FRANCHISE DISCLOSURE DOCUMENT

Ivy Kids Systems, LLC
2707 Spring Green Boulevard
Katy, Texas 77494
Phone: 281-769-4266
E-mail: franchise@ivykids.com
Website: www.ivykidsfranchise.com

As a franchisee, you will operate a learning center offering child care and academic education programs to children ages six (6) weeks to twelve (12) years, along with related products and services, under the name "**Ivy Kids Early Learning Center**."

The total initial investment necessary to begin operation of a Learning Center franchise ranges from $5,500,000 to $6,790,000 under our "**Prototype Ivy Kids Program**," and from $1,102,000 to $1,540,500 under our "**Long Term Lease Program**." This includes $125,000 in initial fees that you must pay to Ivy Kids Systems, LLC as the franchisor under these programs. Please see Items 5 and Item 7 of this Franchise Disclosure Document for additional details.

We may offer to you the right to enter into an Area Development Agreement to establish and operate a certain number of Learning Center franchises at specific locations pursuant to individual franchise agreements. The minimum number of Learning Centers you must agree to establish and operate under an Area Development Agreement is two. If you sign an Area Development Agreement for the establishment and operation of three Learning Centers, you will pay to us $260,000 in initial fees. Your total initial investment, including fees payable to us, will increase thereafter based on the number of Learning Centers to be developed.

This Franchise Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Franchise Disclosure Document and all accompanying agreements carefully. You must receive the Franchise Disclosure Document at least fourteen (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 government agency has verified the information contained in this document.**

You may wish to receive your Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dick Ren with Ivy Kids Systems, LLC at 2707 Spring Green Blvd., Katy, Texas 77494, dick@ivykids.com, or call (281) 769-4266.

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise 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, DC 20580. You can also visit the FTC's home page at*www.ftc.gov* for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 20, 2026, as amended June 11, 2026

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E and F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G 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 Ivy Kids Early Learning Center in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an Ivy Kids franchisee?	Item 20 or Exhibits E and F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation or arbitration only in Texas. Out-of-state mediation or arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate or arbitrate with the franchisor in Texas than in your own state.

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.

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RECEIPT

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

To simplify the language in this Franchise Disclosure Document, "**we**," "**us**," "**our**," or "**Franchisor**" means Ivy Kids Systems, LLC. "**You**" or "**Franchisee**" means a person or entity who buys a franchise from us. If an entity is the Franchisee, "**you**" may include the Franchisee's owners, although we will only grant franchise rights to the Franchisee.

The Franchisor

We are a Texas limited liability company formed on June 9, 2015. Our principal business address is 2707 Spring Green Blvd., Katy, Texas 77494. We conduct business under the name and mark "Ivy Kids Early Learning Center," "Ivy Kids Systems, LLC," and related names, marks and slogans. Our agent for service of process is Corporate Service Company d/b/a CSC, located at: 211 E. 7th Street, Suite 620, Austin, Texas 78701. If we have an agent for service of process in your state, we disclose that agent in Exhibit A.

We have not offered franchises in any other line of business, and we are not engaged in any business other than selling franchises for Learning Centers. We began offering franchises in January 2016. However, the first original, independently operated Ivy Kids Early Learning Center business opened in June 2005.

Our Parents, Affiliates and Predecessors

Ivy Kids, LLC, a Texas limited liability company, was founded by Alnoor and Laila Bandali in October 2002. Ivy Kids, LLC is the owner of the Proprietary Products and Services (as defined below) and the trademark to be used by the Learning Centers ("**Ivy Kids**"). We have obtained from Ivy Kids, LLC the right to use and assign to Franchisees the right to use the Proprietary Products and Services and trademarks as they currently exist and as may be further developed, revised, and/or expanded in the future. Currently, there are five (5) independently licensed and affiliate owned Ivy Kids Early Learning Centers in operation, which are located at the following addresses (collectively referred to herein as "**Independent/Affiliate Owned**"):

1906 Country Place Pkwy.
Pearland, Texas 77584 ("**Pearland Location**")
Opened June 2005

19919 Lakemont Bend Ln.
Richmond, Texas 77407 ("**Lakemont Location**")
Opened August 2011

824 W 25th St
Houston, TX 77008 ("**The Heights Location**")
Opened October 2024

27270 Cinco Ranch Blvd.
Katy, Texas 77494 ("**Cinco Location**")
Opened January 2014

2707 Spring Green Blvd.
Katy, Texas 77494 ("**Silver Ranch Location**")
Opened April 2018

Our affiliate Ivy Kids Systems of Canada, LLC, is a Texas limited liability company formed on March 2, 2022. Ivy Kids Systems of Canada began offering in Canada franchises of the type described in this Disclosure Document in March of 2022. Currently there are no Ivy Kids franchised or company owned outlets in Canada. Ivy Kids Systems of Canada, LLC, has not offered franchises in any other lines of business.

The Franchise Offered

We offer franchises for learning centers that operate under the name "Ivy Kids Early Learning Center," (each being referred to herein as a "**Learning Center**" and collectively, the "**Learning Centers**"). Each Learning Center is established and operated using the format and system we developed (the "**System**"), and operate at Learning Center locations displaying our interior and exterior trade dress. Learning Centers feature and operate under the Proprietary Marks (as described below). Learning Centers offer child care and education

to children ages six weeks to twelve years, along with related products and services. Each Learning Center is operated using our proprietary manuals, curriculum, formulae and techniques ("**Proprietary Products and Services**"), as well as a variety of non-proprietary learning materials, supplies, associated products, systems, toys, food, beverage, and other compatible items that we designate from time to time (collectively such non-proprietary and Proprietary Products and Services will be referred to as "**Products and Services**"). Our interior trade dress is designed to make Learning Centers welcoming, comfortable, and easily identifiable for children of varying ages. All products and services offered for sale at a Learning Center are subject to our approval.

Learning Centers are characterized by our System. Some of the features of our System include, but are not limited to: (a) distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; (b) standards and specifications for products and services, indoor and outdoor equipment, materials, toys, services and supplies; (c) uniform standards, specifications, and procedures for operations; (d) purchasing and sourcing systems and procedures; (e) procedures for food, supplies, inventory and management control; (e) training and operational assistance; and (f) marketing and promotional programs. We may periodically change and improve the System.

Each Learning Center you franchise will fall under one (1) of three (3) programs depending on whether you lease or own the real estate for the site of the Learning Center or the square footage of the total building area for the Learning Center. Your Learning Center will be a "**Prototype Ivy Kids**" under our Prototype Ivy Kids Program if the total building area of the Learning Center is less than 15,000 square feet. If you do not own the site of the Learning Center, your Learning Center will be a "**Lease Program**" Learning Center under our Long Term Lease Program. These programs are primarily important for describing your estimated initial investment to establish and open each type of Learning Center. We describe the initial estimated investments for these types of Learning Centers in Item 7 of this Disclosure Document.

You must operate your Learning Center in accordance with our standards and procedures, as set out in our Confidential Operations Manual (the "**Manual**"). We will provide one copy of the Manual for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically). In addition, we will grant you the right to use our marks, including the mark "Ivy Kids," "Ivy Kids Early Learning Center," and any other trade names, patents and marks that we designate in writing for use with the System (the "**Proprietary Marks**"). We may modify the Proprietary Marks or substitute new Proprietary Marks. See Items 13 and 14 for additional information regarding the Proprietary Marks and the Manual.

Additional Programs

We may offer a program by which we pay a finder's fee or referral fee to existing Franchisees who refer to us a prospect that signs the Franchise Agreement. Franchisees who receive financial incentives to refer franchise prospects to us may be required to register as franchise brokers under certain state laws.

We may also offer a program by which we offer compensation or certain incentives to existing Franchisees who mentor new Franchisees according to mentoring criteria we designate or prescribe.

If we offer these programs, we may change or discontinue these programs at any time.

Franchise Agreement

We offer qualified legal entities and persons the opportunity to establish and operate a Learning Center pursuant to our form of franchise agreement ("**Franchise Agreement**"), which is attached to this Franchise Disclosure Document as Exhibit C.

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Learning Center at an agreed-upon specified location (the "**Accepted Location**"). In this Franchise Disclosure

Document, the term "**Learning Center**" means the Learning Center franchised to you under a Franchise Agreement.

As a part of the Franchise Agreement, and in an effort to provide the safest environment for children, we require all Franchisees and their Learning Center employees to undergo a background check.

Area Development Agreement

We may also offer qualified legal entities and persons (a "**Developer**") the opportunity to enter into an area development agreement (the "**Area Development Agreement**") (attached to this Franchise Disclosure Document as Exhibit D), which grants the Developer the right to establish and operate a specified number of Learning Centers in a specified area (the "**Development Area**") at specific locations that must be accepted by us, each under a separate Franchise Agreement. We will enter into Area Development Agreements under which at least two Learning Centers will be developed by a Developer.

Developers must open each Learning Center in accordance with an agreed upon opening schedule (the "**Development Schedule**"). The Development Schedule will be set forth in Exhibit A of the Area Development Agreement. At the time of signing the Area Development Agreement, the Developer also signs the Franchise Agreement (attached to this Franchise Disclosure Document as Exhibit C) for the first Learning Center to be established. The Developer exercises its right to open additional Learning Centers by entering into our then-current form of franchise agreement for each Learning Center to be opened. Each additional franchise agreement for additional Learning Centers to be opened may be in a different form than the Franchise Agreement included in this offering, except the initial Franchise Fee and royalty fee will be the same as set forth in the Franchise Agreement included in this offering as long as Developer is in compliance with the Area Development Agreement.

The Market and Competition

The market for the Learning Centers is well developed and very competitive. You will serve the general public and will compete with a variety of businesses, from locally owned to national and chain businesses. These Learning Centers compete on the basis of factors such as price, service, location and educational quality.

Industry Specific Regulations

You must comply with all local, state and federal laws that apply to your Learning Center operations, including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits, licenses and operational licenses. There may be other laws applicable to your business, including but not limited to laws regulating private educational institutions, and we urge you to make further inquiries about these laws.

Other licenses and permits you may need for the operation of your Learning Center include, but are not limited to, the following: zoning or land use approvals; sales and use tax permits; fire department permits; food establishment permits; health permits; food handler's permits; alarm permits; county occupational permits; and wastewater discharge permits. There may be other laws, rules or regulations which affect your Learning Center, including background check requirements, employee screening laws, training requirement laws, laws concerning the protection of customers' credit card numbers and financial data, minimum wage and labor laws along with ADA, OSHA, and EPA considerations.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service and Learning Center sanitary conditions. State and local agencies may inspect the Learning Centers to ensure that they comply with these laws and regulations.

The Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation. Some state and local governments have also adopted, or are considering proposals, that would regulate indoor air quality.

Because you collect information from customers, it may contain personal information of individuals which is protected by law. You are responsible for complying with all applicable current and future federal, state, and local laws, regulations and requirements, including the California Consumer Privacy Act (as applicable), pertaining to the collection, protection, use, sale, disposal and maintenance of such personal information. Personal information includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local laws, regulations and requirements. You may also be required to comply with opt-in requirements on your website.

ITEM 2
BUSINESS EXPERIENCE

The following is a list of our directors, officers, and other executives who have responsibility for the franchise program:

Chief Executive Officer: Amyn Bandali

Amyn Bandali has served as our Chief Executive Officer since January 2023. He served as Senior Vice President of Marketing and Franchise Sales from October 2015 to December 2022.

Vice President of Corporate Schools: Sarjana Momin

Ms. Momin has served as our Vice President of Corporate Schools since April 2021. Prior to this, Ms. Momin has served as our Secretary and Treasurer from September 2015 to April 2021. She has also independently owned and operated an Ivy Kids Early Learning Center since January 2014.

Head of Operations: Afshan Akbar

Ms. Akbar has served as our Head of Operations since February 2026. Prior to this, Ms. Akbar worked for Primrose Schools in various positions in Atlanta, Georgia, including Director of Regional Support from April 2022 to February 2026 and School Business Consultant from March 2016 to April 2022.

Director of Opening Success: Sahrish Maredia

Ms. Maredia has served as our Director of Opening Success since September 2015.

Director of Franchise Success: Pamela Luers

Ms. Luers has served as our Director of Franchise Success since June 2019.

Director of Curriculum: Emily Lian

Ms. Lian has served as our Director of Curriculum since January 2017.

Director of Marketing: Wendi Raeuchle

Ms. Raeuchle has served as our Director of Marketing since February 2023. Prior to joining us, she served as Director of Marketing for Highlands Medical Center in Scottsboro, Alabama from February 2019 to January 2023.

Director of Franchise Development: Dick Ren

Mr. Ren has served as our Director of Franchise Development since May 2023. Prior to joining us, he served as Director of Development for Driven Brands in Charlotte, North Carolina from January 2020 to January 2023.

Director of Real Estate and Construction: Jessica Bell Clough

Ms. Clough has served as our Director of Real Estate and Construction since January 2024. Prior to joining us, she served as the Director of Real Estate for Kiddie Academy, from April 2021 through January 2024, in Abingdon, Maryland. From February 2019 through April 2021, Ms. Clough was the Real Estate Manager for Papa Murphy's in Vancouver, Washington.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

The fees set forth in this Item 5 are uniformly imposed.

Franchise Fee

The initial franchise fee for a Learning Center franchise is $125,000 (the "**Franchise Fee**"). The Franchise Fee is non-refundable and will be paid as follows: $62,500 upon signing of the Franchise Agreement and the remaining $62,500 is payable when your construction loan has been funded for the Learning Center or your lease has been approved by us, as applicable.

Additional Location Fee

If an existing Franchisee signs a Franchise Agreement for an additional Learning Center (but does not sign an Area Development Agreement), we are currently offering a fifteen percent (15%) discount off of the applicable Franchise Fee for the second Learning Center ("**Additional Location Fee**").

Area Development Fee

If you sign an Area Development Agreement with us, you will pay us an area development fee (the "**ADA Fee**") in the amount of: (a) the full Franchise Fee for the first Learning Center to be developed under the Area Development Agreement, (b) $75,000 for the second Learning Center to be developed under the Area Development Agreement, and (c) $60,000 for the third and each additional Learning Center to be developed under the Area Development Agreement. The ADA Fee you pay will be applied toward the Franchise Fee for

each Learning Center you develop under the Area Development Agreement when you sign the Franchise Agreement for that Learning Center.

The ADA Fee is fully earned and non-refundable in consideration of administrative and other expenses we incur in entering into the Area Development Agreement, and for our lost or deferred opportunities to enter into the Area Development Agreement with others, regardless of whether you enter into any Franchise Agreements for Learning Centers to be developed.

To honor those men and women who have served in the U.S. military, the Veterans Transition Franchise Initiative, known as "VetFran," was developed to help those individuals' transition to civilian life. This initiative is a voluntary effort of International Franchise Association (IFA) member-companies and is designed to encourage franchise ownership by offering financial incentives to honorably discharged veterans. We offer a thirty-thousand dollar ($30,000) discount off the Initial Franchise Fee for each Franchised Business that is granted to you. To qualify for this discount, the veteran(s) must own at least 50% of the franchise and 50% of the business entity that will be operating the franchise. The Franchise Fee is non-refundable and will be paid as follows: $47,500 upon signing of the Franchise Agreement and the remaining $47,500 is payable when your construction loan has been funded for the Learning Center or your lease has been approved by us, as applicable.

ITEM 6
OTHER FEES

Type of Fee[1]	Amount	Date Due	Remarks
Royalty (Note 2)	7% of Gross Sales.	Debited weekly via EFT (as defined below) by us on the 2nd day following the close of the week, based on the Gross Sales for that week.	"**Gross Sales**" means all revenue related to the Learning Center. If the Gross Sales are not reported, we may estimate your Gross Sales and withdraw amounts we estimate to be due. You must also simultaneously submit a detailed sales report summary of your overall business activity.
Advertising Obligation (Note 2)	1.5% of Gross Sales. You may spend additional amounts on your local advertising with our prior written approval.	Payable in the same manner as the Royalty Fee.	
Local Telephone and On-line Directories (Note 4)	Varies.	Upon demand.	We may require you to, or we may on your behalf, advertise your Learning Center in local directories. You must bear the costs for your Learning Center, including reimbursements to us.

Type of Fee[1]	Amount	Date Due	Remarks
Initial Marketing Obligation (Note 3)	Up to $30,000	Upon commencement of construction	We retain the option of collecting this amount from you prior to the opening and implementing pre-opening marketing and promotions on your behalf.
Local Advertising, Marketing, and Promotion (Note 3)	Minimum of $7,000 per month until the utilization rates reach 70% for the Learning Center. After reaching a 70% utilization rate, local marketing expenditures will be reduced to 1.5% of Gross Sales. You may spend additional amounts on your local advertising with prior written approval from Franchisor.	Weekly.	You use best efforts to promote the business of your Learning Center through local advertising, marketing, and promotion that we have previously approved in writing. Local marketing must be implemented in a format and using materials and designs approved by us. Upon our request, you must submit receipts documenting your local marketing activities.
Cooperative Marketing (Note 3)	A maximum of 1.0% of the 1.5% local advertising requirement must be spent in a local marketing cooperative which will be formed at our discretion.	Weekly.	At this time, no local marketing cooperative exists, but we reserve the right to require all franchisees in a certain marketing area to form a local marketing cooperative for that marketing area.
Additional on-site training and assistance (Note 5)	Our per-diem charge of $500 per trainer, plus our out-of-pocket costs.	Upon Demand.	If you ask that we (a) provide additional on-site training, or (b) conduct at your Learning Center any training session that we typically offer in Katy, TX, and we do so, then you will have to pay our then-current per-diem charge for extra training. See Note 5 and Item 11 under the heading "Training."
Franchise System Conference	$350 per attendee per year.	Annually, or on such other periodic basis as we designate or prescribe.	We may hold periodic System-wide meetings at locations designed by us to address matters of general interest to the System, including, without limitation, our franchise system conference.

Type of Fee[1]	Amount	Date Due	Remarks
			You are required to have at least one (1) person per Learning Center attend our franchise system conference in Katy, Texas (or such other location we designate). If no personnel from your Learning Center(s) attends the conference, you will pay us a non-attendance fee of $1,500 per Learning Center in lieu of the $350 per attendee fee.
Technology Fee (Note 6)	Currently $580 per month, subject to change.	Monthly.	We reserve the right to implement a proprietary software system for all franchisees, which may require additional up-front and maintenance fees. See Note 6 and Item 11 under the heading "Computer System"
Software Installation Fee	$1,000	Upon Demand.	You will be required to pay us a one-time fee of $1,000 for installation of the software necessary to operate your Franchised Business.
Transfer Fee (Note 9)	As applicable: (1) If a transfer of shares or ownership interest between existing owners that have already been approved by Franchisor, an amount equal to $1,500; (2) If the transfer is to add a new owner (e.g. shareholder, member, partner) that does not change the majority ownership in the franchisee entity, an amount equal to $1,500; (3) If the transfer is to sell your location(s) to an individual or entity that is new to the franchise, an amount equal to 2/3 of the franchise's Franchise Fee in effect at the time of the proposed transfer*; or	At time of transfer.	Payable only if you make a Transfer (as defined in the Franchise Agreement), which includes any sale or assignment of your franchise or your company. We do not impose a fee for a transfer to a corporation you form for the convenience of ownership. *If the transfer is to sell your location(s) to an individual or entity that is new to the franchise and we provided the sales lead that becomes the new franchisee, an additional 7% of the value of the sale will be assessed to the selling franchisee at the closing

Type of Fee[1]	Amount	Date Due	Remarks
	(4) If the transfer is to sell your location(s) to an existing franchise owner of Ivy Kids that is approved to purchase the location(s), an amount equal to 40% of the then-current Franchise Fee in effect at the time of the proposed transfer.		of the sale.
Renewal Fee	$5,000	Before renewal.	The Franchise Agreement may be renewed for one term of ten (10) years after an initial term of twenty-five (25) years. You will only need to pay this fee if you renew the Franchise Agreement. There is no renewal under the Area Development Agreement.
Late Fee and Interest on Overdue Payments	A late fee equal to 5% of your overdue amount, and interest equal to 1.5% per month (but not more than any maximum rate set by law).	At time the Overdue Payments are paid.	Only due if you do not pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.
Insufficient Funds Fees and other Financial Institution Charges	The greater of $250 or the amount imposed by the financial institution.	As incurred.	You must pay us the greater of $250 or the fee imposed by any financial institution for any returned, stop payment, insufficient funds, or similar unsuccessful payment. Three or more insufficient funds charges within any twelve (12) month period constitutes a default of the Franchise Agreement.
Dues and Assessments Imposed by a Franchisee Advisory Council	As determined by a franchisee advisory council. Currently – none.	At the times required by a franchisee advisory council.	We have formed a franchisee advisory council. If we require, you must become a member and you must pay the fees and assessments imposed by the council.
Learning Center Refurbishment	Will vary under the circumstances.	As agreed.	We may require you to refurbish your Learning Center to meet our then-

Type of Fee[1]	Amount	Date Due	Remarks
			current requirements for décor, layout, etc. We will not require you to refurbish the Learning Center except as requested by us or as otherwise required in the Learning Center lease.
Designated Principal Training Fee	None at this time, but can range from $1,000-$5,000.	As incurred.	At this time, we do not charge a Designated Principal training fee, but we reserve the right to do so. You are responsible for the travel expenses, including food and lodging, of your Designated Principal.
Appraisal Fees	One half of the cost of the appraiser's fees.	As incurred, to be paid to the appraiser.	If there is a dispute as to the valuation in connection with our right to purchase certain assets or to purchase or lease the Learning Center site, you and we will share the cost of the appraiser or pay for our respective appraisers.
Audit Costs	All costs and expenses associated with an audit including auditor's costs and accommodation expenses.	Upon Demand.	Payable only if we audit and the audit discloses an understatement of Gross Sales in any statement or report of 3% or more. You will also have to pay all monies owed and interest on the underpayment at a rate of 18% per annum or the maximum permitted by law, whichever is lower.
Liquidated Damages	Average weekly amount of the Royalty Fees and Advertising Obligation fees multiplied by the lesser of: (i) 364 weeks or (ii) the number of weeks remaining in the term of the Franchise Agreement. Average weekly amount of the Royalty Fees and Advertising Obligation fees multiplied by the lesser of: (i) 364 weeks or (ii) the number of weeks remaining in the term of	Upon termination.	If the Franchise Agreement is terminated before the end of its term, you must pay us liquidated damages for our lost future Royalty fees and Advertising Obligation fees.

Type of Fee[1]	Amount	Date Due	Remarks
	the Franchise Agreement.		
Costs and Attorneys' Fees	Will vary under the circumstances.	Upon Demand.	Due only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees and court costs or fees and litigation expenses) as a result of your default and to enforce and/or terminate the Franchise Agreement.
Step-In Rights	Costs incurred by Franchisor, including, but not limited to, attorney's fees, travel costs, accommodations, food, and a service fee at our current rates. Franchise will indemnify Franchisor.	Upon Demand.	We reserve the right to "step-in" and operate the Learning Center in the event Franchisee has triggered an event of default.
Taxes	Amount of taxes.	As requested by taxing authority.	You are responsible for any and all taxes assessed by any taxing authority, including any sales, gross receipts, or other tax, levy, or assessment on any payment you make to us. You must pay the amount due, or reimburse us if we may pay it directly.
Indemnification	Will vary under circumstances.	Upon Demand.	You must reimburse us if we are sued or held liable for claims arising from your operation of your Learning Center, as well as your use of the Proprietary Marks in a manner inconsistent with our instructions, or unauthorized use.
Immediate Danger "Crisis" Notification Late Fee	$5,000 for each failure to notify immediately.	Upon Demand.	Due to the highly important nature of events involving immediate danger to staff and children and the goodwill associated with the Learning Center, you are obligated to pay a notification fee if you fail

Type of Fee[1]	Amount	Date Due	Remarks
			to report such an event to us immediately.
De-Identify Premises Fee	Will vary under circumstances.	Upon Demand.	Upon termination or expiration of the Franchise Agreement, Franchisee will de-identify the Premises at Franchisee's cost, but if we need to do same, then Franchisee will need to reimburse us.
Mystery Customer Fee (Note 8)	Estimated at $250 per month.	Upon Demand.	We may use an independent service to perform quality control and perform an evaluation program via a "mystery customer". You are required to participate in this program. The current charge will be contained within the Manual once a program is established.
Quality Assurance Audits (Note 11)	Estimated at $250 per occurrence.	Upon Demand.	We may use a third-party company to perform periodic quality assurance audits of your Learning Center(s).
Alternate Supplier Qualification and Evaluation Fee (Note 7)	A maximum of $5,000 per request.	Upon Demand.	You may request that we add an alternate supplier to the approved supplier list. We reserve the right to charge for any costs incurred in evaluating or testing the supplier's ability to meet the franchise specifications and delivery requirements. We will make every effort to process the evaluation and qualification within six (6) months of your request.
Relocation Fee	40% of the then current Franchise Fee in effect at the time of the relocation.	Upon Demand and Prior to the Transfer.	The Relocation Fee will cover the costs of services provided by us in completing the relocation including, but not limited to, site selection assistance, access to prototype building plans, training,

Type of Fee[1]	Amount	Date Due	Remarks
			and other services.
Additional Training Fee	$2,500	Upon Demand	In addition to the Additional Training Fee, Franchisee will also pay for any travel, payroll, or living expenses for the trainee during the training period.
Fee for Non-Attendance at Required Trainings or Conventions.	$1,500 per event.	Upon Demand.	Payable to Franchisor if you fail to attend required courses, seminars, meetings, conventions, and other training programs. If no one from your location(s) attends the franchise system conference, you will pay us a non-attendance fee of $1,500 per location.
Cognia Accreditation	Currently $1,200 per year, plus our costs associated with obtaining the accreditation.	As incurred	If you fail to seek accreditation from Cognia or such other accreditation body we designate within three years of opening your Learning Center, then we may seek such accreditation on your behalf. You will reimburse us for the third-party accreditation fees, in addition to our costs associated with obtaining the accreditation.

Explanatory Notes to Item 6 Table:

1. Except as otherwise noted in this Item 6, we impose and collect all of the fees described above. All fees are non-refundable, unless otherwise noted above. All of the fees described above in this Item 6 are uniform for all franchisees, although, we reserve the right to reduce or waive the fees, in certain circumstances, in our sole discretion. All fees are collected through ACH/EFT.

2. You must pay your Royalty and Advertising Obligation by Automated Clearing House (ACH) electronic funds transfer (EFT). To make arrangements for EFT, you must sign our current form of Authorization Agreement for Prearranged Payments (Direct Debits), which is an exhibit to the Franchise Agreement (See Item 22). Your Royalty and Advertising Obligation must be paid on a weekly basis via ACH/EFT and you must also submit, at the same time, a detailed summary of your overall business activity. Unless otherwise noted, we impose and collect all fees based on revenue collections registered in Procare or other Point of Sale (POS) System.

3. You must obtain our written approval to do additional local advertising in excess of the Advertising Obligation. For any local marketing cooperatives, one franchised unit equals one vote in the

cooperative. A maximum of 1.0% of the 1.5% local advertising requirement must be spent in the cooperative unless a majority of the cooperative votes to increase that requirement. You may pay us any portion of your Initial Marketing Obligation or reimburse us for money we spend on your behalf for advertising, marketing, and promotional activities by EFT via credit card authorization. To make arrangements for EFT in this matter, you must sign our current form of Authorized Agreement for Prearranged Payments (Credit Card), which is also an exhibit to the Franchise Agreement. Further details about the applicable advertising, marketing, and promotional requirements can be found in Item 11, under the subheading "Advertising."

4. We do not pay for the telephone directory advertising. Costs associated with telephone directory advertising are separate costs than advertising contributions and royalty contributions. In the event we coordinate telephone directory listings for you, we will send you an invoice on a monthly basis. Additionally, these activities may be carried out through the use of the System Ad Fund. To the extent applicable, you are also responsible for telephone bills associated with the telephone number listed in the telephone directory. Telephone bills are to be immediately paid by you to the telephone company upon receipt of the bill.

5. As part of the opening of your Learning Center, we will conduct pre-opening training and opening assistance at our corporate locations located in Texas (the "**Designated Location**"), provided that, at our option, we may designate an alternative location for such training (including training by virtual means). We will bear the costs associated with providing this training, exclusive of expenses related to transportation, lodging, meals, wages, and worker's compensation insurance. However, if you request additional days of on-site training or assistance in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. Additionally, we may require that you complete refresher and additional training programs and attend conventions or similar events. We may also offer the programs on a voluntary basis. If you request that we conduct any additional training sessions (required or voluntary) at your Learning Center rather than at our headquarters, and we do so, then we may charge you our then-current per diem training fee for that training we provide, and you will also have to reimburse us for all out-of-pocket costs and expenses described above. See Item 11 under the heading "Training" for more detailed information.

6. As described in Item 11 under the heading "Computer System," we require you to use certain software, hardware and/or support services in connection with the operation of the Learning Center. Currently we are using FranchiseSoft, which is a franchise technology provider that provides comprehensive franchise management software for overall franchise operations. We also require that you use Qvinci for financial reporting. We reserve the right to change these vendors at any time. The current technology fee is subject to change when the subscription with FranchiseSoft or Qvinci ends and/or if a different vendor is used. The technology fee may also be modified upon sixty (60) days' notice based on changes in costs, and technological needs and opportunities. Although we do not currently have a software system that is proprietary to Learning Centers, we reserve the right to have one in the future. If we or a third party develops a proprietary software system for Learning Centers, we may require you to pay us an additional up-front licensing fee and the current technology fee may be increased to include ongoing software maintenance fees for this proprietary system. We may be a provider of these services or products.

7. If you desire to purchase unapproved products, services, equipment, supplies, or Products and Services (other than Proprietary Products and Services) from suppliers other than approved suppliers, we may require that our representatives be permitted to inspect, from time to time, 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, before we may approve such products, equipment, supplies or services. You must pay a charge not to exceed the amount provided

above in Item 6. See also Item 8.

8. We may use an independent service to conduct a "mystery customer" quality control and evaluation program. You must participate in this program, and you will be required to pay the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement). The current charges will be contained within the Manual once a program is established.

9. The Transfer Fee is in addition to the then-current Franchise Fee required to be paid by the transferee franchisee to us. Unless previously approved by us, both the Transfer Fee and the Franchise Fee must be paid prior to any transfer taking place.

10. You are required to keep the Premises in a safe condition at all times. You must bear the cost of making improvements or replacements as required by changes in the law throughout the term of the Agreement.

11. We may use a third-party company to perform periodic quality assurance audits of your Learning Center(s). You must participate in this program, and you will be required to pay the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement).

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR INITIAL INVESTMENT— PROTOTYPE REAL ESTATE OWNERSHIP PROGRAM ("PROTOTYPE IVY KIDS")[1]

Type of Expenditure	Low	High	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee[2]	$125,000	$125,000	Cashier's Check	Half upon signing Franchise Agreement, other half upon loan funding construction or lease approval, as applicable.	Us
Land Ownership, Development and Construction Costs[3]	$4,293,000	$5,316,000	As Arranged	As Arranged	Land Owner/Contractor
Utility Security Deposit or Impact Fee	$10,000	$80,000	As Arranged	As Arranged	Utility Company
School Equipment, Computer Equipment, Software, and Supplies[4, 5]	$512,000	$532,000	As Arranged	As Arranged	Vendors
Insurance[6]	$1,000	$2,000	Installment	As Arranged	Insurance Company
Other Professional Fees[7]	$5,000	$10,000	As Arranged	As Arranged	Vendors

Type of Expenditure	Low	High	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Training[9]	$3,000	$5,000	As Incurred	As Incurred	Employees
Initial Marketing[10]	$30,000	$35,000	As Incurred	As Incurred	Approved Suppliers
Additional Funds – 3 Months[8, 11]	$275,000	$350,000	As Incurred	As Incurred	Employees, Banks, Suppliers
Financing Cost[12]	$225,000	$285,000	Lump Sum	As Arranged	Lenders
Transportation Vehicle[13]	$10,000	$15,000	As Arranged	As Arranged	Approved Suppliers / Lender
Licenses[14]	$1,000	$5,000	As Incurred	As Incurred	Government Authorities
Miscellaneous	$10,000	$30,000	As Incurred	As Incurred	Vendors
TOTAL ESTIMATED INITIAL INVESTMENT	$5,500,000	$6,790,000			

YOUR ESTIMATED INITIAL INVESTMENT—LONG TERM LEASE PROGRAM[1]

Type of Expenditure	Low	High	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee[2]	$125,000	$125,000	Cashier's Check	Half upon signing Franchise Agreement, other half upon lease approval.	Us
Utility Security Deposit or Impact Fee	$10,000	$80,000	As Arranged	As Arranged	Utility Company
School Equipment Computer Equipment, Software, and Supplies[4, 5]	$512,000	$532,000	As Arranged	As Arranged	Vendors
Insurance[6]	$1,000	$2,000	Installment	As Arranged	Insurance Company
Other Professional Fees[7]	$5,000	$10,000	As Arranged	As Arranged	Vendors
Initial Training[9]	$3,000	$5,000	As Incurred	As Incurred	Employees

Type of Expenditure	Low	High	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Marketing[10]	$30,000	$35,000	As Incurred	As Incurred	Approved Suppliers
Additional Funds – 3 Months[8, 11]	$350,000	$616,000	As Incurred	As Incurred	Employees, Banks, Suppliers
Financing Cost[12]	$45,000	$85,500	Lump Sum	As Arranged	Lenders
Transportation Vehicle[13]	$10,000	$15,000	As Arranged	As Arranged	Approved Suppliers / Lender
Licenses[14]	$1,000	$5,000	As Incurred	As Incurred	Government Authorities
Miscellaneous	$10,000	$30,000	As Incurred	As Incurred	Vendors
TOTAL ESTIMATED INITIAL INVESTMENT	$1,102,000	$1,540,500			

Explanatory Notes:

1. General. These Explanatory Notes apply to the Prototype Ivy Kids, and Long Term Lease Program. We do not impose or collect the fees or costs described in this Item 7, except for the items noted with "Us" in the column labeled "To Whom Payment is to be Made." Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third party suppliers or vendors. We do not offer our franchisees financing for any part of the initial investment (see Item 10 for additional information). Our estimates in this Item 7 are based on our current prototypes for Learning Centers, our experience in developing and operating our Learning Centers, and our knowledge of business practices and conditions in the general marketplace. They are, however, only estimates. The figures do not provide for your cash needs to cover financing incurred by you or your other expenses.

2. Site Selection, Area Development and Franchise Fee. Fifty percent (50%) of the Franchise Fee is due upon signing the Franchise Agreement ($62,500). The other fifty percent (50%) is due upon loan closing or lease approval, as applicable ($62,500). If you sign an Area Development Agreement, you will have to pay the ADA Fee, which is described in Item 5. See Item 5 for further details regarding the Franchise Fee and ADA Fee. We do not provide financing for any of these fees.

3. Land Ownership, Development and Construction Costs. These estimates include costs incurred related to the development and construction of the Learning Center site, including real estate acquisition costs, development fees, and costs for architects, engineers, attorneys, consultants, construction, affixed equipment, general contractors, and construction managers. Unless you are able to locate someone who will purchase the land for you, build the Learning Center site, and then lease the land and premises back to you, you should anticipate having sufficient funds or financing available to acquire the land and to build the Learning Center site. This estimate also includes the cost to

develop and construct a playground and splashpad on the site. Costs will depend on the location, size, and condition of the property, local market conditions and demand, local labor, materials and supply costs, and many other factors. *Signage*: This estimate also includes the costs for interior and exterior signage. The low end of the estimate is based on lower material and labor costs within the market where the Learning Center is located and local codes or lease terms that restrict or limit exterior signage. The high end of the estimate considers exterior signage such as building signage and/or monument LED signage. The cost of signage will depend on the location of your Learning Center, market conditions, local codes, and the lease associated with the Premises, if applicable. In some instances, the use of additional or larger signage may be possible, with our prior written approval. The costs of these optional items are not included in the line item total above.

4. Fixtures, Furnishings & Equipment. As described in Item 8, you must purchase all fixtures, furnishings, equipment, signage and supplies that we specify as required for the Learning Center. *Fixtures, Furnishings and Equipment:* This estimate includes fixtures and equipment required for the Learning Center, including (without limitation) refrigeration equipment, tables, seating, electronics, televisions, indoor and outdoor equipment, various trade dress and décor items, smallwares, and other fixtures, furnishings and equipment. This estimate also includes the cost of your office furniture, filing cabinet and miscellaneous office supplies, and equipment.

5. Computer and Point of Sale System. You must purchase or lease specified computers and related hardware, along with required third party software necessary to operate the Learning Center. The estimate includes the costs for the items that we currently require including, but not limited to, server hardware system, Procare Management System software or equivalent, FranchiseSoft, Watch Me Grow interface, QuickBooks and Qvinci. We may periodically require franchisees to update their computer systems to our then-current standards. See Item 11 under the heading "Computer System" for additional information.

6. Insurance Deposit. The estimate represents an initial deposit for the insurance coverage necessary to operate the Learning Center. The low estimate is based on insuring a smaller facility within n geographic area where insurance rates are lower. The high estimate is based on insuring a larger premises located in a geographic area where insurance coverage is more expensive. Insurance costs depend on factors such as the size and location of the Learning Center. Your obligations with respect to insurance are more fully described in Item 8.

7. Professional Fees. The estimate assumes that you will employ an attorney to help you negotiate the purchase agreement for the Learning Center site. In addition, you may choose to employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business, and in obtaining all required permits and licenses to establish and operate the Learning Center. In addition, you may also form a corporation or other entity to operate the business. The low estimate is based on employing an attorney to negotiate the purchase agreement for the Learning Center site. The high estimate is based on obtaining additional services from your attorney or employing an additional business advisor, such as an accountant or consultant to provide additional services. Your actual costs will depend on the degree to which you rely upon your advisors and upon the licensing requirements that may apply to your Learning Center.

8. Initial Inventory of Food, Beverage and Supplies. These expenses include an initial inventory of paper goods, supplies, and toys. You will need to replenish your initial inventory on an as needed basis as food items and other supplies are used. The amount and cost of your initial and subsequent orders for all of these items will depend on various factors, including the size and capacity of your Learning Center, anticipated volume of your Learning Center's sales and the frequency of your orders.

9. Training Expenses. You will incur expenses associated with our training program. For this training program, we provide instructors and instructional materials, but you must pay for transportation, lodging, meals, wages, and worker's compensation insurance (if you send any employees) for your

trainees. As to the amounts shown, the low end of the estimate assumes that the trainees are within driving distance to the training location in Katy, Texas, and the high end assumes that other travel will be needed, and includes travel expenses. Your costs will also depend on the nature and style of accommodations you select, and the number of persons who will attend training. See Item 11 under the heading "Training" for additional details regarding the program.

10. Initial Marketing. This advertising and marketing promotion is intended to provide initial awareness and momentum for the opening of your new Learning Center. You must spend between $25,000 to $30,000 on Initial Marketing. This is in addition to the Initial Advertising Fee. Further, we reserve the option of collecting up to $30,000 from you prior to opening and implementing pre-opening marketing and promotions on your behalf. Additional details regarding advertising and promotion can be found in Item 11, under the heading "Advertising."

11. Additional Funds. We estimate that the amount shown in the chart above will be sufficient to cover on-going expenses for the start-up phase or initial period of the business, which we calculate to be three months. The amount shown in the initial investment for Long Term Lease Program includes an estimate of leasehold improvements and rent. Such amounts are the minimum recommended levels and are only estimates. There is no assurance that additional working capital will not be necessary during this initial period. Your actual costs may vary, depending, for example, on factors such as: local economic conditions; the local market for the services provided by the Learning Center; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

12. Finance Charges. This is an estimate of finance charges you may have to pay prior to and at the closing of your loan, inclusive of lender and U.S. Small Business Administration fees. If the U.S. Small Business Association is a party to the loan, you may be required to pay a SBA Guaranty Fee based upon the loan amount plus lender loan fees. The amount of the loan may change depending on the SBA loan type. Additional details regarding the SBA Guaranty Fee are available on the U.S. Small Business Administration's website. There may be other lender fees and related costs and expenses in obtaining financing.

13. Bus Lease for Two Buses. It is estimated that at least two buses will be necessary for initial operations. Each bus will be a fourteen (14) passenger mini-bus which may be leased or purchased outright at your discretion. The amounts shown include initial lease payments for the lease or down payments for the purchase of two buses with this capacity. Each bus must be wrapped with the Ivy Kids Early Learning Center logo vehicle wrap design that we approve. Appropriate background checks on bus drivers are recommended by us. Please note that two (2) additional buses will need to be leased or purchased as the program gains more students. It is expected that this expense will take place in year 2 or 3, but will be driven more by the growth in number of students than the time elapsed.

14. Business Licenses and Permits. These are general estimates for permits and licensing that may be required by local and state governments. Local, municipal, county and state regulations vary on the licenses and permits you will need to operate a Learning Center. You typically pay these fees to governmental authorities before starting a business. You are solely responsible for obtaining all appropriate licenses and permits.

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YOUR INITIAL INVESTMENT—AREA DEVELOPMENT AGREEMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Area Development Fee[1]	$260,000 (For three (3) Learning Centers)	Cashier's Check	Upon signing the Area Development Agreement.	Us.
TOTAL ESTIMATED INITIAL INVESTMENT[2]	$260,000			

Explanatory Notes:

1. Area Development Fee. Under the Area Development Agreement, you will pay to us the ADA Fee in the amount of: (a) the full Franchise Fee for the first Learning Center to be developed under the Area Development Agreement, (b) $75,000 for the second Learning Center to be developed under the Area Development Agreement, and (c) $60,000 for the third and each additional Learning Center to be developed under the Area Development Agreement. The ADA Fee you pay will be applied toward the Franchise Fee for each Learning Center you develop under the Area Development Agreement when you sign the Franchise Agreement for that Learning Center. The estimate in the table above assumes you will develop three (3) Learning Centers under the Area Development Agreement, but you and we will agree on the number of Learning Centers you will develop.

2. Total. This figure excludes the cost of developing your first Learning Center. For information about these costs, please consult the prior tables. Your total initial investment will depend on the number of Learning Centers you open.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that the highest degree of quality and service is maintained, you must operate the Learning Center in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manual or otherwise in writing.

Products, Services, and Other Purchases

General

All Products and Services sold or offered at the Learning Center must meet our then-current standards and specifications and be approved by us. You must purchase, install, and use all fixtures, furnishings, indoor and outdoor equipment, décor, supplies, computers and communications hardware and software, signs and materials, and services as we may reasonably require in the Manual or other written materials (collectively, "**Learning Center Items**"). You must purchase all additional products, and other Learning Center Items solely from manufacturers, vendors, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. You may not purchase, offer or sell, or use at your Learning Center any Products and Services or Learning Center Items that we have not previously approved as meeting our standards and specifications. We have the right to be an approved supplier of some items, including Products and Services.

We may disapprove of products and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us, for any products, equipment, supplies, services, or Products and Services, in which event you must purchase such items exclusively from the designated supplier.

If you desire to purchase unapproved products, services, Products, and Services (except for Proprietary Products and Services, which are discussed below) or Learning Center Items from other than approved suppliers, you must submit to us a written request to approve the proposed product or supplier, together with such evidence of conformity with our specifications as we reasonably require. 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. You must pay a charge, not to exceed the amount provided for in Item 6 above. We will use our best efforts to complete our review within six (6) months. If we do not give our written approval within this six (6) month period, we will be deemed to have disapproved the proposed new supplier or product. We may, from time to time, revoke our approval of particular Products and Services, Learning Center Items or suppliers if we determine, in our sole discretion, that the Products and Services, or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease to sell any disapproved product and/or cease to purchase from any disapproved supplier. You may not at any time install or operate vending or other coin operated machines at the Learning Center without our consent.

We reserve the right to determine, in our sole discretion, the sources and suppliers from whom you will obtain supplies, equipment, services, educational materials, food, and all other items for your Learning Center. If you desire to purchase or lease an unapproved item or any item or services not approved by us, you must first notify us in writing and secure our approval.

Our specifications for equipping and operating your Learning Center are based upon our standards, as well as those prevailing within educational child care industry. Further, the early learning child care industry is highly regulated by state and local governmental agencies who publish their own specifications and requirements. Our specifications and requirements are designed, to the best of our ability, to meet or exceed these state and local government specifications and requirements.

Our specifications either: (1) are contained in the Manual; or (2) will be provided to you upon request. We, however, have no obligation to make available to prospective suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specification and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason and may be revoked later for any reason.

We estimate that your purchase of supplies, materials, equipment, and other products and services from approved suppliers or according to our specifications will represent approximately 10% of your total initial investment (42% for lease locations) to establish and open your Learning Center and approximately 8% of your ongoing purchases in the operation of the Learning Center.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some Products and Services, and/or equipment to some or all of Learning Centers in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all Products and Services, and/or equipment, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the System or the franchised network of Learning Centers.

We may receive payments, rebates, or other compensation, from suppliers on account of the suppliers' dealings with us, you, or other Learning Centers in the System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. Some approved suppliers chose to provide sponsorships for our annual training. These sponsorships are used to defray a portion of your attendance costs. We may

negotiate supply contracts with our suppliers under which we are able to purchase Products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. We may, but are not obligated to, negotiate purchase arrangements with suppliers for your benefit. We or our affiliates will not offer you any material benefit based upon your Learning Center's level of use of any specific suppliers of goods or services.

In the year ending December 31, 2025, we had no revenues from required franchisee purchases. Additionally, none of our affiliates derived revenues from required franchisee purchases.

We provide no material benefits to franchisees based on their use of suppliers or sources we approve. No officer of ours owns an interest in any approved supplier.

