**

**Home Office**

**Approved By: _____**

**Signature:_____**

**Title:_____**

**Date:_____**

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EXHIBIT I TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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STATE ADDENDA

EXHIBIT I TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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STATE ADDENDA

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**(California)**

1. California Business & Professions Code sections 20000 through 20043 establish the rights of the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

3. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the agreement. This provision may not be enforceable under California law.

4. The California Addendum to Franchise Agreement and Development Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

5. Neither the franchisor, nor any person or franchise broker listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, 15 U.S.C. § 78a, et seq., suspending or expelling such persons from membership in such association or exchange.

6. The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

7. Section 31125 of the California Corporation Code requires the franchisor to give you a franchise disclosure document, approved by the Commissioner, before a solicitation of a proposed material modification of an existing franchise.

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

9. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

10. The Franchise Agreement requires application of the laws of the state where the franchised business is operated. This provision may not be enforceable in California.

11. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

12. Registration does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.

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

14. California Corporations Code Section 31512.1 - Franchise Agreement Provisions Void as Contrary to Public Policy:

Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
(d) Violations of any provisions of this division.

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

**ADDENDUM TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

**(California)**

The following is an Addendum dated _____ to the Franchise Agreement (the "Franchise Agreement") dated _____ between GPPI, Inc. ("Franchisor") and _____ ("Franchisee"). Franchisor and Franchisee agree as follows:

1. To the extent that Sections 15 ("Transfer of Interest"), 17 ("Default and Termination"), and 18 ("Obligations Upon Termination or Expiration") and any other terms of the Franchise Agreement are inconsistent with the California Franchise Relations Act (the "Act," Bus. & Prof. Code § 20000, *et seq.*), the terms of the Act will control and the applicable section shall be modified only to the extent required to comply with the Act. The parties agree that in no event shall a reasonable opportunity to cure to the extent required under the Act be greater than seventy-five (75) days.

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

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

4. New Section 18.12, which is a liquidated damages provision, is added to the Franchise Agreement and states as follows:

> If the Agreement is terminated as a result of Franchisee's default, Franchisee shall pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the average of all monthly royalty fees due over the preceding twenty-four (24) months (or the number of months Franchisee has operated the unit, if less), multiplied by the lesser of (a) twenty-four months or (b) the number of months remaining in the term of the Agreement. The parties agree that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchisee's default is difficult. Desiring certainty in this matter, the parties agree that the lump sum payment provided under this section is a reasonable estimate of the damages that Franchisor will incur as a result of the premature termination. This payment is in addition to, and not exclusive of, any other remedies that Franchisor may have, including attorneys' fees and costs.

5. The terms of this Addendum apply only to the extent that the jurisdictional requirements of the Act are met independently of the Franchise Agreement and this Addendum.

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this day of , 20 .

| GPPI, INC. | FRANCHISEE |
|---|---|
| By:_____ | _____ |
| Its:_____ | _____ |
| | Individually and/or as an officer or partner of<br>_____, a<br>(_____) corporation<br>(_____) partnership |

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**(Hawaii)**

1. The following paragraphs are added to the state cover page:

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISO AND THE FRANCHISEE.**

2. The following information reflects the status of our franchise registrations in states that have franchise registration and/or disclosure laws:

    a. We are registered or are pending registration in the states listed in the State Effective Dates table, attached as Exhibit L to the Disclosure Document.
    b. No states have refused to register our franchise offering.
    c. We have not had registration revoked or suspended in any states.
    d. We have not withdrawn an application for registration in any state.

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

**ADDENDUM TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

**(Hawaii)**

This Addendum to the Franchise Agreement and Development Agreement is agreed to this ____ day of _____, 20____, by and between GPPI, Inc. ("Franchisor") and _____ ("Franchisee"). In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.* (the "HFIL"), the Franchise Agreement and Development Agreement are amended as follows:

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

2. To the extent the Franchise Agreement or the Development Agreement conflict with the HFIL, the parties hereby amend such agreement(s) to the extent necessary to cause it/them to conform with the HFIL.

3. The Hawaii Department of Commerce and Consumer Affairs has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from Hawaii franchisees until we have completed all of our pre-opening obligations and you are open for business. For Hawaii franchisees who sign a development agreement for the right to open more than one location, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open. All deferred fees will be due and payable upon the completion of all of our pre-opening obligations and the opening of the unit for business.

4. The provisions of this Addendum shall be effective only to the extent that the jurisdictional requirements of the HFIL are met independently of this Addendum.

5. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of the Franchise Agreement or Development Agreement, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this day of _____, 20 .

| GPPI, INC. | FRANCHISEE |
|---|---|
| By:_____ | _____ |
| Its:_____ | _____ |
| | Individually and/or as an officer or partner of _____, a (_____) corporation (_____) partnership |

**ADDENDUM TO FRANCHISE AGREEMENT**

**(Indiana)**

The following is an Addendum dated _____ to the Franchise Agreement (the "Franchise Agreement") dated _____ between GPPI, Inc. ("GPPI") and _____ ("Franchisee"). GPPI and Franchisee agree as follows:

1. Capitalized terms used herein not otherwise defined shall have the meanings given in the Franchise Agreement.

2. To the extent the Franchise Agreement conflicts with the Indiana Deceptive Franchise Practices Law, Indiana Code §23-2-2.7-1 *et seq.* (the "Law"), the parties hereby amend the Franchise Agreement to the extent necessary to cause the Franchise Agreement to conform with the Law.

3. The parties expressly agree that (i) no general release given by Franchisee shall operate to release, assign, waive or extinguish any liability arising under the Law; (ii) no provision in the Franchise Agreement shall limit Franchisee's right to sue in court for violations of the Law; (iii) no provision in the Franchise Agreement which is intended to prevent Franchisee from relying on any statement or representation made to Franchisee before Franchisee signs the Franchise Agreement shall be applied, or extend, to statements contained in the Disclosure Document delivered to Franchisee prior to Franchisee's execution of the Franchise Agreement; and (iv) the venue provisions in the Franchise Agreement shall not apply to claims arising under the Law to the extent the venue provisions are inconsistent with the Law; except as otherwise provided in this Addendum regarding arbitration (unless this Addendum conflicts with the Law, in which case the Law shall control.)

4. Notwithstanding anything to the contrary contained in the Franchise Agreement, Franchisee shall have no duty to indemnify Company for any liability that Company may sustain as a result of Franchisee's proper reliance on or use of any of the procedures or materials furnished by Company or for liability solely attributable to Company's negligence.

5. All other provisions of the Franchise Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this day of , 20 .

GPPI, INC.

By:_____

Its:_____

FRANCHISEE

_____

_____

Individually and/or as an officer or partner of
_____, a
(_____) corporation
(_____) partnership

**ADDENDUM TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

**(Maryland)**

The following is an Addendum dated _____ to the Franchise Agreement dated _____ (the "Franchise Agreement") and/or the Development Agreement dated _____ (the "Development Agreement") between GPPI, Inc. ("GPPI") and _____ ("Franchisee"). GPPI and Franchisee agree as follows:

1. Capitalized terms used herein not otherwise defined shall have the meanings given in the Franchise Agreement.

2. The parties acknowledge that the Maryland Franchise Registration and Disclosure Law (the "Law") prohibits a franchisor from requiring a franchisee to agree to any release, estoppel or waiver of liability or claims arising under the Law as a condition of purchasing, selling, renewing or assigning a franchise that is subject to the Law. The parties agree that no provision in the Franchise Agreement is intended to be, nor shall any provision act as, a release, estoppel or waiver of any liability or claims under the Law. The parties amend the Franchise Agreement to the extent necessary to conform the Franchise Agreement to the requirements of the Law. The parties agree that any release given by Franchisee as a condition of renewal, sale or assignment of the franchise shall not constitute a release, estoppel or waiver of liability or claims under the Law. No representation made by Franchisee in the Franchise Agreement is intended to, nor shall it act as, a release, estoppel or waiver of any liability incurred under the Law.

3. The parties amend the Franchise Agreement to permit claims arising under the Law to be brought anytime within 3 years after the grant of the franchise, which shall occur on the effective date of the Franchise Agreement.

4. The provisions in the Franchise Agreement which provide for termination upon Franchisee's bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

5. Each provision in the Franchise Agreement establishing venue for litigation outside of Maryland is void with respect to a cause of action which is otherwise enforceable in Maryland. As to causes of action enforceable in Maryland, venue shall be in Maryland.

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

7. Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by Franchisee shall be deferred until the Franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

8. Section 3.1 of the Development Agreement and Section 5.1 of the Franchise Agreement are amended to provide that Franchisor shall defer the collection of the Initial Development Fee and/or Initial Franchise Fee until such time as Franchisor has performed all of its pre-opening obligations and the Franchised Business is open. Franchisee hereby agrees to pay to Franchisor all Development Fees and/or Franchise Fees due under such agreements within five (5) days of the first opening of the Franchised Business, except that if Franchisee has signed a Development Agreement obligating it to open more than one unit, the fees due are only that portion of the Development Fees attributable to the unit being opened. Failure to timely pay all such fees in full shall be deemed to be a material breach of the Franchise Agreement and, if not cured in accordance with the provisions of Section 17.3.2 of the Franchise Agreement and applicable law, shall entitle Franchisor to terminate the Franchise Agreement.

9. All other provisions of the Franchise Agreement shall remain in full force and effect.

| GPPI, INC. | FRANCHISEE |
|---|---|
| By:_____ | _____ |
| Its:_____ | _____ |
| | Individually and/or as an officer or partner of _____, a (_____) corporation (_____) partnership |

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**
**(Minnesota)**

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document of GPPI, Inc. ("GPPI") for use in the state of Minnesota shall be amended to include the following:

1. In Item 17, for the Franchise Agreement chart, sections (c), (i), and (m) shall be amended by adding the following language at the end of each section:

> The general release will not apply to any liability under the Minnesota Franchise Law.

2. In Item 17, for the Development Agreement chart, section (m) shall be amended by adding the following language at the end of the section:

> The general release will not apply to any liability under the Minnesota Franchise Law.

3. In Item 17, for each chart, sections (b), (c), (f), and (k) shall be amended by adding the following language at the end of those sections:

> Minnesota law provides you with certain termination, non-renewal, and transfer rights. In sum, Minn. Stat. § 80C.14 (subd. 3, 4, and 5) currently requires, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice of nonrenewal of the Franchise Agreement and Development Agreement, and that consent to the transfer of the franchise not be unreasonably denied.

4. In Item 17, for each chart, section (v), under the heading entitled "Choice of Forum", shall be amended by adding the following language at the end of the section:

> Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement or Development 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 State of Minnesota.

5. In Item 17, for each chart, section (w), under the heading entitled "Choice of Law", shall be amended by adding the following language at the end of the section:

> This provision may not be enforceable under Minnesota law.

**6.** Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22 and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930 are met independently without reference to this Addendum to the Disclosure Document.

**ADDENDUM TO FRANCHISE AGREEMENT**

**(Minnesota)**

The following is an Addendum dated _____ to the Franchise Agreement (the "Franchise Agreement") dated _____ between GPPI, Inc. ("GPPI") and _____ ("Franchisee"). GPPI and Franchisee agree as follows:

1. Capitalized terms used herein not otherwise defined shall have the meaning given in the Franchise Agreement.

2. The parties agree that any provision in the Franchise Agreement that requires Franchisee to provide Franchisor with a general release in violation of the Minnesota franchise law (Minn. Stat. Sections 80C.01 to 80C.22 and the rules promulgated thereunder ("the Minnesota Act") is illegal and of no force or effect.

3. The parties agree that if any provision in the Franchise Agreement requires venue for litigation to be in a state other than Minnesota, declares that the laws of a state other than Minnesota shall govern the Franchise Agreement, or requires Franchisee to waive its right to a jury trial, the applicable provision shall be amended to add the following:

> "Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, prohibit Franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in this Agreement shall in any way abrogate or reduce any rights of Franchisee under Minnesota Statutes, Chapter 80C, or require Franchisee to waive his or her right to a jury trial, or require Franchisee to waive any other rights to any procedure, forum or remedies provided for by Minnesota law."