Proprietary Products and Services

The Proprietary Products and Services that are or may be offered and sold in Learning Centers are manufactured and/or developed in accordance with our proprietary methods, formulae and specifications. In order to maintain the high standards of quality, education, and uniformity associated with Proprietary Products and Services offered at all Learning Centers in the System, you must purchase Proprietary Products and Services only from us or the suppliers and distributors that we designate in our sole discretion, and you may not offer or sell any Proprietary Products that have not been purchased from us or our designated supplier at or from the Learning Center. We will have the right to periodically introduce additional Proprietary Products and Services, or to withdraw Proprietary Products and Services.

Computer System

You will need to acquire (either by purchase or lease) the computer hardware and software system that we may specify from time to time. The computer hardware and software system includes the private domain network with two servers, ten workstations, and two checkpoint systems, for the management and operation of the Learning Center and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). See Item 11 under the heading "Computer System" for more information and specifications.

Insurance

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Learning Center. Required insurance will include, but not be limited to, comprehensive general liability coverage, including employment practices coverage; personal injury coverage; automobile coverage, including underinsured or uninsured coverage; business interruption insurance; property damage coverage, additional coverage as may be required by us and provided below. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us as additional named insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manual. To ensure compliance, we may designate one or more insurance companies as the insurance carrier(s) and an insurance agency for binding insurance for Learning Centers. If we do so, we may require that you obtain your insurance through the designated carrier(s) and/or agency.

Presently we require you to maintain the following minimum insurance amounts:

(1) Builder's risk/installation insurance as set forth by us in the Manual or otherwise in writing to cover any period(s) of renovation, refurbishment, remodeling, or construction at the Learning Center and

Premises, either initially, upon renewal, or upon request from Franchisor or the landlord of the Learning Center and Premises.

(2) All risk coverage insurance on (i) the operations of the Learning Center (including theft coverage) and all personal property covering the Learning Center and Premises and contents thereof, including, without limitation, all supplies, inventory, fixtures, and indoor and outdoor equipment, containing a replacement value endorsement in an amount equal to the full replacement value thereof; and (ii) business interruption insurance covering a period of no less than 12 months.

(3) Statutory workers' compensation insurance and employer's liability insurance with at least the minimum statutory coverage limits as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Learning Center is located. If Franchisee is permitted to and elects not to have worker's compensation insurance for its owners and officers, Franchisee will maintain coverages for these individuals at all times for work-related injuries.

(4) Comprehensive general liability insurance (including personal injury, premises liability, errors and omissions, products/completed operations, fire and contractual liability) with limits of at least One Million Dollars ($1,000,000) per occurrence, and Two Million Dollars ($2,000,000) general aggregate, and product liability insurance with limits of at least Two Million Dollars ($2,000,000) general aggregate including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; corporal punishment; tenant's legal liability; real property on which the Learning Center is located; and park/playground liability. All such coverages will insure Franchisee and its principals and affiliates against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Learning Center. Additionally, Franchisor must be named as an additional insured (subject to verification by us). The required coverage amounts herein may be modified from time to time by us to reflect inflation or future experience with claims.

(5) Automobile liability insurance, and property damage liability, including owned, non-owned, hired vehicle, uninsured/underinsured motorist, collision, and comprehensive coverage, with at least One Million Dollars ($1,000,000) combined single limit, and One Million Dollars ($1,000,000) general aggregate limit.

(6) Sexual or Physical Abuse and Molestation Liability Insurance of One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) aggregate. This liability limit is separate from the Comprehensive General Liability Limit.

(7) Teacher's Professional Liability Insurance of One Million Dollars ($1,000,000) per occurrence and Three Million Dollars ($3,000,000) aggregate. This liability limit is separate from the Comprehensive General Liability Limit.

(8) Student accident/medical coverage (including accidental excess medical coverage, accidental death coverage, and accidental dismemberment coverage) of no less than Twenty-Five Thousand Dollars ($25,000). Premise Medical Expense in a limit not less than Twenty-Five Thousand Dollars ($25,000) with a total limit of not less than Two Hundred Fifty Thousand Dollars ($250,000).

(10) If not covered by professional employer organization ("PEO"), Employment Practices Liability in an amount not less than One Million Dollars ($1,000,000) each claim.

(11) For the benefit of the children, the Franchisee, and the Franchisor, a crisis management endorsement to protect against kidnapping, terrorism, image and restoration.

(13) An endorsement on the property coverage providing for equipment breakdown protection, including coverage for, but not limited to, utility service interruptions, data coverage, media coverage, power generation, and equipment coverage.

(14) Umbrella liability coverage or no less than Five Million Dollars ($5,000,000) per occurrence and Five Million Dollars ($5,000,000) in the aggregate.

(15) Cyber-liability coverage of no less than One Million Dollars ($1,000,000) in the aggregate.

(16) Liability coverage (tail) for at least two (2) years after termination or expiration for any claims made policies.

(17) Any such insurance and types of coverage as may be required by the terms of any lease for the Premises, state and local laws, authorities or agencies, or as may be required from time to time by us in the Manual.

We have a right to change, increase, or modify these insurance coverage requirements at our discretion.

The insurance will cover the acts or omissions of each and every one of the persons who perform services at the Learning Center, and will protect against all acts of any persons who patronize the Learning Center and will contain a waiver of subrogation against Franchisor. Franchisee will immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect Franchisee's business, and such notice will be provided no later than the date upon which Franchisee notifies its insurance carrier.

We do not derive revenue as a result of our franchisees purchasing insurance coverage from designated carriers or agencies. We provide no material benefits to franchisees based on their use of an approved insurance carrier or agency.

Leases

If you will occupy the premises of your Learning Center under a lease, then you must, before executing the lease, submit the lease to us for our review and approval. You and the landlord must also execute the Lease Addendum attached as Exhibit H of the Franchise Agreement as a condition of our approval.

Design and Construction

You must hire a licensed architect to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our System. During any period that we have designated a design or architecture firm prior to the time you begin to develop your Learning Center, you must employ this designated firm to prepare all designs and plans for the Learning Center. If we have not designated firms for design and architecture services for your geographic area, you must locate and employ qualified design consultants and architects who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. (See Item 11 under the subheading "Construction and Layout of Learning Center" for additional information)

You must hire a qualified licensed general contractor, who is acceptable to us, to construct the Learning Center.

We do not derive revenue or other material consideration as a result of our franchisees using a designated architect or contractor. We provide no material benefits to franchisees based on their use of a designated architect or contractor.

In no event will we be held liable by you or by any third party for any acts, omissions, loss, or claims arising from or related to the design and construction of your Learning Center, or for any acts or omissions of design consultants, architects, engineers, contractors, or any other parties involved in design and construction of your Learning Center. You agree to indemnify and hold us harmless for any acts, omissions, loss, or claims arising from or related to the design and construction of your Learning Center, or for any acts or omissions of design consultants, architects, engineers, contractors, or any other parties involved in design and construction of your Learning Center. (Franchise Agreement, Section 22.4).

Advertising

As noted in Item 11 below, we will have the right to review and approve all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional material without our prior written consent.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Item in Franchise Disclosure Document
(a) Site selection and acquisition/Lease	Section 5	3.2, 3.3, and 5.1	7, 8, and 11
(b) Pre-opening purchases/leases	Section 5	3.2 and 3.3	7, 8, and 11
(c) Site development and other pre-opening requirements	Section 5	3	7, 8, and 11
(d) Initial and ongoing training	Section 6	5.5	6, 7, and 11
(e) Opening	Section 5	1.1, 3.1, 3.2, and Exhibit A	7, 8, and 11
(f) Fees	Sections 4 and 14	4 and 7.4	5 and 6
(g) Compliance with standards and policies/Operating Manual	Sections 9, 11, 12, and 13	5	8, 11, and 14

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Item in Franchise Disclosure Document
(h) Trademarks and proprietary information	Sections 9.8, 9.11,10, 11.2, and 7.7	1.4	13 and 14
(i) Restrictions on products/services offered	Sections 1.3, 9.6, 9.7 and 9.8	1	5, 8 and 16
(j) Warranty and customer service requirements	Sections 9.9 and 24	Not applicable	16
(k) Territorial development and sales quotas	Section 1 and Exhibit A	1, 3.2 and Exhibit A	12
(l) On-going product/service purchases	Section 9	Not applicable	8
(m) Maintenance, appearance and remodeling requirements	Sections 5 and 9	Not applicable	8
(n) Insurance	Section 15	Not applicable	7 and 8
(o) Advertising	Sections 8, 14	Not applicable	6, 7, 8, and 11
(p) Indemnification	Section 22.4	12.4	6
(q) Owner's participation/management and staffing	Sections 9.3 and 9.4	5.2	15
(r) Records/reports	Section 12	5.3 and 5.4	6
(s) Inspections/audits	Section 9.10	5.4	6 and 11
(t) Transfer	Section 16	7	17
(u) Renewal	Section 2.2	Not applicable	17

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Item in Franchise Disclosure Document
(v) Post-termination obligations	Sections 18 and 19.3	6.6	17
(w) Non-competition covenants	Section 19	8	17
(x) Dispute resolution	Section 28	16	17
(y) Liquidated damages	Section 18.12	Not applicable	6
(z) Personal guaranty	Section 20.2 and Exhibit C	Section 9.2 and Exhibit C	Item 15

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your notes, leases, or other obligations.

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

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

Pre-Opening Obligations

Under the Franchise Agreement:

Before you open your Learning Center:

1. We will accept or deny your proposed site for each Learning Center. (Franchise Agreement, Section 1, Section 5.1, Exhibit A).

2. We will provide you with our standard initial training program in Katy, Texas (or a virtual location) prior to opening of your Learning Center for three (3) weeks and part-time opening assistance on-site at your Learning Center for a period of two (2) weeks (or other period of time deemed required by us or unless you are a Developer and the Franchise Agreement is for your fourth or subsequent Learning Center) in conjunction with the opening and commencement of business at the Learning Center. (Training is also discussed below in this Item 11 under the subheading "Training.") We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement; you will be responsible for your travel costs to attend our initial training program in Katy, Texas. (Franchise Agreement, Sections 3.2, 6)

3. We will, at no charge to you, provide you or the approved design firm and/or architect with our prototype plans and specifications for the construction of a Learning Center and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. You will be responsible for hiring your own architect or employing a design firm and/or architecture firm designated by us to adapt the plans to your site (with our approval as described below under the heading "Construction

and Layout of Learning Center"), and for hiring a contractor to build the Learning Center in accordance with those approved plans. You are also responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Sections 3.1, 5.3)

4. We have the right to inspect and approve the Learning Center for opening before the initial opening. You may not start operation of your Learning Center until receiving our approval to do so. (Franchise Agreement, Section 5.3, 5.4)

5. We will provide on-site pre-opening and opening supervision and assistance. (Franchise Agreement, Section 3.3)

6. We will lend you, for the duration of the Franchise Agreement, a copy of the Manual (which is more fully described in Item 14 below). (Franchise Agreement, Section 3.4)

7. We will assist you in developing an Initial Marketing Program (which is more fully described in Item 7 of this Franchise Disclosure Document and in this Item under "Advertising"); you will be responsible for the cost of this program, which costs will be in addition to the Advertising Obligation. (Franchise Agreement, Sections 3.6, 14.5)

8. We will provide you a list of our then-current designated or approved suppliers. (Franchise Agreement, Section 3.9)

Under the Area Development Agreement:

Before you open the Learning Center:

1. If we determine that on-site evaluation is appropriate, we will, at no charge to you, provide you with such on-site evaluations as we consider advisable for each Learning Center to be developed under the Development Schedule. (Area Development Agreement, Section 5.1)

We are not required by the Franchise Agreement or Area Development Agreement to furnish any other service or assistance to you before the opening of your Learning Center.

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Learning Center:

1. We may conduct, as we deem advisable, periodic inspections of the Learning Center and may provide evaluations of the Products and Services sold and rendered at the Learning Center. (Franchise Agreement, Sections 3.8, 9.7.2, 9.7.3)

2. We will make available additional training programs, as we deem appropriate, which may be at an additional charge. (Franchise Agreement, Sections 6.4, 6.7)

3. We will give you periodic and continuing advisory assistance as to the operation and promotion of the Learning Center, as we deem advisable. (Franchise Agreement, Section 3.7)

4. We will have the right, in our sole discretion, to administer and maintain the System Ad Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 14.2)

The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Learning Center. As the Area Development Agreement relates to the development of

Learning Centers, the Area Development Agreement does not require us to provide any other assistance or services during the operation of the Learning Center.

Site Selection

We will provide you with procedures for locating, evaluating, and obtaining our acceptance of a site which are contained in our Franchise Agreement. The Franchise Agreement will define the area in which you may search for an appropriate proposed site for your Learning Center and outline the specific responsibilities of Franchisee and Franchisor during the site selection period. You will be given up to three (3) months in which to find and secure a suitable site (through lease or purchase) for your Learning Center within the area that we designate as your site selection area. In the event you do not find and secure a suitable site within this time frame we may terminate the Franchise Agreement. In order for us to review a proposed site for acceptance, you must submit to us a completed site review package in a form specified by us, which includes a trade area and site marketing research analysis (prepared by a company approved in advance by us), an proposed contract, letter of intent, proposed lease, or other evidence satisfactory to us that describes your favorable prospects for obtaining such site, photographs of the site, demographic statistics, and other such other information or materials that we may reasonably require (collectively, the "**SRP**"). We will have twenty (20) business days after we receive the SRP from you to approve or disapprove, in our sole discretion, the proposed location for the Learning Center. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the accepted site. The lease or purchase agreement must be submitted to us for our approval prior to its signing.

Site Acceptance:

Under the Franchise Agreement, we will be deemed to have not accepted a proposed location unless we have expressly accepted it in writing within twenty (20) business days. In accepting a proposed site for a Learning Center, we consider the location, neighborhood, traffic patterns, visibility, parking facilities, size, lease, and zoning. If you do not locate and secure an acceptable site within the required time frames, you will be in default of your agreement with us for which we may terminate your agreement.

Construction and Layout of Learning Center

You are responsible for developing your Learning Center. We will provide our standard plans and specifications for a prototype Learning Center, including interior design and layout, to you or to the design firm or architect that we have designated or approved (as described below). These plans and layouts are not intended, with respect to your particular location, to contain, address or comply with the requirements of any federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations for persons with disabilities. We may from time to time change our prototypes and plans (including our specifications for the interior and exterior appearances) of Learning Centers, and develop or approve variations on our prototypes and plans to reflect locations with differing sizes, structural elements, visibility and other relevant factors.

You must hire a licensed architect to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our System. During any period that we have designated a design or architecture firm prior to the time you begin to develop your Learning Center, you must employ the designated firm to prepare all designs and plans for the Learning Center. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultants and architects who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. You will be responsible for paying for all design and architecture services. In no event will we be held liable by you or by any third party for any acts, omissions, loss, or claims arising from or related to the design and construction of your Learning Center, or for any acts or omissions of design consultants, architects, engineers, contractors, or any other parties involved in design and construction of your Learning Center. You agree to indemnify and hold us harmless for any acts, omissions, loss, or claims

arising from or related to the design and construction of your Learning Center, or for any acts or omissions of design consultants, architects, engineers, contractors, or any other parties involved in design and construction of your Learning Center. (Franchise Agreement, Section 22.4). You will be solely responsible for ensuring that such plans and specifications comply with the ADA and all other applicable regulations, ordinances, building codes and permit requirements for your Learning Center. You must submit final plans and specifications to us for approval before construction of the Learning Center begins. Our review is not designed to assess compliance with federal, state or local laws and regulations and is limited to review of such plans to access compliance with our design standards for Learning Centers, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the functioning of Learning Centers. Additionally, prior to opening the Learning Center (and prior to renovating it after the initial opening), you must sign and deliver to us an ADA Certification (in the form that is attached as an Exhibit to the Franchise Agreement) certifying to us that the Learning Center and any proposed renovations comply with the ADA. In no event will we be held liable by you or by any third party for any acts, omissions, loss, or claims arising from or related to our standard plans and specifications for a prototype Learning Center. You agree to indemnify and hold us harmless for any acts, omissions, loss, or claims arising from or related to your use of our standard plains and specifications for a prototype Learning Center.

Opening of a Learning Center

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately twenty-two (22) to thirty (30) months. Factors that may affect this time period include your ability to obtain financing or building permits or government approvals, zoning and local ordinances, weather conditions, site conditions, shortages, delayed construction, or delayed installation of equipment, fixtures and signs. Unless we agree in writing otherwise, you must conduct the opening of your Learning Center by the earlier of thirty (30) months following the execution of the Franchise Agreement or nine (9) months following the time you lease or acquire the Accepted Location. In the event you do not open within this time frame, we may terminate the Franchise Agreement and you will receive no refund of any fees paid. In the event you elect to construct a freestanding facility, you will be required to be open within nine (9) months after securing a site and executing the Franchise Agreement. In the event you do not open within this time frame, we may terminate the Franchise Agreement and you will receive no refund of any fees paid.

Computer System

You will need to acquire (either by purchase or lease) the computer hardware and software system (a "**Computer System**") that we may specify from time to time. (Franchise Agreement, Section 7.1.) The term Computer System refers to cash register or point of sale systems, hardware, software for the management and operation of the Learning Center and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). We will provide you with information regarding our current hardware specifications and requirements in the Manual. Our requirements may fluctuate as does the price and availability of new computer technology. The estimated cost for purchasing the Computer System is $86,340 to $132,992. Currently we are using FranchiseSoft, which is a franchise technology provider that provides comprehensive franchise management software for overall franchise operations. We also require that you use Qvinci for financial reporting. We reserve the right to change these vendors at any time. We reserve the right to change and/or implement additional or new hardware and/or software systems and programs in the future.

The hardware and software that we currently use is not proprietary to us, but is proprietary property to the vendor and you may be required to sign a license or maintenance agreement in order to obtain and use the proprietary program. Should we develop a proprietary point of sale system or program in the future, we may require you to sign a license or maintenance agreement in order to obtain and use our proprietary program. We currently do not require that you maintain contracts for hardware and software maintenance, support and upgrade services for the communications and information systems. You will be required to maintain a high-speed internet connection at all times (i.e., T1 line, DSL, cable modem).

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards for new Learning Centers. Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software or related services. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System. We estimate the costs to update your computer systems to be $5,000 every five years.

You must provide us with access to your Computer System in the form and manner that we may request. We reserve the right to download profits, revenue, other data and communications from your Computer System. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you.

We will also have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet or intranet) between us, our franchisees, and other persons and entities that we determine appropriate, which requires you to have high speed internet access at all times. If we require, you must establish and maintain access to the extranet or intranet in the manner we designate. Additionally, we may from time to time prepare agreements and policies concerning the use of the intranet that you must acknowledge and/or sign. (Franchise Agreement, Section 7.5)

Advertising

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, in 2016 we established the "**System Ad Fund**" which is a fund for the system-wide advertising, promotion and marketing of the System. You are required to contribute 1.5% of the Gross Sales of your Learning Center on a weekly basis for the Advertising Obligation (the "**Advertising Obligation**") to the System Ad Fund. This is in addition to your local advertising and promotion expense. There are affiliates established before the creation of the System Ad Fund who may not be required to contribute to the System Ad Fund. The System Ad Fund is administered through us with advice from an Advertising Committee (as described below), if established. We and our affiliates may receive payments for providing production, administrative, marketing or advertising services to the System Ad Fund.

During our last fiscal year, which ended December 31, 2025, we collected all of the monies for the System Ad Fund, and of the total expenditures, we spent 23.2% on creative development and production, 53.9% on general and administrative expenses and 22.9% on marketing, website and media placement. No funds were spent principally on the solicitation of new franchisees. Any unspent funds are retained for future use.

You must also spend additional amounts on "local advertising and promotion" provided that we have given our written approval for same. In addition, at our discretion, you may also be required in the future to spend certain amounts on local cooperative marketing as part of the "local advertising and promotion" requirement. See Item 6 for a summary of the advertising and promotion items.

Advertising Obligation:

We (or our designee, which might be a corporate subsidiary or an advertising agency or consulting firm) will maintain and administer the System Ad Fund and will direct all advertising programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The System Ad Fund is intended to maximize general public recognition, acceptance, and use of the System in the United States and worldwide. Neither we nor our designee will be obligated to make

expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the System Ad Fund. This Advertising Obligation is to be paid weekly by EFT and will be maintained in a separate account. The System Ad Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the System Ad Fund or any other reason.

Local Advertising and Promotion:

We must approve in writing any and all any local advertising and promotion that you conduct, all of which will be at your sole cost and expense. Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any advertising or promotional plans that we have not approved in writing. If you wish to use your own advertising materials or promotional plans, you must submit to us samples of all proposed plans and materials. If we do not give our written approval within fifteen (15) business days, we will have been deemed to have disapproved the plans or materials. Further, upon our request, you must submit receipts documenting your local marketing activity.

All copyrights in and to advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision.

As discussed in Item 7, you must prepare and conduct an Initial Marketing program (the "**Initial Marketing Program**"), in accordance with our specifications for that program. The Initial Marketing Program will help you gain initial brand exposure. As part of the initial training program, we will discuss with you marketing and promotions strategies and will work with you to develop a program for your market to be used during your pre-opening period, provided that we must approve the strategies adopted and all materials used in the Initial Marketing Program will be subject to our prior written approval, as described above. The Initial Marketing Program is considered "local advertising and promotion" and is therefore subject to the restrictions described below.

We or our approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in local advertising and promotion.

As used in the Franchise Agreement, the term "**local advertising and promotion**" refers to advertising and promotion related directly to the Learning Center, and unless otherwise specified, consists only of the direct costs of purchasing advertising materials (including, but not limited to, camera- ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as we, in our sole discretion, may specify. Local advertising and promotion does not, however, include any of the following: salaries and expenses of your employees; charitable, political, or other contributions or donations (which must be approved by us in writing); and the value of discounts given to customers.

Advisory Council/Advertising Committee

We have formed an advisory council made up of franchisees and franchisor representatives which we appoint. Franchisees are chosen to participate in the council based on, in part, performance and length of time in the System. The advisory council will act in an advisory capacity only and will not have decision making authority. Once an advisory council has been formed we reserve the right to change or dissolve it at any time.

We may establish an advertising committee (the "**Advertising Committee**") which may consist of two (2) Ivy Kids franchisees and our representatives who meet at least once per year (along with the members of our staff) to review plans and discuss other topics regarding the administration of and planning for the System Ad Fund. The Advertising Committee will be chosen by us based upon criteria that establish them as being among the top members of the Ivy Kids franchise system.

Websites

Websites (as defined below) are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term "**Website**" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the Learning Center, Proprietary Marks, us, or the System. The term Website includes, but is not limited to, the Internet and World Wide Web home pages, social media pages or presence of any kind, and Internet based tools and applications that are used to share and distribute information. In connection with any Website, the Franchise Agreement provides that you may not establish a Website (including registering a domain name), nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through the Internet without our prior written approval. As a condition to granting any such consent, we will have the right to establish any requirement that we deem appropriate, including among other things a requirement that your only presence on the Internet will be through one or more web pages that we establish on our Website.

Training

Initial Training

Before your Learning Center opens, you must complete all pre-opening initial training requirements. Within thirty (30) days of the date the Franchise Agreement is signed, you (or if you are other than an individual, your Designated Principal) will participate in our Phase 1 orientation, which will cover orientation to the System and next steps in the process to open your Learning Center. Unless you are a Developer and you are opening your fourth or subsequent Learning Center (the differing requirements for Developers are described below) you (or, if you are other than an individual, your Designated Principal), and the manager and directors (including assistant directors) of the Learning Center, as applicable, must attend and successfully complete, to our satisfaction, the initial training program that we offer at the Designated Location. (See Item 15 for details regarding our requirements for the management and operation of the Learning Center.) In addition, the Center Director and Education Director of a Learning Center must be approved by us and complete initial training within ninety (90) days of hire. Any additional or replacement Center Directors, Education Directors, or managers you hire must meet our requirements for directors and management as specified by us and as prescribed in the Operations Manual. (Franchise Agreement, 9.3). We will bear the cost of all training (instruction and required materials) for the initial training program, except as described below and regarding additional training and assistance that we provide at your Learning Center. You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this Franchise Disclosure Document). Currently, our Designated Location for the initial training program is Katy, Texas, so you and your personnel will bear the expenses to travel and stay in Katy, Texas to attend the initial training program (unless we require you to attend virtual training). If you are a Developer, then by the time you are developing your fourth Learning Center, you must be prepared (by meeting all of our requirements) to train the managerial personnel and staff for your fourth and subsequent Learning Centers. This requires that you have management personnel who have completed to our satisfaction our initial training program and who continue to meet our standards and requirements for providing this training to other managers and staff, and that you conduct the training of these additional managers and staff according to the programs and requirements that we specify in the Manual and other written materials. If we determine that you or your managers and staff do not meet these requirements, we may require that your personnel complete the initial training program we provide for new franchisees. If we require that additional or replacement managers attend and complete the initial training program, we reserve the right to require you to pay our then-current per diem training charges and

you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers.

In the event a Franchisee's initial training attendee fails to pass the initial training and a second attendee must attend initial training in their place, or if Franchisee must send another manager to initial training due to turnover in its ongoing operations, Franchisee will pay an "**Additional Training Fee**" in the amount of $2,500 plus any travel, payroll or living expenses for the trainee during the training period.

On occasion, Franchisee may request additional training, or we may mandate training for a Franchisee that has not yet met required standards or performance requirements in their operation of the Learning Center. In either case, Franchisee will pay the then-current per diem training fee and will also have to reimburse Franchisor for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. We may also require you and/or your personnel to attend subsequent training in Katy, Texas (or a location we designate), so you and your personnel will bear the expenses to travel and stay in Katy, Texas (or such other designated location) to attend subsequent training (unless we require virtual training).

You (or the Designated Principal) must continue active employment/management in the Learning Center at all times, unless we approve otherwise in writing. In the event a director is no longer employed by you, you are required to designate an interim director. You must hire a replacement director within thirty (30) days of the last date of employment of the former director. (Franchise Agreement, 9.3).

As part of the opening of your Learning Center, we will conduct pre-opening training at the Designated Location (currently Katy, Texas, or a location we designate) for three (3) weeks, and part-time opening assistance on-site at your Learning Center, for a period of two (2) weeks (or other period of time deemed required by us) in conjunction with the opening and commencement of business at the Learning Center. Should you open additional Learning Centers over time, the length of such on-site assistance may be reduced by us. In no event will the opening assistance last more than three (3) weeks, in such time periods as determined by Franchisor. We will bear the costs associated with providing this on-site training. We will provide one or more of our representatives for the purpose of facilitating the opening of your Learning Center. Prior to the time our representative(s) arrives at your Learning Center, you must have hired and substantially completed the training of your initial staff of employees. During this pre-opening training and opening assistance, our representative will assist you in establishing and standardizing procedures and techniques essential to the operation of a Learning Center and will assist in training personnel. We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinance or other legal matters. If you request additional days of on-site training in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided. You will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. (See Item 6 regarding the costs.)

The subjects covered in the initial training program are described below. Initial training programs are scheduled throughout the year at the Designated Location (currently Katy, Texas, or a location we designate) on an as needed basis and the duration of the initial training program is three (3) weeks, unless otherwise provided for in the Franchise Agreement or specified by Franchisor. We have the right to change the duration and content of our initial training program.

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TRAINING PROGRAM
(PRE-OPENING)

Subject	Hours of Classroom/ E-Learning Training	Hours of On-The-Job Training	Location
The Ivy Kids Learning Center Tour	0	1	At the Designated Location
The Ivy Kids Learning Center History, Philosophy, Vision	1	0	At the Designated Location
Overview of the Relationship with the Franchisor	1	0	At the Designated Location
Role of and Relationship with the Field Consultant	1	0	At the Designated Location
Overview of the Pre-Opening Process	1	0	At the Designated Location
Setting Up Your Facility	2	0	At the Designated Location
Business Opening Tasks, Including Taxes, Insurance, Bank Accounts	1	0	At the Designated Location
Initial Marketing Process	2	0	At the Designated Location
Center Manager Best Practices	1	0	At the Designated Location
Recruiting and Hiring Employees	2	0	At the Designated Location
Training and Scheduling Employees	2	0	At the Designated Location
Managing Employees, Including Setting Policies, Disciplining, Evaluating	2	0	At the Designated Location
Setting Pricing and Understanding Competition	2	0	At the Designated Location
Understanding Ratios and Handling Inquiries	1	2	At the Designated Location

Subject	Hours of Classroom/ E-Learning Training	Hours of On-The-Job Training	Location
Student Recruitment and Retention	2	3	At the Designated Location
Enrolling New Students	2	2	At the Designated Location
Communicating with Parents	2	2	At the Designated Location
Planning Procedures	2	2	At the Designated Location
Purchasing Supplies and Other Items	1	1	At the Designated Location
Billing Procedures	1	2	At the Designated Location
Quality Assurance	2	4	At the Designated Location
Reporting	2	2	At the Designated Location
Accounting Practices, Using QuickBooks	1	0	At the Designated Location
Ivy Kids Curriculum Philosophy	1	0	At the Designated Location
Orienting New Students	1	1	At the Designated Location
Classroom Management	1	2	At the Designated Location
Understanding and Following Curriculum and Resources	4	8	At the Designated Location
Field Trips	1	2	At the Designated Location
Assessments	2	2	At the Designated Location

Subject	Hours of Classroom/ E-Learning Training	Hours of On-The-Job Training	Location
Transitions – Mid-Year, On-going, End of Year	1	2	At the Designated Location
Graduation	1	1	At the Designated Location
Events	1	0	At the Designated Location
Camps	2	2	At the Designated Location
Center Operating Procedures, Including Attendance, Hours, Opening, Closing	1	2	At the Designated Location
Transportation	1	1	At the Designated Location
Kitchen	2	3	At the Designated Location
Front Desk	2	4	At the Designated Location
Using Software	2	3	At the Designated Location
Cleaning, Maintenance	1	1	At the Designated Location
Safety and Security	8	8	At the Designated Location
Marketing the Center	4	2	At the Designated Location
TOTALS	70	65	121 Total Hours

The pre-opening training, as described above, is currently to be conducted at the Designated Location (currently Katy, Texas, or a location we designate). Opening assistance will also be conducted on-site at your Learning Center as provided above. The initial training must be completed in advance prior to the scheduled opening of your Learning Center and the opening assistance must be completed within at least thirty (30) days after the opening of your Learning Center.

Additionally, we require that you or your Designated Principal and the directors of the Learning Center attend such refresher courses, seminars, conventions, and other training programs as we may require from time to time. You, your Designated Principal, and the directors of the Learning Center will be required to participate in up to five (5) days of refresher training per year, at a location that we designate. We may also require that you attend a national business meeting, franchise system conference, convention, or similar event, for up to three (3) days per year, and you will be responsible for all costs for attending these events including, but not limited to, costs for registration, travel and accommodations. We may also offer voluntary training programs. If these refresher and additional training programs are conducted at a Designated Location, we will bear the costs associated with providing these training programs, not including the costs of transportation, lodging, meals, wages, and worker's compensation insurance. However, if you request that we provide any of this training at your Learning Center, and we do so, we may charge you our then current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangement of the trainers (see Item 6 regarding the costs).

Currently, our training staff is run by Sahrish Maredia and Pamela Luers. They have 37 years of combined experience in early childhood education and care. During their time at Ivy Kids, Sahrish and Pamela have served in multiple roles including Center Director, Administrator and Directors of pre-opening and continuing support. They have supported the opening of 15 franchise locations from the ground up. Sahrish and Pamela are supported by additional instructors who generally have substantial operations and curriculum experience, with strong abilities in training and development. They have demonstrated successful operations and performance with our operations.

Manual

You will be provided an opportunity to review the Manual prior to signing any binding agreement(s) and before making any payments to us. The current table of contents of the Manual is included as Exhibit H to this Franchise Disclosure Document. The Manual is subject to change at any time.

ITEM 12
TERRITORY

Franchise Agreement and Area Development Agreement

The following describes how territories and Development Areas are determined, and the rights that you and we have under the Franchise Agreement and the Area Development Agreement.

Under the Franchise Agreement:

Your Franchise Agreement will specify the site that will be the Accepted Location for your Learning Center. Unless otherwise provided for in your Franchise Agreement, upon signing of your Franchise Agreement, you will be granted a territory consisting of an area that equals a circle that is two (2) miles in diameter with your Learning Center located at the circle's center (the "**Territory**"). Provided that, if your Learning Center is located in a major metropolitan location, we reserve the right to not grant you a Territory.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Learning Center in the Territory, except as may be permitted under the Franchise Agreement and those exceptions are described below. 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.

There are no circumstances under which the Territory may be altered prior to expiration or termination of the Franchise Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Franchise Agreement. The Ivy Kids business is somewhat unique in franchising in that geography and man-made boundaries like interstate

highways or other construction projects can make it possible for franchisees to effectively serve schools with aftercare bus service that may be outside the territory boundaries. Therefore, the franchisees will be allowed to market their services anywhere they choose whether inside their territory or outside. The parents will make the choice about which Ivy Kids location to use based on their convenience. Note that as a result, franchisees may feel they are competing with other Ivy Kids locations for students.

Due to the importance that a Territory be actively developed, you are required to achieve at least sixty-five percent (65%) enrollment at your Learning Center prior to being considered for an additional Territory. Minimum performance standards are delineated in the Franchise Agreement. Further, you will not be permitted to relocate your Learning Center or business, or open additional locations within or outside your Territory without the prior, written approval from Franchisor. If you relocate your Learning Center during the term of the Franchise Agreement, you will be assessed a "**Relocation Fee**" in an amount equal to forty percent (40%) of the then current Franchise Fee in existence at the time of the relocation.

You may sell our Products and Services, and related products and services to parents and prospective parents who live anywhere but who choose to visit your Learning Center. You may not engage in any promotional activities or sell the Products and Services, or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "**Electronic Media**"); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll free numbers, directed to or received from customers or prospective customers located anywhere. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell the Products and Services to any business or other customer for resale purposes.

We have not yet established other franchises, company owned outlets or another distribution channel selling or leasing similar products or services under a different trademark, but we reserve the right to do so in the future, without first obtaining your consent.

We have not established, and do not presently intend to establish, other franchised or company owned early learning centers which sell the Proprietary Products or Services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

An affiliate operates one early learning center business which is similar to an Ivy Kids Early Learning Center under a different trade name, Sunny Hill Early Learning Center. The affiliate does not presently intend to establish franchised or other affiliate owned early learning center businesses under a different trade name or trademark.

Under the Area Development Agreement:

If you sign an Area Development Agreement, the Area Development Agreement will specify the Development Area within which you may locate potential sites for Learning Centers, subject to our approval. The size and scope of the Development Area will be determined on a case-by-case basis, as we mutually agree upon prior to signing the Area Development Agreement and will be specified in the Area Development Agreement. The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other Learning Centers, your financial and other capabilities, the number of Learning Centers you wish to develop and our development plans. During the term of the Area Development Agreement, if you comply with the obligations under the Area Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, or license anyone other than you to establish or operate, a Learning Center in the Development Area. Except as described below, there are no circumstances under which the Area Development Agreement may be altered prior to expiration or termination of the Area Development Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, or other

factors, other than compliance with the Area Development Agreement and Development Schedule, and the Franchise Agreement.

If you do not comply with a deadline under the Development Schedule (a "**Missed Deadline**"), you will be in default under the Area Development Agreement. For one Missed Deadline, we will provide you with an opportunity to cure your default and we will determine and notify you of a new deadline for that one Missed Deadline (without changing the remainder of the Development Schedule). If you fail to come into compliance by that new deadline, and/or upon the occurrence of a second Missed Deadline, we may terminate your Area Development Agreement, or we may elect to take one or more of the following actions: (a) eliminate the limited exclusivity or reduce the scope of protections granted to you within the Development Area; (b) reduce the scope of the Development Area; (c) reduce the number of Learning Centers for you to develop, or (d) retain all of the Area Development Fee paid to us. If we elect to take one or more of these actions, we will provide written notice of such action, and the Area Development Agreement will be amended to reflect the changes.

Our Reserved Rights under the Franchise Agreement and Area Development Agreement:

Under both the Franchise Agreement and Area Development Agreement, we retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including Learning Centers operating under the Proprietary Marks and the System selling the Products at any location outside your Territory or Development Area regardless of their proximity to, or potential impact on, your Territory or Development Area or your Learning Center.

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Learning Center, at any location within or outside the Territory or Development Area, notwithstanding their proximity to the Territory or Development Area or the Accepted Location or their actual or threatened impact on sales of the Learning Center. In addition, we reserve the right to market products and services, whether similar to the Products and Services or otherwise, under proprietary marks other than the Proprietary Marks, within the Territory or Development Area.

(3) We may establish other Learning Centers in your area (to the extent permitted under the Franchise Agreement) and/or sell or license others to sell Products and Services in your area. Also, we may sell Products and Services (including Proprietary Products and Services) through wholesalers, distributors, the Internet, toll free telephone numbers, catalogs, or other similar means of distribution to any location, whether or not located in your area. Also see Item 16 for a description of your permitted and restricted activities and rights, as well as our permitted and restricted activities and rights. To the extent your Learning Center may be located near another Learning Center; you may appear to or actually compete with other Learning Centers.

(4) We may sell and distribute, directly or indirectly, or license others to sell and to distribute, directly or indirectly, within the Territory or Development Area, any products or services (including the Products and Services) through wholesalers, distributors, or through outlets that are primarily retail in nature, or through toll free numbers, or the Internet, including those products bearing our Proprietary Marks, provided that distribution within the Territory or Development Area will not be from a Learning Center established under the System that is operated from within the Territory or Development Area.

Additionally, during the term of your Area Development and Franchise Agreement, we may (i) acquire one or more child care businesses that are the same as, or similar to, Learning Centers then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Territory or

Development Area, notwithstanding their proximity to the Territory or Development Area or the Accepted Location or their actual or threatened impact on sales of the Learning Center, and we may (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Learning Center under the System at any location. If we operate and/or license others to operate any Acquired Business, then the following terms apply:

If you are in compliance with your agreements with us, then for any Acquired Business that is both located within your Territory or Development Area and is purchased by us for operation by us, we may, in our discretion, offer you the option to purchase and operate, as a Learning Center, those Acquired Business(es). In such a case, we will provide you with written notice of our purchase of such Acquired Business(es), the terms and conditions applicable to your option to purchase such Acquired Business(es), and such other information that we deem necessary to include in the notice. The terms and conditions offered to you will include, without limitation, the following: (a) the purchase price for such Acquired Business will be based on Franchisor's purchase price for such Acquired Business; and (b) the requirement that you enter into our then-current form of System franchise agreement for the Acquired Business, provided that you will not be required to pay an initial franchise fee for an Acquired Business. If you do not elect to purchase, or fail to complete the purchase of, an Acquired Business, we will have the right to operate the Acquired Business ourselves, or through third party licensees or franchisees, under any trade name or trademarks including the Proprietary Marks.

ITEM 13
TRADEMARKS

The Franchise Agreement grants you a license to operate an Ivy Kids Early Learning Center under the trademark "**Ivy Kids Early Learning Center**" and to use any future trademarks we authorize (the "**Marks**").

Ivy Kids, LLC owns the following Marks on the Principal Register of the United States Patent and Trademark Office ("**USPTO**"). All required affidavits have been filed.

Proprietary Mark	Registration Number	Registration Date
IVY KIDS EST 2003 EARLY LEARNING CENTER	4888720	January 19, 2016
IVY KIDS	5080607	November 15, 2016
BRAINBITES	6017346	March 24, 2020
IVY KIDS MONTESSORI	6938399	January 3, 2023
WORLD CHANGERS	7135458	August 15, 2023

Proprietary Mark	Registration Number	Registration Date
MultiPrep	7264207	January 2, 2024
IVY KIDS ACADEMY	7375742	April 30, 2024

In addition to the Marks owned by Ivy Kids, LLC in the table immediately above, we have filed applications for the following marks with the USPTO:

Proprietary Mark	Serial Number	Application Date
	99668099	February 24, 2024
	99668366	February 24, 2024
	99670574	February 25, 2024
IVY KIDS EARLY LEARNING CENTER	99668207	February 24, 2024

There is no presently effective determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding, nor any pending material litigation involving the Proprietary Marks that is relevant to its ownership, use, or licensing.

Our rights to the Marks in the first table above are derived from a license agreement between us and Ivy Kids, LLC (the "**License Agreement**"). The License Agreement grants us the right to use the Marks for the purpose of sublicensing the Marks to our franchisees and fulfilling our obligations under the Franchise Agreement. We know of no superior prior rights or infringing use that could materially affect your use of the Marks, and we know of no other agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to you. The License Agreement does not contain any significant limitations on our right to use or license the Marks to you. The License Agreement is perpetual in duration and may be terminated by the licensor upon a breach of the License Agreement. Upon termination of the License Agreement, we must immediately discontinue the use of the Marks.

You must promptly notify us of any unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Marks. We have the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We will defend you against any third-party claim, suit or demand arising out of your use of the Marks. If we determine that you have used the Marks in accordance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Marks in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation due to your use of the Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs, except that you will bear the salary costs of your employees. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

You may not use the Marks or any part or derivative of the Marks on the Internet, except as expressly permitted in writing. This prohibition includes use of the Marks or any derivative of the Marks as part of any URL or domain name, including but not limited to any gaming website, social networking website (such as Facebook, Instagram, or Twitter), mobile application or marketing/discounting website; as part of any user name; or as part of any email address unless expressly approved by us in writing.

We have the right to substitute different trade names, service marks, trademarks, and indicia of origin for the Marks if the Marks can no longer be used, or if we determine that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Proprietary Mark or use one or more additional or substitute Proprietary Marks at your expense. You must promptly implement any substitution of new Proprietary Marks.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

The Franchise Agreement will grant you rights to use the Patent set forth below in connection with your Learning Center. The following patent (the "**Patent**"), which sets forth learning methods used in the Systems curriculum, has been filed with the United States Patent and Trademark Office and is pending registration:

Title	Application #	Filing Date	Status	Application Type
Multiple Intelligence Curriculum Organization System and Method of Use	62401335	September 29, 2016	Pending	Provisional

We will license the use of the Patent to our franchisees, once it has been registered, as Ivy Kids, LLC, and the owner of the Patent, will assign the use of same to Franchisor, under a separate license agreement.

You must promptly notify us of any unauthorized use of the Patent, any challenge to the validity of the Patent, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Patent. We have the right to direct and control any administrative proceeding or litigation involving the Patent, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Patent. We will defend you against any third-party claim, suit or demand arising out of your use of the Patent. If we determine that you have used the Patent in accordance

with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Patent in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation due to your use of the Patent, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Patent in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs, except that you will bear the salary costs of your employees.

There are no agreements currently in effect which limit our rights to use or license the use of any patents. We reserve the right to substitute different patents for use in identifying the System and businesses operating under it if we, in our sole discretion, determine that substitution of different patents will be beneficial to the System. You must promptly implement any substitution of new patents.

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any patents, an item or process covered by a patent, and/or use one or more additional or substitute patents, you must comply with our directions within a reasonable period of time after receiving notice. We will not be obligated to reimburse you for any cost attributable to or associated with any modified or discontinued patents or any expenditures you make to promote a modified patent or substitute patents.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Learning Centers, including the Manual, advertising and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so, but may choose to do so at any time.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. We will not have any obligation to reimburse you for any expenditure you make because of any discontinuance or modification. You may not use any of the copyrighted materials on the Internet unless expressly approved by us in writing. This includes display of the copyrighted materials on commercial websites, gaming websites, and social networking websites (such as Facebook, Instagram, or Twitter).

All rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any advertising and promotional materials. We will have the right to use these materials and to provide them to other franchisees of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may from time to time require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format.

Confidential Information

Except for the purpose of operating the Learning Center under a Franchise Agreement and developing Learning Centers under an Area Development Agreement, if applicable, you may never (during the Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Learning Center that may be communicated to you or that you may learn by virtue of your operation of a Learning Center. You may divulge confidential or proprietary information only to those of your employees who must have access to it in order to

operate the Learning Center. Any information, knowledge, know-how, and techniques that we designate as confidential will be deemed "confidential" for purposes of the Franchise Agreement and the Area Development Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Designated Principal, directors, other owners, managers, officers, and your managerial employees with access to confidential information to sign a confidentiality and non-competition agreement or obligate themselves to such covenants. Each of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Learning Center. This agreement must be in a form that we find satisfactory, and in some cases must include, among other things, specific identification of our company as a third-party beneficiary with the independent right to enforce the covenants. Our current form of this agreement is included Exhibit E to the Franchise Agreement.

Confidential Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manual. We will lend you one copy of the Manual for the term of the Franchise Agreement upon Franchisee's completion of the initial training, which you must return to us at the expiration or termination of the Franchise Agreement. The Manual may consist of multiple volumes of printed text, computer disks, other electronic stored data, videotapes, and periodic updates or bulletins that we issue to franchisees and others operating under the System. You must treat the Manual, all supplements and revisions to the Manual, including bulletins and the information contained in them, as confidential, and must use best efforts to maintain this information (whether in written or electronic format) as secret and confidential. You must not reproduce these materials (except for the parts of the Manual that are meant for you to copy, which we will clearly mark as such) or otherwise make them available to any unauthorized person. The Manual will remain our sole property. You must keep it in a secure place on the Learning Center premises.

We may revise the contents of the Manual, and you must comply with each new or changed standard. We will notify you in writing of revisions to the Manual. You must ensure that the Manual is kept current at all times. If there is a dispute as to the contents of the Manual, the terms of the master copies that we maintain at our home office will control.

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

If you are not an individual, then you must designate one of your owners, who must be an individual person with at least a ten percent (10%) ownership interest in the franchisee legal entity, and who must be reasonably acceptable to us to assume the responsibilities of general oversight and management of your Learning Center (the "**Designated Principal**").

We must approve a Designated Principal of a Learning Center. You or your Designated Principal (including any replacement Designated Principal) must satisfactorily complete our initial training program. We may require you to reimburse our training costs (see Items 6 and 11).

Under the Franchise Agreement, you or your Designated Principal must be involved in the general oversight and management of the operations of the Learning Center. Additionally, you must designate either yourself or your Designated Principal (subject to our reasonable approval) to assume the full-time responsibility for daily supervision and operation of the Learning Center. We will have the right to rely upon you or your Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

Under the Area Development Agreement, you or your Designated Principal must be involved in the general oversight and management of the development of the Learning Centers, as well as the operations of the Learning Centers that are developed under the Area Development Agreement. We will have the right to rely upon you or your Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

Under both the Franchise Agreement and the Area Development Agreement, if you are a business entity, we may require that your owners (and their spouses, if applicable) personally sign a guaranty, indemnification and acknowledgement (in the forms included as Exhibit C to the Franchise Agreement and Exhibit C to the Area Development Agreement), guarantying and acknowledging the business entity's covenants and obligations under that agreement. Additionally, your managerial employees with access to confidential information or who have received training may be required to sign agreements to maintain confidentiality and not compete with businesses under the System (our current form for this agreement is included in Exhibit E to the Franchise Agreement).

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and provide only Products and Services that we have approved in writing and which conform to our standards and specifications (see also Item 8 above). We have the right, without limit, to change the types of authorized products and services. You must carry and sell all Products and Services that we approve and specify to be offered by all Learning Centers, unless we otherwise provide our written approval.

You may only sell to customers at or from the Accepted Location. All sales must be face-to-face on the premises of the Learning Center. If you wish to engage in off-premises activities, you may apply in writing for our written approval to do so. If we provide our approval, you may engage in these activities provided that you comply with the programs, policies terms, and conditions that we may establish from time to time. Additionally, you may not engage in any other type of sale, offer to sell, or distribution of Products and Service, except with our prior written consent. For example, you may not sell products and services by catalog, mailing, toll free numbers, or by use of the Internet.

You must not use the Learning Center for any other business or operation or for any other purpose or activity at any time without first obtaining our prior written consent. You must keep the Learning Center open and in normal operation for the minimum hours and days as we may specify. You must operate the Learning Center in strict conformity with the methods, standards, and specifications as we prescribe in the Manual or in writing.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Franchise Agreement:

Provision		Section(s) in Franchise Agreement	Summary
(a)	Length of the franchise term	Section 2.1	25 years.
(b)	Renewal or extension of the Term	Section 2.2	One renewal term of 10 years.
(c)	Requirements for franchisee to renew or extend	Section 2.2	Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, mutual

Provision		Section(s) in Franchise Agreement	Summary
			release, sign new Franchise Agreement, pay renewal fee, and others; see Sections 2.2.1 - 2.2.11 in Franchise Agreement. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and different territorial rights.
(d)	Termination by franchisee	None	Not applicable
(e)	Termination by franchisor without cause	None	Not applicable
(f)	Termination by franchisor with cause	Section 17	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see Section 16 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing.)
(g)	"Cause" defined – defaults which can be cured	Sections 17.3 and 17.4	All other defaults not specified in Sections 16.1 and 16.2 of the Franchise Agreement.
(h)	"Cause" defined – non-curable defaults	Sections 17.1 and 17.2	Bankruptcy, abandonment, conviction of felony, and others; see Section 16.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
(i)	Franchisee's obligations on termination/non-renewal	Section 18	Cease operating the Learning Center, payment of amounts due, and others; see Section 17.1 – 17.11 of the Franchise Agreement.
(j)	Assignment of contract by franchisor	Section 16.1	There are no limits on our right to assign the Franchise Agreement.
(k)	"Transfer" by franchisee - defined	Section 16.2	Includes transfer of any interest.
(l)	Franchisor approval of transfer by franchisee	Section 16.2	We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee.
(m)	Conditions for franchisor approval of transfer	Sections 16.3 and 16.4	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see Sections 16.3.1 – 16.3.11 and 16.4 of the Franchise Agreement.
(n)	Franchisor's right of first refusal to acquire franchisee's business	Section 16.6	We can match any offer.
(o)	Franchisor's option to purchase franchisee's	None	Not applicable

Provision		Section(s) in Franchise Agreement	Summary
	business		
(p)	Death or disability of franchisee	Sections 16.7 and 16.8	Your estate must transfer your interest in the Learning Center to a third-party we have approved, within a year after death or six months after the onset of disability.
(q)	Non-competition covenants during the term of the franchise	Sections 19.2 and 19.5	Includes prohibition on engaging in any other business offering similar products, and soliciting or diverting customers to other businesses, and others; see Section 18.2 of the Franchise Agreement.
(r)	Non-competition covenants after the franchise is terminated or expires	Sections 19.3 and 19.5	Includes a two-year prohibition similar to "q" (above), at the Accepted Location, or within 25 miles of the Learning Center or any other Learning Center in operation or under construction on the effective date of termination or expiration located anywhere.
(s)	Modification of the agreement	Section 25	Must be in writing signed by both parties.
(t)	Integration/merger clause	Section 26	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
(u)	Dispute resolution by arbitration or mediation	Sections 28.2 and 28.3	Except for certain claims, all disputes will be mediated, and if not resolved in mediation, arbitrated.
(v)	Choice of forum	Sections 28.2, 28.3 and 28.4	Mediation and arbitration must be conducted in the AAA office located in the city of our then current principal place of business. Litigation must be instituted and maintained in the state or federal court with subject matter jurisdiction serving the district in which we maintain our principal place of business at the time litigation is initiated (subject to applicable state law).
(w)	Choice of law	Section 28.1	Texas law applies (subject to applicable state law).

Area Development Agreement:

Provision		Section(s) in Area Development Agreement	Summary
(a)	Length of the franchise term	Section 2 and Exhibit A	Last date in Development Schedule
(b)	Renewal or extension of the term	None	Not applicable
(c)	Requirements for developer to renew or extend	None	Not applicable

Provision	Section(s) in Area Development Agreement	Summary
(d) Termination by developer	None	Not applicable
(e) Termination by franchisor without cause	None	Not applicable
(f) Termination by franchisor with cause	Section 6	We can terminate if you default.
(g) "Cause" defined – curable defaults	Sections 6.3 and 6.4	All other defaults not specified in Sections 6.1 and 6.2 of Area Development Agreement.
(h) "Cause" defined – non-curable defaults	Sections 6.1 and 6.2	Bankruptcy, termination of any individual Franchise Agreement for a Learning Center operated by you or a person or entity affiliated with you, conviction of felony, and improper transfer.
(i) Developer's obligations on termination/non-renewal	Section 6.6	Cease establishing or operating Learning Centers under the System for which Franchise Agreements have not been signed at the time of termination and compliance with covenants.
(j) Assignment of contract by franchisor	Section 7.1	There are no limits on our right to assign the Area Development Agreement.
(k) "Transfer" by developer – defined	Section 7.2	Includes a transfer of an interest in the Area Development Agreement, developer entity, or any material asset of your business.
(l) Franchisor approval of transfer by developer	Section 7.2	We have the right to approve transfers.
(m) Conditions for franchisor's approval of transfer	Sections 7.2 and 7.3	Any of the conditions for transfer described in the Franchise Agreement executed pursuant to the Area Development Agreement that we deem applicable, and simultaneous transfer of Franchise Agreements executed pursuant to the Area Development Agreement.
(n) Franchisor's right of first refusal to acquire developer's business	None	Not applicable.
(o) Franchisor's option to purchase developer's business	None	Not applicable.
(p) Death or disability of developer	None	Not applicable
(q) Non-competition covenants during the term of the franchise	Section 8.2	Includes prohibition on engaging in any other business offering similar products, and soliciting or diverting customers to other businesses.
(r) Non-competition covenants after the franchise is terminated or expires	Section 8.3	Includes a two-year prohibition similar to "q" (above), within the Development Area, or within 25 miles of any Learning Center in operation or under construction on the effective date of termination or expiration located anywhere.
(s) Modification of the Agreement	Section 15	Must be in writing signed by both parties.

Provision	Section(s) in Area Development Agreement	Summary
(t) Integration/merger clause	Section 15	Only the final written terms of the Area Development Agreement are binding.
(u) Dispute resolution by arbitration or mediation	Section 16.2 and 16.3	Except for certain claims, all disputes will be mediated, and if not resolved in mediation, arbitrated.
(v) Choice of forum	Section 16.2, 16.3 and 16.4	Mediation and arbitration must be conducted in the AAA office located in the city of our then current principal place of business. Litigation must be instituted and maintained in the state or federal court with subject matter jurisdiction serving the district in which we maintain our principal place of business at the time litigation is initiated (subject to applicable state law).
(w) Choice of law	Section 16.1	Texas law applies (subject to applicable state law).

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

The financial performance representations included in this Item 19 contain historical financial data obtained from financial reports generated by company-owned outlets, franchisees and licensees for the year 2024 and by franchisees for the years 2020 through 2024. For the year ending December 31, 2025, we had 12 franchised Learning Centers and 4 independently licensed and affiliate owned Learning Centers ("**Company Centers**") in operation for at least 24 months. .

- **Tables 1(a) and 1(b)** list Gross Revenue (defined below) and certain expenses for the year 2025 reported by our 12 franchised Learning Centers that operated for at least 24 months as of December 31, 2025.

- **Table 3** lists Gross Revenue (defined below) and certain expenses for the year 2025 reported by our four Company Centers that operated for at least 12 months as of December 31, 2025.

The information presented in Tables 2(a) and 2(b) is based on sales and cost information reported to us by our franchisees through the point-of-sale (POS) system.

Defined Terms:

- **Average** also known as the "mean," means the sum of all data points in a set, divided by the number of data points in that set.
- **Median** means the data point that is in the center of all data points used. That number is found by examining the total number of data points and finding the middle number in that set.
- **Gross Revenue** means the total annual revenue derived from the sale of goods or services, less sales tax, discounts, allowances, and returns.

Table 1(a) - Gross Revenues and Certain Expenses for Franchised Learning Centers for the Year 2025

	Top	Middle	Bottom	Average	Median
# of Centers	4	4	4	12	12
Gross Revenue	$3,293,698	$2,733,683	$1,868,573	$2,631,985	$2,719,099
Labor Costs	$1,452,862	$1,218,851.25	$883,645	$1,185,119	$1,223,751
Operating Expenses, Royalty and Marketing	$880,025	$771,595.35	$529,395	$727,005	$770,769
EBITDAR	$960,811.19	$743,236.37	$455,532.93	$719,860	$699,175

Table 1(b) – Details of Gross Revenues and Certain Expenses for Franchised Learning Centers for the Year 2025

	Top	Middle	Bottom	Average	Median
# of Centers Reported	4	4	4	12	12
Gross Revenue					
Average	$3,293,698	$2,733,683	$1,868,573	$2,631,985	$2,719,099
# of Centers above average	1	2	2	5	
# of Centers below average	3	2	2	7	
Median	$3,173,417	$2,719,099	$1,901,027		
Labor Costs					
Average	$1,452,862	$1,218,851.25	$883,645	$1,185,119	$1,223,751

# of Centers above average	2	2	2	6	
# of Centers below average	2	2	2	6	
Median	$1,424,509	$1,229,935.00	$882,957		
Operating Expenses, Royalty and Marketing					
Average	$880,025	$771,595.35	$529,395	$727,005	$770,769
# of Centers above average	1	2	2	5	
# of Centers below average	3	2	2	7	
Median	$915,216	$816,318.56	$566,314		
EBITDAR					
Average	$960,811.19	$743,236.37	$455,532.93	$719,860	$699,175
# of Centers above average	2	2	3	7	
# of Centers below average	2	2	1	5	
Median	$976,242.67	$718,599.80	$508,361.30		

Notes to Tables 1(a) and 1(b) and Table 3 (below):

1. "**Labor**" refers to all payroll expenses, including salaries, wages, and benefits.

2. "**Operating Expenses**" refers to all ordinary and recurring operating expenses. Operating Expenses include actual insurance costs. It does not include rent. It also excludes discretionary expenses such as staff lunches and bonuses.

3. "**EBITDAR**" refers to gross revenue less all expenses directly related to operating the Learning Center excluding interest, taxes, depreciation, amortization and rent.

4. As of December 31, 2025, the average length of time the franchised Learning Centers have been open is 6 years, 6 months. The financial performance figures included in this Item 19 do not reflect all the costs or expenses that must be deducted from Gross Revenues 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 sources of information.

Table 3: Gross Revenue and Certain Expenses of Company Centers for the Year 2025

	Average	Median	Lowest	Highest	# and % of Centers above Average
Gross Revenue	$2,075,839	$2,089,947	$1,544,323	$2,579,140	2 / 50%
Labor	$1,027,386	$1,022,774	$840,206	$1,223,791	2 / 50%
Operating Expenses, Royalty and Marketing	$703,569	$700,513	$580,739	$832,510	2 / 50%
EBITDAR	$344,884	$295,768	$158,814	$629,186	1 / 25%

Notes to Table 3:

1. "**Company Centers**" include independently licensed, affiliate owned U.S. Centers. Each of the Company Centers has been open for as long as follows as of December 31, 2025: Cinco Ranch (12 years), Pearland (20 years, 7 months), Lakemont (14 years, 5 months), and Silver Ranch (7 years, 9 months).

2. Some Company Centers have rental income. We have excluded such income from Gross Revenue.

3. We have included imputed royalties and marketing fees in order to show the results if such locations were a franchise. Our Company Centers do not pay royalties and marketing fees.

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

Other than the preceding financial performance representation, Ivy Kids Systems, LLC, does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it promptly to the Franchisor's management by contacting Amyn Bandali, CEO, Ivy Kids Systems, LLC, 2707 Spring Green Blvd., Katy, Texas 77494, (281) 769-4266. You should also report it to the FTC, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
System-wide Outlet Summary
For years 2023-2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	12	12	0
	2024	12	15	+3
	2025	15	17	+2
Independent/Affiliate Owned **Note (1)**	2023	5	4	-1
	2024	4	5	+1
	2025	5	5	0
Total Outlets	2023	17	16	-1
	2024	16	20	+4
	2025	20	22	+2

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2023-2025

State	Year	Number of Transfers
None	2023	0
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

Table 3
Status of Franchised Outlets
For years 2023-2025
Note (2)

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Georgia	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Texas	2023	12	1	1	0	0	0	12
	2024	12	3	0	0	0	0	15
	2025	15	2	0	0	0	0	17
Totals	2023	12	1	1	0	0	0	12
	2024	12	3	0	0	0	0	15
	2025	15	2	0	0	0	0	17

Table 4
Status of Independent/Affiliate Owned Outlets
For years 2023-2025
Notes (1)

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Texas	2023	5	0	0	0	1	4
	2024	4	1	0	0	0	5
	2025	5	0	0	0	0	5
Totals	2023	5	0	0	0	1	4
	2024	4	1	0	0	0	5
	2025	5	0	0	0	0	5

(1) One Independent/Affiliate Owned Learning Center was converted to a franchised Learning Center in 2023.

Table 5
Projected Openings as of December 31, 2025

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Independent/Affiliate Owned Outlets in the Next Fiscal Year
Alabama	1	0	0
California	1	0	0
Florida	1	0	0
Georgia	4	2	0
North Carolina	1	0	0
Texas	13	3	0
Total	**21**	**5**	**0**

All numbers are as of the end of the fiscal year, which is December 31st for each year.

A list of the names of all franchisees and area developers and the addresses and telephones numbers of their franchises is included in Exhibit E to this Franchise Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or area developer who had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document will be listed on Exhibit F to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Ivy Kids. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

ITEM 21
FINANCIAL STATEMENTS

Exhibit G to this Franchise Disclosure Document contains our unaudited financials as of May 31, 2026, as well as our audited financial statements as of December 31, 2025, 2024 and 2023, together with the independent auditors' reports. Our fiscal year end is December 31st.

ITEM 22
CONTRACTS

The following contracts are attached to this Franchise Disclosure Document:

Exhibit C – Franchise Agreement, including the following agreements:

Exhibit C	Guaranty
Exhibit D	Authorization for Prearranged Payments
Exhibit E	Non-Disclosure and Non-Compete Agreement
Exhibit F	Assignment and Power of Attorney
Exhibit G	ADA Certification
Exhibit H	Lease Addendum
Exhibit H-1	Collateral Assignment of Lease
Exhibit I	Franchisee Disclosure Acknowledgment Statement
Exhibit J	Option to Purchase or Lease
Exhibit K	Transportation Agreement
Exhibit L	SBA Addendum

Exhibit D – Area Development Agreement, including the following agreements:

Exhibit C	Guaranty Indemnification and Acknowledgment
Exhibit D	Developer Certification

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Franchise Disclosure Document appear at the end of the Franchise Disclosure Document. Please return one signed copy to us and retain the other for your records.

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EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Connecticut	Banking Commissioner Department of Banking Securities and Business Investments Division	260 Constitution Plaza Hartford, CT 06103-1800
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Secretary of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001
North Dakota	Insurance and Securities Commissioner North Dakota Insurance & Securities Department	600 East Boulevard Avenue State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510
Oregon (State Administrator)	Division of Financial Regulation Department of Consumer & Business Services	350 Winter Street, NE Room 410 Salem, OR 97301-3881 (503) 378-4140
Rhode Island	Director, Department of Business Regulation, Securities Division	State of Rhode Island Department of Business Regulation 1511 Pontiac Avenue, Bldg. 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance - Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501-3185
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Washington	Department of Financial Institutions Securities Division	P.O. Box 41200 Olympia, WA 98504-1200 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703

EXHIBIT B

STATE SPECIFIC ADDENDA

We are required to provide you with additional information as a condition of registering our franchise offering in certain states. The additional disclosures, if required, are set out below. These additional disclosures apply only if the jurisdictional requirements of the applicable state franchise law are met.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT PURSUANT TO THE CALIFORNIA FRANCHISE INVESTMENT LAW

FOR RESIDENTS OF THE STATE OF CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the franchise disclosure document.

The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 *et seq*., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq*. To the extent that the franchise disclosure document/and or Franchise Agreement and/or Area Development Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

The following is added to Item 3 of the disclosure document:

> Neither the franchisor, nor any person identified in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Item 17 of the disclosure document is supplemented by the following:

> California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement or Area Development Agreement contains a provision that is inconsistent with the law, the law will control.
>
> You must sign a release if you renew or transfer your franchise. California Corporations Code voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
>
> The Franchise Agreement contains a covenant not to compete that extends beyond the expiration or termination of the Agreement. This provision may not be enforceable under California law.
>
> Certain liquidated damages clauses are unenforceable under California Civil Code Section 1671.
>
> The Franchise Agreement and Area Development Agreement require application of the laws of Texas. This provision may not be enforceable under California law.
>
> The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).
>
> The Franchise Agreement and Area Development Agreement require mediation and arbitration in the city of the franchisor's then current principal place of business and litigation proceedings must be conducted in the in the state or federal court with subject matter jurisdiction serving the district in which the franchisor maintains its principal place of business at the time litigation is initiated. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California laws (such as Business and Professions Code Section 20040.5) to any provisions of a Franchise Agreement or Area Development Agreement restricting venue to a forum outside the state of California.

In Section 26, *Entire Agreement* of the Franchise Agreement, the following language is removed as the provisions violate California Corporations Code Section 31512:

> Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings.
>
> And
>
> , no other representations have induced Franchisee to execute this Agreement

Section 28.8, *Release of Claims* is removed from the Franchise Agreement as the section violates California Corporations Code Section 31512.

In Section 29, *Acknowledgements* of the Franchise Agreement, subsections 29.1, 29.2, 29.3, 29.8, and 29.10 are removed as the provisions of these subsections violate California Corporations Code Section 31512.

In Section 15, *Entire Agreement* of the Area Development Agreement, the following language is removed as the provisions violate California Corporations Code Section 31512:

> Franchisor and Developer agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings.
>
> And
>
> , no other representations having induced Developer to execute this Agreement

Section 16.9, *Release of Claims* is removed from the Area Development Agreement as the section violates California Corporations Code Section 31512.

In Section 17, *Acknowledgements* of the Area Development Agreement, subsections 17.1, 17.2, and 17.3 are removed as the provisions of these subsections violate California Corporations Code Section 31512.

Our website can be found at www.ivykidsfranchise.com. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

REGISTRATION OF THIS DISCLOSURE DOCUMENT DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

In California Franchisees are advised to become familiar with the regulations of the State of California concerning child care centers. In California, topics covered in the regulations include, but are not limited to, daycare or child care laws, student ratios, hours, health, instructor licensing, fingerprinting, criminal background checks, and other similar requirements. The regulations can be found on the webpage of the California Department of Social Services, entitled "Child Care Regulations" at http://www.cdss.ca.gov/inforesources/Letters-Regulations/Legislation-and-Regulations/Community-Care-Licensing-Regulations/Child-Care. California franchisees are advised to click through the sub-links provided

at this webpage and read the regulations of the State of California regarding child care centers. As of the date of this franchise disclosure document, the relevant sub-links found on this webpage are as follows:

Child Care Centers

Title 22, Div 12, Chap 1, Art 1-2 - Child Care Centers

Title 22, Div 12, Chap 1, Art 3 - Child Care Centers

Title 22, Div 12, Chap 1, Art 4-5, Child Care Centers

Title 22, Div 12, Chap 1, Art 6, Child Care Centers

Title 22, Div 12, Chap 1, Art 6 (Cont.) - Child Care Centers

Title 22, Div 12, Chap 1, Art 7 - Child Care Centers

Title 22, Div 12, Chap 1, Subchapter 2 - Child Care Centers - Infant Centers and Subchap 3, Child Care Centers - School-Age Day Care

Title 22, Div 12, Chap 1, Subchap 4 - Child Care Centers for Mildly Ill Children

Apart from state regulations, franchisees should keep in mind that there may be local zoning laws that might restrict or prohibit running a child care business in a particular location within a municipality or county in the State of California. These laws can apply to centers which may be classified as "schools" under applicable zoning codes, and may impose additional requirements, such as separate bathrooms for boys and girls, water fountains, special exit doors equipped with panic bars, and accommodations for disabled persons. Each municipality or county will have its own local zoning ordinances and policies regarding the placement of child care centers and related issues. Even if a child care center is permissible under the municipal or county zoning ordinance, you may be required to obtain a compliance certificate from the local zoning authority. Franchisees should investigate the zoning regulations of the municipality or county in which the franchisee intends to open a franchise, and franchisees should obtain all necessary permits and compliance certificates before opening a child care facility. We recommend that franchisees read the applicable zoning requirements for the franchisee's intended town, city, county or other locality, and to visit the locality's permitting office, before purchasing a franchise. Franchisees should schedule a meeting with the permitting/zoning department for their locality to clearly understand the local requirements.

Franchisees must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (1) 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 or document executed in connection with the franchise.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT FOR THE STATE OF VIRGINIA

The Virginia State Corporation Commission, Division of Securities and Retail Franchising requires that the following risk(s) be highlighted:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from $910,000 to $1,341,500. This amount exceeds franchisor's members' equity as of December 31, 2025, which is ($250,395).

1. 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.

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

3. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Ivy Kids Systems, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following is added to the end of the "Summary" section of Item 17(h), entitled **"Cause" defined – non-curable defaults**:

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/Development Agreement do 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.

4. The following language and Sections are removed from the Franchise Agreement and Area Development Agreement:

(a) In Section 26, *Entire Agreement* of the Franchise Agreement, the language, "Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings." and ", no other representations have induced Franchisee to execute this Agreement".

(b) Section 28.8, *Release of Claims* of the Franchise Agreement.

(c) In Section 29, *Acknowledgements* of the Franchise Agreement, subsections 29.1, 29.2, 29.3, 29.8, and 29.10.

(d) In Section 15, *Entire Agreement* of the Area Development Agreement, the language, "Franchisor and Developer agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings." and ", no other representations have induced Developer to execute this Agreement".

(e) Section 16.9, *Release of Claims* of the Area Development Agreement.

(f) In Section 17, *Acknowledgements* of the Area Development Agreement, subsections 17.1, 17.2, and 17.3.

Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, the franchise contract or agreement offered or entered into pursuant to terms of this chapter shall be governed by the laws of the Commonwealth of Virginia.

Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act ("Act"), it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, subsection B of § 13.1-563 of the Act provides that if a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

EXHIBIT C
FRANCHISE AGREEMENT

IVY KIDS SYSTEMS, LLC

FRANCHISE AGREEMENT

_____

FRANCHISEE

_____

APPROVED LOCATION

_____

EFFECTIVE DATE OF AGREEMENT

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IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "**Agreement**") is made and entered into on this ____ day of _____, 202___ (the "**Effective Date**"), by and between: Ivy Kids Systems, LLC, a Texas limited liability company, whose principal place of business is 2707 Spring Green Blvd. Katy, TX 77494 ("**Franchisor**"); and _____, a _____, having offices at _____ ("**Franchisee**").

BACKGROUND

A. Ivy Kids Systems, LLC is referred to in this Franchise Agreement as "**Franchisor**," "**we**" or "**us**". The undersigned franchisee is referred to as "**Franchisee**" or "**you**."

B. Franchisor has a format and system (the "**System**") relating to the establishment, development, and operation of Ivy Kids Early Learning Centers ("**Learning Center**") that provide for children between the ages of six weeks and twelve years old and feature and operate under the Proprietary Marks (as defined below). Learning Centers are designed using Franchisor's interior trade dress to be welcoming and comfortable for children, along with related products and services under the name "Ivy Kids Early Learning Center." A Learning Center operates using Franchisor's proprietary information, the Manual (as defined below), Proprietary Marks, trade dress, design, décor, image, lay-out, knowledge, trade secrets, procedures, standards, specifications, indoor and outdoor equipment, training of franchisees and staff, techniques, record keeping and business management (individually, **"Products"** or **"Services"**, and collectively "**Products and Services**") which may be changed, improved and further developed by the Franchisor from time to time.

C. The distinguishing characteristics of the System includes, but are not limited to: (a) distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; (b) standards and specifications for products and services, indoor and outdoor equipment, materials, toys, services and supplies; (c) uniform standards, specifications, and procedures for operations; (d) purchasing and sourcing systems and procedures; (e) procedures for food, supplies, inventory and management control; (e) training and operational assistance; and (f) marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

D. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, patents, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including but not limited to the mark "Ivy Kids," "Ivy Kids Early Learning Center," and other marks (the "**Proprietary Marks**").

E. Franchisee desires to enter into the business of operating a Learning Center under the System and using the Proprietary Marks, and wishes to enter into this Agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

F. Franchisee acknowledges that it has read this Agreement and the Franchisor's Franchise Disclosure Document (the "**FDD**") and that it understands and accepts the terms, conditions and covenants contained in this Agreement and the FDD, as being reasonably necessary to maintain the Franchisor's high standards of quality and service and the uniformity of those standards at all Learning Centers in order to protect and preserve the goodwill of the Proprietary Marks.

G. Franchisee has applied for a franchise to own and operate a Learning Center at the location identified in Exhibit "A", and such application has been approved by the Franchisor in reliance upon all of the representations made herein.

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1 Grant and Acceptance. Franchisor grants to Franchisee the right, license, and privilege to use Proprietary Marks in connection with the operation of a Franchise and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) use best efforts to establish and operate a Learning Center, (b) use, only in connection therewith, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) operate the Learning Center only at the Accepted Location (as defined in Section 1.4 below) in accordance with this Agreement.

1.2 Site Selection Area. In accordance with the site selection procedures described in Section 5 of this Agreement and otherwise designated or prescribed by Franchisor in writing, Franchisee will locate and secure, through lease or purchase, subject to Franchisor's acceptance, the Accepted Location (as defined below) for the Learning Center within the area described in Exhibit "A" (the "**Site Selection Area**"). Franchisee will be limited to locating and securing a site for the Learning Center within this Site Selection Area. Franchisee agrees and acknowledges that the Site Selection Area is solely for the purpose of locating a site, and will in no way be considered an exclusive or protected area for the Learning Center. In the case that another franchisee of Franchisor has been granted franchise rights to operate a Learning Center within the Site Selection Area, Franchisee's Accepted Location must not encroach upon such franchisee's specified territory.

1.3 Non-Exclusivity. Franchise understands this franchise is a non-exclusive franchise. Other franchisees may compete with Franchisee for customers within the Site Selection Area described above. Franchisor retains the right to sell or license others to operate a Learning Center using the Proprietary Marks, directly or indirectly.

1.4 Accepted Location. Franchisee will develop and operate the Learning Center only at the site specified in Exhibit "A" to this Agreement as the "**Accepted Location**." The Accepted Location will be described in Exhibit "A" to this Agreement subsequent to the execution of this Agreement, upon Franchisor's acceptance of the location and execution of the related lease or purchase agreement. Franchisee will not relocate the Learning Center without Franchisor's prior written consent, as provided in Section 9.25 below.

1.5 Limit on Sales. Franchisee's rights hereunder will be limited to offering and selling Products and Services at the Learning Center, and only to the parents or other legal guardians of the children attending the Learning Center for child learning and sale of Products at or from the premises of the Learning Center at the Accepted Location (the **"Premises"**); provided that all such activities will be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manual (as defined in Section 3.4 below) and all applicable laws. Franchisee expressly acknowledges that it may engage in off-Premises activities in accordance with such specific programs, policies, terms, and conditions as Franchisor may from time to time establish. Franchisee will not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution of Services, including but not limited to: selling, distributing, or otherwise providing, any Services to third parties through toll free numbers, third-party locations, or electronic means (e.g. the Internet). Provided, however, Franchisee may advertise Franchisee's Learning Center through the mail and the internet with the prior written consent and approval of Franchisor.

1.6 Territory and Reserved Rights. Except as otherwise provided in this Agreement, during the term of this Agreement (the "**Term**"), Franchisor will not establish or operate, nor license any other person to establish or operate, a Learning Center at any location within an area that equals a circle that is two (2) miles in diameter with Franchisee's Learning Center located at the circle's center (the **"Territory"**). Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.6.1 To own, acquire, establish, and/or operate and license to others to establish and operate Learning Centers under the System at any location outside the Territory, notwithstanding their proximity to the Territory or the Accepted Location or their actual or threatened impact on sales of the Learning Center;

1.6.2 To own, acquire, establish, and/or operate and license to others to establish and operate Learning Centers under proprietary marks other than the Proprietary Marks, whether such businesses are similar to or different from the Learning Center, at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Accepted Location or their actual or threatened impact on sales of the Learning Center;

1.6.3 To sell and/or to distribute, directly or indirectly, or to license others to sell and/or distribute directly or indirectly, any services (including the Services) through toll free numbers, or the Internet, including those products bearing Franchisor's Proprietary Marks, provided that distribution within the Territory will not be from a Learning Center established under the System that is operated from within the Territory;

1.6.4 To (i) acquire one or more learning centers that are the same as, or similar to, Learning Centers then operating under the System (each an **"Acquired Business"**), which may be at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Accepted Location or their actual or threatened impact on sales of the Learning Center, and (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Learning Center under the System, subject to the following conditions that apply to each Acquired Business within the Territory:

1.6.4.1 Provided that Franchisee is in compliance with this Agreement and any other agreement with Franchisor, Franchisor will offer to Franchisee the option to purchase and operate, as the Learning Center, an Acquired Business that is purchased by Franchisor for operation by Franchisor. Franchisor will provide Franchisee with written notice of Franchisor's purchase of Acquired Business(es), the terms and conditions applicable to the Franchisee's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Franchisee will include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business; and (b) the requirement that Franchisee enter into Franchisor's then-current form of System franchise agreement for the Acquired Business. If Franchisee does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor will have the right to operate itself, or through third-party licensees or franchisees, the Acquired Business under any trade name, service mark, or trademarks including the Proprietary Marks.

1.6.5 Franchisee will operate the Learning Center in compliance with the minimum performance standards contained in this Agreement. In order to be considered for an additional Territory, Franchisee must first achieve at least sixty-five percent (65%) enrollment at its Learning Center in its current Territory.

1.7 No Territory Established. If there is no Territory established in Exhibit A, Franchisee expressly acknowledges and agrees that Franchisor may own, acquire, establish, and/or operate and license others to establish and operate, Learning Centers under the System at any location, and exercise all of the rights reserved to it in Section 1.6 at any location, notwithstanding the proximity to or the actual or threatened impact on sales of the Learning Center.

1.8 Transportation Services. Franchisee may provide transportation services to and from the Learning Center and for Learning Center-related field trips with and for the children enrolled at the Learning Center. Franchisee cannot provide any other transportation services without Franchisor's prior written approval. Franchisor can decide not to let Franchisee provide any other transportation services for any reason.

All transportation services must be in strict accordance with this Franchise Agreement and with the Manual. If Franchisee provides any type of transportation services, Franchisee must sign a Transportation Agreement with Franchisor which is attached hereto as Exhibit "K", and must take liability for any driver and properly do a thorough background check to ensure such driver is qualified, has the proper licenses and is insured. Franchisee will be solely responsible for the hiring and supervising of all Franchisee's authorized and unauthorized drivers, and will be liable for their acts or omissions. Franchisee and its Principals agree to indemnify Franchisor for any acts, omissions, or claims arising from any transportation services provided for or at the Learning Center.

2. TERM AND RENEWAL

2.1 Initial Term. This Agreement will be in effect upon its acceptance and execution by Franchisor and Franchisee and, except as otherwise provided herein, this Agreement will expire twenty-five (25) years from the Effective Date.

2.2 Renewal Term. Franchisee may apply to operate the Learning Center for an additional term of ten (10) years, if the following conditions are met prior to renewal:

2.2.1 Franchisee will give Franchisor written notice of Franchisee's election to renew at least six (6) months, but not more than twelve (12) months, prior to the end of the Term or prior to the end of the applicable renewal term;

2.2.2 Franchisee will not have any past due monetary obligations or other outstanding obligations to Franchisor, the approved suppliers of the System, or the lessor of the Learning Center Premises, if applicable;

2.2.3 Franchisee will not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor, the approved suppliers of the System, or the lessor of the Premises, if applicable; and Franchisee will have substantially complied with all the terms and conditions of such agreements during the initial and renewal terms thereof;

2.2.4 Franchisee and Franchisor will execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, and its respective officers, directors, members, managers, agents, and employees;

2.2.5 Franchisee will execute the then-current form of franchise agreement offered by Franchisor, which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, requirements to pay additional and/or higher fees such as royalties, advertising obligations and contributions, and other fees;

2.2.6 Franchisee will comply with the then-current qualification and training requirements of Franchisor;

2.2.7 Franchisee will make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Premises as Franchisor may reasonably require, including installation of new equipment and renovation of signs, furnishings, fixtures, and decor to reflect the then-current standards and image of the System;

2.2.8 Franchisee will present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Learning Center Premises (or such other location acceptable to Franchisor) for the duration of the renewal term;

2.2.9 Franchisee, at the time of renewal, satisfies Franchisor's standards of financial responsibility and, if requested by Franchisor, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources and means to continue to operate the Learning Center during the renewal term.

2.2.10 Franchisee will remit to Franchisor a renewal fee of $5,000 prior to the time of renewal.

2.2.11 Franchisee will, upon renewal, consent and submit to all background checks deemed necessary by Franchisor, including background checks on any and all present or potential Franchisees, the members or shareholders of Franchisee, and Designated Principals, and the background check report(s) must substantially meet the requirements for a Franchisee to continue operating a Learning Center.

3. DUTIES OF FRANCHISOR

3.1 **Franchisor's Plans**. Franchisor will make available to Franchisee, design plans and specifications for the construction of a Learning Center and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such standard design plans and specifications will not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor will such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Learning Center, compliance with all of which will be Franchisee's responsibility and at Franchisee's expense. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype design plans and specifications, and develop additional prototype design plans and specifications, as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype plans and specifications for the Learning Center developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee). Franchisee will adapt the standard plans to the Learning Center's location, as provided in Section 5.3 below, subject to Franchisor's approval.

3.2 **Initial Training**. Franchisor will provide its initial training for Franchisee (or if Franchisee is other than an individual, the Designated Principal (defined in Section 9.3 below)), and the manager and directors (including assistant directors) of the Learning Center (the "**Initial Training**"), as applicable, as described in Section 6 of this Agreement, prior to the opening of Franchisee's Learning Center, at one of Franchisor's corporate locations in the Katy, Texas area, or such other place as may be designated by the Franchisor, including a virtual location (the "**Designated Location**") (unless this Agreement is for the fourth or subsequent Learning Center being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the terms set forth in Section 6.1.3 below will apply with respect to the pre-opening training of Franchisee and the Designated Principal. All directors and Designated Principals for Learning Centers must be approved by Franchisor. Franchisor may also provide such ongoing training as it may, from time to time, deem appropriate. Initial Training and any ongoing training may be conducted via the Internet or in person, as Franchisor deems appropriate.

3.3 **Opening Assistance**. Franchisor will make available to Franchisee at Franchisor's expense and at Franchisee's Premises any assistance that Franchisor may deem is required, based on the experience and judgment of Franchisor, in pre-opening, opening, and initial business operation of the Learning Center. Such assistance will include providing Franchisees with the part-time services of one (1) or more representative of Franchisor for supervisory assistance and guidance in connection with the opening and initial operations of the Learning Center for such period of time as Franchisor deems is needed, in Franchisor's sole discretion. Franchisee acknowledges that Franchisor will not be responsible for offering guidance with respect to compliance with any laws, ordinances or other legal matters. Prior to the arrival of Franchisor's representative(s), Franchisee will have substantially completed all training of Franchisee's initial staff of

employees for the Learning Center, as will be necessary for Franchisee to comply with its staffing obligations under Section 9.4 below. Under no circumstances should such part-time opening assistance described in this Section 3.3 last more than three weeks. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Learning Center, and should Franchisor deem it necessary and appropriate to comply with the request, Franchisee will pay Franchisor's per diem charges of $500 per trainer and Franchisor's out-of-pocket expenses in providing such additional assistance as set forth from time to time in the Manual. For the purposes of this Section 3.3, Franchisor will have the right to determine the time or times at which such representatives will be made available to Franchisee.

3.4 **Copy of Manual**. Franchisor will maintain a master copy of the Manual at its headquarters in Katy, Texas. Franchisor will provide Franchisee a copy of the Franchisor's confidential operations manual and other manuals, instructional materials, and written policies and correspondence (collectively, the "**Manual**"), as more fully described in Section 11 below.

3.5 **Advertising Programs and Materials**. Franchisor will review and will have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 14 below. Franchisor will administer the Advertising Obligation within the System Ad Funds, if such funds exist or are implemented, in the manner set forth in Section 14 below.

3.6 **Initial Marketing**. Franchisor will assist Franchisee in developing and conducting the Initial Marketing Program (as described in Section 8.3 below), which program will be conducted at Franchisee's expense.

3.7 **Guidance**. Franchisor may provide periodic advice or offer guidance to Franchisee in the marketing, management, and operation of the Learning Center as Franchisor determines at the time(s) and in the manner determined by Franchisor. However, like any other business, opening a Learning Center franchise involves risk. The Learning Center franchise may or not be successful. Franchisor does not warrant, represent or guarantee that any Learning Center franchise will be successful. Support by Franchisor may be conducted primarily by telephone, as Franchisor deems appropriate.

3.8 **Inspections**. Franchisor will conduct, as it deems advisable, inspections of the operation and construction of the Learning Center by Franchisee to determine whether the Learning Center meets Franchisor specifications. Any deficiencies will be remedied by Franchisee within a reasonable period of time. Such specifications and standards include, but are not limited to the following:

3.8.1 The safety, maintenance, cleanliness, function, and appearance of the Learning Center Premises, equipment, and fixtures;

3.8.2 Hours in which the Learning Center will be attended and open for business;

3.8.3 Advertising and promotional programs;

3.8.4 The use of standardized forms;

3.8.5 Accounting systems;

3.8.6 Initial and minimum ongoing working capital requirements;

3.8.7 The operations of the Learning Center; and

3.8.8 Compliance with the Manual.

3.9 **List of Suppliers**. Franchisor will, in the Manual (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers or vendors designated and/or approved by Franchisor to supply Products, equipment, signage, materials and services to franchisees in the System.

3.10 **Delegation**. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, officer, or agent of Franchisor, as Franchisor may direct.

3.11 **Compliance.** Franchisee must comply, at Franchisee's sole expense, with all applicable local, state, and federal laws, rules, regulations, ordinances, and standards, at any and all times related to the operation or construction of the Learning Center. These include, but are not limited to, obligations to report evidence of child abuse and neglect. Franchisor is permitted to conduct periodic inspections of the Learning Center and evaluate Learning Center employees, at a time and manner Franchisor deems appropriate.

3.12 **Fulfillment of Obligations**. In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor will have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other franchised businesses and systems in which Franchisor has an interest and Franchisor's own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which Franchisor has an interest; (iii) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor has an interest; and/or (iv) to allocate resources and new developments between and among systems, and/or Franchisor, as it sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.12, and that nothing in this Section 3.12 will in any way affect Franchisee's obligations under this Agreement.

4. FEES

4.1 **Initial Franchise Fee**. In consideration of the execution of this Agreement and Franchisor's granting to Franchisee the franchise rights covered hereby, Franchisee agrees to pay to Franchisor an initial franchise fee of One Hundred Twenty-Five Thousand Dollars ($125,000) (the "**Franchise Fee**") which sum will be deemed fully earned by Franchisor upon receipt thereof and is non-refundable. The Franchise Fee will be due as follows: $62,500 upon signing of this Agreement and the remaining $62,500 is payable when the construction loan for Franchisee's Learning Center has been funded or Franchisee's lease has been approved by Franchisor, as applicable.

4.1.1 Franchisor reserves the right to grant Franchisee the right to develop additional Learning Centers, in which case, Franchisee will pay a reduced Franchise Fee equal to eighty-five percent (85%) of the then-current Franchise Fee, for each additional Learning Center developed (the "**Additional Location Fee**"), and such Additional Location Fee will be credited against the Franchise Fee for the Learning Center.

4.1.2 Alternatively, if Franchisee has executed an Area Development Agreement with Franchisor, then Franchisee will pay Franchisor an area development fee (the "**Area Development Fee**"). The Area Development Fee will consist of: (a) the full Franchise Fee for the first Learning Center to be developed under the Area Development Agreement, (b) $75,000 of the Franchise Fee for the second Learning Center to be developed under the Area Development Agreement, and (c) $60,000 for the third and each additional Learning Center to be developed under the Area Development Agreement. The ADA Fee Franchisee will pay will be applied toward the Franchise Fee for each Learning Center Franchisee develops under the Area Development Agreement when Franchisee signs the Franchise Agreement for that Learning Center. The ADA Fee is fully earned and non-refundable in consideration of administrative and other expenses incurred by Franchisor in entering into the Area Development Agreement, and for lost or deferred opportunities to enter

into the Area Development Agreement with other franchisees, regardless of whether Franchisee enters into any Franchise Agreements for Learning Centers to be developed.

4.2 **Royalty Fee**. In consideration of this franchise granted hereby, the services to be provided by Franchisor hereunder, the right to prepare and sell the Products and Services to the general public, and for the use of the Proprietary Marks, Franchisee will pay to Franchisor, each Week during the Term, a royalty fee equal to seven percent (7%) of Gross Sales generated by, from, or through the Learning Center (**"Royalty Fee"**) and report to Franchisor, in the manner specified by Franchisor, its Gross Sales (a "**Sales Report**"). As used in this Agreement, the following terms will apply:

4.2.1 The term "**Week**" means the seven-day period starting on Sunday and ending on Saturday; however, Franchisor will have the right to designate in writing the first and last day of the "Week" for the purposes of this Agreement.

4.2.2 The term "**Gross Sales**" means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Learning Center, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit.

4.2.3 If a state or local law in which the Learning Center is located prohibits or restricts in any way Franchisee's ability to pay and Franchisor's ability to collect the Royalty Fee or other amounts based on Gross Sales at the Learning Center, then Franchisor and Franchisee will increase the percentage rate for calculating the Royalty Fee, and change the definition of Gross Sales in a manner such that the Royalty Fee to be paid by Franchisee, and received by Franchisor, will be equal to such amounts as Franchisee would have been required to pay, and Franchisor would have received.

4.2.4 If a state or local law imposes or assesses additional tax obligations on Franchisor's receipt of the Royalty Fee or other fees and amounts provided herein, Franchisee will reimburse Franchisor for any such future tax obligations.

4.3 **Advertising Obligation**. Franchisee will make the Weekly Advertising Obligation (as defined in Section 14.1) in accordance with Section 4.4 below, or as Franchisor may implement and direct.

4.4 **When Payments Due**. Unless otherwise permitted by Franchisor in writing, all recurring payments required by this Agreement, including those fees described in Sections 4.2 and 4.3 above, will be submitted and paid (debited) weekly via ACH/EFT (as defined below) by Franchisee on the 2nd day following the close of the week, based on the Gross Sales for that week. Franchisee will deliver to Franchisor any and all reports, statements and/or other information required under Section 13.2 below, at the time and in the format reasonably requested by Franchisor. If any and all reports, statements, and/ or other information is not timely submitted to Franchisor, Franchisor may estimate Gross Sales and withdraw estimated amounts accordingly from Franchisee's account. Overpayments may be credited to Franchisee's account, and underpayments may accrue interest at 1.5% per month compounded until paid. In the event any payment debits result in insufficient funds, Franchisee will pay an insufficient fund fee to Franchisor in the amount of the greater of $250 or the amount imposed by the financial institution, and reimbursement of any fees incurred by Franchisor. In the event three or more insufficient funds fees are incurred within any twelve (12) month period, Franchisee will be deemed in default of the Franchise Agreement.

Franchisee will establish an arrangement for Automated Clearing House (ACH) electronic funds transfer ("**EFT**") of payments required under this Section. Franchisee will execute Franchisor's current form of "Authorization Agreement for Prearranged Payments," a copy of which is attached to this Agreement as Exhibit "D", and Franchisee will comply with the payment and reporting procedures specified by Franchisor in the Manual. Franchisee expressly acknowledges and agrees that Franchisee's obligations for the full and

timely payment of the Royalty Fee and Advertising Obligation (and all other amounts provided for in this Agreement) will be absolute, unconditional, fully earned, and due upon Franchisee's generation and receipt of Gross Sales. Franchisee will not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims Franchisee may allege against Franchisor. Franchisee will not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including, without limitation, Royalty Fees or Advertising Obligations (as defined in Section 14.1), nor withhold or delay submission of any reports due hereunder including, but not limited, to Sales Reports. Franchisee further agrees that it will, at all times throughout the Term, maintain a minimum balance of Ten Thousand and No/100 Dollars ($10,000.00) in Franchisee's bank account against which such electronic funds transfers will be drawn for the Learning Center operated under this Agreement.