4. The parties agree that if any provision in the Franchise Agreement contains procedures for terminating the Franchise Agreement which are inconsistent with the Minnesota Act, the applicable provision shall be amended to add the following:

> "Provided, however, with respect to franchises governed by Minnesota law, Franchisor agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, requires, except in certain specified cases, that Franchisor give Franchisee a minimum of 90 days' notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the franchise agreement."

5. The parties agree that any provision of the Franchise Agreement that requires Franchisee to consent to Franchisor's obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing herein shall prevent Franchisor from applying to a forum for injunctive relief.

6. If any provision in the Franchise Agreement contains a limitations period for bringing claims against the Franchisor which is shorter than the limitations period provided under the Minnesota Act, the applicable provision is amended to conform to the Minnesota Act.

7. To the extent required by the Minnesota Act, Franchisor shall indemnify Franchisee from any loss, costs or expenses that Franchisee might incur arising out of a third party challenge to Franchisee's authorized use of the Service Marks.

8. All other terms and conditions of the Franchise Agreement shall remain in full force and effect.

GPPI, INC.

By:_____

Its:_____

FRANCHISEE

_____

_____

Individually and/or as an officer or partner of _____, a
(_____) corporation
(_____) partnership

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**(New York)**

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

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

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

> However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

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

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

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**(Virginia)**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for GPPI, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

In Item 17, for the Franchise Agreement chart, section (h) shall be amended by adding the following language at the end of the section:

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

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

**ADDENDUM TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

**(Virginia)**

The following is an Addendum dated _____ to the Franchise Agreement (the "Franchise Agreement") dated _____ between GPPI, Inc. ("Franchisor") and _____ ("Franchisee"). Franchisor and Franchisee agree as follows:

1. Section 3.1 of the Development Agreement and Section 5.1 of the Franchise Agreement are amended to provide that Franchisor shall defer the collection of the Initial Development Fee and/or Initial Franchise Fee until such time as Franchisor has performed all of its pre-opening obligations and the Franchised Business is open. Franchisee hereby agrees to pay to Franchisor all Development Fees and/or Franchise Fees due under such agreements within five (5) days of the first opening of the Franchised Business, except that if Franchisee has signed a Development Agreement obligating it to open more than one unit, the fees due are only that portion of the Development Fees attributable to the unit being opened. Failure to timely pay all such fees in full shall be deemed to be a material breach of the Franchise Agreement and, if not cured in accordance with the provisions of Section 17.3.2 of the Franchise Agreement and applicable law, shall entitle Franchisor to terminate the Franchise Agreement.

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this day of , 20 .

| GPPI, INC. | FRANCHISEE |
|---|---|
| By:_____ | _____ |
| Its:_____ | _____ |
| | Individually and/or as an officer or partner of _____, a<br>(_____) corporation<br>(_____) partnership |

**ADDENDUM TO FRANCHISE AGREEMENT**

**(Washington)**

The following is an Addendum dated _____ to the Franchise Agreement (the "Franchise Agreement") dated _____ between GPPI, Inc. ("GPPI" or "Franchisor") and _____ ("Franchisee"). GPPI and Franchisee agree as follows:

1. Capitalized terms used herein not otherwise defined shall have the meanings given in the Franchise Agreement.

2. .

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

4. RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

4. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

5. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

6. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

7. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

8. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting

or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

9. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, are met independently without reference to this Addendum.

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

| | |
|---|---|
| GPPI, INC. | FRANCHISEE |
| By:_____ | _____ |
| Its:_____ | _____ |
| | Individually and/or as an officer or partner of<br>_____, a<br>(_____) corporation<br>(_____) partnership |

EXHIBIT J TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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# EXTRANET LICENSE AGREEMENT

**GYMBOREE PLAY & MUSIC**

**EXTRANET LICENSE AGREEMENT**

This Extranet License Agreement ("Agreement") is made on this _____ day of _____, 202__, by and between GPPI, Inc., ("GPPI") and _____ ("Franchisee"), parties to that certain Franchise Agreement ("Franchise Agreement") awarding Franchisee the right and license to operate the Gymboree Play & Music Program and use certain Gymboree Play & Music Marks under certain terms and conditions. Any capitalized terms that are not defined in this Agreement shall have the same meaning assigned to them in the Franchise Agreement.

A. This Agreement describes the terms and conditions upon which Franchisee shall subscribe to and utilize the Extranet Services as described below. As used in this Agreement, the term "Extranet Services" includes, but is not limited to, access to an administration tool for the input of names and e-mail addresses to effect e-mail communications, mail forwarding, global contact lists, on-line discussion forums, file libraries, access to the Extranet, customer enrollment, customer relationship management systems, credit card verification services and the publishing of such data and other information, related mobile applications, and performance of such other electronic services, as GPPI, in its sole discretion, may identify from time to time, subject at all times to GPPI 's right to modify and discontinue the Extranet Services.

B. Franchisee's agreement to the terms and conditions of this Agreement is necessary to protect and serve the interests of Franchisee and all other persons authorized to use the Extranet Services, including other franchisees of the System, and is required as a condition of the Franchise Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which the parties hereby acknowledge, the parties agree as follows:

**1. EXTRANET SERVICES.**

GPPI agrees to provide to Franchisee the Extranet Services and information and other content ("Extranet Material") that may be provided to GPPI by third parties ("Extranet Provider") for use in the GPPI System, subject to and in accordance with the terms and conditions of this Agreement.

**2. USE OF THE EXTRANET SERVICES.**

2.1 Franchisee shall comply with the terms of the Extranet Provider's then-current License Agreement which shall be provided to franchisee on sign up or sign in to the Extranet Services. Franchisee will be required to agree to the terms of the Extranet Provider's License Agreement as a condition of using the Extranet Services.

2.2 Franchisee acknowledges and agrees that GPPI may, at its sole discretion and on a worldwide basis, subject to applicable law, distribute, transfer, loan, sell share with other persons or entities, or otherwise use the "User Lists." "User Lists" include Franchisee's and its Users' (defined in Section 6 below) customer information, including the customers' names and addresses. Franchisee acknowledges and agrees that User Lists may be (i) collected directly from Franchisees (and Franchisee agrees to promptly provide the User Lists to GPPI upon its request), (ii) derived from data input into the Extranet Services by Franchisee and/or a User, and (iii) obtained, stored, distributed and otherwise managed by GPPI, its affiliates and contractors. Franchisee may not download or otherwise use the User Lists from other franchisees.

2.3 Franchisee acknowledges that per this Agreement, GPPI's permitted use of the User Lists includes, but is not limited to, the following:

a) Directing e-mail or other communications from GPPI to the Franchisee,

b) Sharing User Lists with GPPI's franchisees and affiliates for their use in various marketing campaigns,

c) Directing limited commercial or promotional communications to Franchisee, the Users or Franchisee's customers pursuant to GPPI's Referred and Preferred Vendor Programs, and

d) Other uses as deemed appropriate solely by GPPI for its internal information and records and for the conduct of business between GPPI and its franchisees and affiliates.

2.4 Franchisee shall correct errors in the data, including the User Lists and Franchisee inputs into the Extranet Services.

2.5 GPPI, in its good faith discretion and without notice, may provide information and records relating to Franchisee and Users to courts, law enforcement agencies, or others involved in prosecuting claims or investigations for conduct or conditions alleged or believed to be illegal or to violate or threaten the rights of any person or entity, including but not limited to GPPI and its affiliates.

2.6 Franchisee acknowledges and agrees that Franchisee and the Users are only authorized to use the User Lists upon the following conditions:

a) Franchisee's Franchise Agreement has not expired or otherwise been terminated;

b) Franchisee may only send marketing materials pre-approved by GPPI (as further described in the Franchise Agreement) to the customers contained in the User Lists;

c) Franchisee may not copy, make derivations of, download or otherwise back up the data contained in the User Lists, except to use such information to send direct mail marketing materials to Franchisee's customers regarding the Franchised Business.

2.7 Franchisee agrees to cooperate with GPPI to obtain consents GPPI deems necessary in its sole discretion for collection and use of the User Lists and all other personal information, and acknowledges that it shall indemnify GPPI pursuant to Section 12 hereof for any failure to obtain such consents.

**3. LEGAL REQUIREMENTS.**

Franchisee agrees to comply with the terms and conditions of this Agreement, its Franchise Agreement, the Gymboree Play & Music Operations Manual (as amended from time to time in GPPI's sole discretion), and all applicable laws, rules and regulations in connection with the use of the Extranet Services. Franchisee shall use the Extranet Services in accordance with GPPI's instructions, and not for further resale or distribution. Franchisee is responsible for reading and paying appropriate attention to warnings, notices, obligations and instructions presented in various areas of the Extranet Services, and shall also comply and ensure that its employees and representatives comply with all such restrictions relating to the use of the Extranet Services.

**4. DISCLAIMER AS TO CONTENT.**

GPPI does not, and shall not be deemed to, verify, endorse or in any way vouch for the accuracy, completeness, truthfulness or reliability of any service, opinion, advice, communication, information or other content on or made available through the Extranet Services.

**5. OWNERSHIP OF CONTENT.**

5.1 Franchisee acknowledges and agrees that any information posted in the libraries or forums shall be and remain the property of GPPI or the Extranet Provider, and that GPPI may reproduce, distribute, transmit, publish, transfer, or commercially exploit or otherwise use any software, file, information, communication or other content received or accessed in the libraries and forums through the Extranet Services.

5.2 GPPI reserves all rights in and to all trademarks, registrations, copyrights and other intellectual property rights with respect to content posted on or available through the Extranet Services which are identified as, claimed by GPPI as, or known by Franchisee to be, proprietary to GPPI.

5.3 Information generated by or in connection with the administration of the Extranet Services shall be and remain the exclusive property of GPPI.

## 6. FRANCHISEE RESPONSIBILITY.

Franchisee shall be responsible for all access to, and use of, the Extranet Services through Franchisee's specific account(s) or password(s). Franchisee agrees that only Franchisee and its authorized employees or independent contractors ("Users") shall be granted access to the Extranet Services on Franchisee's account(s) and shall use only the specific password(s) that Franchisee assigns or permits each individual User to select. Franchisee will not: (i) license, sublicense sell, resell, rent, lease, transfer, assign, distribute, time share or otherwise commercially exploit or make the Extranet Services available to any third party (other than Users or Franchisee as expressly authorized by this Agreement); (ii) use the Extranet Services to (a) collect, transmit, or process infringing, offensive, obscene, threatening, libelous, or otherwise unlawful or tortious material, including material that is harmful to children or violates third party privacy rights; or (b) send, store, publish, post, upload or otherwise transmit any viruses, Trojan horses, worms, time bombs, corrupted files or other computer programming routines that are intended to damage, detrimentally interfere with, surreptitiously intercept or expropriate any systems, data, personal information or property of another; (iii) interfere with or disrupt the integrity or performance of the Extranet Services; or (iv) attempt to gain unauthorized access to the Extranet Services; (v) use or knowingly permit the use of any security testing tools in order to probe, scan or attempt to penetrate or ascertain the security of the Extranet Services; (vi) copy, translate, create a derivative work of, reverse engineer, reverse assemble, disassemble, or decompile the Extranet Services or any part thereof or otherwise attempt to discover any source code or modify the Extranet Services. Franchisee shall: (i) notify GPPI immediately by e-mail or telephone of any unauthorized use of any password or account or any other known or suspected breach of security in Franchisee's account; (ii) report to GPPI immediately and use reasonable efforts to stop immediately any known or suspected copying or unauthorized distribution of User Lists; and (iii) not impersonate another user or provide false identity information to gain access to or use the Extranet Services. Franchisee is responsible for its Users' compliance with this Agreement and for ensuring that Users maintain the confidentiality of their passwords and user names. Franchisee agrees not to upload, post or otherwise publish on or using the Extranet Service, and not to seek on or using the Extranet Service, any software, file, information, communication or other content: (a) which violates or infringes upon the proprietary, moral or other rights of any other person; (b) which, under the circumstances and in GPPI's good faith judgment, is, or is likely to be perceived by an intended recipient or target as, defamatory, deceptive, misleading, abusive, profane, offensive or inappropriate, (c) which constitutes a threat to, harassment of, or stalking of another; (d) which, without the prior written approval of GPPI, contains any advertising, promotion or solicitation of goods or services for commercial purposes; or (e) which, in GPPI 's sole judgment, reflects unfavorably upon the Gymboree Play & Music Marks or System (as defined in the Franchise Agreement). Franchisee may not, without the prior written approval of GPPI, send unsolicited advertising or promotional material. Notwithstanding the foregoing, Franchisee may send e-mails without GPPI's prior written approval provided Franchisee uses a form prescribed by GPPI and uses GPPI's approved e-mail vendor. Franchisee shall comply with all applicable laws, including the CAN-SPAM Act, and such e-mail policies that may be posted on the Extranet from time to time.