4.5 Designated Accountants and Fees. If required by Franchisor, Franchisee will use a certified public accountant service designated or approved by Franchisor for bookkeeping and financial records management of the Learning Center. Franchisee will pay such service provider or Franchisor, as directed by Franchisor, a fee for these services for each month in such reasonable amount as the service provider or Franchisor may periodically designate.

4.6 Payments on Behalf of Franchisee. Franchisee will pay to Franchisor, within fifteen (15) days of any written request by Franchisor, which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

4.7 Overdue Payments and Reports. Any payment, contribution, statement, or report not actually received by Franchisor on or before such due date will be overdue. If any contribution or payment is overdue, Franchisee will pay Franchisor immediately upon demand, in addition to the overdue amount: (i) a late payment fee in an amount equal to five percent (5%) of the overdue amount, and (ii) interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest will be in addition to any other remedies Franchisor may have.

4.8 No Waiver. Acceptance by Franchisor of the payment of any Royalty Fee, or any and all other payments provided for in this Agreement, will not be conclusive or binding on Franchisor with respect to the accuracy of such payment until two (2) years after the effective date of termination or non- renewal of this Agreement. Acceptance of any payment on account of the Royalty Fee or any and all other payments provided for in this Agreement does not constitute any waiver of Franchisor's rights hereunder.

4.9 No Subordination. Franchisee will not subordinate to any other obligation its obligation to pay Franchisor the Royalty Fee and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

4.10 Taxes. Franchisee will be responsible for any and all sales, use, gross receipts, excise, or other applicable taxes on payments made to Franchisor. Franchisor may collect these taxes directly from Franchisee and forward such taxes to the applicable tax authority. In the event Franchisor pays an applicable tax directly to the taxing authority, Franchisee will reimburse Franchisor for any amount paid directly.

4.11 Other Payments. All payments and fees owed by Franchisee to Franchisor will be paid by Franchisee in the manner and within the time periods as provided for in this Agreement or in the Manual. Franchisor reserves the right to collect all fees and payments due by Franchisee by EFT (via ACH or credit card authorization) as provided for in this Section or otherwise in the Manual.

5. SITE SELECTION, CONSTRUCTION, AND OPENING OF BUSINESS

5.1 Identifying and Securing Sites. Potential locations for the Learning Center must meet Franchisor's general standards regarding size, layout, and other physical characteristics. By way of example and not limitation, the typical building size will range from 10,000 to 17,000 square feet and will most likely be a ground up construction project on approximately two (2) acres of land.

5.1.1 Site Selection. Within three (3) months after the Effective Date, Franchisee must find a suitable site for the Learning Center within the Site Selection Area.

5.1.2 Site Review and Acceptance. As part of the site selection assistance provided to Franchisee, Franchisor may provide Franchisee, at Franchisor's sole discretion, with information and materials setting forth Franchisee's standard site selection criteria and additional requirements for the site. Franchisor will spend the time and effort Franchisor deems reasonable to consider proposed sites. In order for Franchisor to review the site, Franchisee must submit a complete site review package which includes, among other things, a trade area and site marketing research analysis (prepared by a company approved in advance by Franchisor), a proposed contract, letter of intent, proposed lease, or other evidence satisfactory to Franchisor that describes Franchisee's favorable prospects for obtaining such site, photographs of the site, demographic statistics, survey or plat of the site, and other such other information or materials that Franchisor may reasonably require. Franchisor will not unreasonably withhold acceptance of a site meeting Franchisor's standard site selection criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of nearby businesses; other commercial characteristics; and size, appearance, and other physical characteristics. Franchisor will approve or disapprove each proposed Site in writing within twenty (20) business days after Franchisor has received a complete site review package and other materials Franchisor requests. Franchisor must approve the proposed site in writing before Franchisee may sign any purchase agreement, lease, or other occupancy document for the site.

5.1.3 Securing the Site. Following Franchisor's approval of a proposed site as the Accepted Location, Franchisee will use its best efforts to secure such site, either through a lease/sublease (as provided in Section 5.2 below) or a binding purchase agreement that is acceptable to Franchisor. Franchisee must secure the site within sixty (60) days of acceptance of the site by Franchisor. Franchisee must immediately notify Franchisor of the execution of the approved lease or binding purchase agreement.

5.1.4 NO WARRANTY. FRANCHISEE HEREBY ACKNOWLEDGES AND AGREES THAT ACCEPTANCE BY FRANCHISOR 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 LEARNING CENTER OR FOR ANY OTHER PURPOSE. ACCEPTANCE BY FRANCHISOR 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 HAVE BEEN EFFECTIVE WITH RESPECT TO OTHER SITES AND MAY NOT BE PREDICTIVE OF POTENTIAL FOR ALL SITES AND THAT, SUBSEQUENT TO ACCEPTANCE BY FRANCHISOR OF A SITE, DEMOGRAPHIC AND/OR ECONOMIC FACTORS, SUCH AS COMPETITION FROM OTHER SIMILAR BUSINESSES, INCLUDED IN OR EXCLUDED FROM CRITERIA USED BY FRANCHISOR, COULD CHANGE, THEREBY ALTERING THE POTENTIAL OF A SITE. SUCH FACTORS ARE UNPREDICTABLE AND ARE BEYOND THE CONTROL OF FRANCHISOR. FRANCHISOR WILL NOT BE RESPONSIBLE FOR THE FAILURE OF A SITE ACCEPTED BY FRANCHISOR TO MEET FRANCHISEE'S EXPECTATIONS AS TO REVENUE OR OPERATIONAL CRITERIA.

5.2 **Lease Terms**. If Franchisee enters into a lease for the Learning Center, Franchisee must provide a copy of the proposed lease to Franchisor before Franchisee signs it and receive Franchisor's prior written approval. In addition, Franchisee and the landlord will execute a lease addendum in the form attached as Exhibit "H" (the "**Lease Addendum**"). If this is a transfer of an existing Learning Center, any new, assigned, amended or restated lease for the Premises for the Learning Center will include the Lease Addendum.

5.3 **Preparing a Location**. Before commencing any construction of the Learning Center, Franchisee, at its expense, will comply, to Franchisor's satisfaction, with all of the following requirements:

5.3.1 Franchisee will employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval, preliminary plans and specifications for site improvement and/or construction of the Learning Center based upon prototype plans and/or specifications furnished by Franchisor, as described in Section 3.1 above. Franchisor will have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Learning Center, Franchisee will employ such designated firm to prepare all designs and plans for the Learning Center, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee will be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Learning Center will be located, and who is reputable and experienced in providing design and architecture services. Franchisee will be solely responsible for payments for all design and architecture services and all other costs associated with the design of Franchisee's Learning Center location. Franchisee expressly acknowledges and agrees that Franchisor will not be liable for the unsatisfactory performance of any contractor, firm, supplier, professional or consultant retained by Franchisee, whether or not designated by Franchisor.

5.3.2 Franchisee will comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction, design and operation of the Learning Center. In the event Franchisee receives any complaint, claim, other notice alleging a failure to comply with the ADA, Franchisee will provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

5.3.3 Each state has laws and/or regulations which are specific to the child care industry These laws and/or regulations include, but are not limited to, permitting, licensing requirements; certain capacity limitations; specified minimum requirements for indoor and outdoor physical facilities and equipment; certain background checks and criminal records checks; training requirements; obligations to report evidence of child abuse and neglect; and record keeping. As an operator of a Learning Center, Franchisee is obligated to investigate, be appraised of, and comply with child care and child safety laws as well as other federal, state and local laws regulating child care and education in the operation and construction of the Learning Center.

5.3.4 Franchisee will be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, or regulations or that may be necessary or advisable owing to any restrictive covenants relating to the Accepted Location. After having obtained such approvals and clearances, Franchisee will submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans will be limited to review of such plans to assess compliance with Franchisor's design standards for Learning Center, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of Learning Center. Such review is not designed to assess compliance with federal, state or local laws and regulations', including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by

Franchisor, such final plans will not thereafter be changed or modified without the prior written permission of Franchisor unless such changes or modifications are made to comply with federal or state law. Any such change made without Franchisor's prior written permission will constitute a default and Franchisor may withhold its authorization to open the Learning Center until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction. Prior to opening the Learning Center and prior to renovating the Learning Center after its initial opening, Franchisee will execute an ADA Certification in the form attached to this Agreement as Exhibit G that certifies in writing to Franchisor that the Learning Center and any proposed renovations comply with the ADA.

Franchisee will obtain all permits and certifications required for the lawful construction and operation of the Learning Center and will certify in writing to Franchisor that all such permits and certifications have been obtained.

5.3.5 Franchisee will employ a qualified licensed general contractor who has been approved or designated by Franchisor to construct the Learning Center and to complete all improvements, which general contractor may be Franchisor. Franchisee will obtain and maintain in force during the entire period of construction the insurance required under Section 15 below. Franchisee expressly acknowledges and agrees that Franchisor will not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

5.3.6 Throughout the construction process, Franchisee will comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and will fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

5.3.7 Franchisee agrees to use in the construction and operation of the Learning Center only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that the Franchisor has approved for the Learning Center as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the Premises of the Learning Center only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by the Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier approved or designated by the Franchisor (which may include the Franchisor), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by the Franchisor, and/or any such item from any supplier which is not then approved by the Franchisor, Franchisee will first notify Franchisor in writing and will submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that do not meet Franchisor's standards or specifications.

5.4 **Opening Date**. Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 5.5 below, Franchisee will open the Learning Center within thirty (30) months following the execution of this Agreement. **Time is of the essence**. In the event that Franchisee does not open the Learning Center within such time frames, Franchisor may terminate this Agreement and Franchisee will not receive a refund of any fees paid. Franchisee will provide Franchisor with (a) written notice of its specific intended opening date; and (b) request for Franchisor's approval to open on such date. Such notice and request will be made no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee will comply with all of Franchisor's pre-opening requirements, conditions and procedures (including, without limitation, those regarding pre-opening scheduling, training, and communications) as set forth in this Agreement, the Manual, and/or elsewhere in writing by Franchisor, and will obtain Franchisor's written approval as to the opening date prior to opening the Learning Center.

5.5 Force Majeure. As used in this Agreement, "**force majeure**" means an act of God, pandemic, epidemic, public health emergency, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Franchisee; provided, however, force majeure will not include Franchisee's lack of adequate financing.

5.6 Failure to Locate a Site. If Franchisor or Franchisee determine at any time, in its sole discretion, that it is unable to locate a site that is suitable and/or economically feasible for the development of a Learning Center, Franchisor or Franchisee may terminate this Agreement by written notice.

6. TRAINING

6.1 Initial Training and Attendees. Before opening the Learning Center, Franchisee will have satisfied all initial training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal (defined in Section 9.3 below)), and the manager and directors (including assistant directors) of the Learning Center, as applicable, will attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at the Designated Location (unless this Agreement is for the fourth or subsequent Learning Center being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the requirements set forth in Section 6.1.3 below will apply with respect to the pre-opening training of Franchisee and the Designated Principal). The duration of the initial training will be approximately three (3) weeks, depending on the function of the individual attending such training, and is subject to change. The duration and content of the initial training is subject to change in Franchisor's sole discretion and Franchisor will review and revise the length, content, location and manner of delivery of the training as needed. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial training program.

If Franchisor determines that Franchisee or its managers and staff do not meet these requirements, it may require that Franchisee's additional managers and staff attend and complete the initial training program provided for new franchisees. If Franchisor requires that additional or replacement managers attend and complete the initial training program, it reserves the right to require Franchisee to pay the then-current per diem training charges and will also require that Franchisee reimburse Franchisor for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers.

In the event a Franchisee's initial training attendee fails to pass the initial training and a second attendee must attend initial training in their place, or if Franchisee must send another manager to initial training due to turnover in its ongoing operations, Franchisee will pay an "**Additional Training Fee**" in the amount of $2,500 plus any travel, payroll or living expenses for the trainee during the training period.

On occasion, Franchisee may request additional training or Franchisor may mandate training for a Franchisee that has not yet met required standards or performance requirements in their operation of the Learning Center. In either case, Franchisee will pay the then-current per diem training fee and will also have to reimburse Franchisor for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers.

Training must occur even if Franchisee is purchasing the assets of an existing franchise. This training must occur prior to the operation of the Learning Center by the transferee, provided Franchisor approves such transaction. Where applicable, Franchisee will be asked to sign a confidentiality agreement satisfactory to

Franchisor, before any formal training occurs. The most current form is attached as Exhibit "E" to this Agreement.

Franchisee will also be responsible for "on-the-job" training during this period to ensure the proper management and care of children.

Additionally, any person who has signed the Franchise Agreement and is involved in the day-today operations of the Learning Center must attend and complete to Franchisor's satisfaction the training program at Franchisee's expense. Franchisee will be responsible for the expenses for transportation to and from the training site, food, and lodging for the training program.

As part of the opening of Franchisee's Learning Center, Franchisor will conduct part-time opening assistance on-site at the Learning Center, for a period of two (2) weeks (or other period of time deemed required by Franchisor) in conjunction with the opening and commencement of business at the Learning Center. Should Franchisee open additional Learning Centers over time, the length of such on-site assistance may be reduced by Franchisor. In no event will the opening assistance last more than three (3) weeks, in such time periods as determined by Franchisor. Franchisor will bear the costs associated with providing this training. Franchisor will provide one or more of its representatives for the purpose of facilitating the opening of Franchisee's Learning Center. Prior to the time Franchisor's representative(s) arrives at its Learning Center, Franchisee must have hired and substantially completed the training of its initial staff of employees. During this opening assistance, Franchisor's representative will assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a Learning Center and will assist in training personnel. Franchisor is not and will not be responsible for training or offering guidance with respect to compliance with any laws, ordinance or other legal matters. If Franchisee requests additional days of on-site assistance in connection with its opening, or at a later time, Franchisee will pay Franchisor's then-current per diem training fee for the additional training provided and will also reimburse Franchisor for all out-of-pocket costs and expenses associated with the additional assistance, including lodging, food and travel arrangements of the trainers.

Franchisor may also provide Franchisee with additional services which it is not obligated to perform under the Franchise Agreement but which are provided to Franchisee to assist it in opening and operating the Learning Center.

6.1.2 If Franchisee is other than an individual, Franchisor may require (in addition to the training of the Designated Principal) that any or all owners of beneficial interests in Franchisee (each a "**Principal**"), who are individuals and own at least a ten percent (10%) beneficial interest in Franchisee, attend and successfully complete, to Franchisor's satisfaction, such portions of the initial training program as determined by Franchisor appropriate for Principals not involved in the day-to-day operations of the Learning Center.

6.1.3 If this Agreement is for the fourth or subsequent Learning Center being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), then Franchisee will be responsible for conducting the initial training of its Designated Principal, manager, directors (including assistant directors) of the Learning Center and any other managerial personnel, in accordance with the requirements and conditions as Franchisor may from time to time establish for such training. Franchisor's requirements for initial training by Franchisee will be set forth in the Manual or other written materials and will include, but are not limited to, the requirement that all such training activities be conducted: (a) by the Designated Principal(s) or personnel of Franchisee (or an affiliate of Franchisee) who have completed Franchisor's initial training program to the satisfaction of the Franchisor, and who remain acceptable to Franchisor to provide initial training; and (b) following the procedures and conditions established by Franchisor. If Franchisor determines that the training provided by Franchisee does not satisfy Franchisor's standards and requirements, or that any newly trained individual is not trained to Franchisor's standards, then

Franchisor may require that such newly trained individual(s) attend and complete an initial training program provided by Franchisor prior to the opening of the Learning Center.

6.1.4 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 prior to the scheduled opening of the Learning Center.

6.2 **New or Replacement Designated Principal**. In the event that Franchisee's Designated Principal ceases active employment in the Learning Center, Franchisee will enroll a qualified replacement who must be an individual person with at least a ten percent (10%) ownership interest in the franchisee legal entity, reasonably acceptable to Franchisor, in Franchisor's training program promptly following cessation of employment of said individual. Franchisor reserves the right to require Franchisee to pay Franchisor's then-current per diem charges for any such training conducted by Franchisor. The replacement Designated Principal will complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manual and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor.

6.3 **Training by Franchisee of Additional Managers**. Franchisee will have the option, in its sole discretion, of training any manager, director or other personnel (following the training of the Franchisee (or Designated Principal) by Franchisor) at the Learning Center or other Learning Centers operated by Franchisee or its affiliates, provided that Franchisee is in compliance with all agreements between Franchisee and Franchisor and further provided that the training is conducted: (a) by the Franchisee or Designated Principal who has completed Franchisor's initial training program to the satisfaction of the Franchisor (and who remains acceptable to Franchisor to provide such training) and (b) in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training. The Center Director and Education Director (defined in Section 9.3.4 below) must be approved by Franchisor and complete the initial training program within ninety (90) days of hire. In the event Franchisor conducts such training, Franchisor reserves the right to require Franchisee to pay Franchisor's then-current per diem charges for training. In the event Franchisee's manager or director for a Learning Center is terminated or otherwise ceases employment, Franchisee will hire and train (or cause to be trained) a new manager or director, in accordance with Section 6 and Section 9.3 of this Agreement, within thirty (30) days of such termination or cessation of employment.

6.4 **Refresher Training and Conventions**.

Franchisor may from time to time hold periodic system-wide meetings, refresher courses, conferences, conventions, seminars, and other training programs at Designated Locations to address matters of general interest to the System and/or to provide training to franchisees. Franchisor may require that Franchisee or its Designated Principal or the directors attend such meetings, refresher courses, conferences, conventions, seminars, and other training programs as Franchisor may reasonably require from time to time at the Designated Locations. Franchisor may require that Franchisee, its Designated Principal, and the directors of the Learning Center participate in up to five (5) days of refresher training per year, at a location designated by Franchisor. If required by Franchisor, Franchisee will attend a national business meeting, franchise system conference, convention, or similar event, for up to three (3) days per year, and Franchisee will be responsible for all costs for attending these events including, but not limited to, costs for registration, travel and accommodations. Franchisee may also attend any voluntary training programs offered by Franchisor. If these refresher and additional training programs are conducted at a Designated Location, Franchisor will bear the costs associated with providing these training programs, not including the costs of transportation, lodging, meals, wages, and worker's compensation insurance. However, if Franchisee requests that Franchisor provide any of this training at Franchisee's Learning Center, Franchisee will pay the then current per diem training fee for the additional

training provided and will also reimburse Franchisor for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangement of the trainers.

6.5 **Training Costs**. The cost of all pre-opening training (instruction and required materials) will be borne by Franchisor, except as provided in Section 6.7 below. All other expenses incurred in connection with training, including, without limitation, the costs of transportation, lodging, meals, wages, and worker's compensation insurance, will be borne by Franchisee.

6.6 **Location of Training**. All training programs will be at such times as may be designated by Franchisor. Training programs will be provided at Franchisor's headquarters and/or such other locations as Franchisor may designate, including a virtual location.

6.7 **Additional On-Site Training**. If Franchisee requests that Franchisor provide additional on-site supervision or supplemental training or that any training programs offered or required by Franchisor be conducted for Franchisee at the Learning Center, then Franchisee agrees that it will pay Franchisor's then-current per diem charges and out-of-pocket expenses, which will be as set forth in the Manual or otherwise in writing.

6.8 **Failure to Attend**. If Franchisee fails to attend any Franchisor required course, seminar, meeting, convention, and/or other training program, Franchisee will pay to Franchisor $1,500 for each course, seminar, meeting, convention, and/or other training program Franchisee failed to attend. Franchisee must have at least one (1) person per Learning Center attend Franchisor's franchise system conference in Katy, Texas (or such other location as designated by Franchisor). If no personnel from the Learning Center(s) attends the franchise system conference, Franchisee will pay Franchisor a non-attendance fee of $1,500 per Learning Center.

7. TECHNOLOGY

7.1 **Computer Systems and Required Software**. The following terms and conditions will apply with respect to the Computer System and Required Software:

7.1.1 Franchisor will have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware ("**Hardware**") be used by, between, or among Learning Centers, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Learning Centers, between or among Learning Centers, and between and among the Learning Center and Franchisor and/or Franchisee; (b) Cash Register Systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems and servers; (f) internet access mode and speed; (g) workstations; (h) private domain network(s); and (i) checkpoint systems (collectively, the "**Computer System**").

7.1.2 Franchisor will have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee will install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee will install; (c) the tangible media upon which such Franchisee will record data; and (d) the database file structure of Franchisee's Computer System. In the event such Required Software is developed or designated, Franchisor may require Franchisee to pay reasonable license fees (see Section 7.11 below), with an initial one-time license fee.

7.1.3 Franchisee will record all sales on computer-based point of sale systems approved by Franchisor or on such other types of cash registers as may be designated by Franchisor in the Manual or otherwise in writing ("**Cash Register Systems**"), which will be deemed part of the Franchisee's Computer System.

7.1.4 Franchisee will make, from time to time, such upgrades and other changes to the Computer System and Required Software as may be contained in the Manual, or as Franchisor may otherwise designate or prescribe in writing (collectively, "**Computer Upgrades**").

7.1.5 Franchisee will comply with all specifications issued by Franchisor with respect to the Computer System, Hardware and the Required Software, and with respect to Computer Upgrades. In addition, Franchisee will implement all software, computer, and Internet security procedures and protocols outlined in the Manual or otherwise specified in writing by Franchisor from time to time. Franchisee will also afford Franchisor unimpeded access to Franchisee's Computer System, Hardware and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

7.1.6 Franchisor also reserves the right to change technology providers and vendors at its option.

7.2 **Data**. Franchisor may, from time-to-time, specify in the Manual or otherwise in writing the information that Franchisee will collect and maintain on the Computer System installed at the Learning Center and that Franchisee must make available or otherwise accessible to Franchisor. Franchisee will provide to Franchisor such information, data and reports as Franchisor may reasonably request from the data so collected and maintained in the manner and format that Franchisor designates or prescribes. All data pertaining to the Learning Center, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the business (including without limitation data pertaining to or otherwise concerning the Learning Center's customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from Franchisee's Computer System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee for the Term, at no additional cost, solely for Franchisee's use in connection with the business franchised under this Agreement.

7.3 **Privacy**. Franchisee will abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals ("**Privacy**"), and will comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between Franchisor's standards and policies pertaining to Privacy and applicable law, Franchisee will: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor's counsel as Franchisor may request to assist Franchisor in its determination regarding the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy within the bounds of applicable law.

7.4 **Telecommunications**. Franchisee will comply with Franchisor's requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Intranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

7.5 **Intranet**. Franchisor has established a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an "**Intranet**"). Franchisee will comply with Franchisor's requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Learning Center. The Intranet may include, without limitation, the Manual, training or other assistance materials, and management-reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee will purchase and maintain such Computer Software and Hardware as may be required to connect to and utilize the Intranet.

7.6 **Websites**. As used in this Agreement, the term "**Website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software that Franchisor operates or authorizes others to operate and that refers to the Learning Center, Proprietary Marks, Franchisor, or the System. The term Website includes, but is not limited to, Internet and World Wide Web home pages, any social media pages or presence of any kind, and other Internet based tools and applications that are used to share and distribute information. In connection with any Website, Franchisee agrees to the following:

7.6.1 Franchisor will have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, any or all of the Products, Learning Centers, the franchising of Learning Centers, and/or the System. Franchisor will have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor will also have the right to discontinue operation of the website.

7.6.2 Franchisor will have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Learning Center, with such web page(s) to be located within Franchisor's Website. Franchisor will have the right to require that Franchisee's only presence on the Internet will be through one or more web pages that Franchisor establishes on its Website. Franchisee will comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages; and Franchisor will have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

7.6.3 Franchisee will not establish a separate Website (including registering a domain name), without Franchisor's prior written approval (which Franchisor will not be obligated to provide). If approved to establish a Website, Franchisee will comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 14 below.

7.6.4 Franchisor will have the right to modify the provisions of this Section 7 relating to Websites as Franchisor will solely determine is necessary or appropriate.

7.7 **Online Use of Marks**. Franchisee will not, without the prior written approval of Franchisor, use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any website, webpage, e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding Learning Centers by e-mail or any other "**Electronic Media**" without Franchisor's prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. Electronic Media will include, but not be limited to, blogs, microblogs, texting, social networking sites (such as Facebook, LinkedIn, Instagram and Snapchat), video- sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

7.8 **No Outsourcing Without Prior Written Approval**. Franchisee will not hire third-party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval therefore. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third-party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

7.9 **Changes to Technology**. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the Term. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it will abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

7.10 **Security System**. Franchisee will hire a third-party or outside vendor approved by Franchisor to install and provide ongoing security system services for the Learning Center ("**Security System**"). Franchisee agrees that at a minimum, there will be one installed security camera in each class room, one installed camera in the front lobby, and two installed security cameras in the parking lot of the Learning Center. Said security cameras will be maintained in working order by Franchisee at all times. Franchisor will introduce Franchisee to the approved vendor in order to lease such security equipment.

7.11 **Technology Fee**. Franchisor may, but is not obligated to, develop and offer certain software systems in the future designed to help maximize sales and profits, in addition to the other technological services described herein. Franchisor reserves the right to charge Franchisee a "**Technology Fee**" in order to cover the costs associated with providing Franchisee such technology services. In the event a Technology Fee is implemented by Franchisor, Franchisee will pay such fee on demand or with such frequency as may be determined by Franchisor. The Technology Fee may be modified upon sixty (60) days' notice based on changes in costs, and technological needs and opportunities.

8. INITIAL ADVERTISING

8.1 **Intent**. In an effort to provide a certain level of advertising to the general public and consumers, and promote the goodwill of the Proprietary Marks, Franchisee and Franchisor agree to certain advertising provisions to incorporate consistent, cost-effective, and efficient advertising at the start of the franchise.

8.2 **Initial Marketing**. Franchisee will be responsible for the costs and expenses for Initial Marketing and promotional programs in conjunction with the Learning Center's opening, pursuant to an opening initial marketing plan developed by Franchisor or developed by Franchisee and approved in writing by Franchisor (the "**Initial Marketing Program**"). The Initial Marketing Program will be executed and completed upon commencement of construction of the Learning Center. Franchisee will submit to Franchisor, for Franchisor's prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. For the purpose of this Agreement, the Initial Marketing Program will be considered local advertising and promotion, as provided under Section 14.4 below. Franchisee will spend up to $30,000 on the Initial Marketing Program. Franchisor reserves the right to require Franchisee to deposit with Franchisor, prior to the opening of the Learning Center, the funds required as part of the Initial Marketing Program and distribute such funds as may be necessary to conduct the Initial Marketing Program including implementing any such marketing on Franchisee's behalf.

8.3 **Best Efforts**. Franchisee agrees to use best efforts to promote the Learning Center beyond the advertising obligations listed in Section 8 of this Agreement.

8.4 **Limitations**. Consistent with Section 14, Franchisee will submit drafts of promotional materials to Franchisor for approval. Franchisee will not use any advertising or promotion that was approved by Franchisor more than twenty-four (24) months since the original approval was granted.

9. OTHER DUTIES OF FRANCHISEE

9.1 Details of Operation. Franchisee understands and acknowledges that every detail of the System and this Agreement is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating, quality and service standards, to increase the demand for the Products and Services sold by all operators, to protect Learning Centers operating under the System, and to protect the reputation and goodwill of Franchisor.

9.2 Compliance with the Agreement, Including the Manual. Franchisee will operate the Learning Center in strict conformity with this Agreement and such standards and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing, and will refrain from deviating from such standards, specifications, and procedures without the prior written consent of Franchisor, unless otherwise required by law.

9.3 Management of Business & Designated Principal. If Franchisee is other than an individual, prior to beginning training, Franchisee will comply with the following:

9.3.1 Franchisee will designate, subject to Franchisor's reasonable approval, one Principal who is both an individual person and owns at least a ten percent (10%) beneficial interest in Franchisee, and who will be responsible for general oversight and management of the operations of the Learning Center on behalf of Franchisee (the "**Designated Principal**"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Learning Center, Franchisee will promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

9.3.2 Franchisee will designate the Designated Principal to assume the full-time responsibility for the daily supervision and direct operation of the Learning Center. Franchisee will inform Franchisor in writing whether Franchisee or the Designated Principal (if Franchisee is other than an individual) will assume this role. The Franchisee or the Designated Principal (if Franchisee is other than an individual) must have the necessary child care experience to operate the Learning Center in accordance with the standards and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing.

9.3.3 Franchisee acknowledges and agrees that Franchisor will have the right to rely upon either or both the Franchisee or Designated Principal (if Franchisee is other than an individual) as having responsibility and decision-making authority regarding the Learning Center's operation and Franchisee's business.

9.3.4 Franchisee will designate and retain at all times an education director ("**Education Director**") a center director ("**Center Director**"), and such other directors for the Learning Center as designated or prescribed by Franchisor in the Manual. To protect and promote the System standards, reputation, and goodwill, such directors must attend and complete to Franchisor's satisfaction the initial training within thirty (30) days of the director's date of hire by Franchisee. If, during the Term, an Education Director or Center Director is not able or willing to continue to serve in such capacity, Franchisee must promptly notify Franchisor in writing and designate a replacement within thirty (30) days after such director ceases to serve, such replacement being subject to the same training requirements described in Section 6. Franchisee must provide for interim directors of the Learning Center until such replacement is so designated, such interim supervision to be conducted in accordance with the terms of this Agreement.

9.4 Staffing. Franchisee agrees to maintain a competent, conscientious, staff (who are trained by Franchisee to Franchisor's standards and requirements) in numbers sufficient to maintain adequate supervision of children and to take such steps as are necessary to ensure that its employees preserve good customer

relations; render competent, prompt, courteous, and knowledgeable service to parents and guardians of children who attend the Learning Center; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manual. Without limiting the foregoing, upon opening the Learning Center Franchisee will have and maintain a minimum of two (2) managers and/or hourly employees trained in child care and activities including the front end of the Learning Center, who have completed all training and certifications required by Franchisor. Within three (3) months after Franchisee has opened the Learning Center, Franchisee will have and maintain at least (4) management-level employees who have completed all training and certifications required by Franchisor

Franchisee will be solely responsible for all employment decisions and personnel matters and decisions involving the Learning Center, including but not limited to the hiring, firing, discipline, supervision, direction, scheduling, and compensation of Franchisee's employees, including, without limitation, the management-level employees identified in this Section 9. Franchisor will not, directly or indirectly, exercise or reserve control over employment and personnel matters and decisions involving Franchisee's employees.

9.5 **Use of Premises**. Franchisee will use the Premises solely for the operation of the Learning Center; will keep the Learning Center open and in normal operation for such minimum hours and days as Franchisor may specify; will refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor.

9.6 **Conformity to Standards**. To insure that the highest degree of quality, child care, and safety is maintained, Franchisee will operate the Learning Center in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing. Without limitation, Franchisee agrees as follows:

9.6.1 Franchisee will purchase and install prior to the opening of the Learning Center, and thereafter maintain, all fixtures, furnishings, indoor and outdoor equipment, decor, and signs, and maintain in sufficient supplies and materials, as Franchisor may prescribe in the Manual or otherwise in writing. Franchisee will refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor. Franchisor's approval or designation of a brand or type of indoor or outdoor equipment or supplies or Franchisor's approval or designation of a vendor or supplier does not constitute Franchisor's guaranty or warranty of the equipment or supplies or of the vendor or supplier. Franchisor may be an approved supplier or designated sole supplier for any purchases of products or services and may obtain revenue from Franchisee to make a profit. Franchisor may receive fees and other payments from suppliers and others in connection with Franchisee's purchases and may use the fees for Franchisor's own purposes.

9.6.2 Franchisee will offer and sell only Products and Services that Franchisor specifies from time to time, unless otherwise approved in writing by Franchisor; and Franchisee will offer and sell all Products and Services as Franchisor may specify from time to time as required offerings at the Learning Center. Franchisee will offer and sell the Products and Services employing the child care standards and techniques as specified by Franchisor. Franchisee is prohibited from offering or selling any products or services at or from the Learning Center that have not previously been authorized by Franchisor, and will discontinue selling and offering for sale any Products and Services which Franchisor will have disapproved, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor, Franchisee must first make a written request to Franchisor, requesting authorization to offer or sell such products or services in accordance with Section 9.7 below. Franchisor may deny such approval for any reason. If Franchisor does not give its written approval within fifteen (15) business days, Franchisor will have been deemed to have disapproved the products or services.

9.6.3 Franchisee will permit Franchisor or its agents, at any reasonable time, to test Products or Services, without payment therefore, in amounts reasonably necessary for testing by Franchisor or an independent agent of Franchisor to determine whether said tests meet Franchisor's then-current standards

and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the testing fails to conform to Franchisor's specifications.

9.6.4 Franchisor may designate an independent evaluation service to conduct a "mystery shopper" quality control and evaluation program with respect to Learning Centers. Franchisee agrees that the Learning Center will participate in such mystery shopper program, as prescribed and required by Franchisor. Franchisor will have the right to require Franchisee to pay the then-current charges imposed by such evaluation service with respect to inspections of the Learning Center (the "**Mystery Customer Fee**"), and Franchisee agrees that it will promptly pay the Mystery Customer Fee. The then-current amount of the Mystery Customer Fee will be contained within the Manual once a program is established.

9.6.5 Franchisee acknowledges and agrees that lunches, snacks, and beverages are required Services and Franchisee will offer snacks, lunch, and beverages ("**Child Nutrition**") to children at the Learning Center as Franchisor may from time to time prescribe in the Manual or otherwise in writing, and Franchisee will: (i) be solely responsible for complying with all laws and regulations relating to food and food service or preparation; (ii) comply with Franchisor's standards and specifications regarding the offer, sale, and presentation of food and beverages as approved Services; and (iii) obtain and maintain such additional insurance coverage as Franchisor may require pursuant to Section 15 of this Agreement.

9.6.6 Franchisee will participate in all customer surveys and satisfaction audits, which may require that Franchisee provide discounted or complimentary Products and Services, provided that such discounted or complimentary sales will not be included in the Gross Sales of the Learning Center. Additionally, Franchisee will participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

9.6.7 Franchisee will use an original approved inventory of toys, educational materials, and related equipment and supplies. Such inventory will be maintained in a good, safe, and usable condition. If at any time such materials become unsafe, or unusable by the age group specified, Franchisee will purchase new replacement toys, educational materials, and related equipment from a Supplier approved by Franchisor (see Section 9.7).

9.6.8 Franchisee's cleaning supplies will be non-toxic. Such cleaning supplies must be approved by Franchisor, and will be stored in a place out of the reach of children.

9.7 **Purchases and Approved Suppliers**. Franchisee will purchase all equipment, fixtures, furnishings, signs, décor, supplies, toys, services, and products (including the Products) required for the establishment and operation of the Learning Center from Suppliers designated or approved in writing by Franchisor (as used in this Section 9.7 the term **"Supplier"** will include manufacturers, distributors, service providers and other forms of suppliers). In determining whether it will approve any particular Supplier, Franchisor will consider various factors, including but not limited to whether the Supplier (i) can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then- current standards and specifications for such items; (ii) possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; (iii) approval of who would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and (iv) has been approved in writing by Franchisor prior to any purchases by Franchisee from any such Supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single Supplier for any equipment, supplies, services, or products (including any Products and Services) and to require Franchisee to purchase exclusively from such designated Supplier, which exclusive designated Supplier may be Franchisor. Franchisor's approval or designation of a brand or type of equipment or supplies or Franchisor's approval or designation of a vendor or Supplier does not constitute Franchisor's guaranty or warranty of the equipment or supplies or of the vendor

or Supplier. Franchisor may be an approved Supplier or designated sole Supplier for any purchases of Products or Services and may obtain revenue from Franchisee to make a profit. Franchisor may receive fees and other payments from Suppliers and others in connection with Franchisee's purchases and may use the fees for Franchisor's own purposes.

9.7.1 Notwithstanding anything to the contrary in this Agreement, Franchisee will purchase all of its requirements for Proprietary Products and Proprietary Services from Franchisor or Franchisor's designee(s), as set forth in Section 9.8 below (through such distributor or distributors as Franchisor may designate). Franchisor will have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

9.7.2 If Franchisee desires to purchase any Products or Services (except for Proprietary Products or Services) or other items, equipment, supplies, services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization to purchase such items. Franchisee will not purchase from any Supplier until, and unless, such Supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved Suppliers. Franchisee must submit to Franchisor such information and samples as Franchisor may reasonably require, and Franchisor will have the right to require periodically that its representatives be permitted to inspect such items and/or Supplier's facilities, and that samples from the proposed Supplier, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections will be a condition of the initial and continued approval of such Supplier. A charge not to exceed $5,000 per request will be paid by Franchisee to cover the cost of the evaluation and testing. Franchisor may also require that the Supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the Supplier on account of their dealings with Franchisee or other franchisees. If Franchisor does not give its written approval within six (6) months, Franchisor will have been deemed to have disapproved the products or services.

9.7.3 Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved Supplier and to revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon receipt of written notice of such revocation, Franchisee will cease to sell or use any disapproved item, Products and/or cease to purchase from any disapproved Supplier.

9.7.4 Nothing in the foregoing will be construed to require Franchisor to approve any particular Supplier, nor to require Franchisor to make available to prospective Suppliers, standards for approval and/or specifications for formulas, which Franchisor will have the right to deem confidential.

9.7.5 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known Suppliers who are willing to supply all or some Learning Centers with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of a Learning Center. In this event, Franchisor may limit the number of approved Suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all Products and other products and services, and/or refuse any of Franchisee's requests for approval if Franchisor believes that this action is in the best interest of the System or the franchised network of Learning Centers. Franchisor will have unlimited discretion to approve or disapprove of the Suppliers who may be permitted to sell Products to Franchisee.

9.7.6 Franchisor may receive payments, rebates, or other compensation from Suppliers on account of such Suppliers' dealings with Franchisee and other franchisees; and Franchisor may use all amounts so received for any purpose Franchisor deems appropriate.

9.8 **Proprietary Products and Services**. Franchisee acknowledges and agrees that the Proprietary Products or Services offered and sold at Learning Centers are manufactured in accordance with standards and specifications of Franchisor, and are Proprietary Products of Franchisor. In order to maintain the high standards of quality, and uniformity associated with Proprietary Products and Services sold at all Learning Centers in the System, Franchisee agrees to purchase Proprietary Products and Services only from Franchisor or its designee(s), and not to offer or sell any other items not approved by Franchisor at or from the Learning Center. In connection with the manufacturing, handling, storage, transport and delivery of any Proprietary Products purchased from Franchisor or designee(s), Franchisee acknowledges that any action or inaction by any third-party (e.g., a manufacturer or an independent carrier) in connection with the manufacturing, handling, storage, transport and delivery of the Proprietary Products will not be attributable to nor constitute negligence of Franchisor. Franchisee acknowledges and agrees the Franchisor may earn revenues on account of such sales of Proprietary Products to Franchisee.

9.9 **No Warranties**. Franchisee acknowledges that in purchasing or leasing supplies, equipment and/or materials from suppliers approved by Franchisor, **FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS AS TO THE CONDITION OF SAME, INCLUDING WITHOUT LIMITATION, EXPRESS OR IMPLIED WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE. FRANCHISEE AGREES TO LOOK SOLELY TO THE MANUFACTURER OR SUPPLIER OF SAME IN THE EVENT OF ANY DEFECTS THEREIN.**

9.10 **Inspections and Quality Assurance**. Franchisee will permit Franchisor and its agents to enter upon the Premises at any time during normal business hours for the purpose of conducting inspections of the Premises and the operations of Franchisee. Franchisee will cooperate with representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, will take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor will have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses of Franchisor in so acting, which will be payable by Franchisee upon demand. The foregoing will be in addition to such other remedies Franchisor may have, including, but not limited to, step-in rights. Additionally, Franchisor may use a third-party company to perform periodic quality assurance audits of Franchisee's Learning Center(s). Franchisee must participate in this program, and will be required to pay the then-current charges imposed by the evaluation service (as Franchisor directs, either directly to the evaluation service provider or to Franchisor as a reimbursement). The estimated cost of such quality assurance audits will be provided by Franchisor in the Manual or otherwise in writing. Franchisor's quality assurance evaluations of Franchisee's Learning Center(s) are based on Franchisee providing a nurturing, safe, learning environment for children. The quality assurance evaluations are also meant to preserve and protect our brand standards as well as protect the health, physical, emotional, and mental well-being of children, staff, Ivy Kids representatives, and public at large. Franchisee is required to cure the deficiencies within the agreed upon cure period set forth in the quality assurance evaluation. Repeated violation will constitute a breach of this Agreement.

9.11 **Trademarked Items**. Franchisee will ensure that all advertising and promotional materials, signs, decorations, paper goods (including, without limitation, wrapping, packaging supplies, containers for Products, and all forms and stationery used in the Learning Center), Products, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor.

Franchisee will place and illuminate all interior and exterior signs and décor items in accordance with Franchisor's specifications.

9.12 Product and Service Listing and Pricing. Franchisee will sell or offer to sell those Products and Services from Learning Center as approved by Franchisor. Such listing will be subject to change from time to time as Franchisor may determine solely in its discretion. Franchisee must obtain Franchisor's written approval for any contemplated listing changes, including all additions to and/or deletions of Products and Services sold at the Learning Center. Franchisee will utilize the standard format as required by Franchisor. Such format will be subject to change from time to time as Franchisor may determine solely in its discretion. Moreover, Franchisor may, in the exercise of its reasonable business judgment and to the extent permitted by applicable law, establish national price advertising programs and limited-time promotional offers, which will be adhered to by Franchisee and all other similarly situated Learning Centers.

9.13 Compliance. Franchisee will comply with all federal, state and local laws, rules and regulations, and will timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including, without limitation, operation licenses, licenses to do business, fictitious name registration, and any license(s) or permit(s) required specific to the child care industry.

9.14 Uniforms. Franchisee will be responsible for having all personnel employed by Franchisee wear standard related uniforms and attire as specified by Franchisor during business hours in order to further enhance Franchisor's product, services, and format. Franchisee will be permitted to purchase such uniforms and attire from manufacturers or distributors approved by Franchisor, which uniforms and attire must be in strict accordance with Franchisor's design and other specifications.

9.15 Governmental Requirements. Franchisor and Franchisee understand and agree that the operation of the Learning Center, maintenance of its Premises and equipment, conduct and appearance of its personnel, and the sale of Products and Services there from are all regulated by governmental statutes and regulations. To this end, the Franchisor and Franchisee agree that Franchisee owes an obligation to the patrons of the Learning Center, Franchisor, and to itself, to fully and faithfully comply with all those applicable governing authorities, and all of the same are made a part of this Franchise Agreement as if fully set forth herein.

9.16 Prohibited Product/Service. Franchisee will not sell any products, clothing, and/or souvenirs or perform any services that Franchisor has not prescribed, approved or authorized. In the event Franchisee sells any products, clothing, souvenirs, or performs any services that Franchisor has not prescribed, approved or authorized, Franchisor may exercise any and all remedies available to Franchisor under this Agreement or at law.

9.17 Participation In Promotions. Franchisee will participate in promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Manual or otherwise in writing.

9.18 Health/Standards. Franchisee will at all times meet and maintain the highest degree of health, safety, and sanitation standards and ratings applicable to the operation of the Learning Center under the Manual and applicable health ordinances. Franchisee will also comply with the requirements set forth in the Manual for submitting to Franchisor immediately a copy of a violation or citation relating to Franchisee's failure to maintain any health or safety standards in the operation of the Learning Center.

9.19 Maintenance of Premises. Franchisee will at all times maintain the Learning Center and the Premises in a high degree of sanitation, in clean, orderly condition and in excellent repair. In connection therewith, Franchisee will, at its expense, make such cleanings, repairs and replacements thereto as may be

required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, indoor and outdoor equipment, and decor as Franchisor may reasonably direct and the use of daily janitorial services. Specifically, Franchisee will maintain the Premises in a condition suitable for the safety and well-being of children.

9.20 **Ongoing Upgrades**. As set forth in Section 9.6.1, throughout the term of this Agreement, Franchisee will maintain all fixtures, furnishings, outdoor and indoor equipment, decor, and signs as Franchisor may prescribe from time to time in the Manual or otherwise in writing. Franchisee will also maintain all computers, related equipment and peripherals, software systems, technology, and back office specifications as Franchisor may prescribe from time to time in the Manual or otherwise in writing. Franchisee will, at its expense, make such changes, upgrades, and replacements described herein as Franchisor may periodically require, in the time frames specified by Franchisor.

9.21 **Refurbishment and Renovations**. At the request of Franchisor, or unless sooner required by Franchisee's lease, Franchisee will refurbish the Premises, at its expense, to conform to the Learning Center design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for Learning Centers. Such refurbishment may include structural changes, installation of new indoor or outdoor equipment and signs, remodeling, replacement, redecoration, and modifications to existing improvements, and will be completed pursuant to such standards, specifications and deadlines as Franchisor may specify.

9.22 **Compliance with Lease**. Franchisee will comply with all terms of its lease or sublease, its financing agreements (if any), and all other agreements affecting the operation of the Learning Center; will undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and will not engage in any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

9.23 **Obligations to Third Parties**. Franchisee must at all times pay its distributors, contractors, suppliers, trade creditors, employees, lessors, lenders, tax authorities, and other creditors, promptly as the debts and obligations to such persons become due. Failure to do so will constitute a breach of this Agreement.

9.24 **Notice of Legal Actions**. Franchisee will notify Franchisor in writing within five business (5) days of the commencement of any suit to foreclose any lien or mortgage, or 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, including health agencies, which (i) relates to the operation of the Learning Center, (ii) may adversely affect the operation or financial condition of the Learning Center, or (iii) may adversely affect Franchisee's financial condition.

9.25 **No Relocation**. Franchisee will not relocate the Learning Center from the Accepted Location without the prior written approval of Franchisor. If Franchisee desires to relocate the Learning Center, the following terms and conditions will apply:

9.25.1 Franchisee will submit such materials and information as Franchisor may request for the evaluation of the requested plan of relocation. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval for relocation: (i) Franchisee not be in default under any provision of this Agreement, or any other agreement between Franchisee and Franchisor; (ii) the proposed substitute location meets Franchisor's then-current standards for Learning Centers; (iii) the lease (if applicable) for the proposed substitute location must comply with Franchisor's then-current lease requirements for Learning Centers (which may include the requirement that the lease contain certain terms and conditions, which may be different than, or in addition to, those terms Franchisor required as of the Effective Date with respect to the Accepted Location), and Franchisee must obtain Franchisor's approval of

the proposed lease; (iv) Franchisee must possess the financial resources to meet the costs associated with relocating; and (v) Franchisee will enter into Franchisor's then-current form of Franchise Agreement (which will replace this Agreement), provided that Franchisee will not be required to pay an initial Franchise Fee (but will be required to pay a relocation fee as set forth below), and Franchisee must execute a general release in favor of Franchisor in the form prescribed by Franchisor.

9.25.2 Any relocation of the Learning Center will be at Franchisee's sole cost and expense.

9.25.3 Franchisee will pay Franchisor a relocation fee in an amount equal to forty percent (40%) of the then-current initial Franchise Fee. In addition, Franchisor will have the right to charge Franchisee for costs and expenses incurred by Franchisor in connection with any approved relocation.

9.25.4 If, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee will have forty five (45) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Premises, which approval will not be unreasonably withheld.

9.25.5 Franchisee agrees that in the event of a relocation of the Learning Center, Franchisee will promptly remove from the first Learning Center Premises, and discontinue using for any purposes, any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery supplies, forms and other articles which display any of the Proprietary Marks or any distinctive features or designs associated with the Learning Center. Furthermore, Franchisee will, at its expense, immediately make such modifications or alterations as may be necessary to distinguish the Learning Center so clearly from its former appearance and from other Learning Centers and to prevent any possibility of confusion therewith by the public (including, without limitation, removal of all distinctive physical and structural features identifying Learning Centers and removal of all distinctive signs and emblems). Franchisee will, at its expense, make such specific additional changes as the Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as the Franchisor deems appropriate, Franchisee agrees that the Franchisor or its designated agents may enter the Premises of the Learning Center and adjacent areas at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or Consequential Damages (defined in Section 28) to the property of Franchisee or others, and without liability for trespass or other tort or criminal act. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to the Franchisor and consents to entry, at Franchisee's expense, of an ex-parte order by and court of competent jurisdiction authorizing the Franchisor or its agents to take such action, if the Franchisor seeks such an order. Franchisee will reimburse Franchisor for all of its costs for such alterations, plus a reasonable administrative fee. Compliance with the foregoing will be a condition subsequent to the Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the first Learning Center Premises is not promptly and completely undertaken, the Franchisor may then revoke its permission for relocation and declare a default under this Agreement.

9.26 **Franchisee Advisory Councils**. Franchisor has formed a franchisee advisory council or association (hereinafter "**Advisory Council**") to serve as an advisory council to Franchisor with respect to advertising, marketing, and other matters relating to franchised Learning Centers. Franchisee may be required to become a member of the Advisory Council. In such event, Franchisee will pay to the Advisory Council all dues and assessments authorized by the Advisory Council and will otherwise abide by the rules and regulations of the Advisory Council and will at all times maintain its membership in the Advisory Council in good standing. During the Term, Franchisor reserves the right in Franchisor's sole discretion to change and/or dissolve the Advisory Council and to form one or more successor councils.

9.27 Changes to the System. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System presently identified by the Proprietary Marks, as Franchisor deems appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Learning Centers. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, programs, finder programs, referral programs, standards, policies and procedures, forms, trade dress, equipment and furnishings and new techniques and methodologies, and (as described in Section 10 below) additional or substitute trademarks, service marks and copyrighted materials. Changes to the System may further include, without limitation, abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination; and modifying or substituting entirely the building, Premises, equipment, furnishings, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operational attributes which Franchisee is required to observe hereunder. Franchisee will, upon reasonable notice, accept, implement, use and display in the operation of the Learning Center any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Learning Center or the System. Franchisee will have no recourse against Franchisor on account of any variation to any franchisee and will not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder. Except as provided herein, Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third-party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

9.28 Modifications Proposed by Franchisee. Franchisee will not implement any change to the System (including the use of any product or supplies not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the System or use of additional product or supplies for which Franchisee requests Franchisor's approval: (i) Franchisor will have the right to incorporate the proposed change into the System and will thereupon obtain all right, title, and interest therein without compensation to Franchisee, (ii) Franchisor will not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of a particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee will modify its activities in the manner described by Franchisor.

9.29 Non-Disparagement. Franchisee will not communicate or publish, directly or indirectly, any disparaging comments or information about Franchisor or the Learning Centers during the Term or thereafter. This provision will include, but not be limited to, communication or distribution of information through the Internet via any Electronic Media, as defined herein.

9.30 Required Notification. Franchisee will follow all policies and procedures in the Manual or otherwise designated or prescribed by Franchisor in writing relating to events involving immediate danger to the staff or children of the Learning Center. An event of immediate danger ("**Crisis**") may include, without limitation, any allegation involving a child at the Learning Center or the receipt by Franchisee of any citation from a state, local or other government agency relating to or regarding the Learning Center or Franchisee's or its personnel's licenses or credentials to provide child care related services. Due to the sensitive nature of such situations and the impact it may have on the System and/or the Learning Centers, Franchisee is required to

immediately inform Franchisor immediately of any Crisis. A copy of any document associated with such event must be provided to Franchisor no later than forty-eight (48) hours from receipt of written notice of a Crisis event. In the event Franchisee fails to immediately notify Franchisor of the Crisis, Franchisee will pay $5,000 for each and every failure to notify, to compensate for the Franchisor's added Crisis management efforts resulting from the late notification. In the event Franchisee does not provide copies of documents required by Franchisor, Franchisee will pay $5,000 for each failure to provide the document until the document is provided. Nothing in this Section 9.30 of the Agreement will affect Franchisor's ability to seek additional remedies or elect step-in rights, if so elected by Franchisor.

9.31 **Collateral Agreement.** Franchisee will sign a collateral assignment of the lease, where applicable. In the event that Franchisee leases the Premises, persons or businesses listed on the lease must be the same as those on this Agreement, except in the event of transfer under Section 16.

9.32 **Training**. Franchisee will complete and follow any and all training requirements listed in Section 6 of this Agreement. In the event training is not completed, or training is necessary due to a failed inspection or alleged violation of applicable laws and regulations, Franchisee will take immediate action to obtain additional training necessary to staff, directors, and other employees, as directed by Franchisor.

9.33 **Technology**. Franchisee will obtain and follow any and all technology requirements set forth in Section 7 of this Agreement.

9.34 **Right to Inspect**. Notwithstanding other provisions in this Agreement, Franchisee permits Franchisor the right to enter the Premises during normal business hours without notice and inspect the safety, sanitary conditions, financial records, and any other document related to the operating of the Learning Center, and without prior notice, to enter and inspect the Learning Center premises and all aspects of the operation of the Learning Center. Inspection can occur through numerous methods, including interviewing parents of children who attend the Learning Center, making copies of records, financial or otherwise, photography, and videography, as allowed by law.

9.35 **Disclosure**. Franchisee agrees to Franchisor's use of basic business information, including, but not limited to, Franchisee's name, business address and telephone numbers, e-mail addresses, business financial information, and results of inspections and business records, for the purposes of disclosure to prospective and existing franchisees, vendors, and financial institutions.

9.36 **Background Check**. Franchisee authorizes and understands that Franchisor and its agents may conduct background checks throughout the Term on not only the Franchisee but also on Franchisee's Principals and employees.

9.37 **Accreditation**. Within three years of opening the Learning Center, Franchisee agrees to apply for accreditation from Cognia or such other accrediting body that Franchisor designates. If Franchisee fails to seek such accreditation with three years of opening, then Franchisor may seek such accreditation on behalf of Franchisee. In such instance, Franchisee will cooperate with Franchisor and the accrediting body in order to obtain such accreditation. Franchisee will reimburse Franchisor for all required accreditation fees, in additional to Franchisor's actual costs associated with obtaining the accreditation.

10. PROPRIETARY MARKS

10.1 **Ownership**. Franchisor represents with respect to the Proprietary Marks that:

10.1.1 Franchisor is entitled to use the Proprietary Marks and may license the Proprietary Marks to its franchisees.

10.1.2 Franchisee acknowledges that Franchisor has not made any representation or warranty to the effect that the Proprietary Marks which have not been registered with appropriate authorities will be registered or are able to be registered therein, and the failure to obtain registrations of any of the Proprietary Marks will not be deemed to be a breach of the terms of this Agreement by Franchisor. Moreover, Franchisee will cooperate with Franchisor and its representatives, at Franchisors expense, in the prosecution of any applications or registrations of any Proprietary Marks which have been filed with the appropriate authorities. Franchisor undertakes to keep Franchisee informed of the progress in obtaining registration of the Proprietary Marks.

10.1.3 Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity in and to the Proprietary Marks.

10.2 **License to Franchisee**. Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement in connection with the operation of the Learning Center, and any unauthorized use thereof will constitute an infringement of rights of Franchisor. Nothing in this Agreement will be construed as authorizing or permitting their use at any other location or for any other purpose except as may be authorized in writing by Franchisor.

10.3 **Terms of Franchisee's Usage**. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

10.3.1 It will use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor. Further, Franchisee will not use any confusingly similar Proprietary Marks in connection with its franchise or any other business in which it has an interest;

10.3.2 It will use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location;

10.3.3 It will operate and advertise the Learning Center only under the name "Ivy Kids Early Learning Center" or "Ivy Kids Early Learning Center of _____" and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor;

10.3.4 It will not use the Proprietary Marks or any part thereof as part of its corporate or other legal name. Franchisee may, as necessary to conduct the business of the Learning Center and to obtain governmental licenses and permits for the Learning Center, indicate that Franchisee will be operating the Learning Center under the trade name "Ivy Kids Early Learning Center" or "Ivy Kids Early Learning Center of _____", provided that Franchisee will also clearly identify itself as the owner and operator of the Learning Center;

10.3.5 It will not use the Proprietary Marks or any part or derivative thereof, or any of Franchisor's copyrighted materials on the Internet, except as expressly permitted in writing. Without limiting the generality of the foregoing, Franchisee will not use the Proprietary Marks or any part or derivative of the Proprietary Marks as part of any URL or domain name or unauthorized email address, and may not register as part of any username on any gaming website or social networking website (such as Facebook, Snapchat, Instagram, LinkedIn, Twitter or YouTube) whether or not such social media platform is used for commercial gain. Franchisee may not display on any website (including commercial websites, gaming websites, and social networking websites and mobile platforms, supported by operating systems such as iOS and Android) Franchisor's copyrighted materials, which include the design portion of its Proprietary Marks, or collateral merchandise identified by the Proprietary Marks. Specifically, but without limiting the foregoing, Franchisee will refrain from uploading or streaming any video on sites such as YouTube;

10.3.6 It will identify itself as the owner of the Learning Center (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations on the Premises as Franchisor may designate in writing;

10.3.7 It will not use the Proprietary Marks in such a way as to incur any obligation or indebtedness on behalf of Franchisor; and

10.3.8 It will execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability. At Franchisor's request, Franchisee will assign, transfer or convey to Franchisor, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of its use of the Proprietary Marks.

10.4 **Franchisee Acknowledgments**. Franchisee expressly understands and acknowledges:

10.4.1 During the Term and after its expiration or termination, Franchisee will not directly or indirectly contest the validity of Franchisor's right to use and to license others to use, the Proprietary Marks;

10.4.2 Franchisee's use of the Proprietary Marks and other proprietary information and intellectual property of Franchisor, does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks and such other proprietary information and intellectual property of Franchisor;

10.4.3 Any and all goodwill arising from Franchisee's use of the Proprietary Marks will inure solely and exclusively to the benefit of Franchisor, and, upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

10.4.4 The right and 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 the Products and Services; (b) to grant other licenses for the Proprietary Marks; (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee; (d) to market other products and services, whether similar to the Products and Services or otherwise, under proprietary marks other than the Proprietary Marks, within the Territory or Development Area; and (e) to sell and distribute, directly or indirectly, or license others to sell and to distribute, directly or indirectly, within the Territory or Development Area, any products or services (including the Products and Services) through wholesalers, distributors, or through outlets that are primarily retail in nature, or through toll free numbers, or the Internet, including those products bearing our Proprietary Marks, provided that distribution within the Territory or Development Area will not be from a Learning Center established under the System that is operated from within the Territory or Development Area.

10.4.5 Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using the Proprietary Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the Proprietary Marks will be in accordance with this Agreement and the Manual, and Franchisee will obtain Franchisor's written approval prior to such use;

10.4.6 Franchisor will have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at the sole discretion of Franchisor. If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchisee will be obligated to comply with any such instruction by Franchisor. In such event and at Franchisor's direction,

Franchisee will adopt, use and display only such new or modified Proprietary Marks and will promptly discontinue the use and display of outmoded or superseded Proprietary Marks, at Franchisee's expense. Franchisee waives any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any addition, modification, substitution or discontinuation of a Proprietary Mark. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages;

10.4.7 Upon the expiration, termination or non-renewal of this Agreement, Franchisee will immediately cease using the Proprietary Marks, color combinations, designs, symbols or slogans; and Franchisor may cause Franchisee to execute such documents and take such action as may be necessary to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee will not represent or imply that Franchisee is associated with Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect the Proprietary Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of the Proprietary Marks will result in irreparable harm to Franchisor for which Franchisor may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs;

10.4.8 In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee agrees to operate and advertise using only the Proprietary Marks designated by the Franchisor, including, but not limited to, placing the Proprietary Marks on certain stationary materials designated by Franchisor, such as folders, brochures, and flyers. Franchisee will not do business or advertise using any other name. Franchisee is not authorized to and will not use the word "Ivy Kids" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection;

10.4.9 In order to preserve the validity and integrity of the Proprietary Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's business, Franchisor and its agents will have the right at all reasonable times to inspect Franchisee's business, financial books and records, and operations. Franchisee will cooperate with and assist Franchisor's representative in such inspections;

10.4.10 Franchisee will be required to affix the ™ or ® symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "Ivy Kids" or any other of the Proprietary Marks as directed by Franchisor, whether presently existing or developed in the future;

10.4.11 Franchisee acknowledges that it does not have any right to deny the use of the Proprietary Marks to any other franchisees. In consideration therefore, Franchisee will execute all documents and take such action as may be requested to allow Franchisor or other franchisees to have full use of the Proprietary Marks;

10.4.12 If, during the Term, there is a claim of prior use of any of the Proprietary Marks in the area in which Franchisee is doing business or in another area or areas, Franchisee will so use any of Franchisor's other Proprietary Marks in such a way and at Franchisor's sole discretion in order to avoid a continuing conflict;

10.4.13 Franchisee will immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Proprietary Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without

authorization, or any infringement of or challenge to, any of the Proprietary Marks. Franchisee also agrees to immediately notify Franchisor of any other litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee;

10.4.14 Franchisor will undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of the Proprietary Marks or that, in Franchisor's judgment, may affect the goodwill of the System; and Franchisor may, in such circumstances, undertake any other action which it deems appropriate. Franchisor will have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake. In that event, Franchisee will execute those documents and perform those acts which, in the opinion of Franchisor, are necessary for the defense or prosecution of the litigation or for such other action as may be undertaken by Franchisor; and

10.4.15 Franchisor agrees to indemnify Franchisee against, and to reimburse Franchisee for, all damages for which it is held liable in any proceeding in which Franchisee's use of any Proprietary Mark pursuant to and in compliance with this Agreement and the Manual is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any such proceedings in which it is named as a party, provided that Franchisee has timely notified the Franchisor of such claim or proceedings, has otherwise complied with this Agreement and has tendered complete control of the defense of such to the Franchisor. If the Franchisor defends such claim, the Franchisor will have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

10.4.16 Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither will have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement will be construed to alter the relationship. Franchisee will be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee's policies, practices, and decisions relating to the day-to-day operation of the Learning Center.

11. MANUAL

11.1 The Manual and Furnishings to Franchisee. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee will operate the Learning Center in accordance with the standards, specifications, methods, policies, and procedures specified in the Manual, which Franchisee will receive on loan from Franchisor, in a manner chosen by Franchisor, via electronic access, hard copy volumes, computer disks, videotapes, or otherwise, including such amendments thereto, as Franchisor may publish from time to time, upon completion by Franchisee of initial training. Franchisee expressly acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manual, and other instructional information and materials in, or via, electronic media, including without limitation, the use of the Internet.

11.2 The Manual is Proprietary and Confidential. Franchisee will treat the Manual, any other materials created for or approved for use in the operation of the Learning Center, and the information contained therein, as confidential, and will use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee will keep the Manual, and any other materials created for or approved for use in the operation of the Learning Center, in a secure location. Franchisee will not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person including but not limited to a spouse, parent, child, sibling or any other family member, friend, or staff member, except as authorized in advance by the Franchisor.

11.3 The Manual Remains Franchisor's Property. The Manual will remain the sole property of Franchisor, will be accessible only from a secure place on the Premises, and will be returned to Franchisor, as set forth in Section 18.8 below, upon the termination or expiration of this Agreement.

11.4 Revisions to the Manual. Franchisor may from time to time revise the contents of the Manual to improve or maintain the standards of the System and the efficient operation thereof, or to protect or maintain the goodwill associated with the Proprietary Marks or to meet competition, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee will insure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copies maintained at the home office of Franchisor will be controlling.

11.5 Part of Agreement. From the date of the opening of the Learning Center, the mandatory specifications, standards and operating procedures prescribed by Franchisor and communicated to Franchisee in writing, will constitute provisions of this Agreement as if fully set forth herein. All references herein to this Agreement will include the provisions of the Manual and all such mandatory specifications standards and operating procedures.

11.6 Duty to Keep Current. Franchisee will, at all times during the Initial Term and Renewal Term, have the duty and responsibility to keep its copy of the Manual current and up-to-date. In the event of a dispute regarding the contents of the Manual, the terms of a master copy maintained by Franchisor, at its headquarters in Katy, Texas, will prevail and control.

12. CONFIDENTIAL INFORMATION

12.1 Agreement with Respect to Confidentiality. Franchisee acknowledges and agrees that it will not, during the Term or thereafter, communicate, divulge, or use for the benefit of any other person or entity any confidential information, or knowledge concerning Franchisor, the System, the Products, the Services, the Manual, and/or the marketing, management or operations of the Learning Center that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee will divulge such confidential information only to such of its employees as must have access to it in order to operate the Learning Center. Any and all information, knowledge, and techniques which Franchisee learns in connection with the System, the Products, the Services, and/or the marketing, management or operations of the Learning Center will be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

12.2 Individual Covenants of Confidentiality. Franchisee will require its manager(s), directors, Designated Principals, Principals, and any personnel or owner having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Learning Center. Such covenants will be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as Exhibit "E".

12.3 Remedies for Breach. Franchisee acknowledges that any failure to comply with the requirements of this Section 12 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 12. In the event Franchisee is aware of a breach, Franchisee will notify Franchisor in writing, so Franchisor may pursue litigation or other legal remedies as deemed reasonably necessary by Franchisor.

12.4 Grantback. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners or employees during the Term relating to the development and/or operation of the Learning Center. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners or employees a perpetual and non-exclusive right in the United States to use any such ideas, concepts, methods, techniques in all Learning Center businesses operated by Franchisor, franchisees and designees. Franchisor will have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

12.5 The Manual. The Manual will remain the property of Franchisor and Franchisee's use of the Manual and related materials does not grant Franchisee any rights of ownership. The Manual contains copyrighted material which was divulged to Franchisee for the sole purpose of operating a Learning Center. Accordingly, the Manual is considered confidential and proprietary. Franchisee will receive one copy of the Manual and will not duplicate, in whole or in part, for the purpose of revealing confidential information to others not associated or affiliated with the operation of the Franchise. Individuals with access to the Manual will be required to execute a non-disclosure agreement. This provision will survive the termination of this Agreement.

12.6 Works Made for Hire. Any technique, material, idea, or otherwise related to the operation of the Learning Center created by an employee of the Learning Center, will belong to Franchisor. Where copyrightable, such information prepared by employees are "works for hire" under federal and state copyright laws. Franchisor will be considered both the author and owner of any copyrightable works. In the event such information does not qualify as works made for hire, this Agreement hereby assigns the right to use, at no cost to Franchisor, now and forever, such information created. Franchisee and any applicable employee will, when requested by Franchisor, reasonably execute all instruments necessary to apply for and obtain invention rights, patents, patent applications, letters patent, copyrights, trademarks, and reissues of any of these rights in the United States and foreign countries.

13. ACCOUNTING AND RECORDS

13.1 Books and Records. With respect to the operation and financial condition of the Learning Center, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manual or otherwise in writing. Franchisee will maintain for a period of not less than seven (7) years during the Term, and, for not less than seven (7) years following the termination, expiration, or non-renewal of this Agreement, full, 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 Manual or otherwise in writing, including but not limited to: (i) daily transaction reports; (ii) cash receipts journal and general ledger; (iii) cash disbursements and weekly payroll journal and schedule; (iv) monthly bank statements, deposit slips and canceled checks; (v) all tax returns; (vi) suppliers' invoices (paid and unpaid); (vii) dated daily and weekly transaction journal; (viii) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; and (ix) such other records as Franchisor may from time to time request.

13.2 Franchisee's Reports to Franchisor. In addition to the Sales Reports required pursuant to Section 4.2 above, Franchisee will:

13.2.1 Prepare by the tenth (10th) day of each calendar month during the Term a balance sheet, profit and loss statement, cash flow statement and a signed activity report for the last preceding calendar month, which will be in the form prescribed by Franchisor. Franchisee will maintain and submit such statements and reports to Franchisor at the times as Franchisor may designate or otherwise request. In the event Franchisee fails to prepare or submit to Franchisor any of the required documents listed in this Section,

Franchisor will have the right to collect $250, payable immediately via EFT in the manner described in Section 4.4. or otherwise designated or prescribed in the Manual, for each failure plus $100 per day beginning on the day after the report or other document was due.

13.2.2 Submit to Franchisor no later than April 15th of the year following the end of each calendar year, unless Franchisor designates in writing a different due date, during the Term, financial statements, including a profit and loss statement for such year and a balance sheet as of the last day of such year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("**GAAP**"), including but not limited to all adjustments necessary for fair presentation of the financial statements. Franchisee will certify such financial statements to be true and correct. Additionally, Franchisor reserves the right to require Franchisee to prepare (or cause to be prepared) and provide to Franchisor annual financial statements, (that includes a fiscal year-end balance sheet, an income statement of the Learning Center for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), and to require that such statements be prepared on a review basis by an independent certified public accountant (who Franchisor may require to be retained in accordance with Section 4.4). Franchisee will provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

13.2.3 Maintain its books and records, and provide all statements and reports to Franchisor or Franchisor's agents, using the standard statements, templates, categories, and chart of accounts that Franchisor provides to Franchisee.

13.2.4 Submit to Franchisor or Franchisor's agents such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manual or as Franchisor will otherwise require in writing from time to time (including without limitation the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means).

13.3 **Inspection and Audit**. Franchisor and its agents will have the right at all reasonable times to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor will also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any contributions or payments have been understated in any statement or report to Franchisor, then Franchisee will immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less. If an inspection discloses an understatement in any statement or report of two percent (2%) or more, Franchisee will, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies will be in addition to any other remedies Franchisor may have.

13.4 **Notice**. Franchisee will immediately notify Franchisor of any significant changes in financial status, including, but not limited to, bankruptcy history, financial history, credit history, changes in marital status, personal residence addresses, and business addresses. Franchisee agrees that Franchisor may conduct a background check on any new spouse.

13.5 **Accounting Software**. Franchisee will use QuickBooks accounting software, and/or other software or technologies specified by Franchisor, for accounting for the Learning Center. Franchisee will either run QuickBooks itself or hire an outside accountant to undertake the accounting for the Learning Center. Notwithstanding the foregoing, Franchisor reserves the right to require Franchisee to use a designated accounting vendor approved by Franchisor in the event that Franchisee does not produce its accounting statements and reports accurately or does not submit such information to Franchisor on a timely basis.

14. ONGOING ADVERTISING OBLIGATIONS

14.1 Franchisee's Advertising Obligations. Recognizing the value of marketing and promotion, and the importance of the standardization of marketing and promotion programs to the furtherance of the goodwill and public image of the System, Franchisee and Franchisor agree as follows:

14.1.1 Franchisee will make advertising contributions each Week. Franchisee will contribute one and one-half percent (1.5%) of Franchisee's Gross Sales of the Learning Center to Franchisor for the system-wide advertising, promotion and marketing of the System (the "**Advertising Obligation**"). In addition to the Advertising Obligation, there may be contributions required to be paid for expenditures by Franchisee on "local advertising and promotion" pursuant to Section 14.4. In addition, Franchisee will undertake and complete the Initial Marketing Program, as provided in Section 8.2 above.

14.1.2 The Advertising Obligation is the minimum requirement only, and Franchisee may, and is encouraged to, expend additional funds for marketing for local advertising and promotion, provided that Franchisee has obtained prior written approval from Franchisor.

14.2 System Ad Fund. Franchisor has established a fund for system-wide advertising and promotion of the System (the "**System Ad Fund**"). During the existence of the System Ad Fund, Franchisee will contribute the Advertising Obligation to the System Ad Fund as Franchisor may specify in accordance with Section 14.1 above. The System Ad Fund will be maintained and administered by Franchisor as follows:

14.2.1 Franchisor will direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisor is not obligated, in administering the System Ad 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 pro rata from expenditures by the System Ad Fund.

14.2.2 The System Ad Fund, all contributions thereto, and any earnings thereon will be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and preparing marketing, advertising, public relations, and/or promotional programs and materials, and any other activities including socially responsible activities, which Franchisor believes will enhance the image of the System in the United States and worldwide, including, among other things, the costs of preparing and conducting media marketing campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; sponsorship of organizations and events; purchasing promotional items; conducting and administering in-store promotions; enhancing websites, creating blogs, customer education material, research and development; and providing promotional and other marketing materials and services to the Learning Centers operating under the System.

14.2.3 Franchisee will contribute to the System Ad Fund by separate payment of the Advertising Obligation made payable (or as otherwise directed for payment) to Franchisor, which amounts will be debited from Franchisee by EFT via Franchisee's bank account. All sums paid by Franchisee to the System Ad Fund will be accounted for separately and will not be used to defray any of the expenses of Franchisor, except for such reasonable costs, salaries and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the System Ad Fund and marketing programs for operators and the System, including costs of personnel for creating and implementing marketing, advertising, and promotional programs. The System Ad Fund and any earnings from it will not otherwise inure to the benefit of Franchisor. Franchisor will maintain separate bookkeeping accounts for the System Ad Fund. The System Ad Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the System Ad Fund or any other reason.

14.2.4 Franchisor, upon request, will provide Franchisee with an annual accounting of System Ad Fund receipts and disbursements. The System Ad Fund may spend in any fiscal year more or less than the total System Ad Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use.

14.2.5 Franchisor reserves the right, in its sole discretion, to discontinue the System Ad Fund upon written notice to Franchisee.

Franchisor may, but is not required to, make available to Franchisee from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the System Ad Fund. Franchisee acknowledges and agrees that it will be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is not in full compliance with its obligations to contribute to the System Ad Fund. Additionally, if monies of the System Ad Fund are used to produce point of sale materials, or other samples or other promotional materials and items, Franchisor may, on the behalf of the System Ad Fund, sell such items to franchisees in the System at a reasonable price, and any proceeds from the sale of such items or materials will be contributed to the System Ad Fund.

14.3 **Cooperative Marketing.** Franchisor reserves the right to require all franchisees in a certain marketing area to form a local marketing cooperative for that marketing area. In the event Franchisor elects to form a local marketing cooperative for Franchisee's marketing area, Franchisee agrees to join such marketing cooperative and take any and all such additional steps as may be reasonably required by Franchisor with respect to the local marketing cooperative. A maximum of 1.0% of the 1.5% local advertising requirement must be spent in a local marketing cooperative unless a majority of the cooperative votes to increase that requirement. For any local marketing cooperatives, one franchised unit equals one vote in the cooperative. All amounts due as part of the local marketing cooperative will be due on a monthly basis.

14.4 **Local Advertising**. Franchisee acknowledges the need to promote its business on a local level. Accordingly, Franchisee agrees to use best efforts to promote the business of the Learning Center and fully exploit the market through local advertising, marketing, and promotion and agree to expend the funds which may be necessary to accomplish this result. Franchisee will comply with the following with respect to "local advertising and promotion" for the Learning Center:

14.4.1 Franchisee will spend a minimum of $7,000 per month on local advertising and promotion until the utilization rates reach seventy percent (70%) for each Learning Center. After reaching a seventy (70%) utilization rate, local advertising and promotion expenditures will be reduced to one and one-half (1.5%) of Gross Sales. Franchisee may spend additional amounts as Franchisee desires on local advertising and promotion with the prior written approval of Franchisor including approval for the content and method for same.

14.4.2 As used in this Agreement, the term "**local advertising and promotion**" will refer to advertising and promotion related directly to the Learning Center, and will, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as Franchisor, in its sole discretion, may specify. Franchisor may provide to Franchisee, in the Manual or otherwise in writing, information specifying the types of advertising and promotional activities and costs which will not qualify as "local advertising and promotion," including, without limitation, the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

14.5 Upon written notice to Franchisee, Franchisor may require Franchisee to participate in mandatory promotions as Franchisor may develop and implement from time to time.

14.6 **Standards for Advertising**. All advertising, marketing and promotion to be used by Franchisee, the System Ad Fund, local advertising and promotion, and Initial Marketing Program are subject to Franchisor's approval, and will be in such media and of such type and format as Franchisor may approve, will be conducted in a dignified manner, and will conform to such standards and requirements as Franchisor may specify. Franchisee will not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor for approval, pursuant to the procedures and terms set forth in this Section 14.

14.7 **Franchisor's Approval of Proposed Plans and Materials**. If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee will submit samples of all such marketing and promotional plans and materials to Franchisor for prior written approval (including prices to be charged) at least fifteen (15) days prior to the deadline for publishing of such materials. If written notice of approval is not received by Franchisee from Franchisor within fifteen (15) business days of the date of receipt by Franchisor of such samples or materials, Franchisor will be deemed to have not approved them.

14.8 **Directory Listings**. Franchisee will, at its expense, obtain listings in the white and yellow pages of local telephone directories. Franchisee will comply with Franchisor's specifications concerning such listings, including the form and size of such listings, and the number of directories in which such listings will be placed. Additionally, Franchisee will be required to obtain listings in and/or advertise with Franchisor and other franchisees in the System, on electronic yellow page directories and other on-line directories as Franchisor may designate. Franchisor reserves the right to place such, and subsequently modify or remove, on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of Franchisee, Franchisee will promptly pay, upon demand by Franchisor, its pro-rata share of the costs. Additionally, these activities may be carried out through the use of the System Ad Fund.

14.9 **Ownership of Advertising Plans and Materials**. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks will be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Learning Center or the System and approved by Franchisor may be used by Franchisor and other operators under the System of Franchisor without any compensation to Franchisee.

14.10 **Advertising Committee.** Franchisor may establish an advertising committee (the "**Advertising Committee**") which may consist of two (2) Ivy Kids franchisees and representatives of the Franchisor who meet at least once per year (along with the members of the Franchisor's staff) to review plans and discuss other topics regarding the administration of and planning for the System Ad Fund. The Advertising Committee will be chosen by Franchisor based upon criteria that establish them as being among the top members of the Ivy Kids franchise system.

15. INSURANCE

15.1 **Insurance**. Franchisee will procure at its expense and maintain in full force and effect during the Initial Term and Renewal terms of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, members, managers, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations of the Learning Center, as Franchisor may reasonably require for its

own and Franchisee's protection. Franchisor will be named as an additional named insured in such policy or policies. Additionally, all coverages and policies will be underwritten by insurance providers and companies having an A.M. Best rating of A or higher.

15.2 **Coverages**. Franchisor will have the right to specify in the Manual or otherwise in writing types of insurance and minimum policy limits that Franchisee must obtain and maintain from a reputable insurance company. Franchisor will also have the right to designate from time to time, one or more insurance companies as the insurance carrier(s) and an insurance agency for binding insurance for Learning Centers, and if required by Franchisor, Franchisee will obtain its insurance coverage from the designated insurance company (or companies) and/or agency. The policy or policies will include, at a minimum (except different coverages, umbrella coverages, and policy limits as may reasonably be specified for all Franchisees from time to time by Franchisor in the Manual or otherwise in writing) the following (Franchisor has the right to change, increase, or modify these insurance coverage requirements at its sole discretion):

15.2.1 Builder's risk/installation insurance as set forth by Franchisor in the Manual or otherwise in writing to cover any period(s) of renovation, refurbishment, remodeling, or construction at the Learning Center and Premises, either initially, upon renewal, or upon request from Franchisor or the landlord of the Learning Center and Premises.

15.2.2 All risk coverage insurance on (i) the operations of the Learning Center (including theft coverage) and all personal property covering the Learning Center and Premises and contents thereof, including, without limitation, all supplies, inventory, fixtures, and indoor and outdoor equipment, containing a replacement value endorsement in an amount equal to the full replacement value thereof; and (ii) business interruption insurance covering a period of no less than twelve (12) months.

15.2.3 Statutory workers' compensation insurance and employer's liability insurance with at least the minimum statutory coverage limits, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Learning Center is located. Franchisee will have and maintain such insurance for all of its employees prior to any employee commencing any training with Franchisor. If Franchisee is permitted to and elects not to have worker's compensation insurance for its owners and officers, Franchisee will maintain coverages for these individuals at all times for work-related injuries.

15.2.4 Comprehensive general liability insurance (including personal injury, premises liability, errors and omissions, products/completed operations, fire and contractual liability) with limits of at least One Million Dollars ($1,000,000) per occurrence, and Two Million Dollars ($2,000,000) general aggregate, and product liability insurance with limits of at least Two Million Dollars ($2,000,000) general aggregate including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; corporal punishment; tenant's legal liability; real property on which the Learning Center is located; and park/playground liability. All such coverages will insure Franchisee and its affiliates and principals against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Learning Center. Additionally, Franchisor must be named as an additional insured on all such policies (subject to verification by Franchisor). The required coverage amounts herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

15.2.5 Automobile liability insurance, and property damage liability, including owned, non-owned, hired vehicle, uninsured motorist, collision, and comprehensive coverage, with at least One Million Dollars ($1,000,000) combined single limit, and One Million Dollars ($1,000,000) general aggregate limit.

15.2.6 Sexual or Physical Abuse and Molestation Liability Insurance of One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) aggregate. This liability limit is separate from the Comprehensive General Liability Limit.

15.2.7 Teacher's Professional Liability Insurance of One Million Dollars ($1,000,000) per occurrence and Three Million Dollars ($3,000,000) aggregate. This liability limit is separate from the Comprehensive General Liability Limit.

15.2.8 Student accident/medical coverage (including accidental excess medical coverage, accidental death coverage, and accidental dismemberment coverage) of no less than Twenty-Five Thousand Dollars ($25,000). Premise Medical Expense in a limit not less than Twenty-Five Thousand Dollars ($25,000) with a total limit of not less than Two Hundred Fifty Thousand Dollars ($250,000).

15.2.9 If not covered by professional employer organization ("PEO") Employment Practices Liability in an amount not less than One Million Dollars ($1,000,000) each claim.

15.2.10 For the benefit of the children, the Franchisee, and the Franchisor, a crisis management endorsement to protect against kidnapping, terrorism, image and restoration.

15.2.11 An endorsement on the property coverage providing for equipment breakdown protection, including coverage for, but not limited to, utility service interruptions, data coverage, media coverage, power generation, and equipment coverage.

15.2.12 Umbrella liability coverage or no less than Five Million Dollars ($5,000,000) per occurrence and Five Million Dollars ($5,000,000) in the aggregate.

15.2.13 Cyber-liability coverage of no less than One Million Dollars ($1,000,000) in the aggregate.

15.2.14 Liability coverage (tail) for at least two (2) years after termination or expiration for any claims made policies.

15.2.15 Any such insurance and types of coverage as may be required by the terms of any lease for the Premises, or as may be required from time to time by Franchisor in the Manual.

15.2.16 The insurance will cover the acts or omissions of each and every one of the persons who perform services at the Learning Center, and will protect against all acts of any persons who patronize the Learning Center and will contain a waiver of subrogation against Franchisor. Franchisee will immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect Franchisee's business, and such notice will be provided no later than the date upon which Franchisee notifies its insurance carrier.

15.3 **Certificates of Insurance**. The insurance afforded by the policy or policies respecting liability will not be limited in any way by reason of any insurance which may be maintained by Franchisor. Prior to commencing any renovations or construction at the Learning Center, Franchisee will provide Franchisor with a Certificate of Insurance for the builder's risk insurance required under Section 15.2.1. At least thirty (30) days prior to the opening of the Learning Center, and thereafter on an annual basis, Franchisee will provide Franchisor with a Certificate of Insurance showing compliance with the foregoing requirements (except with respect to the builder's risk insurance, which will have already been in effect pursuant to Section 15.2.1 above). Such certificate will state that said policy or policies will not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and will reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph

will not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee. Within seven (7) business days of request, Franchisee will deliver copies of insurance policies for examination. Franchisor will be named as an additional named insured on such policies required to be obtained by Franchisee, and will provide to Franchisor the certificate evidencing such coverage.

15.4 Franchisor's Right to Procure Insurance for Franchisee. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor will have the right and authority (but not the obligation) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, will be payable by Franchisee immediately upon notice.

16. TRANSFER OF INTEREST

16.1 Franchisor's Rights to Transfer. Franchisor will have the right, without the need for Franchisee's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any designated assignee of Franchisor will become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Upon any such transfer or assignment, Franchisor will be under no further obligation hereunder, except for accrued liabilities, if any. If Franchisor transfers or assigns its rights in this Agreement, nothing herein will be deemed to require Franchisor to remain in the "Learning Center" business or to offer or sell any products or services to Franchisee. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, its Proprietary Products, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

16.2 No Transfers without Franchisor's Approval. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or the Principals of Franchisee, if Franchisee is not an individual, and that Franchisor has granted this franchise in reliance on Franchisee's or Franchisee's Principals' business skill, financial capacity, and personal character. Accordingly:

16.2.1 Franchisee will not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and/or obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Learning Center.

16.2.2 If Franchisee is a corporation or limited liability company, Franchisee will not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities will become a Principal under this Agreement, if so approved by Franchisor.

16.2.3 If Franchisee is a partnership or limited partnership, the partners of the partnership will not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner will automatically be deemed a Principal under this Agreement.

16.2.4 A Principal will not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any ownership interest of the Principal in Franchisee, as such is identified in Exhibit "B".

16.3 Conditions on Transfer. Franchisor will not unreasonably withhold or delay any consent required by this Section 16. However, if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would: (a) have the effect of changing control of Franchisee; (b) result in the assignment of the rights and obligations of Franchisee under this Agreement; or (c) transfer the ownership interest in all or substantially all of the assets of the Learning Center, Franchisor will have the right to require any or all of the following as conditions of its approval:

16.3.1 All of Franchisee's monetary obligations and all other outstanding obligations to Franchisor, and the approved suppliers of the System have been satisfied in full;

16.3.2 Franchisee will not be in default under any provision of this Agreement, any other agreement between Franchisee and Franchisor, any approved supplier of the System, or the lessor (or sublessor) of the Premises;

16.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) will have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its respective officers, directors, agents, and employees;

16.3.4 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal will enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee and/or such spouse(s) of the transferee, as Franchisor may request, will guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

16.3.5 The transferee will demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible and business standards, as well as good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Learning Center; absence of conflicting interests; and has adequate financial resources and capital to operate the Learning Center;

16.3.6 At Franchisor's option, the transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) will execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, higher and/or additional fees;

16.3.7 If so requested by Franchisor, the transferee, at its expense, will upgrade the Learning Center, and other equipment to conform to the then-current standards and specifications of new Learning Centers then being established in the System, and will complete the upgrading and other requirements within the time specified by Franchisor;

16.3.8 The transferor will remain liable for all of the obligations to Franchisor in connection with the Learning Center that arose prior to the effective date of the transfer and will execute any and all instruments reasonably requested by Franchisor to evidence such liability;

16.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) will, at the transferee's

expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

16.3.10 Franchisee will pay Franchisor a transfer fee as follows:

(a) if a transfer of shares or ownership interest is between existing owners that have already been approved by Franchisor, the transfer fee will be an amount equal to $1,500;

(b) if the transfer is to add a new owner (e.g. shareholder, member, partner) that does not change the majority ownership in the Franchisee entity, the transfer fee will be an amount equal to $1,500;

(c) if the transfer is to sell Franchisee's location(s) to an individual or entity that is new to the franchise, the transfer fee will be an amount equal to 2/3 of the franchise's Franchise Fee in effect at the time of the proposed transfer; or

(d) if the transfer is to sell Franchisee's location(s) to an existing franchise owner of Ivy Kids that is approved to purchase the location(s), the transfer fee will be an amount equal to 40% of the franchise's Franchise Fee in effect at the time of the proposed transfer.

For a transfer under 16.3.10(c) above, if Franchisor provided the sales lead that becomes the new franchisee, an additional seven percent (7%) of the value of the sale will be assessed to the selling Franchisee at the closing of the sale.

16.3.11 The transferor(s), at the request of Franchisor, will agree in writing to comply with the covenants set forth in Section 19 below.

16.3.12 In the event transferee is an entity, such entity will be in good standing in the jurisdiction it operates and the jurisdiction in which the Learning Center operates. The entity will also have its purpose as "the operation of a Learning Center." The transferee entity will also have guarantors of the entity's obligations, and said guarantors will be jointly and severally liable under this Agreement.

16.4 **Additional Terms**. For any transfer not covered by Section 16.3, each transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) will, in addition to the requirement of obtaining Franchisor's consent as provided in Section 16.2, be subject to the requirements of Sections 16.3.3 and 16.3.4 above (with respect to execution of releases and personal guarantees).

16.5 **Security Interests**. Neither Franchisee nor any Principal will grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Learning Center unless Franchisee satisfies the requirements of Franchisor, which include, without limitation, execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 16, and agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor will 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 resulting from Franchisee's default will be void.

16.6 **Right of First Refusal**. If Franchisee, or any Principal on behalf of Franchisee, desires to accept any *bona fide* offer from a third party to purchase Franchisee and/or its entire franchised business (including any asset related to the Learning Center), Franchisee or such Principal will promptly notify Franchisor, and will provide such information and documentation relating to the offer as Franchisor may require. Franchisor will have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any

information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the Franchisee or Principal that Franchisor intends to purchase the Franchisee and/or its entire franchised business on the same terms and conditions offered by the third party. If Franchisor elects to make such a purchase, closing on such purchase will occur within ninety (90) days from the date of notice to the Franchisee or Principal of the election to purchase by Franchisor, or, if longer, on the same timetable as contained in the *bona fide* offer.

16.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party will 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 16.6 will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the Franchisee and/or its entire franchised business for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor and Franchisee will agree on and designate an independent appraiser to make a binding determination. The cost of any such appraisal will be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 16.6, Franchisor will have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment it is required to make as part of the purchase.

16.7 **Death of a Principal**. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative will transfer the deceased's interest to a third party acceptable to and approved by Franchisor within twelve (12) months after the date of the death of the deceased Principal. Such approval by Franchisor may not be unreasonably withheld or delayed.

16.8 **Permanent Disability of Controlling Principal**. Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor will have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 16 within six (6) months after notice to Franchisee. "**Permanent Disability**" will mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months; and from which recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability will be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person will automatically be deemed permanently disabled for the purposes of this Section 16.8 as of the date of refusal. Franchisor will pay the cost of the required examination.

16.9 **Notice to Franchisor of Death or Permanent Disability**. Upon the death or permanent disability of Franchisee or any Principal of Franchisee, such person or his representative will promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability will be subject to the same terms and conditions as any *inter vivos* transfer.

16.10 **Limited Exceptions**. Notwithstanding anything to the contrary in this Section 16:

16.10.1 Franchisee will not be required to pay the transfer fee due under Section 16.3.10 above, if the transferee: (a) is a spouse, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Learning Center; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 16.7 or 16.8 above.

16.10.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 16.3.6 (signing a new franchise agreement), 16.3.7 (upgrading the Learning Center), and 16.3.10 (transfer fee) will not apply, and Franchisee may undertake such transfer, provided that: (a) Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Franchisee and any other Principal(s) and its or their spouse(s) if applicable personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Franchisee under the Franchise Agreement; (c) Franchisee executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to operating the Learning Center under this Agreement; and (e) Franchisee and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

16.11 **Securities Offerings**. All materials required for any offering of securities or partnership interests in Franchisee by federal or state law will be submitted to Franchisor by the offeror for review prior to filing with any government agency; and any materials to be used in any exempt offering will be submitted to Franchisor for review prior to their use. No offering will imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering of securities of either Franchisee or Franchisor; and review by Franchisor of any offering will be limited solely to the subject of the relationship between Franchisee and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor including, but not limited to, any limitations stated above in this paragraph. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee will reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Franchisee will give Franchisor written notice at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 16.11. Any such offering will be subject to prior written consent of Franchisor and right of first refusal as provided in Section 16.6.

16.12 **No Waiver**. The consent of Franchisor to any transfer pursuant to this Section 16 will not constitute a waiver of any claims it may have against the transferring party, nor will it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by any transferor or transferee.