## 7. MISUSE OF ACCOUNTS.

Franchisee shall not use another Franchisee's account, nor shall Franchisee permit or authorize any User to use an account or password that does not belong to Franchisee.

## 8. ONGOING RELATIONSHIP.

8.1 Franchisee acknowledges and agrees that GPPI, in its sole discretion, without prior notice of any kind, and without liability to Franchisee, may (i) discontinue, add to or revise in whole or in part the Extranet Services or change the Extranet Provider, and (ii) modify, supplement, delete, discontinue or remove any software, file, publications, information, communication or other content appearing on or transmitted through the Extranet Services. The changes described in (i) and (ii) are referred to as a "GPPI Extranet Services Modification." Franchisee shall comply with each and every GPPI Extranet Services Modification promptly following notice thereof which may be given through communications on or made available through the Extranet Services. GPPI 's voluntary discontinuation of the Extranet Services in their entirety shall result in the termination of this Agreement.

8.2 Franchisee may not transfer or assign, either voluntarily or by operation of law, any of its rights or duties under this Agreement except in conjunction with, and only to the same transferee approved by GPPI to receive, an assignment of its rights and duties under the Franchise Agreement.

8.3 This Agreement shall terminate effective immediately without notice and concurrently upon expiration or termination of the Franchise Agreement.

8.4 Without waiving its right to terminate this Agreement, GPPI may suspend (with or without notice) Franchisee's access to the Extranet Services, in whole or in part at any time based upon Franchisee's breach of this Agreement or the Franchise Agreement without liability to Franchisee. Additionally, GPPI may terminate the right of a particular User to use an account or password based upon any misuse that GPPI, in its sole discretion, determines has occurred.

8.5 GPPI shall have no obligation or liability to Franchisee on account of any modifications to, discontinuation of, or termination, suspension or cancellation, in whole or in part, of the Extranet Services and/or this Agreement.

8.6 After termination of this Agreement or any account, or after suspension of access to the Extranet Services, Franchisee remains responsible for any obligations accrued to that date. Franchisee shall pay all fees, if any, due to GPPI through the end of the month in which suspension or termination occurs.

8.7 If any term of this Agreement is found by a court of competent jurisdiction to be illegal or unenforceable, the term shall be considered to be stricken from this Agreement as if it had not been included from the beginning.

## 9. FEES AND PAYMENT

9.1 Franchisee shall pay a monthly license fee of $230 per month for each Center that Franchisee operates under the Franchise Agreement. The monthly license fee shall be payable by Franchisee at the same time that it pays continuing royalty fees to GPPI and shall be subject to the same late fees and other charges that the Franchise Agreement imposes on late royalty fees. At its option, GPPI may change the payment schedule, with three (3) months prior written notice, to more frequent intervals or otherwise. GPPI reserves the right to increase the license fee on fifteen (15) days' notice, which can be in the form of a general e-mail or general posting on GPPI's communication system.

9.2 The first monthly license fee for a Center shall be due and payable starting with the month after the month in which the Center opens for business. Thereafter, monthly license fees shall continue to be paid for as long as this Agreement is in effect and Franchisee operates the Center under the Franchise Agreement.

9.3 Franchisee shall pay any and all applicable taxes related to use of the Extranet Services by Franchisee or by Franchisee's Users.

## 10. HARDWARE AND OTHER EQUIPMENT.

Franchisee is responsible for and must purchase or otherwise provide all telephone, computer and other equipment and services necessary to access and use the Extranet Services.

## 11. DISCLAIMER OF WARRANTIES AND EXCLUSION OF LIABILITY.

11.1 FRANCHISEE EXPRESSLY AGREES THAT USE OF THE EXTRANET SERVICES IS AT FRANCHISEE'S SOLE RISK. THE SERVICES ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS WITHOUT REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES THAT THE SERVICES WILL BE UNINTERRUPTED OR ERROR FREE, WARRANTIES OF TITLE OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE.

11.2 NEITHER GPPI NOR ANY OF ITS AFFILIATES, INFORMATION OR CONTENT PROVIDERS, SERVICE PROVIDERS, LICENSORS, EMPLOYEES OR AGENTS ("GYMBOREE GROUP") SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF USE OF THE EXTRANET SERVICES, GPPI'S TERMINATION OF THE EXTRANET

SERVICES, GPPI'S TERMINATION OR SUSPENSION OF THE FRANCHISEE'S ACCESS TO THE EXTRANET SERVICES OR FRANCHISEE'S INABILITY TO USE THE EXTRANET SERVICES OR OUT OF ANY BREACH OF ANY REPRESENTATION OR WARRANTY. THIS PROVISION SHALL APPLY REGARDLESS OF ANY ALLEGATION OR FINDING THAT A REMEDY FAILED OF ITS ESSENTIAL PURPOSE, REGARDLESS OF THE FORM OF ACTION OR THEORY OF LIABILITY (INCLUDING, WITHOUT LIMITATION, ANY FORM OF NEGLIGENCE) AND EVEN IF GPPI WAS ADVISED OR AWARE OF THE POSSIBILITY OR LIKELIHOOD OF SUCH DAMAGES OR LIABILITY.

11.3 FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT THE PROVISIONS OF THIS SECTION SHALL ALSO APPLY TO ANY AND ALL CLAIMS RELATING TO "THIRD PARTY MATERIAL" (DEFINED ABOVE) AND ANY OTHER CONTENT AVAILABLE THROUGH THE EXTRANET SERVICES. FRANCHISEE AGREES THAT IT WILL NOT IN ANY WAY HOLD GPPI RESPONSIBLE FOR ANY SELECTION OR RETENTION OF, OR THE ACTS OR OMISSIONS OF, THIRD PARTIES IN CONNECTION WITH THE EXTRANET SERVICES.