16.13 **Bankruptcy**. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder and/or any material assets of Franchisee, will be subject to all of the terms of this Section 16.

16.14 **No Transfers in Violation of Law**. Notwithstanding anything to the contrary in this Agreement, no transfer will be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity with whom Franchisor is prohibited by law from transacting business.

17. DEFAULT AND TERMINATION

17.1 **Automatic Termination**. Franchisee will be in default under this Agreement, and all rights granted to Franchisee herein will automatically terminate without notice to Franchisee, if Franchisee or Franchisee's spouse (if applicable) (collectively "**Owners**") will 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 a 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; 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 or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Learning Center will be sold after levy thereupon by any sheriff, marshal, or constable.

17.2 **Termination upon Notice**. Franchisee will be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately by giving written notice to Franchisee (in the manner provided under Section 25 below), upon the occurrence of any of the following events:

17.2.1 If Franchisee fails to obtain an Accepted Location for the Learning Center, fails to complete all pre-opening obligations and/or to open the Learning Center within the time limits as provided in Section 5.4 above;

17.2.2 If Franchisee or any of its Principals is convicted of, pleads guilty to, or pleads nolo contendere to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the Products, the Services, children of the Learning Center, the goodwill associated therewith, or the interest of Franchisor therein;

17.2.3 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Learning Center;

17.2.4 If Franchisee's action or inaction, at any time, results in the loss of the right to possession of the Premises, or forfeiture of the right to do or transact business in the jurisdiction where the Learning Center is located;

17.2.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 hereof;

17.2.6 If Franchisee knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor, including, but not limited to reports on the health and safety of any person;

17.2.7 If, contrary to the terms of Sections 10 or 11 hereof, Franchisee discloses or divulges the contents of the Manual or other confidential information provided to Franchisee by Franchisor;

17.2.8 If Franchisee fails to comply with the covenants in Section 19.2 below or fails to timely obtain execution of the covenants required under Section 19.5 below;

17.2.9 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or if Franchisee otherwise operates the Learning Center in a manner that materially impairs the reputation or goodwill associated with the System, Proprietary Marks, Products, Services, or the rights of Franchisor therein;

17.2.10 If Franchisee, after curing a default pursuant to Sections 17.3 or 17.4 hereof, commits the same default again, whether or not cured after notice.

17.2.11 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 17.2.10 above);

17.2.12 If Franchisee at any time ceases to operate or otherwise abandons the Learning Center for a period of two (2) consecutive days unless such closure is approved in writing by Franchisor, or excused by *force majeure*.

17.2.13 If Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure.

17.2.14 If Franchisee loses it license or permits to operate the Learning Center.

17.3 **Notice and Opportunity to Cure - 7 Days**. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 26 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement will terminate without further notice to Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

17.3.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor when due;

17.3.2 If Franchisee refuses to permit Franchisor to inspect the Premises, or the books, records, or accounts of Franchisee upon demand; or

17.3.3 If Franchisee fails to operate the Learning Center during such days and hours specified in the Manual (this provision in no way limits Section 17.2.12).

17.3.4 If Franchisee fails to procure and maintain insurance as required in Section 15 of this Agreement, as revised from time to time by Franchisor.

17.3.5 If Franchisee fails to properly operate the Learning Center in accordance with the Franchisor's requirements and there are severe operational delinquencies.

17.3.6 If Franchisee or its Designate Principals fails to be present and involved in the direct operation and management of the Learning Center.

17.4 **Notice and Opportunity to Cure - 30 Days**. Except as otherwise provided in Sections 17.1, 17.2 and 17.3 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 26 hereof) stating the nature of the default to Franchisee at least thirty (30) business days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement will terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

17.5 **Cross Defaults**. Any default by Franchisee under this Agreement may be regarded as a default under any other agreement between Franchisor and Franchisee (or any affiliate of Franchisee). Any default by Franchisee under any other agreement between Franchisor and Franchisee (or any affiliate of Franchisee) may be regarded as a default under this Agreement.

17.6 **Step-In Rights**. In the event the Franchisee is in default, either under this Agreement or another agreement, then Franchisor has the option to operate the Learning Center on Franchisee's behalf for a limited period of time (in 90 to 120-day increments, but not exceeding 12 months) necessary to protect the business, goodwill, and Proprietary Marks. In the event Franchisor exercises its option and temporarily operates the Learning Center on Franchisee's behalf, Franchisee will pay Franchisor $1,000 per day per person necessary to operate the Learning Center, plus any and all expenses.

17.6.1 Where Franchisor chooses not to step-in, Franchise will hold Franchisor harmless from any and all losses, damages and liabilities that may occur or which have already occurred.

17.6.2 In the event Franchisor chooses to step-in to operate the Learning Center, Franchisor or its agents may enter the Premises of the Learning Center at any time and exercise control over all aspects of the Learning Center, including, but not limited to, employees, children, finances, and parental contact. Franchisee and its Principals indemnify and hold Franchisor and Franchisor's agents harmless for all acts or omissions by Franchisor, its affiliate or its representative during the course of Franchisor's temporary operation of the Learning Center or related to the step-in rights. Franchisee will also bear all reasonable costs and expenses, including attorneys' fees, salaries, travel expenses, and room and board of Franchisor or its affiliate's employee(s) and representatives, that Franchisor may incur in exercising its step-in rights.

17.6.3 If Franchisor chooses to step-in under this Section 17, Franchisee will fully assist Franchisor with all interested parties and stakeholders (including, but not limited to, parents of children who attend the Learning Center), in an effort to transition from Franchisee's control to Franchisor's control of the business.

17.6.4 If Franchisor chooses to step in under this Section 17, Franchisee will leave intact on the Premises all original records, either financial or otherwise, so Franchisor may use such records to operate the Learning Center.

17.7 **No Loss of Rights**. In the event Franchisor elects the right to step-in and operate the Franchisee's business, Franchisee acknowledges Franchisor does not lose its other rights and remedies provided for under this Agreement or under applicable law.

18. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee will terminate, and:

18.1 **Stop Operating**. Franchisee will immediately cease to operate the Learning Center, and will not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor in connection with the promotion, advertising, or operation of any other business.

18.2 **Stop Using the System**. Franchisee will immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Mark "Ivy Kids" or "Ivy Kids Early Learning Center" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee will cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks.

18.3 Cancel Assumed Names. Franchisee will take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark "Ivy Kids" or "Ivy Kids Early Learning Center" or any other Proprietary Marks belonging to Franchisor, and Franchisee will furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five business (5) days after termination or expiration of this Agreement.

18.4 The Premises. Franchisee will make such modifications or alterations to the Premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of an Ivy Kids Early Learning Center under the System, and will 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 will 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 plus a reasonable administrative fee to Franchisor. Additionally, Franchisee will comply with Section 19.3 below regarding a Competitive Business (as defined in Section 19.2.3 below).

18.5 Phone Numbers, Directory Listings, and Other Information. In addition, Franchisee will cease use of all telephone numbers and directory listings, and any customer lists, domain names, websites, social media, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, in existence and/or used by Franchisee while operating the Learning Center. Franchisee will also promptly execute such documents or take such steps necessary to remove reference to the Learning Center from all trade or business telephone directories, including "yellow" and "white" pages, or at Franchisor's request transfer same to Franchisor. Further, Franchisee will promptly deliver to Franchisor any and all copies of customer lists or similar documents in any format and as contained in any media. Franchisee hereby authorizes Franchisor to instruct issuers or providers of any telephone, internet domain name or hosting services, social media, and any other providers to transfer any such telephone numbers, domain names, websites, social media presence, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee. Without limiting the foregoing, Franchisee hereby agrees to execute an Assignment and Power of Attorney form attached to this Agreement as Exhibit "F" in order to implement this Section 18.5. The term "social media," as used in this section, includes any social media pages or presence of any kind (as that term is commonly used), as well as other Internet based tools and applications that are used to share and distribute information.

18.6 No Use of Proprietary Marks or Trade Dress in Other Businesses. 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 the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of Franchisor 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 Franchisor, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks.

18.7 Pay Franchisor All Amounts Due. Franchisee will promptly pay all sums owing to Franchisor. In the event of termination for any default of Franchisee, such sums will include, without limitation, all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination, which obligation will 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, signs, fixtures, and inventory owned by Franchisee and on the Premises at the time of default.

18.8 Return of Manual and Confidential Information. Franchisee will, at its own expense, immediately deliver to Franchisor the Manual and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Learning Center (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.

18.9 Franchisor's Option to Purchase Certain Assets. Franchisor will have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any asset related to the operation of the Learning Center (including but not limited to any real property and improvements where the Learning Center is located), at the lesser of Franchisee's cost or fair market value. The cost for such items will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value will be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it will have the right to set off all amounts due from Franchisee.

18.10 Release. To the extent permissible by law, Franchisee will sign an agreement in a form satisfactory to Franchisor, a general release of any and all claims Franchisee may have against Franchisor and individuals or entities affiliated with Franchisor.

18.11 Comply with Covenants. Franchisee and its Principals will comply with the covenants contained in Section 19 of this Agreement.

18.12 Liquidated Damages. Franchisee covenants and agrees that it does not have the right to terminate the Franchise Agreement. Franchisee also covenants and agrees that, in the event of early termination of this Franchise Agreement, such termination will result in lost future revenue and profit to Franchisor, harm to the goodwill associated with the System and Proprietary Marks, and increased costs to Franchisor to redevelop and re-franchise the Territory where the Learning Center is located. Franchisee further acknowledges and agrees that the actual damages that would be incurred by Franchisor in the event of any early termination of this Franchise Agreement would be difficult to calculate and ascertain and that the Liquidated Damages provided for in this Franchise Agreement are fair and reasonable under the circumstances, and not a penalty. Upon termination of the Franchise Agreement prior to the expiration of the Initial Term or the Renewal Term, if applicable, Franchisee will promptly pay Franchisor liquidated damages for lost future Royalty fees and Advertising Obligation fees calculated as the average weekly amount of the Royalty fee and Advertising Obligation fee multiplied by the lesser of: (i) 364 weeks or (ii) the number of weeks remaining in the term of the Franchise Agreement. In the event the Franchise Agreement is terminated prior to Franchisee opening the Learning Center, Franchisee agrees to pay Franchisor $350,000. Franchisee acknowledges and agrees that the Liquidated Damages specified in this Section 18.12 are only intended to compensate Franchisor for the early termination of the Franchise Agreement, but not for any other breach of this Franchise Agreement by Franchisee or any other losses and expenses incurred by Franchisor, and all other applicable remedies under this Franchise Agreement and applicable law remain available to Franchisor.

19. COVENANTS

19.1 Full Time and Best Efforts. Franchisee covenants that, during the Term, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is not an individual, the Designated Principal) will devote full time and best efforts to the management and operation of the Learning Center.

19.2 During the Agreement Term. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the Term, except as otherwise approved in

writing by Franchisor, Franchisee will 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 Learning 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 the Proprietary Marks and the System; or

19.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below) in any state in the United States in which there is another Learning Center owned and/or operated by Franchisor or an Ivy Kids franchisee. A "**Competitive Business**" will be considered (i) any learning center or other similar business with sales of equal to or greater than ten percent (10%) of total sales of the learning center; (ii) any learning center or other similar business with service offerings consisting predominantly of child care or child care learning; or (iii) any learning center or other similar business which is the same or substantially similar to the business carried on at the learning center, namely a business which generates substantially all of its revenue from the sale of services or products similar to those offered in a Learning Center under the System. Franchisee acknowledges and agrees that Franchisee will be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 17.2.8 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 19.2.3.

19.3 **After the Agreement and After a Transfer**. Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 16 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:

19.3.1 Franchisee will not 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 assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (i) at the Accepted Location for the Learning Center, (ii) within a radius of twenty-five (25) miles of the Learning Center, or (iii) within a radius of twenty-five (25) miles of any other Learning Center in operation or under construction on the effective date of termination or expiration located anywhere; provided, however, that this provision will not apply to the operation by Franchisee of any business under the System under a franchise agreement with Franchisor;

19.3.2 Franchisee will not sublease, assign, or sell Franchisee's interest in any lease, sublease, or ownership of the Premises or assets of the Learning Center to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

19.4 **Exception for Ownership in Public Entities**. Sections 19.2.3 and 19.3 will not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

19.5 **Personal Covenants**. Franchisee will obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 19 (including covenants applicable upon the termination of a person's relationship with Franchisee) and the provisions of Sections 9 and 10 of this Agreement (as modified to apply to an individual) from all managers and other personnel employed by Franchisee who

have received or will receive training and/or other confidential information. Every covenant required by this Section 19.5 will be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as Exhibit "E".

19.6 Covenants as Independent Clauses. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. 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 permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 19.

19.7 Franchisor's Right to Reduce Scope of the Covenants. Franchisee understands and acknowledges that Franchisor will have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 19, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 25 hereof.

19.8 Covenants Survive Claims. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Section 19; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 19.

19.9 Injunctive Relief. Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor and the System, and that in the event of a breach of covenants contained in this Section 19, the damage to Franchisor would be difficult to ascertain and, in addition to other rights and remedies, Franchisor will be entitled to seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

20. CORPORATION, LIMITED LIABILITY, OR PARTNERSHIP

20.1 List of Principals. If Franchisee is a corporation, limited liability Company, or partnership, each Principal of Franchisee, and the ownership interest of each Principal in Franchisee, will be identified in Exhibit "B" hereto. Franchisee will maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which will be made only in compliance with Section 16 above. As set forth in Section 9.3, the Designated Principal will at all times have at least a ten percent (10%) interest in Franchisee.

20.2 Guaranty, Indemnification, and Acknowledgment. Each Principal and that Principal's spouse (if applicable) will execute a guaranty, indemnification, and acknowledgment of Franchisee's covenants and obligations under this Agreement in the form attached hereto as Exhibit "C".

20.3 Corporations and Limited Liability Companies. If Franchisee or any successor to or assignee of Franchisee is a corporation or a limited liability company, Franchisee will comply with the following requirements:

20.3.1 Franchisee will be newly organized, and its governing documents will at all times provide that its activities are confined exclusively to operating the Learning Center.

20.3.2 Franchisee will, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation/certificate of formation, bylaws/company agreements, articles of organization, operating agreement, corporate minutes and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members/mangers authorizing entry into this Agreement.

20.3.3 Franchisee will maintain stop-transfer instructions on its records against the transfer of any equity securities of Franchisee; and each stock certificate or issued securities of Franchisee will conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 20.3.3 will not apply to a publicly held corporation.

20.4 Partnerships and Limited Partnerships. If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee will comply with the following requirements:

20.4.1 Franchisee will be newly organized, and its partnership agreement will at all times provide that its activities are confined exclusively to operating the Learning Center.

20.4.2 Franchise will furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

20.4.3 The partners of the partnership will not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

21. TAXES, PERMITS, AND INDEBTEDNESS

21.1.1 Filings. Franchisee will promptly prepare when due all appropriate tax returns for taxes levied or assessments. Franchisee will also timely obtain, maintain, and file, as required, any and all reports necessary for the operation of the Learning Center.

21.1.2 Taxes. Franchisee will promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Learning Center. Franchisee will pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

21.1.3 Dispute about 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 procedures of the taxing authority or applicable law, but in no event will 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 Premises of the Learning Center, or any improvements thereon.

21.1.4 Compliance with Laws. Franchisee will comply with all federal, state, and local laws, rules, and regulations, and will timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Learning Center, including licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

21.2 Notice to Franchisor. If, for any reason, Franchisee cannot meet tax or other financial obligations under Section 21, Franchisee will notify Franchisor as soon as Franchisee may know or have reason to know of such financial default.

22. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

22.1 No Fiduciary Relationship. Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither will have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement will be construed to alter the relationship. Franchisee will be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee's policies, practices, and decisions relating to the day-to-day operation of the Learning Center.

22.2 Public Notice. During the Term, Franchisee will hold itself out to the public as an independent contractor operating the Learning Center pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify.

22.3 No Assumption of Liability. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on the behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and Franchisor will in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor will Franchisor be liable by reason of any act or omission of Franchisee in its operation of the Learning Center or for any claim or judgment arising therefrom against Franchisee or Franchisor. The parties agree that Franchisor will not be liable for any acts, omissions, loss, or claims arising from or related to the design and construction of the Learning Center, or for any acts or omissions of design consultants, architects, engineers, contractors, or any other parties involved in the design and/or construction of the Learning Center.

22.4 INDEMNIFICATION. FRANCHISEE, FRANCHISEE'S PRINCIPALS AND FRANCHISEE'S AFFILIATES WILL INDEMNIFY AND HOLD FRANCHISOR, FRANCHISOR'S OWNERS AND PARENTS, AFFILIATES, SUBSIDIARIES AND PREDECESSORS, RELATED ENTITIES, IF ANY, AND THEIR RESPECTIVE CURRENT AND FORMER OFFICERS, DIRECTORS, MANAGERS, MEMBERS, PARTNERS, SHAREHOLDERS, AGENTS, EMPLOYEES, AND SUCCESSORS AND ASSIGNS (COLLECTIVELY THE "**INDEMNITEES**") HARMLESS FROM AND AGAINST ANY AND ALL CAUSES OF ACTION, CLAIMS, DEMANDS, LAWSUITS, PROCEEDINGS, JUDGMENTS, AWARDS, LOSSES, COSTS, EXPENSES, LIABILITIES, LITIGATION, DAMAGES OR OTHER EXPENSES (INCLUDING, BUT NOT LIMITED TO, SETTLEMENT COSTS AND ATTORNEYS' FEES) ARISING DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, FROM, AS A RESULT OF, OR IN CONNECTION WITH THIS AGREEMENT, THE LEARNING CENTER, THE OPERATION OF THE LEARNING CENTER AND/OR FRANCHISEE'S ACTIVITIES OR CONDUCT UNDER THIS AGREEMENT (NOTWITHSTANDING ANY CLAIMS THAT THE INDEMNITEES ARE OR WERE NEGLIGENT, IN WHICH CASE FRANCHISEE, FRANCHISEE'S PRINCIPALS AND FRANCHISEE'S AFFILIATES AGREE TO INDEMNIFY THE INDEMNITEES IN THE EVENT OF THEIR OWN NEGLIGENCE OR GROSS NEGLIGENCE). FRANCHISEE, FRANCHISEE'S PRINCIPALS AND FRANCHISEE'S AFFILIATES AGREE THAT WITH RESPECT TO ANY THREATENED OR ACTUAL LITIGATION, PROCEEDING OR DISPUTE WHICH COULD DIRECTLY OR INDIRECTLY AFFECT ANY OF THE INDEMNITEES, THE INDEMNITEES WILL HAVE THE RIGHT, BUT NOT THE OBLIGATION, IN THEIR DISCRETION, TO: (I) CHOOSE COUNSEL, (II) DIRECT, MANAGE AND/OR CONTROL THE HANDLING OF THE MATTER; AND (III) SETTLE ON BEHALF OF THE INDEMNITEES, AND/OR FRANCHISEE, FRANCHISEE'S PRINCIPALS AND/OR FRANCHISEE'S AFFILIATES ANY CLAIM AGAINST THE INDEMNITEES. ALL VOUCHERS, CANCELED CHECKS, RECEIPTS, RECEIPTED BILLS OR OTHER EVIDENCE OF

PAYMENTS FOR ANY SUCH LOSSES, LIABILITIES, COSTS, DAMAGES, CHARGES OR EXPENSES OF WHATSOEVER NATURE INCURRED BY ANY INDEMNITEE WILL BE TAKEN AS PRIMA FACIE EVIDENCE OF THE OBLIGATIONS OF FRANCHISEE, FRANCHISEE'S PRINCIPALS AND FRANCHISEE'S AFFILIATES HEREUNDER.

23. APPROVALS AND WAIVERS

23.1 Approval Requests. Whenever this Agreement requires the prior authorization, approval or consent of Franchisor, Franchisee will make a timely written request to Franchisor therefore, and such approval or consent must be obtained in writing.

23.2 Non-Waiver. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, will constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee will not be binding unless in writing and executed by the party sought to be charged and will not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor will any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor will such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder will not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

24. WARRANTIES OF OPERATOR

24.1 Reliance by Franchisor. Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

24.2 Compliance with Laws. Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor is prohibited by law from transacting business.

25. NOTICES

Any and all notices required or permitted under this Agreement will be in writing and will be personally delivered, sent by registered or certified mail, return receipt requested, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery. Franchisee will provide Franchisor with Franchisee's current home address and e-mail address at all times.

26. ENTIRE AGREEMENT

Franchisor and Franchisee, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Franchisee which are uncertain, Franchisor and Franchisee each

confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Franchisee or the relationship between them. Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the Manual, the attachments hereto, and the documents referred to herein constitute the complete and integrated Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 26 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits. No change in this Agreement will be binding on either party unless it is mutually agreed to in writing.

27. SEVERABILITY AND CONSTRUCTION

27.1 **Severable Parts**. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.

27.2 **Terms Surviving this Agreement**. 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), will survive such expiration, termination or assignment.

27.3 **No Rights on Third Parties**. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, officers, directors, shareholders, members, managers, owners, affiliates, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 16 hereof, any rights or remedies under or by reason of this Agreement.

27.4 **Captions for Convenience Only**. All captions in the Agreement are intended solely for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision.

27.5 **Full Scope of Terms**. 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.

27.6 **Franchisor's Application of Its Rights**. Franchisor will have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right and/or discretion to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or a right to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and in its judgment of what is in Franchisor's best interests and/or in the best interests of Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interests; (iii) Franchisor's decision or the action it takes applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned operations, if any; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

27.7 **Background Section**. The Background section at the beginning of this Agreement contains contractual terms that are not mere recitals.

28. APPLICABLE LAW AND DISPUTE RESOLUTION

28.1 **Governing Law**. This Agreement takes effect upon its acceptance and execution by Franchisor and Franchisee, and except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), the Federal Arbitration Act, the Copyright Act, or the Patent Act, this Agreement (and any matter arising out of or related to this Agreement) is governed by, and will be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of Texas will prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules. Nothing in this Section 28.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Texas or of any other state to which it would not otherwise be subject.

28.2 **Mediation**. Prior to filing a claim in arbitration, the parties agree to mediate any claim, controversy or dispute between Franchisor or any of its affiliates (and their respective owners, officers, directors, agents, representatives and/or employees) and Franchisee (and its owners, officers, directors, agents, representatives and/or employees) arising out of or related to: (a) this Agreement or any other agreement between Franchisor and Franchisee; (b) the offer and sale of the franchise; (c) the franchise relationship; or (d) the validity, enforceability, or scope of this Agreement or any other agreement between the Franchisor and Franchisee. Any such mediation will be non-binding and will be conducted in accordance with then-current American Arbitration Association ("**AAA**") rules for mediation of commercial disputes. All mediation proceedings will be conducted in the AAA office located in the city of Franchisor's then current principal place of business, unless Franchisor agrees otherwise in writing. Notwithstanding anything to the contrary, this Section 28.2 shall not require the mediation of claims, controversies or disputes related to or based on the improper use of the Proprietary Marks or Confidential Information, non-curable defaults such as moral turpitude, quality control default provisions, or the failure to pay fees or other monetary obligation(s) of either party under said agreement(s). Furthermore, this Section 28.2 will not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder will be concluded within forty-five (45) days of Franchisee's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the

parties in writing. All aspects of the mediation process will be treated as confidential, will not be disclosed to others, and will not be offered or admissible in any other proceeding or legal action whatsoever. Franchisor and Franchisee will each bear its own costs of mediation, and each will bear one-half (½) the cost of the mediator or mediation service.

28.3 **Arbitration**. Except as specifically provided in this Agreement, the parties agree that any and all disputes between them and any claim by either party that cannot be amicably settled or resolved by mediation will be determined solely and exclusively by arbitration pursuant to the current AAA rules for arbitration of commercial disputes. The arbitrator will hear the dispute in the AAA office located in the city of Franchisor's then current principal place of business, unless Franchisor agrees otherwise in writing. The arbitrator may properly consider any and all matters related thereto that would be admissible in a nonjury trial. The arbitrator's award will be announced within 7 days of the hearing of the dispute and will include all fees, costs and legal fees to the prevailing party. Judgment on the award of the arbitrator will be binding, and will be entered in a court of competent jurisdiction. Franchisee knows, understands and agrees that it is the intent of the parties that any arbitration between Franchisor and Franchisee will be of Franchisee's individual claims and that the claims subject to arbitration will not be arbitrated on a joint, representative, consolidated or class-wide basis.

28.4 **Choice of Venue**. Franchisee consents and agrees that the proper venue in any lawsuit relating to or arising out of this Agreement will be the state or federal court with subject matter jurisdiction serving the district in which the Franchisor has its then current principal place of business. Franchisee acknowledges that these courts will have personal jurisdiction over it and hereby waives any defense it may have on the grounds of improper venue.

28.5 **No Rights Exclusive of Other Rights**. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each will be cumulative of every other right or remedy, unless otherwise provided herein.

28.6 **WAIVER OF JURY TRIAL**. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER.

28.7 **WAIVER OF DAMAGES**. Except with respect to the exclusions set forth in this Section 28.7, to the fullest extent permitted by applicable law and as provided below, Franchisor and Franchisee waive any right to or claim of any punitive, exemplary, treble, incidental, indirect, special, Consequential Damages (defined below) or other similar damages against Franchisor, Franchisee, Principals, any of their respective affiliates and each of their respective officers, directors, shareholders, members, partners, agents, representatives, independent contractors, servants and employees, in their business entity and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort, statutory or otherwise). However, the foregoing waiver will not apply to any claim (a) by any party for attorneys' fees or costs and expenses under this Agreement; (b) for any damages whatsoever, including, without limitation, Consequential Damages, for adverse harm to the Marks or the System; (c) payments under Section 4; or (d) indemnification and damages for any third-party claims arising under Section 22.4. Notwithstanding anything to the contrary in this Agreement, if any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of limited waiver by agreement of punitive, exemplary, incidental, indirect, special, or Consequential Damages will continue in full force and effect. As used in this Agreement, "**Consequential Damages**" means damages and injury that result from a party's negligent performance of or other breach of this Agreement for: (a) lost profits; (b) compensation for damages to reputation and goodwill including costs of or resulting from delays, financing, marketing materials and media time and space, and costs of changing, substituting or replacing the

same; (c) any and all expenses of refunds, compensation, and public notices; and (d) other such amounts incurred in connection with the matters described herein.

28.8 WAIVER OF CONSUMER RIGHTS. FRANCHISEE, ON BEHALF OF ITSELF AND FRANCHISEE'S PRINCIPALS, MAKES THE FOLLOWING WAIVER UNDER THE TEXAS DECEPTIVE TRADE PRACTICES ACT: I WAIVE MY RIGHTS UNDER THE DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT, SECTION 17.41 ET. SEQ, BUSINESS & COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF MY OWN SELECTION, I VOLUNTARILY CONSENT TO THIS WAIVER.

28.9 Release of Claims. By executing this Agreement, Franchisee, on behalf of itself and its heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its members, managers, affiliates, predecessors, owners, officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof.

28.10 Litigation. Notwithstanding any provision contained in this Section 28, Franchisor may, at its sole option, institute an action or actions in court for temporary, preliminary, or permanent injunctive relief or seeking any other equitable relief against Franchisee, in addition to any other rights and remedies provided herein. Except as otherwise expressly prohibited by state law or regulation, in no event will Franchisee be entitled to make, Franchisee will not make, and Franchisee hereby waives, any claim for money damages by way of set off, counterclaim, defense or otherwise based on any claim or assertion by Franchisee that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by Franchisee under any of the terms of this Agreement. Franchisee's sole remedy for any such claim will be an action or proceeding to enforce any such provisions, for specific performance or declaratory judgment.

28.11 Counterparts; Paragraph Headings; Pronouns. This Agreement may be executed in any number of counterparts, all of which when taken together will constitute one and the same instrument. All captions and paragraph headings in this Agreement are intended solely for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision hereof. Each pronoun used herein will be deemed to include the other number of genders.

28.12 Security Interest. Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Learning Center, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code.

28.13 Attorneys' Fees. In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed upon Franchisee by this Agreement, Franchisor will be entitled to recover from Franchisee the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such

claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

29. ACKNOWLEDGEMENTS

29.1 FRANCHISEE'S INVESTIGATION OF THE BUSINESS POSSIBILITIES. FRANCHISEE AND ITS PRINCIPALS ACKNOWLEDGE THAT THEY HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF OPERATING AN IVY KIDS EARLY LEARNING CENTER, AND RECOGNIZE THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT FRANCHISEE'S 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(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE AND ITS PRINCIPALS ACKNOWLEDGE THAT THEY HAVE 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. FRANCHISEE AND ITS PRINCIPALS ACKNOWLEDGE THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER ORAL OR WRITTEN) ARE HEREBY CANCELED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. FRANCHISEE AND ITS PRINCIPALS FURTHER ACKNOWLEDGE THAT THEY HAVE NOT RECEIVED OR RELIED ON ANY REPRESENTATIONS ABOUT THE FRANCHISE BY THE FRANCHISOR, OR ITS OWNERS, OFFICERS, MEMBERS, MANAGERS, DIRECTORS, EMPLOYEES OR AGENTS, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENT TO THE FRANCHISOR, AS AN INDUCEMENT TO ENTRY INTO THIS AGREEMENT, THAT NEITHER FRANCHISEE NOR ITS PRINCIPALS HAVE MADE ANY MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

29.2 Receipt of FDD and Complete Agreement. Franchisee acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least fourteen (14) 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", otherwise known as the Franchise Disclosure Document (**FDD**), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement. Franchisee further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Franchisee of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

29.3 Franchisee Read the Agreement and Consulted Advisors. Franchisee acknowledges that it has read and understood Franchisor's FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

29.4 Franchisee's Responsibility for Operation of Business. Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Learning Center, Franchisee retains the right and sole responsibility for the day-to-day

management and operation of the Learning Center and the implementation and maintenance of System standards at the Learning Center.

29.5 **No Conflicting Obligations**. Each party represents and warrants to the other that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

29.6 **Different Franchise Offerings to Others**. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

29.7 **Good Faith**. Franchisor and Franchisee acknowledge that each provision in this Agreement has been negotiated by the parties hereto in good faith and the Agreement will be deemed to have been drafted by both parties. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including, without limitation, the provisions related to mediation and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

29.8 **Success Depends on Franchisee**. Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, its active participation in the daily affairs of the business, market conditions, area competition, availability of staff, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

29.9 **Anti-Corruption and Anti-Terrorism Laws**.

29.9.1 Prior to and during the Term, Franchisee and each of its Principals, employees, representatives or agents acting on its behalf, has not, directly or indirectly, offered, made or promised to make, authorized or given, and will not in the future offer, make or promise to make, authorize or give, any payment of funds or anything of value to any natural person or entity ("**Person**") in violation of the U.S. Foreign Corrupt Practices Act of 1977, as amended, and all similar laws, rules, and regulations of any jurisdiction applicable to Franchisee from time to time concerning or relating to bribery or corruption (together, the "**Anti-Corruption Laws**"), including with the intent to (i) influence any act or decision of a Government Official (defined below) in his or her official capacity, (ii) induce the Government Official to do or omit to do any act in violation of his or her lawful duty, (iii) secure any improper advantage, or (iv) induce a Government Official to use his or her position improperly to affect any act or decision of a government authority, in any way connected with this Agreement. Franchisee warrants and represents that no Government Official is or will be during the Term directly or indirectly an owner or investor in Franchisee and that no Government Official has or will have during the Term any financial interest, directly or indirectly, in the contractual relationship established by this Agreement. Franchisee will maintain accurate and complete accounting and other financial and business records related to this Agreement. As used in this Agreement, "**Governmental Official**" means (1) elected and unelected officials, employees, agents, advisors and representatives of any branch or agency of government (i.e., local, regional, and national, and legislative, administrative, judicial, and executive branches); (2) directors, officers, employees, representatives and agents of government-owned or controlled companies, even if the companies are only partially owned or controlled by the government and the company acts like a commercial entity; (3) political parties, party officials and candidates for office; and (4) officers, employees, representatives and agents of public international organizations.

29.9.2 Franchisee represents, covenants, and warrants to Franchisor that: (1) neither Franchisee, any Principal, nor any executive officer of Franchisee or any affiliate of Franchisee is identified, either by name or an alias, pseudonym or nickname, on the lists of "**Specially Designated Nationals**," "**Blocked Persons**" or similar lists maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts available at www.treas.gov/offices/enforcement/ofac/); (2) neither Franchisee nor any Principal is directly or indirectly owned or controlled by the government or any country that is subject to a United States embargo; (3) neither Franchisee nor any Principal acts or will act directly or indirectly on behalf of the government of any country that is subject to a United States embargo; and (4) neither Franchisee nor any of its Principals or executive officers has violated, and Franchisee will not violate, and will cause all Principals and their respective executive officers not to violate the U.S. Patriot Act (Public Law 107- 56), U.S. Executive Order 13224 (text available at http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf), and any similar applicable law prohibiting money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government (together, the "**Anti-Terrorism Laws**").

29.9.3 Franchisee will notify Franchisor in writing immediately (i) of the occurrence of any event which renders the foregoing representations, covenants, and warranties of this Section 29 false, inaccurate or misleading or which constitutes a breach of any of the covenants of this Section 29; or (ii) if Franchisee or any of its Principals, employees, representatives or agents violates Anti-Corruption Laws or Anti-Terrorism Laws or becomes subject to any internal investigation or investigation by a government authority involving the possible violation of Anti-Corruption Laws or Anti-Terrorism Laws during the Term.

29.9.4 Franchisee has implemented and will maintain and enforce policies and procedures designed to promote compliance by Franchisee and its Principals, employees, representatives and agents with Anti-Corruption Laws and Anti-Terrorism Laws.

29.10 **No Guarantees**. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Franchise Agreement in duplicate to be effective as of the Effective Date.

FRANCHISOR:
IVY KIDS SYSTEMS, LLC
a Texas limited liability company

By: _____

Title: _____

FRANCHISEE
If an Entity:

_____

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

Franchisee:
Address for Notices:

Attention:
Telephone:
Email:

Franchisor:
Address for Notices:

Ivy Kids Systems, LLC
2707 Spring Green Blvd.
Katy, Texas 77494

Attention: Amyn Bandali
Telephone: (281) 769 - 4266
Email: franchise@ivykids.com

With copy to:

Address:	Akerman LLP 1300 Post Oak Boulevard, Suite 2300 Houston, TX 77056
Attention:	William Sentell
Email:	william.sentell@akerman.com

EXHIBIT A

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
DATA SHEET

1. The Site Selection Area (See Section 1.2) for the Learning Center will be:

_____

_____

_____

2. The Accepted Location (See Section 1.4) for the Learning Center will be:

_____

_____

_____

3. The Territory will be as set forth in the terms of the Agreement, including but not limited to Section 1.6 of the Agreement. Additionally, the following applies:

Franchisee may operate the Learning Center only at the location Franchisor has accepted. Franchisee must obtain Franchisor's prior written approval if Franchisee seeks to relocate the Learning Center. If Franchisee loses possession of the Learning Center premises because of the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee, the Learning Center is damaged or destroyed by a disaster so that it cannot, in Franchisor's judgment, reasonably be restored, Franchisee must apply within ninety (90) days for approval to relocate the Learning Center or Franchisor may terminate the Franchise Agreement without providing Franchisee any opportunity to cure. Franchisor considers the same factors in reviewing Franchisee's initial location and any potential new location.

FRANCHISEE
If an Entity:

_____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT B

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL

FRANCHISEE'S PRINCIPALS

The following identifies all of Franchisee's Principals (as defined in Section 6.1 of the Franchise Agreement), including each Principal's contact information and percentage of ownership interest in Franchisee:

Name of Principal	Address, Telephone, E-mail	Interest (%) with Description
		Total %:

FRANCHISEE'S DESIGNATED PRINCIPAL

The following identifies Franchisee's Designated Principal (as defined in Section 9.3.1 of the Franchise Agreement), including his/her contact information and percentage of ownership interest in Franchisee:

Name of Designated Principal	Address, Telephone, E-mail	Interest (%) with Description

IN WITNESS WHEREOF, Franchisee hereby agrees to this Exhibit B.

FRANCHISEE
If an Entity:

_____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT C

IVY KIDS SYSTEMS, LLC

FRANCHISE AGREEMENT
GUARANTY, INDEMNIFICATION, AND
ACKNOWLEDGMENT

As an inducement to Ivy Kids Systems, LLC, a Texas limited liability company ("**Franchisor**") to enter into the Franchise Agreement between Franchisor and _____("**Franchisee**"), dated _____, 20__ (the "**Agreement**"), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor's successors and assigns that all of Franchisee's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this "**Guaranty**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be canceled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Franchisee under the Agreement and waives 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; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guaranty, 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, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

THE UNDERSIGNED HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD FRANCHISOR HARMLESS AGAINST ANY AND ALL LOSSES, DAMAGES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, BUT NOT LIMITED TO, REASONABLE ATTORNEY'S FEES, REASONABLE COSTS OF FINANCIAL AND OTHER INVESTIGATION, COURT COSTS, AND FEES AND EXPENSES) 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 ANY REQUIREMENTS IMPOSED BY THE MANUAL, OR ANY OTHER AGREEMENT EXECUTED BY FRANCHISEE REFERRED TO THEREIN.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 11, 12, 16, 18, and 19 of the Agreement. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agrees to them in order to secure the rights granted to Franchisee by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the "Ivy Kids" or "Ivy Kids Early Learning Center" marks or system licensed to Franchisee under the Agreement. The undersigned hereby agrees to keep the Manual confidential and only used in the operation of its Ivy Kids Learning Center and will not make public the information contained therein.

This Guaranty will 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 will 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 will remain in force according to their terms. Upon the death of an individual guarantor, the estate of such

guarantor will be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

The undersigned, if more than one, will be jointly and severally liable hereunder and the term "undersigned" will mean the undersigned or any one or more of them. Anyone signing this Guaranty will be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor is prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty will be in writing and will be personally delivered or by certified mail return receipt requested, in the manner provided under the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty will have the same meaning as in the Agreement, and will be interpreted and construed in accordance with the Agreement. This Guaranty will be governed by the dispute resolution provisions of the Agreement, and will be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of the State of Texas will prevail (without regard to, and without giving effect to, the application of Texas conflict of law rules).

IN WITNESS WHEREOF, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

GUARANTOR(S):

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT D

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

(ACH)

As part of the Franchise Agreement with Ivy Kids Systems, LLC, a Texas limited liability company (the "**Franchisor**"), the "**Franchisee**" understands that it is required to submit Weekly detailed Sales Reports for processing and payment of the Royalty Fee and Advertising Obligation. The Franchisee also understands that all the Royalty Fee, Advertising Obligation, and any and all other applicable fees and payments due under the Franchise Agreement will be debited from the bank account listed below on a Weekly basis, or on such other periodic basis as Franchisor prescribes. It is further understood that should the Franchisee fail to submit Sales Reports, the Franchisor, in its sole discretion, will estimate the amount of the Royalty Fee and Advertising Obligation due based on previous weeks or periods and the estimated Royalty Fee and Advertising Obligation will be debited from the Franchisee's bank account. Any excess amount of the Royalty Fee and/or Advertising Obligation collected due to non-reporting will be credited to the next drafting period once Sales Reports are received less the 5% penalty for late payment plus interest of 1.5% per month, or the maximum rate permitted by law, whichever is less. **The Sales Report, Royalty Fee, and Advertising Obligation are due no later than the 2nd day after the close of each Week and considered late if not received by 5:00 PM on such date or if such date lands on a weekend or holiday, then on the following business day.**

The Royalty Fee and Advertising Obligation will be processed by Electronic Funds Transfer ("**EFT**") using the Automated Clearing House ("**ACH**") method. The EFT/ACH debit will move funds directly from Franchisee's account into certain Franchisor accounts. In the event any such debits result in insufficient funds, Franchisee will pay an insufficient fund fee penalty to Franchisor in the amount of the greater of $250 or the amount imposed by the financial institution, and reimbursement of any fees incurred by Franchisor. In the event three or more insufficient funds fees are incurred within any twelve (12) month period, Franchisee will be deemed in default of the Franchise Agreement.

The Franchisee hereby authorizes its bank to pay and charge to its account EFT/ACH debits and drafts drawn by and payable to the order of the Franchisor at the Royalty Fee and Advertising Obligation rates under the Franchise Agreement, provided there are sufficient collected funds in said account to pay same. This authorization remains in full force and effective until sixty (60) days after the Franchisor has received written notification from the Franchisee of its termination. Should the bank dishonor any draft or EFT/ACH debit with or without cause, the Franchisee releases the bank from any and all liability.

Franchisee:

_____

Designated Principal:

_____

Learning Center Address:

_____

City, State, and Zip:

Please provide two (2) e-mail addresses for Draft Notices:

E-mail: _____ E-mail: _____

Please sign the acknowledgement below and return original via mail along with a VOIDED check sent to Ivy Kids Systems, LLC, 2707 Spring Green Blvd., Katy, Texas 77494. It may also be emailed to franchise@ivykids.com.

_____	_____	_____
Financial Institution	Routing Number	Account Number

Signature of Authorized Signer: _____ Date: _____

Please Attach Actual VOIDED CHECK

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

(CREDIT CARD AUTHORIZATION)

As part of the Franchise Agreement with Ivy Kids Systems, LLC, a Texas limited liability company (the "**Franchisor**"), the "**Franchisee**" has requested that Franchisor debit its initial marketing fee obligation, other local marketing expenditures paid on Franchisee's behalf by Franchisor and certain other expenditures agreed to by the parties via the credit card listed below in lieu of from its bank account. Franchisee understands that these expenditures will be withdrawn as a payment from the credit card listed below.

In the event any such credit card withdrawal is declined or otherwise not approved by the credit card issuer, Franchisee will pay an insufficient fund fee to Franchisor in the amount of: (a) twenty percent (20%) of the marketing expenditure amount or (b) the maximum amount permitted by applicable law. The amount of the marketing expenditure plus any insufficient fund fee will be withdrawn from Franchisee's bank account via ACH. Franchisee agrees to provide Franchisor with updated credit card information and to notify Franchisee within seventy-two (72) hours of cancellation or expiration of the credit card information below.

Franchisee hereby authorizes Franchisor to withdraw via the credit card below the initial marketing fee, other local marketing expenditures paid on Franchisee's behalf by Franchisor and other expenditures under the Franchise Agreement. This authorization remains in full force and effective until thirty (30) days after the Franchisor has received written notification from Franchisee of its termination. Should Franchisee's credit card issuer decline any credit card withdrawal with or without cause, Franchisee releases the issuer from any and all liability.

Credit Card Information

Credit Card Number: _____

Expiration Date: _____

Card Type:
□ Visa □ MasterCard □ American Express □ Discover □ Other

_Cardholder(s) Name: _____
(*As it appears on the credit card*)

Billing Address associated with the Credit Card
Account:_____
City: _____ State: ____Zip: _____

E-mail: _____ E-mail: _____
Please sign the acknowledgement below and return the original via mail to Ivy Kids Systems, LLC, 2707 Spring Green Blvd., Katy, Texas 77494. It may also be emailed to franchise@ivykids.com.

Signature of Authorized Signer: _____ Date: _____

EXHIBIT E

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
NON-DISCLOSURE AND NON-COMPETE AGREEMENT FOR TRAINED EMPLOYEES AND OTHERS ASSOCIATED WITH THE FRANCHISEE

THIS NON-DISCLOSURE AND NON-COMPETE AGREEMENT ("**Agreement**") is made this _____ day of _____, 20__, by and between _____ ("**us**," "**we**," "**our**" or the "**Franchisee**"), and _____, an employee of Franchisee ("**you**" or the "**Employee**").

INTRODUCTION

Ivy Kids Systems, LLC, a Texas limited liability company (the "**Franchisor**" or the "**Company**") has rights to a format and system (the "**System**") for establishing, operating, and licensing Learning Centers offering primarily preschool learning programs and care for children between 6 weeks and 12 years of age, along with related products and services, under the name "Ivy Kids Early Learning Center" (each is referred to as a "**Learning Center**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Learning Center under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor's confidential information and know-how concerning the methods of operation of an Ivy Kids Early Learning Center and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. **CONFIDENTIAL INFORMATION**. You agree that you will not, at any time (whether during or after your time of employment with us), communicate, copy, or divulge Confidential Information (defined below) to any Person, and that you will not use Confidential Information for your own benefit or for the benefit of any other Person. You may only use the Confidential Information in the performance of your duties in the operation of the Learning Center. You will store the Confidential Information, as applicable, in a secure location.

2. **DISCLOSURE**. You will disclose promptly to Franchisee any idea, concept, technique, or material concerning the System that you created in the operation of the Learning Center or using assets of Franchisee or of the Company, including any aspects of the System or any Confidential Information ("**Ideas**"). The Company will own all rights in all Ideas. Any copyrightable Ideas will be deemed works made for hire and the Company will own all rights in them. If Ideas do not qualify as works made for hire, by signing this Agreement you assign to the Company ownership of any and all rights in Ideas. Franchisee and/or the Company may use any Ideas or other information provided in any manner in your relationship with Franchisee without any additional compensation to you. You will, upon request, promptly sign all applications, assignments, or other instruments that the Company deems necessary to apply for and obtain invention rights, patents, patent applications, letters patent, copyrights, trademarks, and reissues of any of these rights in the United States and foreign countries on Ideas and to confirm the assignment to the Company of the sole and exclusive rights, title, and interest in and to your right in and to Ideas.

3. DEFINITIONS. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Confidential Information**" means any information, knowledge, operations manual, trade secrets, copyrighted material, methods, techniques, or know-how concerning the methods of operation of the Learning Center and the System that you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not the Franchisor or we have specifically designated that information as "confidential"). Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "**Person**" means any person, persons, partnership, entity, association, or corporation (other than the Franchisee or Franchisor).

c. The term "**Post-Term Period**" means a continuous uninterrupted period of (check as applicable) _____ two (2) years if you are a Franchisee, or _____ one (1) year if you are a manager or perform managerial responsibilities, from the date of: (a) termination of your employment with us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing this Agreement.

4. COVENANTS NOT TO COMPETE.

a. You understand and acknowledge that due to your employment with us, you will receive valuable specialized training and access to Confidential Information.

b. You covenant and agree that during the term of your employment, unless we give you our prior written approval, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Learning Center (or of any Learning Center) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System; and/or,

iii. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Learning Center in any state in the United States in which there is another Learning Center owned and/or operated by the Franchisor or an Ivy Kids franchisee.

c. You covenant and agree that during the Post-Term Period, unless we give you our prior written approval, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Learning Center, if that business is located (or if it is intended to be located) within a radius of twenty-five (25) miles of any Learning Center located or being constructed anywhere at that time.

5. LEGAL AND EQUITABLE REMEDIES. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

6. SEVERABILITY. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

7. DELAY. No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

8. THIRD-PARTY BENEFICIARY. You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

9. JURISDICTION; APPLICABLE LAW. You agree that any lawsuit brought by Franchisor to enforce its rights under this Agreement will be brought in the courts of the county where Franchisor has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement will be governed by the laws of the State of Texas. In the event of any conflict of law, the laws of Texas will prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

TRAINED EMPLOYEE OR OTHERS ASSOCIATED WITH THE FRANCHISE:

Signature: _____

Printed Name: _____

Title: _____

EXHIBIT F

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
ASSIGNMENT AGREEMENT AND
POWER OF ATTORNEY

FOR VALUE RECEIVED, the undersigned ("**Franchisee**") irrevocably assigns to Ivy Kids Systems, LLC, a Texas limited liability company ("**Franchisor**") the following: (1) the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement as described below; (2) any and all customer lists or similar documents, in any format and as stored on any media, that exist as of the date of termination of the Franchise Agreement as described below; and (3) any and all social media pages and/or presence on Internet based tools and applications that are used to share and distribute information, that exist as of the date of termination of the Franchise Agreement as described below ((1) through (3) collectively, the "**Assigned Information**"). The following terms apply:

1. This assignment is made under the terms of the franchise agreement between Franchisor and Franchisee dated _____, 20__, authorizing Franchisee to operate a Learning Center (the "**Franchise Agreement**") , which in part pertains to the Assigned Information the Franchisee uses in the operation of the Learning Center covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the Assigned Information only for transactions and advertising under and as allowed by the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, the Franchisee's limited right of use of the Assigned Information also terminates. In this event, Franchisee agrees to immediately discontinue use of all the Assigned Information. At Franchisor's request, Franchisee will immediately sign all documents, pay all monies, deliver to Franchisor, and take all other actions necessary to transfer, convey, and/or deliver the Assigned Information to Franchisor.

3. The telephone numbers and affiliated listings, comprising a part of the Assigned Information, subject to this assignment are:

Main:

_____

Facsimile:

_____

and all numbers on the rotary series and all numbers the Franchisee uses in the Learning Center in the future.

4. Franchisee will pay all amounts owed for the use, maintenance, or storage of the Assigned Information it incurs. On termination or expiration of the Franchise Agreement, Franchisee will immediately pay all amounts owed for the Assigned Information, whether or not due, including all sums owed under existing contracts.

5. Franchisee appoints Franchisor as its attorney-in-fact to act in Franchisee's place for the purpose of assigning any part of the Assigned Information to Franchisor or Franchisor's designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to exercise these powers, including full power of substitution and signing or completion of all documents required or requested by any third party to transfer any part of the Assigned Information, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for ten (10) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney is not affected by the Franchisee's later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

THE PARTIES have caused this Assignment Agreement and Power of Attorney to be duly signed as evidenced by their signatures appearing below.

Signed the day of _____, _____ 20_____

FRANCHISOR:
IVY KIDS SYSTEMS, LLC
a Texas limited liability company

By: _____

Title: _____

FRANCHISEE
If an Entity:

_____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT G

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
ADA CERTIFICATION

Ivy Kids Systems, LLC, a Texas limited liability company ("**Franchisor**") and _____ ("**Franchisee**") are parties to a Franchise Agreement for the operation of an Ivy Kids Early Learning Center located at _____ (the "**Learning Center**"). In accordance with Section 5.3.3 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee's knowledge, the Learning Center 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. Franchisee acknowledges that it is an independent contractor and the requirement of this certification which is hereby provided by Franchisee does not constitute ownership, control, leasing or operation of the Learning Center by Franchisor. Franchisee acknowledges that Franchisor has relied upon the information contained in this certification. Furthermore, Franchisee acknowledges its obligation (and the obligation of Franchisee's Principals and Affiliates) under the Franchise Agreement to indemnify Franchisor and the owners, members, managers, affiliates, predecessors, officers, directors, and employees of Franchisor (collectively the "**Indemnified Parties**") in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the Indemnified Parties as a result of any matters associated with Franchisee's required compliance with the Americans with Disabilities Act and other laws and regulations effecting the Learning Center, as well as the costs, including attorneys' fees, related to the same.

FRANCHISEE
If an Entity:

_____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT H

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
LEASE ADDENDUM

This Addendum to Lease ("**Addendum**"), dated _____, 20_____, is entered into by and between _____ ("**Lessor**"), and _____ ("**Lessee**"). In the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease to which it is attached, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. All defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease.

A. The parties hereto have entered into a certain Lease (or Sublease) Agreement ("**Lease**"), dated _____, 20_____, and pertaining to the premises located at _____ ("**Premises**").

B. Lessor acknowledges that Lessee intends to operate an Ivy Kids Learning Center ("**Learning Center**") franchise from the leased Premises pursuant to a Franchise Agreement ("**Franchise Agreement**") with Ivy Kids, Systems, LLC ("**Franchisor**") under the name "IVY KIDS LEARNING CENTER" or other name designated by Franchisor (herein referred to as "**Franchised Business**").

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Permitted Use. Lessor and Lessee agree that so long as the Franchise Agreement remains in effect, Lessee may use the Premises only for an Ivy Kids Learning Center and Lessee may offer for sale and sell at the premises only those goods and services related to the Franchised Business which Franchisor approves. Lessor consents to Lessee's use of Franchisor approved signage for the Ivy Kids Learning Center.

2. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement with Franchisor under which Lessee may operate the Franchised Business on the Premises.

3. Lease Term. The term of the lease will coincide with the term of the Franchise Agreement, including any renewal terms.

4. Assignment or Subletting. Lessee shall agree to attorn to any assignee of Lessor provided such assignee will agree not to disturb Lessee's possession of Premises. Lessee shall have the right to assign or sublet all of its right, title and interest in the Lease, at any time during the term of the Lease, including any extensions or renewals thereof, without charge and without first obtaining Lessor's consent in accordance with the Collateral Assignment of Lease attached hereto as **Exhibit H-1**: (a) to Franchisor or Franchisor's parent, subsidiary, or affiliate, (b) to a duly authorized franchisee of Franchisor, (c) in connection with a merger, acquisition, reorganization or consolidation, or (d) in connection with the sale of Lessee's corporate stock or assets. However, no assignment or sublease shall be effective until such time as Franchisor, parent or its designated subsidiary or affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor, its parent or its designated subsidiary

or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or Franchisor's parent, subsidiary or affiliate unless and until the Lease is assigned or sublet to, and accepted in writing by, Franchisor or Franchisor's parent, subsidiary or affiliate. In the event of any assignment or sublease, Lessee shall at all times remain liable under the terms of the Lease. Franchisor shall have the right to reassign or sublease the Lease to another franchisee without the Lessor's consent in accordance with Section 6(a). Lessor also grants Franchisor an option to purchase the Premises at the end of the lease term. Lessor agrees that Lessee may not assign the Lease or all or any part of its occupancy rights thereunder, or purchase the Premises, without Franchisor's prior written consent.

5. Default and Notice.

a. In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 6(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

b. All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, or by a recognized overnight courier or delivery services to the following address:

Ivy Kids Systems, LLC
Attention: Amyn Bandali
2707 Spring Green Boulevard
Katy, Texas 77494

and a copy (which shall not constitute Notice) to:

William Sentell
Akerman LLP
1300 Post Oak Boulevard, Suite 2300
Houston, Texas 77056

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

c. Following Franchisor's approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any extension thereof without Franchisor's prior written consent, which shall be granted or denied in Franchisor's sole discretion, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

6. Termination or Expiration.

a. Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign or sublet the Lease to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided Franchisee agrees to assume Lessee's obligations and

the Lease, provided however, that neither Franchisor or Franchisee shall be responsible for Lessee's monetary defaults under the Lease accruing prior to the assignment or reassignment.

b. Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the "Ivy Kids Learning Center" marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

7. Consideration; No Liability.

a. Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Exhibit H-1**.

b. Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

8. Sales Reports and Inspection. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business. Lessor acknowledges that the Franchise Agreement grants Franchisor the right of inspection of Lessee's Premises, and Lessor agrees to cooperate with Franchisor's efforts to enforce Franchisor's inspection rights.

9. No Development Restrictions. Lessee is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Learning Centers by Lessee, Franchisor, or any other person or entity.

10. Exclusivity. During the term of the Lease, Lessor will not sell or lease, or allow the sublease of, space in the building or on the property to any person or entity for a child care business. Additionally, Lessor will not sell and will prohibit any other tenant or subtenant in the building, or on the property, from engaging in a child care business. In the event Lessor does not comply with these restrictions, Franchisor will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant as the case may be.

11. No Radius Clause. Any radius restriction found in the Lease is hereby deleted.

12. No Relocation Clause. Any relocation clause found in the Lease is hereby deleted.

13. Casualty And Condemnation. In the event the Premises are completely or partially damaged by fire or other casualty or are condemned by a governmental agency in whole or in part, such that the Premises cannot, in Lessee's reasonable business judgment, be used by Lessee for their intended purposes, or can only be partially used by Lessee (it being understood that Lessee, in its reasonable business judgment, shall decide whether to remain open prior to the completion of repairs to the Premises) and this Lease is not terminated as otherwise provided in this Lease, there shall be an equitable abatement of rent, any percentage rent and other charges payable by Lessee hereunder for any days the Lessee cannot use the entire Premises. In the event the

Premises are not repaired or restored by Lessor within 180 days after the date of the casualty or condemnation, Lessee may elect to terminate this Lease upon 30 days prior written notice to Lessor.

14. Common Areas-No Changes**.** Lessor shall not change or alter the common areas in any manner which would alter the dimensions or location of the Premises or adversely affect the use, operation or conduct of Lessee's business being conducted in the Premises, adversely affect the accessibility or visibility of the Premises or reduce the existing parking facilities by more than 10%.

15. Hazardous Materials. Lessor represents and warrants that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "**Hazardous Materials**"). Notwithstanding any provision of this Lease to the contrary, Lessee shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Property, the Building or the Premises, other than those Hazardous Materials brought onto such areas by Lessee. Lessor shall be solely responsible for any changes to the Premises relating to Hazardous Materials, unless those Hazardous Materials were brought onto the Premises by Lessee. Lessor shall indemnify and hold Lessee harmless from and against all liabilities, costs, damages and expenses which Lessee may incur (including reasonable attorneys' fees) as the result of a breach of Lessor's representation and warranty set forth in this paragraph or the presence of Hazardous Materials in or about the Property, the Building or the Premises, unless those Hazardous Materials were brought onto such areas by Lessee.

16. Insurance and Waiver of Subrogation. Lessee may maintain the required liability insurance in the form of a blanket policy covering other locations of Lessee in addition to the Premises. Whenever (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty is incurred to the Premises or contents thereof by either party to this Lease, and (ii) such party is covered in whole or in part by insurance with respect to such loss, cost, damage or expense, then the party so insured hereby releases the other party from any liability it may have on account of such loss, cost, damage or expense to the extent of any amount recovered by such insurance.

17. Lessor Warranties. Lessor represents, covenants and warrants (i) that Lessor has lawful title to the Premises and has full right, power and authority to enter into this Lease; (ii) that the Premises are in compliance with the Americans with Disabilities Act ("**ADA**"); (iii) that the permitted "use" of the Premises does not currently violate the terms of any of Lessor's insurance policies; (iv) that Lessor currently maintains all risk of physical loss coverage for the full replacement cost of the Premises and shall maintain throughout the term of this Lease general liability insurance coverage for the Premises consistent with that being maintained from time to time by reasonably prudent owners of properties similar to the Premises in the same area; and (v) that so long as Lessee pays all monetary obligations due under this Lease and performs all other covenants contained herein, Lessee shall peacefully and quietly have, hold, occupy and enjoy the Premises during the term of this Lease and its use and occupancy thereof shall not be disturbed. Lessor covenants and agrees that Lessor shall take no action that will interfere with Lessee's intended usage of the Premises. Lessor shall indemnify and hold harmless Lessee and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (x) Lessor' operation of the Premises, (y) Lessor's breach in the performance of any of its obligations under this Lease, or (z) any violation of law by Lessor or any other act or omission of Lessor or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of this Lease.

18. Mitigation. Lessor shall use reasonable efforts to mitigate its damages in the event of a Lessee default.

19. Right of Entry and Subordination. Lessor will give Franchisor access to the Premises at reasonable times on not less than 24-hours' notice (or such shorter notice as may be reasonable when circumstances dictate) either to inspect the Premises for compliance with Franchisor's requirements, to remove

from the Premises any items bearing Franchisor's marks or logos and/or to take other action permissible under the Agreements between Lessee and Franchisor. Lessor specifically subordinates any lien it may have in such items to Franchisor's rights as licensor of the marks or logos displayed on items.

20. Right of First Refusal. In event Lessor desires to sell the Premises, Franchisor will have a right of first refusal to purchase the Premises on the same terms and conditions as such bona fide offer. Franchisor will have 30 days to elect such right upon receipt of a signed letter of intent or similar instrument from the third party or Lessee, as applicable.

21. Vacating Premises. Upon vacating the Premises, or termination of the Franchise Agreement or Lease (whichever occurs first), Lessee must remove all signs and materials bearing any of the marks or logos at its sole cost.

22. Modifications. Lessor and Lessee may not execute or agree to any modification of the Lease without the prior written approval of Franchisor.

23. Cross Default. Lessor and Lessee agree that any default under the Lease will constitute a default under the Franchise Agreement, and that the termination of the Franchise Agreement will constitute a default under the Lease.

24. Benefit. Lessor and Lessee acknowledge that they enter into this Addendum for the express benefit of Franchisor and that Franchisor is an intended beneficiary hereof.

25. Supremacy. This Addendum will control and supersede any inconsistent provision of the Lease.

The parties have signed this Agreement the day and year first above written.

LESSOR:	**LESSEE:**
_____	_____
By: _____	By: _____
Title: _____	Title: _____

EXHIBIT H-1

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor") assigns, transfers and sets over unto IVY KIDS SYSTEMS, LLC, a Texas limited liability company ("Assignee"), all of Assignor's right and title to and interest in that certain "Lease," a copy of which is attached hereto, with respect to the premises located at _____ ("Premises"). This Collateral Assignment of Lease ("Assignment") is for collateral purposes only and except as specified herein, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the Premises demised by the Lease according to the terms hereof and assumes Assignor's obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred, and is not otherwise obligated to assign or transfer, any of its interest in the Lease or the Premises it demises.

Upon Assignor's default under the Lease or under the "Franchise Agreement" for an Ivy Kids Learning Center between Assignee and Assignor or in the event Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee has the right to take possession of the Premises demised by the Lease and expel Assignor from the Premises. In that event Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent. Throughout the term of the Franchise Agreement Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee's failure to agree otherwise in writing and upon Assignor's failure to elect to extend or renew the Lease as required Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

ASSIGNOR:	**ASSIGNEE:**
_____	_____
By: _____	By: _____
Its: _____	Its: _____

EXHIBIT I

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

California and Virginia franchisees should not complete or sign this Franchisee Disclosure Acknowledgment Statement, if you are a resident of, or plan to conduct franchised business in either of those states. If a franchisee in either of those states does so, we will disregard and not rely on the Franchisee Disclosure Acknowledgment Statement.

As you know, Ivy Kids Systems, LLC, a Texas limited liability company (the "**Franchisor**") and you are preparing to enter into a franchise agreement (the "**Franchise Agreement**") for the establishment and operation of an "**Ivy Kids Early Learning Center**." The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a Broker acting on behalf of the Franchisor ("**Broker**") that have not been authorized, or that were not disclosed in the Franchise Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Ivy Kids Early Learning Center from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Ivy Kids Early Learning Center from an existing Franchisee?

Yes ____ No ____

2. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes ____ No ____

3. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes ____ No ____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

_____

_____

_____

_____

_____

_____

4. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document ("**Disclosure Document**") that was provided to you?

Yes ____ No ____

5. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

Yes ____ No ____

6. Do you understand all of the information contained in the Franchise Disclosure Document and any state-specific Addendum to the Franchise Disclosure Document?

Yes ____ No ____

If No, what parts of the Franchise Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

_____

_____

_____

_____

_____

_____

7. Have you discussed the benefits and risks of establishing and operating an Ivy Kids Early Learning Center with an attorney, accountant, or other professional advisor?

Yes ____ No ____

If No, do you wish to have more time to do so?

Yes ____ No ____

8. Do you understand that the success or failure of your Ivy Kids Early Learning Center will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes ____ No ____

9. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Learning Center operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Franchise Disclosure Document?

Yes ____ No ____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating an Ivy Kids Early Learning Center that is contrary to or different from the information contained in the Franchise Disclosure Document?

Yes ____ No ____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue an Ivy Kids Early Learning Center will generate, that is contrary to or different from the information contained in the Franchise Disclosure Document?

Yes ____ No ____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating an Ivy Kids Early Learning Center that is contrary to or different from the information contained in the Franchise Disclosure Document?

Yes ____ No ____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating an Ivy Kids Early Learning Center?

Yes ____ No ____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document or franchise agreement?

Yes ____ No ____

15. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes ____ No ____

16. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes ____ No ____

17. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If yes, who? _____

_____

If you have answered No to question 8, or Yes to any one of questions 9-16, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 8, and No to each of questions 9-16, please leave the following lines blank.

_____

_____

_____

_____

I signed the Franchise Agreement and Addendum (if any) on _____, 20_____, and acknowledge that no Agreement is effective until signed and dated by the Franchisor.

The name of the sales person or salespersons that handled this franchise sale was:

_____

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including a Broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, directors, members, managers, employees or agents (including a Broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "**Executive Order**") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "**Anti-Terrorism Measures**"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti- Terrorism Measure.

Acknowledged this_____day of_____, 20____.

PRINCIPAL(S)/GUARANTORS(S)

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

_____

Print Name of Legal Entity

By: _____

Print Name: _____

Title:_____

EXHIBIT J

IVY KIDS SYSTEMS, LLC
FRANCHISE AGREEMENT
OPTION TO PURCHASE

OPTION TO PURCHASE ASSETS OF FRANCHISEE

(A) **SIXTY DAY PERIOD**. Upon termination or expiration of this Franchise Agreement, Franchisor will have the right, but not the obligation, for sixty (60) days starting on the date of termination or expiration of the Franchise Agreement, to purchase the assets of the Franchisee.

(B) **RIGHT OF FIRST REFUSAL**. You may not offer to sell the assets of the Learning Center to a third party without first having offered the right to us.

(C) **PURCHASE PRICE**. The purchase price for the assets of the Learning Center will be their fair market value, excluding any goodwill. We may exclude from the purchased assets, any furniture, fixtures, equipment, signs, products or supplies that we have not previously approved as meeting quality or performance standards for Ivy Kids Early Learning Centers. If the parties cannot agree on the fair market value within a reasonable period of time, each party will select an independent appraiser to conduct a fair market value analysis. The appraised fair market value as determined by the appraisers will be binding on the parties. If the appraisers cannot agree on the fair market value, they in turn will select a third independent appraiser. The fair market value will be the average of all three appraisals and will be binding on the parties.

(D) **PAYMENT**. The purchase price for the assets of the Learning Center will be paid in cash at the closing of the purchase. The closing will take place no later than 120 days after Franchisee receives notice that Franchisor has elected to exercise the option to purchase. At the closing, you will deliver to us, in a form satisfactory to us, good and merchantable title to the assets purchased, free and clear of any encumbrances and all licenses or permits which may be assigned or transferred. You will be responsible for all sales and other transfer taxes due. We will have the right to set-off against the purchase price all amounts owed by you to us or our subsidiaries or affiliates.

FRANCHISEE
If an Entity:

_____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT K

IVY KIDS SYSTEMS, LLC
TRANSPORTATION AGREEMENT
BETWEEN FRANCHISEE AND FRANCHISOR

TRANSPORTATION VEHICLE. Franchisee will acquire, as a part of the operation of the Learning Center, at least one vehicle ("**Transportation Vehicle**"). The Transportation Vehicle will be used to transport students, and it will comply with the requirements set forth in the Manual, as well as all federal and state laws and regulations, including, but not limited to, registration, inspection, and safety laws and regulations. All Transportation Vehicles must bear the Ivy Kids Proprietary Marks in a form and location provided in the Manual, or otherwise approved by Franchisor.

MAINTENANCE OF VEHICLE. Franchisee, will, at its own expense, maintain at all times during the Initial Term and Renewal Term, the interior and exterior of the Transportation Vehicle(s) used in the course of business. The Transportation Vehicles will be kept in good repair, proper appearance, and in a safe operating condition. Franchisee will maintain the maintenance records required by the Manual. Franchisee will not use a Transportation Vehicle at any time that is not in good condition or good repair, particularly where the use of such Transportation Vehicle subjects any person to a safety risk.

VEHICLE DRIVER. Each person authorized to drive a vehicle must have a valid driver's license in the state in which the Learning Center is located. Such a person will have a responsible driving record for the past four years. In no event will any person other than the person authorized drive the Transportation Vehicle without prior written consent from Franchisee and verification by Franchisee of a valid driving record and valid driver's license.

THE PARTIES have caused this Transportation Agreement to be duly signed as evidenced by their signatures appearing below.

Signed the day of _____, _____ 20___

FRANCHISOR:
IVY KIDS SYSTEMS, LLC
a Texas limited liability company

By: _____

Title: _____

FRANCHISEE
If an Entity:

_____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT L

SBA ADDENDUM

SOP 50-10 5(j)

ADDENDUM TO FRANCHISE[1] AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20___, by and between Ivy Kids Systems, LLC ("Franchisor"), located at 2707 Spring Green Boulevard, Katy, Texas 77494, and _____ ("Franchisee"), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20___, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.
In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

[1] While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

Authorized Representative of FRANCHISOR:

By:_____
Print Name:_____
Title:_____

Authorized Representative of FRANCHISEE:

By:_____
Print Name:_____
Title:_____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements

Effective Date: January 1, 2018

EXHIBIT D

AREA DEVELOPMENT AGREEMENT

IVY KIDS SYSTEMS, LLC

AREA DEVELOPMENT AGREEMENT

_____

DEVELOPER

_____

DEVELOPMENT AREA

_____

EFFECTIVE DATE OF AGREEMENT

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EXHIBITS:

EXHIBIT A – DATA SHEET
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EXHIBIT D – DEVELOPER CERTIFICATION

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into on this_____ day of_____, 20___(the "**Effective Date**"), by and between:

◆ Ivy Kids Systems, LLC, a Texas limited liability company, whose principal place of business is 2707 Spring Green Blvd., Katy, Texas 77494 ("**Franchisor**"); and

◆ _____ a [resident of] [corporation organized in] [limited liability company organized in], having offices at:

_____

_____ ("**Developer**").

BACKGROUND:

A. Franchisor has rights to a format and system (the "**System**") relating to the establishment, development, and operation of Ivy Kids Early Learning Centers (individually a "**Learning Center**", and collectively referred to herein as the "**Learning Centers**") that provide child care and education programs for children between the ages of six weeks and twelve years old and feature and operate under the Proprietary Marks (as defined below). Learning Centers are designed using Franchisor's interior trade dress to be welcoming and comfortable for children, along with related products and services under the name "Ivy Kids Early Learning Center." A Learning Center operates using Franchisor's proprietary information, manuals, Proprietary Marks, trade dress, design, décor, image, lay-out, knowledge, trade secrets, procedures, standards, specifications, indoor and outdoor equipment, training of franchisees and staff, techniques, record keeping and business management (individually, "**Products**" or "**Services**", and collectively, "**Products and Services**") which may be changed, improved and further developed by the Franchisor from time to time.

B. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; child-friendly recipes, standards and specifications for products, indoor and outdoor equipment, materials, services and supplies; uniform standards, specifications, and procedures for operations; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, patents, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark "Ivy Kids" and "Ivy Kids Early Learning Center" and other marks (the "**Proprietary Marks**"). The Proprietary Marks are owned by Ivy Kids, LLC, are licensed to Ivy Kids Systems, LLC, and may be sub-licensed to franchisees.

D. Developer desires to obtain certain development rights to open and operate Learning Centers under the System and the Proprietary Marks, as well as to receive other assistance provided by Franchisor in connection therewith.

NOW THEREFORE, the parties agree as follows:

1. GRANT

1.1 Grant and Acceptance. Franchisor grants development rights to Developer, and Developer undertakes the obligation, pursuant to the terms and conditions of this Agreement, to develop no less than the number of Ivy Kids Early Learning Centers (the "**Learning Center**") as set forth in Exhibit "A" to this Agreement. In this regard, the parties further agree that:

1.1.1 Each Learning Center developed hereunder will be operated pursuant to a separate Ivy Kids Systems, LLC Franchise Agreement (a "**Franchise Agreement**") that will be executed as provided in Section 3.4 below.

1.1.2 For each Learning Center to be developed under this Agreement, Developer will execute the Franchise Agreement for such Learning Center in accordance with the deadlines set forth in the development schedule specified in Paragraph 1 of Exhibit "A" to this Agreement (the "**Development Schedule**").

1.1.3 Each Learning Center developed hereunder will be at a specific location, which will be designated in the Franchise Agreement, which is within in the area described in Paragraph 2 of Exhibit "A" to this Agreement (the "**Development Area**").

1.1.4 The site for each Learning Center developed hereunder will be selected by Developer and accepted by Franchisor in accordance with this Agreement or an addendum to the Franchise Agreement for each Learning Center.

1.2 Development Area. Except as otherwise set forth herein (including, without limitation, the rights retained by Franchisor as described in Section 1.3), during the term of this Agreement ("**Term**"), and so long as Area Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Developer (including any affiliate of Developer) and Franchisor, Franchisor will not establish or operate, or license anyone other than Developer to establish or operate, a Learning Center under the Proprietary Marks and System at any location that is within the Development Area.

1.3 Franchisor's Reserved Rights. Notwithstanding anything to the contrary, Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Developer any rights therein:

1.3.1 To own, acquire, establish, and/or operate and license others to establish and operate, Learning Centers under the System at any location outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Learning Centers;

1.3.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from Learning Centers, at any location within or outside the Development Area, notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Learning Centers within the Development Area;

1.3.3 To own, acquire, establish, and/or operate and license others to establish and operate, Learning Centers under the Proprietary Marks at sites at an Accepted Location, as defined in the Section 1.4 of the Franchise Agreement, any location within or outside the Development Area.

1.3.4 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products and services (including the Products and Services) through toll free numbers, or the Internet, including those products and services bearing Franchisor's Proprietary Marks, provided that distribution within the Development Area will not be from a Learning Center established under the System that is operated from within the Development Area;

1.3.5 To (i) acquire one or more child care businesses that are the same as, or similar to, Learning Centers then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Learning Centers, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Learning Center under the System, subject to the following conditions that apply to each Acquired Business located within the Development Area:

1.3.5.1 Except as otherwise provided herein, and provided that Developer is in compliance with this Agreement and any other agreement with Franchisor, Franchisor will offer to Developer the option to purchase and operate, as a Learning Center, an Acquired Business that is purchased by Franchisor for operation by Franchisor. In such event, Franchisor will provide Developer with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Developer's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Developer will include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business; and (b) the requirement that Developer enter into Franchisor's then-current form of System franchise agreement for the Acquired Business, provided that Developer will not be required to pay an initial franchise fee for an Acquired Business. If Developer does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor will have the right to operate itself, or through third party licensees or franchisees, the Acquired Business under any trade name or trademarks including the Proprietary Marks.

1.4 **No Rights to Use the System**. This Agreement is not a Franchise Agreement, and does not grant to Developer any right to use the Proprietary Marks or the System or to sell or distribute any Products and Services. Developer's rights to use the Proprietary Marks and System will be granted solely under the terms of the Franchise Agreement.

2. TERM

Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement will commence on the date hereof and will expire on the earlier of (i) the date the final Franchise Agreement is executed by Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Learning Centers to be located in the Development Area as set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit "A"; or (ii) the final date set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit "A" (the "**Expiration Date**").

3. DEVELOPMENT OBLIGATIONS

3.1 **Time is of the Essence**. Recognizing that time is of the essence, Developer will comply strictly with the Development Schedule. Developer acknowledges and agrees that the Development Schedule requires that Developer have executed and delivered to Franchisor Franchise Agreements for a cumulative number of Learning Centers by the end of the time periods specified in Exhibit "A".

3.2 **Identifying and Securing Sites**. Developer will be solely responsible for identifying, submitting for Franchisor's acceptance, and securing specific sites for each Learning Center. The following terms and conditions will apply to each Learning Center to be developed hereunder:

3.2.1 Developer will submit to Franchisor, in a form specified by Franchisor, a completed site review package, which will include; (i) a site review form prescribed by Franchisor; (ii) a trade area and site marketing research analysis (prepared by a company approved in advance by Franchisor); (iii) a proposed contract, letter of intent, proposed lease, or other evidence satisfactory to Franchisor which describes Developer's favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; (vi) a survey or plat of the site, and (vii) such other information or materials as Franchisor may reasonably require (collectively, the "**SRP**"). Franchisor will have twenty (20) business days after receipt of the SRP from Developer to accept or not accept, in its sole discretion, the proposed site for the Learning Center. In the event Franchisor does not accept a proposed site by written notice to Developer within said twenty (20) business days, such site will be deemed not accepted by Franchisor. No site will be deemed accepted unless it has been expressly accepted in writing by Franchisor.

3.2.2 Following Franchisor's acceptance of a proposed site, Developer will use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 3.3 below, or a binding purchase agreement that is acceptable to Franchisor, and will do so within sixty (60) days of approval of the site by Franchisor. Developer will immediately notify Franchisor of the execution of the approved lease or binding purchase agreement. The site approved and secured pursuant to this Agreement will be specified as the "**Accepted Location**" under the Franchise Agreement executed pursuant Section 3.4 below.

3.2.3 DEVELOPER HEREBY ACKNOWLEDGES AND AGREES THAT ACCEPTANCE BY FRANCHISOR 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 LEARNING CENTER OR FOR ANY OTHER PURPOSE. ACCEPTANCE BY FRANCHISOR 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 HAVE BEEN EFFECTIVE WITH RESPECT TO OTHER SITES AND PREMISES MAY NOT BE PREDICTIVE OF POTENTIAL FOR ALL SITES AND THAT, SUBSEQUENT TO ACCEPTANCE BY FRANCHISOR OF A SITE, DEMOGRAPHIC AND/OR ECONOMIC FACTORS, SUCH AS COMPETITION FROM OTHER SIMILAR BUSINESSES, INCLUDED IN OR EXCLUDED FROM CRITERIA USED BY FRANCHISOR COULD CHANGE, THEREBY ALTERING THE POTENTIAL OF A SITE. SUCH FACTORS ARE UNPREDICTABLE AND ARE BEYOND THE CONTROL OF FRANCHISOR. FRANCHISOR WILL NOT BE RESPONSIBLE FOR THE FAILURE OF A SITE ACCEPTED BY FRANCHISOR TO MEET DEVELOPER'S EXPECTATIONS AS TO REVENUE OR OPERATIONAL CRITERIA.

3.3 **Lease Terms**. For each Learning Center to be developed hereunder, if Developer will occupy the premises from which the Learning Center will be operated under a lease or sublease, Developer will, prior to execution of such lease, submit the lease to Franchisor for its review and approval. In addition, you and the landlord will execute a lease addendum in the form attached as Schedule D (the "**Lease Addendum**").

3.4 **Franchise Agreements**. With respect to the Franchise Agreements to be executed for the Learning Centers to be developed pursuant to this Agreement, the following terms and conditions will apply:

3.4.1 Upon acceptance by Franchisor of the proposed site for the Learning Center, Franchisor and Franchisee will execute this Agreement and the Franchise Agreement for the first Learning Center.

3.4.2 The Franchise Agreement for each subsequent Learning Center to be developed under this Agreement will be Franchisor's then-current form of Franchise Agreement, the terms of which may

differ from the terms of the Franchise Agreement executed simultaneously with this Agreement including, without limitation, higher and/or additional fees; provided, however, so long as Developer is in compliance with this Agreement, the initial Franchise Fee (as set forth in the Franchise Agreement) and the royalty fee (as set forth in the Franchise Agreement) will each be the same as set forth in the first Franchise Agreement executed simultaneously with this Agreement.

3.4.3 Franchisor will permit one or more Franchise Agreements to be executed by entities other than Developer; provided that (a) each such franchisee entity is controlled by, or under common control with, Developer, and (b) the Developer and all Principals (as defined in Section 9.1 below) of Developer and its or their spouse(s), as requested by Franchisor, execute guarantees, guarantying to Franchisor the timely payment and performance of franchisee's obligations under the Franchise Agreement.

3.4.4 Provided that Developer is in compliance with this Agreement, within fifteen days (15) days after Developer locates, receives acceptance of, and secures a site pursuant to Sections 3.2 and 3.3 above, Developer (or an affiliate of Developer pursuant to Section 3.4.3 above) will execute the Franchise Agreement for such Learning Center, as provided in this Section 3.4. Failure to timely execute a Franchise Agreement as required by this Section 3.4 will constitute a default under this Agreement. Developer will thereafter comply with all pre-opening and opening requirements set forth in the Franchise Agreement relating to the Learning Center.

3.5 **Force Majeure Events**. Developer will not be responsible for non-performance or delay in performance occasioned by a "**force majeure,**" which means an act of God, pandemic, epidemic, public health emergency, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Developer; provided, however, force majeure will not include Developer's lack of adequate financing. If any delay occurs, any applicable time period hereunder will be automatically extended for a period equal to the time lost; provided, however, that Developer will make reasonable efforts to correct the reason for such delay and give Franchisor prompt written notice of any such delay.

4. DEVELOPMENT FEE

4.1 **Area Development Fee**. In consideration of the development rights granted herein, Developer will be required to pay an area development fee ("**Area Development Fee**") consisting of (a) the full Franchise Fee for the first Learning Center to be developed under the Area Development Agreement, (b) $75,000 of the Franchise Fee for the second Learning Center to be developed under the Area Development Agreement, and (c) $60,000 for the third and each additional Learning Center to be developed under the Area Development Agreement. The Developer expressly acknowledges and agrees that the ADA Fee is fully earned and non-refundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted herein to Developer, even if Developer does not enter into any Franchise Agreements pursuant to this Agreement.

5. DUTIES OF THE PARTIES

5.1 **Franchisor's Assistance**. Franchisor will furnish to Developer the following:

5.1.1 Such site selection counseling and development assistance as Franchisor may deem advisable;

5.1.2 Such on-site evaluation as Franchisor deems advisable in its sole discretion in response to Developer's request for site acceptance for each Learning Center; provided, however, that Franchisor will not provide on-site evaluation for any proposed site prior to the receipt of a SRP for such site prepared by Developer pursuant to Section 3.2.

5.2 **Designated Principal**. If Developer is other than an individual, Developer will designate, subject to Franchisor's reasonable approval, one Principal (as defined in Section 9.1) who is both an individual person and owns at least a ten percent (10%) of Developer, and who will be responsible for general oversight and management of the development of the Learning Centers under this Agreement and the operations of all such Learning Center open and in operation on behalf of Developer (the "**Designated Principal**"). Developer acknowledges and agrees that Franchisor will have the right to rely upon the Designated Principal to have been given, by Developer, the responsibility and decision making authority regarding the Developer's business and operation. In the event the person designated as the Designated Principal becomes incapacitated, leaves the employ of Developer, transfers his/her interest in Developer, or otherwise ceases to supervise the development of the Learning Centers, Developer will promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

5.3 **Records and Reports to Franchisor**. Developer will, at Developer's expense, comply with the following requirements to prepare and submit to Franchisor the following reports, financial statements and other data, which will be prepared in the form and using the standard statements and chart of accounts as Franchisor may prescribe from time to time:

5.3.1 No later than the twentieth (20th) day of each calendar month, Developer will have prepared a profit and loss statement reflecting all Developer's operations during the last preceding calendar month, for each Learning Center. Developer will prepare profit and loss statements on an accrual basis and in accordance with generally accepted accounting principles. Developer will submit such statements to Franchisor at such times as Franchisor may designate or as Franchisor may otherwise request.

5.3.2 On or before April 15th of each year following the end of Developer's fiscal year, Developer will have prepared and submitted a complete annual financial statement (prepared according to generally accepted accounting principles ("**GAAP**")), on a compilation basis to Franchisor, and if required by Franchisor, such statements will be prepared by an independent certified public accountant.

5.3.3 Such other forms, reports, records, information, and data as Franchisor may reasonably designate.

5.4 **Maintaining Records**. Developer will maintain, during the Term, and will preserve for at least seven (7) years from the dates of their preparation, and will make available to Franchisor at Franchisor's request and at Developer's expense, full, complete, and accurate books, records, and accounts in accordance with GAAP.

5.5 **Developer to Provide Training**. Developer agrees that, notwithstanding anything to the contrary in any Franchise Agreement, Developer will be responsible for conducting the initial training of all required trainees (including, without limitation, the owners and management personnel) for the fourth (4th) and any subsequent Learning Center developed under this Agreement, in accordance with the requirements and conditions as Franchisor may from time to time establish for the initial training. By no later than the time Developer is seeking Franchisor's approval to develop the fourth (4th) Learning Center under this Agreement, Developer will be have completed to Franchisor's satisfaction all requirements and conditions necessary to obtain Franchisor's approval for Developer to conduct such training.

6. DEFAULT AND TERMINATION

6.1 **Automatic Termination**. Developer will be deemed to be in default under this Agreement, and all rights granted herein will 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 not opposed by Developer; if Developer is adjudicated a 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 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 Developer; if final judgment remains unsatisfied or of record for thirty (30) days or longer; if Developer is dissolved; if execution is levied against any asset of Developer or Developer's Learning Centers; if suit to foreclose any lien or mortgage against any asset of Developer or Developer's Learning Centers is instituted against Developer and not dismissed within sixty (60) days; or if any asset of Developer's or any Learning Center of Developer's will be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 Termination Upon Notice. Developer will be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.5 below, without affording Developer any opportunity to cure the default, effective immediately upon the provision of notice to Developer (in the manner provided under Section 10 hereof), upon the occurrence of any of the following events of default:

6.2.1 If the Franchise Agreement for any Learning Center operated by Developer (or an entity affiliated with Developer) is terminated.

6.2.2 If Developer or any Principal is convicted of a felony, a crime involving moral turpitude, or any other crime or action that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

6.2.3 If Developer or any Principal purports to transfer any rights or obligations under this Agreement or any the assets of Developer in a manner that is contrary to the terms of Section 7 of this Agreement.

6.3 Notice and Opportunity to Cure – For a Missed Deadline. Failure by Developer to meet a deadline under the Development Schedule (a "**Missed Deadline**") will constitute a default under this Agreement. Franchisor will, for one (1) Missed Deadline, provide Developer with a reasonable opportunity to cure such default by notifying Developer in writing of a new date for the Missed Deadline (without change to any other deadline in the Development Schedule). If Developer fails to comply with the Development Schedule by such new deadline, and upon the occurrence of another Missed Deadline, Franchisor, in its sole discretion, may terminate this Agreement and all rights granted hereunder without affording the Developer any further opportunity to cure the default, effective immediately upon the delivery of written notice to Developer (in the manner set forth in Section 10 of this Agreement); or Franchisor, in its sole discretion, may elect, in lieu of terminating this Agreement, to take any of the actions described in Section 6.5 below.

6.4 Notice and Opportunity to Cure Other Defaults. Except as otherwise provided in Sections 6.1, 6.2 , and 6.3 above, if Developer fails to comply with any material term and condition of this Agreement, such action will constitute a default under this Agreement and, upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Developer may avoid termination by curing the default to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the 30-day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including but not limited to, the right to develop new Learning Centers) will terminate without further notice to Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

6.5 Franchisor's Other Options upon Default. Franchisor, in its sole discretion, may elect, in lieu of terminating this Agreement, to use of one or more of the other remedial measures for Developer's

breach of this Agreement, which include, but are not limited to: (i) loss of the limited exclusivity, or reduction in the scope of protections, granted to Developer under Section 1.2 herein for the Development Area; (ii) reduction in the scope of the Development Area; (iii) reduction in the number of Learning Centers to be developed by Developer; and/or (iv) Franchisor's retention of all area development fees paid, or owed, by Developer. If Franchisor exercises said right, Franchisor will not have waived its right to, in the case of future defaults, exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement and the Franchise Agreement.

6.6 No Further Rights. Upon termination or expiration of this Agreement, Developer will have no right to establish or operate any Learning Center for which a Franchise Agreement has not been executed by Franchisor at the time of termination or expiration. Franchisor's remedies for Developer's breach of this Agreement will include, without limitation, Developer's loss of its right to develop additional Learning Centers under this Agreement, and Franchisor's retention of all area development fees paid or owed by Developer. Upon termination or expiration, Franchisor will be entitled to establish, and to franchise others to establish, Learning Centers in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Developer or Developer's affiliates (as permitted under Section 3.4.3 above).

7. TRANSFER OF INTEREST

7.1 Franchisor's Rights to Transfer. Franchisor will have the right, without the need for Developer's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any designated assignee of Franchisor will become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Developer expressly affirms and agrees that Franchisor will have the right, without the need for Developer's consent, to sell its assets, its Proprietary Marks, or its System; sell its securities in a public offering or in a private placement; merge, acquire other corporations, or be acquired by another corporation; and undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

7.2 No Transfers without Franchisor's Approval. Developer understands and acknowledges that Franchisor has granted the rights hereunder in reliance on the business skill, financial capacity, and personal character of Developer or the Principals of Developer if Developer is not an individual. Accordingly, neither Developer nor any Principal will sell, assign, transfer, pledge or otherwise encumber any direct or indirect interest in the Developer (including any direct or indirect interest in a corporate or partnership Developer), the rights or obligations of Developer under this Agreement, or any material asset of the Developer's business, without the prior written consent of Franchisor, which will be subject to Sections 7.3 and 7.4 below and to all of the conditions and requirements for transfers set forth in the Franchise Agreement executed simultaneously with this Agreement that Franchisor deems applicable to a proposed transfer under this Agreement.

7.3 Simultaneous Transfers. Developer understands and acknowledges that any consent to a transfer of this Agreement will, unless waived, be conditioned on, among other factors, the requirement that the proposed transfer of this Agreement is to be made in conjunction with a simultaneous transfer of all other agreements, including Franchise Agreements, executed pursuant to this Agreement to the same approved transferee.

7.4 Transfer Fee. Any and all transfers are subject to the prior written approval of Franchisor in its sole discretion. On any transfer or assignment of this Agreement, Developer will pay a transfer fee as follows:

(a) if a transfer of shares or ownership interest is to existing owners that have already been approved by Franchisor, the transfer fee will be an amount equal to $1,500;

(b) if the transfer is to add a new owner (e.g. shareholder, member, partner) that does not change the majority ownership in the Developer entity, the transfer fee will be an amount equal to $1,500;

(c) if the transfer is to an individual or entity that is new to the franchise, the transfer fee will be an amount equal to 2/3 of the franchise's franchise fee in effect at the time of the proposed transfer; or

(d) if the transfer is to an existing franchise owner of Ivy Kids that is approved to purchase the location(s), the transfer fee will be an amount equal to 40% of the franchise's franchise fee in effect at the time of the proposed transfer.

For a transfer under subsection (c) above, if Franchisor provided the sales lead that becomes the new Developer, an additional seven percent (7%) of the value of the sale will be assessed to the selling Franchisee at the closing of the sale.

7.5 Transfer to Entity Formed for by Developer. Notwithstanding anything to the contrary in this Section 7, if Developer is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 7.4 will not apply, and Developer may undertake such transfer, provided that: (a) Developer owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Developer and any other Principal(s) and its or their spouse(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Developer under this Agreement; (c) Developer executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to developing and operating the Learning Centers; and (e) Developer and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

8. COVENANTS

8.1 Confidential Information. Developer will at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and will disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. Developer will not at any time, during the Term or thereafter, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

8.2 During the Term. Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, which may include, without limitation, information regarding the operational, sales, advertising and promotional methods and techniques of Franchisor and the System. Developer covenants that during the Term, except as otherwise approved in writing by Franchisor, Developer will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

8.2.1 Divert or attempt to divert any business or guest of any Learning Center or of any unit under the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

8.2.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

8.2.3 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below) in any state in the United States in which there is another Learning Center owned and/or operated by Franchisor or an Ivy Kids franchisee. A "**Competitive Business**" will be considered (i) any day care or other education institution with sales of child care or education equal to or greater than ten percent (10%) of total sales; (ii) any child care business with offerings consisting predominantly of child care or education; or (iii) any child care business which is the same or substantially similar to the business carried on at the Learning Center, namely a business which generates substantially all of its revenue from sale of products and services similar to those offered in a Learning Center under the System. Developer acknowledges and agrees that Developer will be considered in default under this Agreement and that this Agreement will be subject to immediate termination as provided in Section 6.2 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Developer (or, if Developer is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 8.2.3 if such person was subject to the covenants of this Section 8.2.3.