**12. INDEMNITY.**

Franchisee hereby indemnifies and holds harmless GPPI and its affiliates and their respective directors, officers, employees and agents from and against all claims, liability, damages, costs and expenses, including but not limited to reasonable attorneys' fees, arising out of or related to any and all use of Franchisee's account. This includes, without limitation, responsibility for all such consequences of Franchisee's and Franchisee's Users use of the Extranet Services, violation of this Agreement, or placement on or over, or retrieval from or through, the Extranet Services of any software, file, information, communication or other content. Franchisee acknowledges and agrees that GPPI and Franchisee are obligated to comply with applicable laws in using the Extranet Services, including the collection, use and disclosure of Franchisee data and Franchisee's customer's data in accordance with applicable law, and Franchisee acknowledges and agrees that GPPI and Franchisee are obligated to take all actions related to the Extranet Services accordance with all applicable laws, regulations, and using industry standards of care and in compliance with the Extranet Provider's License Agreement.

**13. DISPUTE RESOLUTION**

Any dispute arising out of or concerning the provisions of this Agreement will be governed by, and construed and enforced in accordance with the law of the state where Franchised Business is located, without regard to such state's conflicts of laws or choice of law rules. The parties hereby incorporate by this reference the Franchise Agreement Article captioned "Applicable Law and Dispute Resolution" and agree that it shall apply to any dispute arising out of or concerning this Agreement or its enforcement, interpretation or construction.

GPPI, INC.

By:_____
Xinkai Chen

Its: CEO

FRANCHISEE:

_____

_____
Individually and/or as an officer or partner of
_____, a _____
_____

_____

_____
Individually and/or as an officer or partner of
_____, a _____
_____

EXHIBIT K TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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# E-MAIL USE AGREEMENT

| E-MAIL ACCOUNT AGREEMENT | |
|---|---|
| This E-MAIL ACCOUNT AGREEMENT (the "E-Mail **Agreement**") is effective as of the date this Agreement is signed by all parties hereto and is made by and between you, the undersigned (**"You"** or **"Your"**), and GPPI, Inc. ("**Licensor**"). | |
| **You** | |
| **Name:** | **Physical Address:** |
| **Phone:** | **Fax:** |
| **LEGAL TERMS AND CONDITIONS** | |
| BY SIGNING BELOW YOU AGREE TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THE E-MAIL SERVICE TERMS OF USE ATTACHED HERETO. | |
| | |
| **SIGNATURES** | |
| **YOU:** | **GPPI, INC.** |
| Signature: | By: |
| Name: | Name: Xinkai Chen |
| Title: | Title: CEO |
| Date: | Date: |

## E-MAIL SERVICE TERMS OF USE

Licensor offers its franchisees the right, and the obligation, to use the e-mail domain "gymboreeclasses.com" through an e-mail service hosted by or on behalf of Licensor (the **"Service"**). You are a franchisee of Licensor pursuant to a development or franchise agreement (each, an **"Agreement"**) for the operation of a Gymboree Play & Music Center, Gymboree Play & Music Metro Play Center, or Gymboree Play & Music Mobile Play Center (the **"Franchised Business"**) and You desire to use the Service in accordance with the terms of this E-Mail Agreement. In consideration of the mutual promises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, do hereby agree as follows:

**1. E-Mail Address**. Licensor may issue You an e-mail address consisting of a local portion and the domain portion @gymboreeclasses.com for each Franchised Business You operate (each being **"Your E-mail Address"**). You may use Your E-mail Address only (i) with the Service, and (ii) only for customer facing emails (i.e. e-mail communications directly with your customers) in connection with Your operation of the Franchised Business in a manner permitted under the Agreement. You agree that Your duties and obligations set forth in this E-Mail Agreement are in addition to, and not in limitation of, Your duties and obligations under the Agreement or any other agreement between You and Licensor or its affiliates.

**2. Use of the Service**.

**2.1 Your Responsibilities**. You are solely responsible for Your use of the Service and Your E-mail Address. You shall: (i) have sole responsibility for the accuracy, quality, integrity, legality, reliability, and appropriateness of all of communications and advertising using Your E-mail Address; (ii) comply with all applicable local, state, provincial, federal, and applicable foreign laws in using Your E-mail Address and the Services, and (iii) comply with the terms of any guidelines, policies, procedures or other rules and regulations of Licensor with respect to the Services delivered to You from time-to-time.

**2.2 Service Guidelines**. You shall use the Service only for Your conduct of, and advertising for, the Franchised Business and specifically for customer facing emails. E-mails to and from other persons (e.g. suppliers) shall be sent and received using a different e-mail address. All e-mails to customers shall comply with the Agreement and with applicable privacy laws and shall provide for customers to consent to the collection, use and disclosure of his/her personal information (via an "opt-out" option where applicable). All e-mails to customers shall also include any other information required by law or reasonably required by Licensor. Without limiting the foregoing, You shall not use the Service to: (i) send e-mail in violation of any applicable anti-spam law; (ii) imitate or impersonate another person or his, her or its e-mail address, or create false accounts for the purpose of sending spam; (iii) harvest, collect, gather or assemble information or data regarding customers or other e-mail users without their consent; (iv) send e-mails to customers or other e-mail users who have requested to be removed from a mailing list (allowing a reasonable period of time for such mailing lists to be updated); (v) send, upload, distribute or disseminate or offer to do the same with respect to any unlawful, defamatory, harassing, abusive, threatening, fraudulent, infringing, obscene, or otherwise objectionable content; (vi) intentionally or negligently distribute viruses, worms, defects, Trojan horses, corrupted files, hoaxes, or any other items of a surreptitious, destructive or deceptive nature; (vii) conduct or forward e-mails related to pyramid schemes and the like; (viii) transmit content that may be harmful or offensive to minors; (ix) impersonate another person (via the use of an e-mail address or otherwise) or otherwise misrepresent yourself or the source of any e-mail; (x) illegally transmit another's intellectual property or other proprietary information without such owner's or licensor's permission; (xi) violate the legal rights (including rights of privacy and publicity) of others, or promote or encourage illegal activity; (xii) interfere with other users' enjoyment of the Service; or (xiii) engage in any illegal peer-to-peer file sharing.

**3. Proprietary Rights**.

**3.1 Reservation of Rights**. You acknowledge and agree that You may use Your E-Mail Address and the Service only as set forth in this E-Mail Agreement and that you have no other right to use the same. You acknowledge and agree that Licensor is the owner of all right, title and interest in and to the domain name "gymboreeclasses.com" and Your E-mail Address (the **"Trademarks"**), and any and all derivations and variants thereof, in any form or embodiment thereof, and is also the owner of the goodwill attached or which shall become attached to the Trademarks. All uses of the Trademarks by You shall inure to the benefit of Licensor. You shall not, at any time, do or permit to be done any act or thing that may in any way adversely affect any rights of Licensor in and to the Trademarks or that, directly or indirectly, may reduce the value of the Trademarks or detract from their reputation. You shall not, during or after the Term, vary the Trademarks, join any name, symbol, design or other indicia with the Trademarks so as to form a new mark, or use or seek to register any trademarks which include or are confusingly similar to the Trademarks, including, without limitation, use any of any of the Trademarks as a domain name, meta-tag, hidden text or similar use. You agree to never challenge Licensor's ownership of or the validity of the Trademarks or any trademark registration thereof, or any rights of Licensor therein.

**3.2 Data**. In order to use the Service, you acknowledge that the Service automatically collects all data, messages and information You send or that is sent to You by and through the Service (**"Your Data"**). Upon termination of our relationship or the Agreement, or as reasonably required by Licensor (in Licensor's sole discretion), You consent to such collection. You agree that any time during the term of this E-Mail Agreement and upon its termination Licensor is free to monitor and use Your Data, including retrieving and reading e-mail messages, attachments, and other computer files, and that Licensor will have no confidentiality obligations with respect to such information. Even though You may be issued a private password or other private access code to log into the Service, You acknowledge and agree that You have no expectation of privacy with regard to Your use of the Service. You agree that any and all information, data, messages and information You send or that is sent to You by or through the Service is the property of Licensor. During the term of this E-Mail Agreement You shall have the right to reproduce Your Data for purposes of creating back-up records and to maintain Your Data as necessary for the operation of the Franchised Business. Licensor may, but is not obligated to, back-up and/or maintain any data regarding Your use of the Services, including Your Data. Licensor shall have no obligation to back-up, maintain or deliver any such data regarding the Service and Licensor may permanently delete all such data without notice to You.

**4. Disclaimer of Warranties**. THE SERVICE IS PROVIDED ON AN "AS IS" BASIS AND LICENSOR EXPRESSLY DISCLAIMS ANY AND ALL EXPRESS, IMPLIED OR STATUTORY WARRANTIES, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, QUIET ENJOYMENT, TITLE, AND NON-INFRINGEMENT, AND ANY WARRANTY ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE. LICENSOR DOES NOT WARRANT THAT THE SERVICE WILL BE ERROR-FREE OR UNINTERRUPTED OR THAT THE SERVICE WILL MEET YOUR REQUIREMENTS. LICENSOR DOES NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING UPTIME, USE, DATA SECURITY, ACCURACY AND RELIABILITY OF THE SERVICE. YOU ACKNOWLEDGE AND AGREE THAT THIS SECTION 4 IS A REASONABLE AND ESSENTIAL ELEMENT OF THIS E-MAIL AGREEMENT.

**5. Indemnification**. You shall defend, indemnify and hold Licensor, its subsidiaries, parent, affiliates and its and their officers, directors, employees and agents, harmless against any loss, damage or liability (including without limitation reasonable attorneys' fees) incurred in connection with claims, demands, suits, or proceedings arising out of or related to Your breach of this E-Mail Agreement or Your use of Your E-mail Address or the Service.

**6. Limitation of Liability**.

**6.1 Limitation of Liability**. IN NO EVENT SHALL LICENSOR'S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS E-MAIL AGREEMENT, WHETHER IN CONTRACT, TORT OR UNDER ANY OTHER THEORY OF LIABILITY, EXCEED $100 DOLLARS (U.S.).

**6.2 Exclusion of Consequential and Related Damages**. IN NO EVENT SHALL LICENSOR HAVE ANY LIABILITY TO YOU FOR ANY LOST PROFITS, LOSS OF DATA, LOSS OF USE, COSTS OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, OR FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES HOWEVER CAUSED AND, WHETHER IN CONTRACT, TORT OR UNDER ANY OTHER THEORY OF LIABILITY, WHETHER OR NOT THE LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

**7. Term & Termination**.

**7.1 Term of E-Mail Agreement**. Unless sooner terminated by Licensor, the term of this E-Mail Agreement shall be the same as the term of the Agreement. This E-Mail Agreement and Your right to use the Service shall immediately terminate should Your Agreement with Licensor terminate or expire for any reason. Without limiting its other remedies, Licensor may immediately issue a warning, temporarily suspend, indefinitely suspend or terminate Your access and right to use the Service if You fail to comply with any term or condition of this E-Mail Agreement, the Agreement, or any other agreement between You and Licensor or its affiliates. Licensor may terminate Your right to use the Service for any reason with notice to You.

**7.2 Obligations on Termination.** It is understood and agreed that upon any termination of this E-Mail Agreement or Your right to use the Service, You shall immediately cease all use of Your E-mail Address and You shall have no right to use Your E-mail Address for any purpose. It is expressly understood that under no circumstances shall You be entitled, directly or indirectly, to any form of compensation or indemnity from Licensor as a consequence of any suspension or termination of this E-Mail Agreement or the Service.

**7.3 Surviving Provisions**. Sections 3, 4, 5, 6, 7.2 and 8 shall survive the termination or expiration for any reason of this E-Mail Agreement or Your right to use the Service.

**8. General Provisions**.

**8.1 Relationship of the Parties**. This E-Mail Agreement does not create a partnership, joint venture, fiduciary, or employment relationship between the parties.

**8.2 No Benefit to Others**. The representations, warranties, covenants, and agreements contained in this E-Mail Agreement are for the sole benefit of the parties and their respective successors and permitted assigns, and they are not to be construed as conferring any rights on any other persons.

**8.3 Notices**. All notices under this E-Mail Agreement shall be in writing and shall be delivered as required by the Franchise Agreement.

**8.4 Waiver and Remedies**. No failure or delay by either party in exercising any right under this E-Mail Agreement shall constitute a waiver of that right. Other than as expressly stated herein, the remedies provided herein are in addition to, and not exclusive of, any other remedies of a party at law or in equity. You acknowledge and agree that there would be no adequate remedy at law for Your use of any Trademark in a manner not authorized by this E-Mail Agreement, or Your failure to cease use of any Trademark as set forth in this E-Mail Agreement, and You agree that in the event of such failure Licensor shall be entitled to seek injunctive relief and such other and further relief as any court with jurisdiction may deem just and proper.

**8.5 Severability**. If any provision of this E-Mail Agreement is held by a court or arbitrator of competent jurisdiction to be contrary to law, the provision shall be changed by the court or by the arbitrator and interpreted so as best to accomplish the objectives of the original provision to the fullest extent permitted by law, and the remaining provisions of this E-Mail Agreement shall remain in effect as written.

**8.6 Assignment**. Licensor has the right to transfer or assign this E-Mail Agreement and all or any part of its rights or obligations herein to any person or legal entity. You may not transfer or assign this E-Mail Agreement or any of Your rights or obligations hereunder, whether by operation of law or otherwise, without the prior express written consent of Licensor.

**8.7 Governing Law**. This E-Mail Agreement shall be interpreted, construed and governed exclusively under the laws of the state in which the Franchised Business is operated, without regard to such state's conflict-of-law rules.

**8.8 Venue**. Any action, whether or not arising out of, or relating to, this E-Mail Agreement, shall be brought in the judicial district in which Licensor has, at the time of commencement of such action, its principal place of business. You hereby waive all objections to personal jurisdiction or venue for purposes of this Section 8.8 and agree that nothing in this Section 8.8 shall be deemed to prevent Licensor from removing an action from state court to federal court.

**8.9 Electronic Signatures.** You agree to be bound by any affirmation, assent or agreement you transmit through the Service, and You hereby consent to receive communications from Licensor through electronic transmission, including without limitation the Service. You agree that any time you click on "I agree," "I consent" or other similarly worded "button" or entry field with Your mouse, keystroke or other computer device in connection with this E-Mail Agreement or the Service, Your agreement or consent will be legally binding and enforceable and the legal equivalent of Your handwritten signature.

**8.10 Entire Agreement and Construction**. This E-Mail Agreement and any guidelines, policies, procedures or other rules and regulations posted on the Service constitute the entire agreement between the parties as to its subject matter, and supersede all previous and contemporaneous agreements, proposals or representations, written or oral, concerning the subject matter of this E-Mail Agreement. No modification, amendment, or waiver of any provision of this E-Mail Agreement shall be effective unless in writing and signed by both parties hereto; provided, however, Licensor may amend this E-Mail Agreement, in whole or in part, by conspicuously posting the amended E-Mail Agreement on the Service or e-mailing a copy of the amendment to You. Your use of the Service after such posting shall irrevocably constitute your acceptance of such amendment.

EXHIBIT L TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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EFFECTIVE DATES

EXHIBIT L TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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STATE EFFECTIVE DATES

## State Effective Dates

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

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

| State | Effective Date |
|---|---|
| California | Pending |
| Hawaii | Pending |
| Illinois | Pending |
| Indiana | Pending |
| Maryland | Pending |
| Michigan | Pending |
| New York | Pending |
| Virginia | Pending |
| Washington | Not registered |

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

EXHIBIT M TO THE
GYMBOREE PLAY & MUSIC
DISCLOSURE DOCUMENT

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RECEIPTS

**RECEIPT**
**(RETURN THIS COPY TO GPPI, INC.)**

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

Except as provided in the paragraph below, if GPPI, Inc. offers you a franchise, GPPI, Inc. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale.

Under the laws of New York or Rhode Island, GPPI, Inc. must provide this disclosure document to you at the earliest of: (a) the first personal meeting to discuss the franchise; (b) 10 business days before you sign a binding agreement with us; or (c) 10 business days before you make any payment to us. Under the laws of Michigan or Wisconsin, GPPI, Inc. must provide this disclosure document to you at the earliest of: (a) 10 business days before you sign a binding agreement with us; or (b) 10 business days before you make any payment to us.

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

GPPI, Inc. authorizes the agents listed in Exhibit G to receive service of process for us.

The franchise seller(s) offering this franchise is/are checked off below:

- □ Bonnie Stewart, 3180 Campus Drive, San Mateo, California 94403, (415) 604-3093
- □ Elke Michelucci, 3180 Campus Drive, San Mateo, California 94403, (415) 604-3005
- □ Kathleen McFerrin, 3180 Campus Drive, San Mateo, California 94403, (415) 586-5051
- □ _____

Issuance Date: April 30, 2025. (If the effective date of this disclosure document in your state is different, it will be listed on the State Effective Dates page in Exhibit L to this disclosure document.)

I have received a disclosure document dated April 30, 2025, that included the following exhibits:

| | |
|---|---|
| Exhibit A-1 | List of Franchisees |
| Exhibit A-2 | List of Former Franchisees |
| Exhibit B | Financial Statements |
| Exhibit C | Development Agreement |
| Exhibit D-1 | Gymboree Play & Music Center Franchise Agreement |
| Exhibit D-2 | Mobile Play Center Addendum |
| Exhibit E | Table of Contents of Operating Manual |
| Exhibit F | Subordination Agreement |
| Exhibit G | List of State Administrators and Agents for Service of Process |
| Exhibit H | Mobile Contract Worksheet |
| Exhibit I | State Addenda |
| Exhibit J | Extranet License Agreement |
| Exhibit K | E-Mail Use Agreement |
| Exhibit L | State Effective Dates |
| Exhibit M | Receipt |

_____ _____
Date Prospective Franchisee

_____ _____
Date Prospective Franchisee

**RECEIPT**
**(KEEP THIS COPY FOR YOUR RECORDS.)**

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

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| Exhibit H | Mobile Contract Worksheet |
| Exhibit I | State Addenda |
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| Exhibit K | E-Mail Use Agreement |
| Exhibit L | State Effective Dates |
| Exhibit M | Receipt |

_____ _____
Date Prospective Franchisee

_____ _____
Date Prospective Franchisee