8.3 **After the Agreement and After a Transfer**. Developer covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 7 above; (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 8.3; or (e) any or all of the foregoing, Developer will not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, corporation, or other entity, own, maintain, operate, engage in, be employed by, or have any interest in any Competitive Business, which is, or is intended to be, located (i) within the Development Area (other than those Learning Centers provided for in the Development Schedule), or (ii) within a radius of twenty-five (25) miles of any other Learning Center, located anywhere, in operation or under construction on the effective date of termination or expiration. Provided, however, that this provision will not apply to the operation by Developer of any business under the System under a franchise agreement with Franchisor.

8.4 **Exception for Ownership in Public Entities**. Sections 8.2 and 8.3 hereof will not apply to ownership by Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term "**publicly held corporation**" refers to a corporation which has outstanding securities that have been registered under the federal Securities Exchange Act of 1934.

8.5 **Personal Covenants**. At the request of Franchisor, Developer will obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 8 (including covenants applicable upon the termination of a person's relationship with Developer) and the provisions of Sections 6 and 7 of this Agreement (as modified to apply to an individual) from all managers and other personnel employed by Developer who have received or will receive training and/or other confidential information, or who are or may be involved in the operation or development of the Learning Centers. Every covenant required by this Section 8.5 will be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.6 **Covenants as Independent Clauses**. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 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 8.

8.7 **Franchisor's Right to Reduce Scope of the Covenants**. Developer understands and acknowledges that Franchisor will have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof; and Developer agrees that it will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 15 hereof.

8.8 **Covenants Survive Claims**. Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 **Compliance with Laws**. Developer represents and warrants to Franchisor that neither Developer (including, without limitation, any and all of its employees, directors, officers and other representatives) nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor is prohibited by law from transacting business.

9. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

9.1 **List of Principals**. If Developer is a corporation, limited liability company, or partnership, each owner of beneficial interest in Developer (each a "**Principal**"), and the interest of each Principal in Developer, will be identified in Exhibit "B" to this Agreement. Developer will maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit "B" upon any change, which will be made only in compliance with Section 7 above. As set forth in Section 5.2 above, the Designated Principal will at all times have at least a ten percent (10%) interest in Developer.

9.2 **Guaranty, Indemnification, and Acknowledgment**. Each Principal and that Principal's spouse (if applicable) will execute a guaranty, indemnification, and acknowledgment of Franchisee's covenants and obligations under this Agreement in the form attached hereto as Exhibit "C".

9.3 **Corporations and Limited Liability Companies**. If Developer is a corporation or limited liability company, Developer will comply with the following requirements:

9.3.1 Developer will be newly organized and its governing documents will at all times provide that its activities are confined exclusively to developing and operating the Learning Centers.

9.3.2 Developer will, upon request of Franchisor, promptly furnish to Franchisor copies of Developer's articles of incorporation/certificate of formation, bylaws/company agreements, articles of organization, operating agreement, corporate minutes and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members/managers authorizing entry into this Agreement.

9.3.3 Developer will maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Developer will conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 9.3.3 will not apply to a publicly held corporation.

9.4 **Partnerships and Limited Liability Partnerships**. If Developer or any successor to or assignee of Developer is a partnership or limited liability partnership, Developer will comply with the following requirements:

9.4.1 Developer will be newly organized and its partnership agreement will at all times provide that its activities are confined exclusively to developing and operating the Learning Centers.

9.4.2 Developer will furnish Franchisor with a copy of its partnership agreement as well as other documents as Franchisor may reasonably request, and any amendments thereto.

9.4.3 The partners of the partnership will not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

10. NOTICES

Any and all notices required or permitted under this Agreement will be in writing and will be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice given to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery.

11. PERMITS AND COMPLIANCE WITH THE LAWS

11.1 Compliance with Laws. Developer will comply with all federal, state, and local laws, rules and regulations, and will timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

11.2 Notice of Actions. Developer will notify Franchisor in writing within five (5) days of the receipt of any demand letter, 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 Developer and/or any Learning Center established under this Agreement.

12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

12.1 No Fiduciary Relationship. Developer is an independent contractor. Franchisor and Developer are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither will have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement will be construed to alter the relationship.

12.2 Public Notice. During the Term, Developer will hold itself out to the public as an independent contractor operating the business pursuant to an area development agreement with Franchisor. Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of the fact in a conspicuous place in Developer's offices, the content of which Franchisor reserves the right to specify.

12.3 No Assumption of Liability. Nothing in this 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 that Franchisor will in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor will Franchisor be liable by reason of any act or omission of Developer in Developer's operations hereunder, or for any claim or judgment arising there from against Developer or Franchisor.

12.4 INDEMNIFICATION. DEVELOPER, DEVELOPER'S PRINCIPALS AND DEVELOPER'S AFFILIATES WILL INDEMNIFY AND HOLD FRANCHISOR, FRANCHISOR'S OWNERS, MEMBERS, PREDECESSORS, AND AFFILIATES, IF ANY, AND SUCCESSORS AND ASSIGNS, AND THEIR RESPECTIVE OFFICERS, MANAGERS, AGENTS, DIRECTORS, AND EMPLOYEES (THE "**INDEMNITEES**") HARMLESS AGAINST ANY AND ALL CAUSES OF ACTION, CLAIMS, DEMANDS, LAWSUITS, PROCEEDINGS, JUDGMENTS, AWARDS, LOSSES, COSTS, EXPENSES, LIABILITIES, LITIGATION, DAMAGES OR OTHER EXPENSES (INCLUDING, BUT NOT LIMITED TO, SETTLEMENT COSTS AND ATTORNEYS' FEES) ARISING DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, FROM, AS A RESULT OF, OR IN CONNECTION WITH THIS AGREEMENT, (NOTWITHSTANDING ANY CLAIMS THAT THE INDEMNITEES ARE OR WERE NEGLIGENT, IN WHICH CASE DEVELOPER, DEVELOPER'S PRINCIPALS AND DEVELOPER'S AFFILIATES AGREE TO INDEMNIFY THE INDEMNITEES IN THE EVENT OF THEIR OWN NEGLIGENCE OR GROSS NEGLIGENCE). DEVELOPER, DEVELOPER'S PRINCIPALS AND DEVELOPER'S AFFILIATES AGREE THAT WITH RESPECT TO ANY THREATENED OR ACTUAL LITIGATION, PROCEEDING OR DISPUTE WHICH COULD DIRECTLY OR INDIRECTLY AFFECT ANY OF THE INDEMNITEES, THE INDEMNITEES WILL HAVE THE RIGHT, BUT NOT THE OBLIGATION, IN THEIR DISCRETION, TO: (I) CHOOSE COUNSEL, (II) DIRECT, MANAGE AND/OR CONTROL THE HANDLING OF THE MATTER; AND (III) SETTLE ON BEHALF OF THE INDEMNITEES, AND/OR DEVELOPER, DEVELOPER'S PRINCIPALS AND/OR DEVELOPER'S AFFILIATES, ANY CLAIM AGAINST THE INDEMNITEES. ALL VOUCHERS, CANCELED CHECKS, RECEIPTS, RECEIPTED BILLS OR OTHER EVIDENCE OF PAYMENTS FOR ANY SUCH LOSSES, LIABILITIES, COSTS, DAMAGES, CHARGES OR EXPENSES OF WHATSOEVER NATURE INCURRED BY ANY INDEMNITEE WILL BE TAKEN AS PRIMA FACIE EVIDENCE OF THE OBLIGATION OF DEVELOPER, DEVELOPER'S PRINCIPALS AND/OR DEVELOPER'S AFFILIATES HEREUNDER.

13. APPROVALS AND WAIVERS

13.1 Approval Requests. Whenever this Agreement requires the prior approval or consent of Franchisor, Developer will make a timely written request to Franchisor therefor, and such approval or consent will be in writing. Franchisor will respond to Developer's timely requests in a reasonably timely and prompt manner.

13.2 Non-Waiver. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Developer with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, will constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Developer will not be binding unless in writing and executed by the party sought to be charged and will not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor will any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor will such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder will not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

14. SEVERABILITY AND CONSTRUCTION

14.1 Severable Parts. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will

not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.

14.2 Terms Surviving this Agreement. 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), will survive such expiration, termination.

14.3 No Rights on Third Parties. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than Developer, Franchisor, owners, members, managers, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

14.4 Full Scope of Terms. Developer 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.

14.5 Franchisor's Application of its Rights. Franchisor will have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Developer a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it takes applies differently to Developer and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Developer for any such decision or action. Franchisor and Developer intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Developer agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Developer's rights and obligations hereunder.

14.6 Captions Only for Convenience. All captions in this Agreement are intended solely for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision hereof.

15. ENTIRE AGREEMENT

Franchisor and Developer, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Area Developer which are uncertain, Franchisor and Developer,

each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Developer agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Developer or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Developer or the relationship between them. Franchisor and Developer agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein, and the Franchise Agreement, constitute the entire Agreement between Franchisor and Developer concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Developer to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 15 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

16. APPLICABLE LAW AND DISPUTE RESOLUTION

16.1 Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor, and except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.), the Federal Arbitration Act, the Copyright Act, or the Patent Act, this Agreement (and any matter arising out of or related to this Agreement) is governed by, and will be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of Texas will prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules. Nothing in this Section 16.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Texas or of any other state to which it would not otherwise be subject.

16.2 Mediation. Prior to filing a claim in arbitration, the parties agree to mediate any claim, controversy or dispute between Franchisor or any of its affiliates (and their respective owners, officers, directors, agents, representatives and/or employees) and Developer (and its owners, officers, directors, agents, representatives and/or employees) arising out of or related to: (a) this Agreement or any other agreement between Franchisor and Developer; (b) the offer and sale of the franchise; (c) the franchise relationship; or (d) the validity, enforceability, or scope of this Agreement or any other agreement between the Franchisor and Developer. Any such mediation will be non-binding and will be conducted in accordance with then-current American Arbitration Association ("**AAA**") rules for mediation of commercial disputes. All mediation proceedings will be conducted in the AAA office located in the city of Franchisor's then current principal place of business, unless Franchisor agrees otherwise in writing. Notwithstanding anything to the contrary, this Section 16.2 shall not require the mediation of claims, controversies or disputes related to or based on the improper use of the Proprietary Marks or Confidential Information, non-curable defaults such as moral turpitude, quality control default provisions, or the failure to pay fees or other monetary obligation(s) of either party under said agreement(s). Furthermore, this Section 16.2 will not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder will be concluded within forty-five (45) days of Developer's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process will be treated as confidential, will not be disclosed to others, and will not be offered or admissible in any other proceeding or legal action whatsoever. Franchisor

and Developer will each bear its own costs of mediation, and each will bear one-half (½) the cost of the mediator or mediation service.

16.3 Arbitration. Except as specifically provided in this Agreement, the parties agree that any and all disputes between them and any claim by either party that cannot be amicably settled or resolved by mediation will be determined solely and exclusively by arbitration pursuant to the current AAA rules for arbitration of commercial disputes. The arbitrator will hear the dispute in the AAA office located in the city of Franchisor's then current principal place of business, unless Franchisor agrees otherwise in writing. The arbitrator may properly consider any and all matters related thereto that would be admissible in a nonjury trial. The arbitrator's award will be announced within 7 days of the hearing of the dispute and will include all fees, costs and legal fees to the prevailing party. Judgment on the award of the arbitrator will be binding, and will be entered in a court of competent jurisdiction. Developer knows, understands and agrees that it is the intent of the parties that any arbitration between Franchisor and Developer will be of Developer's individual claims and that the claims subject to arbitration will not be arbitrated on a joint, representative, consolidated or class-wide basis.

16.4 Choice of Venue. Developer consents and agrees that the proper venue in any lawsuit relating to or arising out of this Agreement will be the state or federal court with subject matter jurisdiction serving the district in which the Franchisor has its then current principal place of business. Developer acknowledges that these courts will have personal jurisdiction over it and hereby waives any defense it may have on the grounds of improper venue.

16.5 No Rights Exclusive of Other Rights. No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each will be cumulative of every other right or remedy.

16.6 WAIVER OF JURY TRIAL. FRANCHISOR AND DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER.

16.7 Limitation. Any and all claims and actions arising out of or relating to this Agreement and/or the relationship of Developer and Franchisor, brought by either party hereto against the other, whether in mediation or in court, will be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action will be forever barred.

16.8 WAIVER OF CONSUMER RIGHTS. DEVELOPER, ON BEHALF OF ITSELF AND DEVELOPER'S PRINCIPALS, MAKES THE FOLLOWING WAIVER UNDER THE TEXAS DECEPTIVE TRADE PRACTICES ACT: I WAIVE MY RIGHTS UNDER THE DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT, SECTION 17.41 ET. SEQ, BUSINESS & COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF MY OWN SELECTION, I VOLUNTARILY CONSENT TO THIS WAIVER.

16.9 WAIVER OF DAMAGES. Except with respect to the exclusions set forth in this Section 16.9, to the fullest extent permitted by applicable law and as provided below, Franchisor and Developer waive any right to or claim of any punitive, exemplary, treble, incidental, indirect, special, Consequential Damages (defined below) or other similar damages against Franchisor, Developer, Principals, any of their respective affiliates and each of their respective officers, directors, shareholders, members, partners, agents, representatives, independent contractors, servants and employees, in their business entity and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort, statutory or otherwise). However, the foregoing waiver will not apply to any claim (a) by

any party for attorneys' fees or costs and expenses under this Agreement; (b) for any damages whatsoever, including, without limitation, Consequential Damages for adverse harm to the Marks or the System; (c) payments under Section 4; or (d) indemnification and damages for any third-party claims arising under Section 12.4. Notwithstanding anything to the contrary in this Agreement, if any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of limited waiver by agreement of punitive, exemplary, incidental, indirect, special, or Consequential Damages will continue in full force and effect. As used in this Agreement, "**Consequential Damage**s" means damages and injury that result from a party's negligent performance of or other breach of this Agreement for: (a) lost profits; (b) compensation for damages to reputation and goodwill including costs of or resulting from delays, financing, marketing materials and media time and space, and costs of changing, substituting or replacing the same; (c) any and all expenses of refunds, compensation, and public notices; and (d) other such amounts incurred in connection with the matters described herein.

16.10 Release of Claims. By executing this Agreement, Developer, on behalf of itself and its heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its shareholders, owners, members, managers, predecessors, affiliates, officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof.

16.11 Litigation. Notwithstanding any provision contained in this Section 16, Franchisor may, at its sole option, institute an action or actions in court for temporary, preliminary, or permanent injunctive relief or seeking any other equitable relief against Developer, in addition to any other rights and remedies provided herein. Except as otherwise expressly prohibited by state law or regulation, in no event will Developer be entitled to make, Developer will not make, and Developer hereby waives, any claim for money damages by way of set off, counterclaim, defense or otherwise based on any claim or assertion by Developer that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by Developer under any of the terms of this Agreement. Developer's sole remedy for any such claim will be an action or proceeding to enforce any such provisions, for specific performance or declaratory judgment.

16.12 Counterparts; Paragraph Headings; Pronouns. This Agreement may be executed in any number of counterparts, all of which when taken together will constitute one and the same instrument. All captions and paragraph headings in this Agreement are intended solely for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision hereof. Each pronoun used herein will be deemed to include the other number of genders.

16.13 Attorneys' Fees. In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Developer's failure to perform any obligation imposed upon Developer by this Agreement, Franchisor will be entitled to recover from Developer the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

17. ACKNOWLEDGMENTS

17.1 DEVELOPER'S INVESTIGATION OF THE BUSINESS POSSIBILITIES. DEVELOPER AND ITS PRINCIPALS ACKNOWLEDGE THAT THEY HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF DEVELOPING AND OPERATING LEARNING CENTERS, AND RECOGNIZE THAT THE BUSINESS VENTURE CONTEMPLATED BY

THIS 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(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND DEVELOPER AND ITS PRINCIPALS ACKNOWLEDGE THAT THEY HAVE 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. DEVELOPER AND ITS PRINCIPALS ACKNOWLEDGE THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER ORAL OR WRITTEN) ARE HEREBY CANCELED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. DEVELOPER AND ITS PRINCIPALS FURTHER ACKNOWLEDGE THAT THEY HAVE NOT RECEIVED OR RELIED ON ANY REPRESENTATIONS ABOUT THE FRANCHISE BY THE FRANCHISOR, OR ITS OFFICERS, DIRECTORS, MEMBERS, MANAGERS, AFFILIATES, PREDECESSORS, EMPLOYEES OR AGENTS, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENT TO THE FRANCHISOR, AS AN INDUCEMENT TO ENTER INTO THIS AGREEMENT, THAT NEITHER DEVELOPER NOR ITS PRINCIPALS HAVE MADE ANY MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

17.2 **Receipt of FDD and Complete Agreement**. Developer acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Developer further acknowledges that it received the franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document (FDD), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Developer for the rights granted under this Agreement. Developer further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Developer of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

17.3 **Developer Read the Agreement and Consulted**. Developer acknowledges that it has read and understood Franchisor's FDD, the Franchise Agreement and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

17.4 **No Conflicting Obligations**. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

17.5 **Anti-Corruption and Anti-Terrorism Laws**.

17.5.1 Prior to and during the Term, Developer and each of its Principals, employees, representatives or agents acting on its behalf, has not, directly or indirectly, offered, made or promised to make, authorized or given, and will not in the future offer, make or promise to make, authorize or give, any payment of funds or anything of value to any natural person or entity ("**Person**") in violation of the U.S. Foreign Corrupt Practices Act of 1977, as amended, and all similar laws, rules, and regulations of any jurisdiction applicable to Developer from time to time concerning or relating to bribery or corruption

(together, the "**Anti-Corruption Laws**"), including with the intent to (i) influence any act or decision of a Government Official (defined below) in his or her official capacity, (ii) induce the Government Official to do or omit to do any act in violation of his or her lawful duty, (iii) secure any improper advantage, or (iv) induce a Government Official to use his or her position improperly to affect any act or decision of a government authority, in any way connected with this Agreement. Developer warrants and represents that no Government Official is or will be during the Term directly or indirectly an owner or investor in Developer and that no Government Official has or will have during the Term any financial interest, directly or indirectly, in the contractual relationship established by this Agreement. Developer will maintain accurate and complete accounting and other financial and business records related to this Agreement. As used in this Agreement, "**Governmental Official**" means (1) elected and unelected officials, employees, agents, advisors and representatives of any branch or agency of government (i.e., local, regional, and national, and legislative, administrative, judicial, and executive branches); (2) directors, officers, employees, representatives and agents of government-owned or controlled companies, even if the companies are only partially owned or controlled by the government and the company acts like a commercial entity; (3) political parties, party officials and candidates for office; and (4) officers, employees, representatives and agents of public international organizations.

17.5.2 Developer represents, covenants, and warrants to Franchisor that: (1) neither Developer, any Principal, nor any executive officer of Developer or any affiliate of Developer is identified, either by name or an alias, pseudonym or nickname, on the lists of "**Specially Designated Nationals**," "**Blocked Persons**" or similar lists maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts available at www.treas.gov/offices/enforcement/ofac/); (2) neither Developer nor any Principal is directly or indirectly owned or controlled by the government or any country that is subject to a United States embargo; (3) neither Developer nor any Principal acts or will act directly or indirectly on behalf of the government of any country that is subject to a United States embargo; and (4) neither Developer nor any of its Principals or executive officers has violated, and Developer will not violate, and will cause all Principals and their respective executive officers not to violate the U.S. Patriot Act (Public Law 107- 56), U.S. Executive Order 13224 (text available at http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf), and any similar applicable law prohibiting money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government (together, the "**Anti-Terrorism Laws**").

17.5.3 Developer will notify Franchisor in writing immediately (i) of the occurrence of any event which renders the foregoing representations, covenants, and warranties of this Section 17 false, inaccurate or misleading or which constitutes a breach of any of the covenants of this Section 17; or (ii) if Developer or any of its Principals, employees, representatives or agents violates Anti-Corruption Laws or Anti-Terrorism Laws or becomes subject to any internal investigation or investigation by a government authority involving the possible violation of Anti-Corruption Laws or Anti-Terrorism Laws during the Term.

17.5.4 Developer has implemented and will maintain and enforce policies and procedures designed to promote compliance by Developer and its Principals, employees, representatives and agents with Anti-Corruption Laws and Anti-Terrorism Laws.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Area Development Agreement in duplicate on the day and year first above written.

FRANCHISOR:
IVY KIDS SYSTEMS, LLC
a Texas limited liability company

By: _____

Title: _____

DEVELOPER
If an Entity:

_____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

Developer:
Address for Notices: _____

_____

Attention: _____
Telephone: _____
Email: _____

Franchisor: Ivy Kids Systems, LLC
Address for Notices: 2707 Spring Green Blvd.
Katy, Texas 77494
Attention: Amyn Bandali
Telephone: (281) 769 - 4266
Email: franchise@ivykids.com

With copy to:

Address for Notices: Akerman LLP
1300 Post Oak Boulevard, Suite 2300
Houston, TX 77056
Attention: William Sentell
Email: william.sentell@akerman.com

EXHIBIT A
IVY KIDS SYSTEMS, LLC
AREA DEVELOPMENT AGREEMENT

DATA SHEET

1. **Development Schedule** (see Section 1.1): Developer will execute Franchise Agreements for the development and operation of _____ ___ ( ) Learning Centers, within the Development Area in accordance with the following Development Schedule:

Learning Center Number	Open & Operating On or Before This Date	Payment Made	Balance Due Per Learning Center	Due Date
1			$-0-	Paid in full.
2				Due upon execution of the Franchise Agreement for this Learning Center.
3				Due upon execution of the Franchise Agreement for this Learning Center.
4				Due upon execution of the Franchise Agreement for this Learning Center.
5				Due upon execution of the Franchise Agreement for this Learning Center.

The Expiration Date of this Agreement, as defined in Section 2, will be the earlier of (i) the date the final Franchise Agreement is executed by Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Learning Centers to be located in the Development Area as set forth in the Development Schedule above; or (ii) _____, the final date (the "**Final Date**").

2. **Development Area** (see Section 1.1): The Development Area will be defined as the following:

_____
_____
_____
_____
_____
_____

3. **Area Development Fee** (see Section 4.1): In accordance with the total number of Learning Centers to be developed and opened within the Development Area, the total Area Development Fee will be $ _____.

IN WITNESS WHEREOF, Developer hereby agrees to this Exhibit A to the Area Development Agreement.

DEVELOPER
If an Entity:

_____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT B
IVY KIDS SYSTEMS, LLC
AREA DEVELOPMENT AGREEMENT

LIST OF PRINCIPALS & DESIGNATED PRINCIPAL

The following identifies all of Developer's Principals (as defined in Section 9.1 of the Area Development Agreement):

Name of Principal	Address, Telephone, E-mail	Ownership Interest (%) with Description
		Total %:

DEVELOPER'S DESIGNATED PRINCIPAL

The following identifies Developer's Designated Principal (as defined in Section 5.2 of the Area Development Agreement):

Name of Designated Principal	Address, Telephone, E-mail	Ownership Interest (%) with Description

IN WITNESS WHEREOF, Developer hereby agrees to this Exhibit B to the Area Development Agreement.

DEVELOPER
If an Entity:

_____

By: _____

Title: _____

If an individual(s):

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT C
IVY KIDS SYSTEMS, LLC
AREA DEVELOPMENT AGREEMENT

PERSONAL GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Ivy Kids Systems, LLC a Texas limited liability company ("**Franchisor**") to enter into the Area Development Agreement between Franchisor and _____("**Developer**"), dated _____, 20____ (the "**Agreement**"), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor's successors and assigns that all of Developer's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Personal Guaranty, Indemnification, and Acknowledgment (this "**Guaranty**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be canceled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Developer under the Agreement and 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; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer; or (d) give notice of demand for payment by Developer. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer, and the undersigned hereby waives notice of sale and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

THE UNDERSIGNED HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD FRANCHISOR HARMLESS AGAINST ANY AND ALL LOSSES, DAMAGES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, BUT NOT LIMITED TO, REASONABLE ATTORNEY'S FEES, REASONABLE COSTS OF FINANCIAL AND OTHER INVESTIGATION, COURT COSTS, AND FEES AND EXPENSES) 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.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 7 and 8. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agrees to them in order to secure the rights granted to Developer by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the "Ivy Kids" or "Ivy Kids Early Learning Center" marks or system licensed to Developer under the Agreement. The undersigned hereby agrees to keep the Manual confidential and only used in the operation of the Ivy Kids Learning Center and will not make public the information contained therein.

This Guaranty will 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 will 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 will remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor will be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

The undersigned, if more than one, will be jointly and severally liable hereunder and the term "undersigned" will mean the undersigned or any one or more of them. Anyone signing this Guaranty will be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor is prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty will be in writing and will be personally delivered, in the manner provided under Section 10 of the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty will have the same meaning as in the Agreement, and will be interpreted and construed in accordance with the Agreement. This Guaranty will be governed by the dispute resolution provisions of Section 16 of the Agreement, and will be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of the State of Texas will prevail (without regard to, and without giving effect to, the application of Texas conflict of law rules).

IN WITNESS WHEREOF, the undersigned has executed this Personal Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

GUARANTOR(S):

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

_____

Print Name: _____

EXHIBIT D
IVY KIDS SYSTEMS, LLC
AREA DEVELOPMENT AGREEMENT

DEVELOPER CERTIFICATION

California and Virginia developers should not complete or sign this Developer Certification, if you are a resident of, or plan to develop franchised businesses in either of those states. If a developer in either of those states does so, we will disregard and not rely on the Developer Certification.

Notice to California developers: California developers should not complete this Developer Certification. If any California developer completes this Developer Certification, it is against California public policy and will be void an unenforceable, and Ivy Kids Systems, LLC will destroy, disregard, and will not rely on such Developer Certification.

The undersigned, personally and as an officer(s), shareholder(s), member(s) or partner(s) of Developer, as applicable, does hereby certify that he/she has conducted an independent investigation of the business contemplated by this Area Development Agreement and the Ivy Kids Systems, LLC Franchise Agreement, and that the decision to execute the Area Development Agreement was based entirely upon the independent investigation by the undersigned; and the undersigned further certifies that he/she has not relied upon, in any way, any claims regarding potential sales, income, or earnings to be derived from the business contemplated by the Franchise Agreement and Area Development Agreement, and has not relied upon any claims regarding past or current sales, income or earnings of Franchisor operated or independent Learning Centers that is contrary to or different from the information contained in Franchisor's Franchise Disclosure Document. The undersigned further certifies that he/she understands the risks involved in this investment and Ivy Kids Systems, LLC makes no representation or guaranty, explicit or implied, that the Developer will be successful or will recoup his/her investment.

IN WITNESS WHEREOF, the undersigned have signed and delivered this Certificate this _____day of _____, 20_____.

By: _____
Name: _____
Title: _____

Each of the undersigned Principals own a beneficial interest in Developer and has read the Area Development Agreement, agree to be individually bound by all obligations of Developer hereunder and certify the foregoing:

By:_____ By:
_____

Name:_____ Name:
_____

By:_____ By:
_____

Name:_____ Name:
_____

By:_____ By:
_____

Name:_____ Name:
_____

EXHIBIT E

LIST OF FRANCHISEES AND DEVELOPERS AS OF DECEMBER 31, 2025

Name	Center's Address	City	ST	Zip Code	Phone Number	Email Address
Karim Badani	9970 Medlock Bridge Road	John's Creek	GA	30097	770-630-1379	karim@ivykidsjohnscreek.com
Priyanka Thumma	336 W & Longmire Rd	Conroe	TX	77304	570-795-8156	Priyanka@ivykidsconroe.com
Anila Rahim	8100 Barker Cypress Rd.	Cypress	TX	77433	832-732-1156	anila@ivykids.com
Anila Rahim	20627 Cypress Plaza Parkway	Cypress	TX	77433	832-732-1156	anila@ivykids.com
Suresh & Bharathi Guthikonda	6407 Cross Creek Bend Ln	Fulshear	TX	77441	281-725-8650	Bharathi@ivykidscrosscreek.com
Vikram & Mona Kapur	14681 W Lake Houston Pkwy	Houston	TX	77044	832-955-5111	vikram@ivykidssummerlakeranch.com; mona@ivykidssummerlakeranch.com
Pooja & Sumedh Warudkar	23101 Beckendorf Rd	Katy	TX	77493	713-210-9095	pooja@ivykidspeek.com sumedh.warudkar@gmail.com
Kelly & Fabio Comin	1423 Hidden Village Drive	Katy	TX	77494	281-712-6368	fkacomin@att.net
Rahim Hassan & Zahra Nanjee	1925 W. League City Parkway	League City	TX	77573	832-670-8668	zahra@ivykidshobbs.com; rahim@ivykidshobbs.com
Thomas Koshy	4434 County Rd 94	Manvel	TX	77578	713-446-6292	tskoshy@hotmail.com
Kiran Ukani	300 N Coit Road	McKinney	TX	75071	817-966-9710	kiran@ivykidscoit.com
Ana & Alejandro Avendano	20901 Long Meadow Farms Parkway	Richmond	TX	77406	281-202-8548	ana@ivykidslongmeadowfarms.com; alejandro.a.avendano@gmail.com
Bashnin Sherali	5325 Lone Star Parkway	San Antonio	TX	78253	210-343-9458	bashnin@ivykidsalamoranch.com
Bashnin Sherali	24278 Wilderness Oak	San Antonio	TX	78258	210-343-9458	bashnin@ivykidsalamoranch.com
Shelina Virani	28813 Birnham Woods Drive	Spring	TX	77386	281-353-7777	shelina@ivykidsbirnhamwoods.com
Naeem Khowja	10715 Gleannloch Forest Drive	Spring	TX	77379	281-777-2196	naeemkhowja@gmail.com

Name	Center's Address	City	ST	Zip Code	Phone Number	Email Address
Jordan Berndsen	9201 Chapel Rd	Waco	TX	76712	254-242-8769	jordanberndsen@gmail.com

The following franchisees have outlets that were under development as of December 31, 2025:

Name	Center's Address	City	ST	Zip Code	Phone Number	Email Address
Kavita and Sukh Mangat	2415 Sunlake Blvd *(Not Yet Open)*	Lutz	FL	33558	585-317-6852	Sukh.mangat@yahoo.com
Karim Badani	3455 Webb Bridge Rd. *(Not Yet Open)*	Alpharetta	GA	30005	470-300-9299	karim@ivykidsjohncreek.com
Karim Badani	10650 Houze Rd. *(Not Yet Open)*	Roswell	GA	30076	770-630-1379	karim@ivykidsjohnscreek.com
Karim Badani	2350 Holcomb Bridge Rd *(Not Yet Open)*	Roswell	GA	30076	770-630-1379	karim@ivykidsjohnscreek.com
Karim Badani	6420 Old Atlanta Rd *(Not Yet Open)*	Suwanee	GA	30024	770-630-1379	karim@ivykidsjohnscreek.com
Bulbul Patel-Shah & Parth Shah	16880 Mill Run Dr *(Not Yet Open)*	Magnolia	TX	77354	847-346-2871	bulbul@ivykidsaudubon.com
Kelli & Joseph Whatley	9301 Fairfield St. *(Not Yet Open)*	Providence Village	TX	76227	972-214-6289	kelli@ivykidsprovidencevillage.com, Joseph@ivykidsprovidencevillage.com
Feryal Ahmad	2020 Harvest Home Dr *(Not Yet Open)*	Richmond	TX	77406	281-414-8796	artbyferyal@gmail.com

The following franchisees signed agreements, but not yet opened as of December 31, 2025

Name	Center's Address	ST	Phone Number	Email Address
Auburn Hamme	To be determined	AL	601-209-9269	auburnhamme@outlook.com
Sana & Zeyn Ali	To be determined	CA	909-231-5445	sana.alirazvi@gmail.com; zeyn_04@yahoo.com
Dipti Patel	To be determined	FL	407-421-2900	Dip777@hotmail.com
Shruti Kulkarni	To be determined	NC	678-629-8740	shrutikulkarni1@gmail.com
Qayem & Nawal Jaffery	To be determined	TX	281-919-7888	qayemjaffery786@gmail.com
Kennya Castro	To be determined	TX	713-885-2004	kennyacmartinez@gmail.com
Kelly & Fabio Comin	To be determined	TX	281-712-6368	fkacomin@att.net
Amber & Willie Lago	To be determined	TX	225-324-6589	ambermlago@gmail.com
Feryal Ahmad	To be determined	TX	678-629-8740	artbyferyal@gmail.com
Don Nguyen	To be determined	TX	832-526-6524	donuyen14@gmail.com
Pamela & Chris Luers	To be determined	TX	281-415-0629	pamelak7013@gmail.com
Suresh & Bharathi Guthikonda	To be determined	TX	281-725-8615	suresh@ivykidscrosscreek.com
Zahra Nanjee & Rahim Hassan	To be determined	TX	832-346-2871	zahra@ivykidshobbs.com
Bulbul & Parth Shah	To be determined	TX	847-346-2871	bulbul.patelshah@gmail.com

EXHIBIT F

LIST OF FRANCHISEES AND DEVELOPERS
WHO HAVE LEFT THE SYSTEM AS OF DECEMBER 31, 2025

None.

EXHIBIT G

FINANCIAL STATEMENTS

UNAUDITED FINANCIALS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.

PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

Ivy Kids Systems LLC

Balance Sheet

As of May 31, 2026

	TOTAL
Assets	
Current Assets	
Bank Accounts	
Amegy Bank - Systems Account	686,109.31
Cash on hand	0.00
Marketing Account - Amegy	134,274.50
Total for Bank Accounts	**$820,383.81**
Accounts Receivable	
Accounts Receivable (A/R)	0.00
Total for Accounts Receivable	**$0.00**
Other Current Assets	
Contract Asset - Commission	7,306.33
Due from Shareholder	0.00
Franchise Fee Receivable	0.00
Prepaid Expenses	0.00
Receivable - Franchise Fees	632,552.55
Receivable - Royalties and Advertising Fees	4,899.95
Receivable - Site Selection Fee	0.00
Receivable - Technology Fees	0.00
Undeposited Funds	0.00
Total for Other Current Assets	**$644,758.83**
Total for Current Assets	**$1,465,142.64**
Fixed Assets	
Accumulated Depreciation	-77,401.00
Buildout	16,133.70
Furniture and Equipment	90,148.87
Total for Fixed Assets	**$28,881.57**
Other Assets	
Accumulated Amortization	-3,567.00
Contract Asset - Long-Term	162,210.33
Prepaid iFranchise Fees	0.00
Total for Other Assets	**$158,643.33**
Total for Assets	**$1,652,667.54**

Ivy Kids Systems LLC

Balance Sheet

As of May 31, 2026

	TOTAL
Liabilities and Equity	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	0.00
Total for Accounts Payable	**$0.00**
Credit Cards	
Amex -81000	1,413.71
Chase -7923	-3,862.72
Total for Credit Cards	**-$2,449.01**
Other Current Liabilities	
Accrued Expenses	55,608.02
Advance Customer Payments	0.00
Contract Liability - Current Portion	208,566.08
Deferred Franchise Fee	0.00
Disaster Relief Loan Payable - Current Portion	3,334.00
Shareholder Notes Payable - Current Portion	0.00
Site selection	0.00
Total for Other Current Liabilities	**$267,508.10**
Total for Current Liabilities	**$265,059.09**
Long-term Liabilities	
Contract Liability - Long Term Portion	1,271,250.68
Disaster Relief Loan Payable	135,162.74
PPP Loan Payable	0.00
Shareholder Notes Payable	0.00
Total for Long-term Liabilities	**$1,406,413.42**
Total for Liabilities	**$1,671,472.51**
Equity	
Partner 1 Draws	-1,090,725.00
Partner 1 Equity	56,000.00
Partner 2 Draws	-322,500.00
Partner 2 Equity	15,000.00
Partner 3 Draws	-447,025.00
Partner 3 Equity	2,500.00
Partner 4 Draws	-289,750.00
Partner 4 Equity	2,500.00
Partner 5 Equity	15,000.00
Partner 6 Draws	0.00
Partner 6 Equity	18,000.00
Retained Earnings	1,803,509.65
Net Income	218,685.38
Total for Equity	**-$18,804.97**
Total for Liabilities and Equity	**$1,652,667.54**

Ivy Kids Systems LLC

Profit and Loss

January 1-May 31, 2026

	TOTAL
Income	
Computer Systems and Software Fee [FranConnect]	15,084.64
Franchise FEE Income	149,313.18
Marketing Royalty Income	226,457.83
Royalty Income	1,104,516.32
Step-In Revenue	435,047.40
Training Fees	50.00
Total for Income	**$1,930,469.37**
Gross Profit	**$1,930,469.37**
Expenses	
Bank Service Charges / CC fees	1,583.41
Board Meetings	6,290.83
Business Gift Expense	6,259.80
Business Licenses and Permits	105.00
Business Marketing	$7,350.00
Facebook	25,791.97
Fran Dev Marketing	36,299.50
Franchisee Recruitment	9,406.67
Google Adwords	9,301.13
Other	5,627.34
Total for Business Marketing	**$93,776.61**
Charitable Contribution	3,250.00
Computer, Internet and Software Expenses	$8,612.76
Franchisee Technology Support	24,173.79
Total for Computer, Internet and Software Expenses	**$32,786.55**
Conferences	6,416.55
Dues and Subscriptions	5,731.07
Insurance Expense	$23,006.97
Auto Insurance	135.27
Total for Insurance Expense	**$23,142.24**
Interest Expense	2,191.41
Marketing Expense	$138,187.72
Bank Service Charge - Mkt	332.07
Marketing Payroll	113,063.93
Marketing Team - Travel Expense	
Airline	2,573.24
Hotel	3,044.94
Meals	741.72
Mileage	444.30
Rental/Taxi/Tolls & Others	1,615.23
Total for Marketing Team - Travel Expense	**$8,419.43**
Total for Marketing Expense	**$260,003.15**
Membership Fees	14,645.00
Misc Expenses	5,955.28

Ivy Kids Systems LLC

Profit and Loss

January 1-May 31, 2026

	TOTAL
Office Expense / Team Building	2,282.56
Office Meals and Entertainment	1,652.30
Office Supplies	$327.51
Curriculum	21.27
Operations / Pre-Opening	22.00
Total for Office Supplies	**$370.78**
Payroll Expenses	$603,237.26
Bonus	2,266.22
Health Insurance	7,817.85
Total for Payroll Expenses	**$613,321.33**
Pre-Opening Expense	526.10
Printing Expense	2,860.60
Professional Development	2,735.00
Professional Fees	59,165.17
QuickBooks Payments Fees	91.20
Real Estate Software	9,193.64
Recruitment Expense	26,744.87
Rent Expense	17,500.00
Retreat	$74,545.19
Franchisee Retreat Fees	-19,500.00
Sponsorships	-19,000.00
Total for Retreat	**$36,045.19**
Step-In Expenses	396,387.90
Technology Expense	3,152.17
Training Expense	$9,165.93
CEO	21,623.75
Curriculum	3,824.67
Franchise Training Resource and Production	2,445.00
Operations	4,767.88
Total for Training Expense	**$41,827.23**
Travel Costs	
Curriculum Team - Travel Expense	
Airline	1,208.56
Hotel	1,108.48
Meals	527.07
Mileage	1,982.87
Rental/Taxi/Tolls & Others	775.89
Total for Curriculum Team - Travel Expense	**$5,602.87**
Fran Dev - Travel Expenses	
Airline	2,795.61
Hotel	1,656.33
Meals	229.54
Rental/Taxi/Tolls & Others	513.26
Total for Fran Dev - Travel Expenses	**$5,194.74**

Ivy Kids Systems LLC

Profit and Loss

January 1-May 31, 2026

	TOTAL
Operations Team - Travel Expense	
Airline	2,011.82
Hotel	3,812.36
Meals	1,383.19
Mileage	6,717.70
Rental/Taxi/Tolls & Others	2,456.13
Total for Operations Team - Travel Expense	**$16,381.20**
Pre-Opening - Travel Expense	
Airline	1,837.33
Hotel	953.88
Meals	176.27
Mileage	217.99
Rentals/Taxi/Tolls & Others	458.07
Total for Pre-Opening - Travel Expense	**$3,643.54**
Real Estate - Travel Expenses	
Airline	3,009.34
Hotel	871.90
Meals	68.72
Mileage	173.48
Rental/Taxi/Tolls & Others	845.26
Total for Real Estate - Travel Expenses	**$4,968.70**
Total for Travel Costs	**$35,791.05**
Total for Expenses	**$1,711,783.99**
Net Operating Income	**$218,685.38**
Net Income	**$218,685.38**

Ivy Kids Systems, LLC

FINANCIAL STATEMENTS

December 31, 2025 and 2024

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CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
Two Riverway
15th Floor
Houston, TX 77056

713.621.8090
713.621.6907 (fax)
CRIadv.com

INDEPENDENT AUDITOR'S REPORT

To the Members
Ivy Kids Systems, LLC
Houston, Texas

Opinion

We have audited the accompanying financial statements of Ivy Kids Systems, LLC (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, changes in members' 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, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
April 19, 2026

Ivy Kids Systems, LLC
Balance Sheets

December 31,	**2025**	2024
Assets		
Current assets		
Cash and cash equivalents	**$ 661,499**	$ 749,428
Receivables	**750,900**	664,648
Prepaid expenses	**96,414**	21,449
Contract assets - franchise costs, current portion	**8,295**	7,306
Total current assets	**1,517,108**	1,442,831
Property and equipment, net	**8,784**	28,882
Contract assets - franchise costs, net of current portion	**177,317**	162,210
Total assets	**$ 1,703,209**	$ 1,633,923
Liabilities and Members' Deficit		
Current liabilities		
Accounts payable and accrued expenses	**$ 207,213**	$ 150,063
Contract liabilities - franchise fees, current portion	**222,994**	110,953
Disaster relief loan payable, current portion	**3,593**	3,461
Total current liabilities	**433,800**	264,477
Long-term liabilities		
Contract liabilities - franchise fees, net of current portion	**1,383,417**	1,324,978
Disaster relief loan payable, net of current portion	**136,387**	140,046
Total long-term liabilities	**1,519,804**	1,465,024
Total liabilities	**1,953,604**	1,729,501
Members' deficit	**(250,395)**	(95,578)
Total liabilities and members' deficit	**$ 1,703,209**	$ 1,633,923

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

Ivy Kids Systems, LLC
Statements of Income

For the years ended December 31,	**2025**	2024
Revenue		
Franchise fees	**$ 52,149**	$ 41,738
Franchise royalties	**2,516,887**	2,186,685
Advertising fees	**541,110**	453,627
Area development fee	**15,000**	-
Site selection fees	**90,279**	186,879
Technology fees	**33,425**	27,867
Training fees	**31,092**	92,008
Total revenue	**3,279,942**	2,988,804
Operating expenses	**2,979,965**	2,671,176
Income from operations	**299,977**	317,628
Other income (expense)		
Other income	**500**	534,303
Interest expense	**(5,294)**	(5,438)
Total other income (expense)	**(4,794)**	528,865
Income from operations before provision for state income tax	**295,183**	846,493
Provision for state income tax	**-**	8,800
Net income	**$ 295,183**	$ 837,693

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

Ivy Kids Systems, LLC
Statements of Changes in Members' Deficit

For the years ended December 31,	**2025**	2024
Members' deficit, beginning of year	**$ (95,578)**	$ (183,271)
Net income	**295,183**	837,693
Member distributions	**(450,000)**	(750,000)
Members' deficit, end of year	**$ (250,395)**	$ (95,578)

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

Ivy Kids Systems, LLC
Statements of Cash Flows

For the years ended December 31,	**2025**	2024
Operating activities		
Net income	**$ 295,183**	$ 837,693
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**20,098**	414
Change in operating assets and liabilities		
Receivables	**(86,252)**	(302,767)
Prepaid expenses	**(74,965)**	(1,811)
Contract assets - franchise costs	**(16,096)**	(27,308)
Accounts payable and accrued expenses	**57,150**	3,898
Contract liabilities - franchise fees	**170,480**	416,875
Net cash provided by operating activities	**365,598**	926,994
Financing activities		
Principal payments of disaster relief loan	**(3,527)**	(3,382)
Member distributions	**(450,000)**	(750,000)
Net cash used in financing activities	**(453,527)**	(753,382)
Net change in cash and cash equivalents	**(87,929)**	173,612
Cash and cash equivalents, beginning of year	**749,428**	575,816
Cash and cash equivalents, end of year	**$ 661,499**	$ 749,428
Supplementary disclosure of cash flow information		
Cash paid for interest	**$ 5,294**	$ 5,438
Cash paid for state income taxes	**$ -**	$ 8,800

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

Note 1: ORGANIZATION AND NATURE OF OPERATIONS

Ivy Kids Systems, LLC (the Company) incorporated on June 9, 2015 under the state laws of Texas for the purpose of selling and operating franchises under the brand name "Ivy Kids Early Learning Center". The Company grants franchisees the right to operate a learning center offering childcare and academic education programs to children ages six (6) weeks to twelve (12) years old.

As of December 31, 2025, there are twenty-two (22) open and operating locations, and twenty-one (21) locations with signed /agreements in various stages of development.

The Company is organized as a limited liability company (LLC), whereby no member, manager, agent, or employee of the Company shall be personally liable for the debts, obligations, or liabilities of the entity, whether arising in contract, tort, or otherwise, or for the acts or omissions of any other member, director, manager, agent, or employee of the entity, unless the individual has signed a specific personal guarantee. The duration of the Company is perpetual.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and 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 could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid investments with an original maturity of 90 days or less.

Receivables

Receivables represent amounts owed to the Company which are expected to be collected within twelve months and are presented in the balance sheets net of the allowance for credit losses.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of probable credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in income as received. Management considered all outstanding balances collectible as of December 31, 2025 and 2024, and accordingly, no allowance for credit losses was recorded.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for additions, major renewals, and betterments are capitalized and repairs and maintenance are charged to operations as incurred. Depreciation expense is recognized over the estimated useful lives of the property and equipment using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or remaining term of the lease.

Leases

The Company leases office space from a related party. Management determines if an arrangement is a lease at inception.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, management elected to use, as a practical expedient, a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Management has elected to apply the short-term lease exemption to the following classes of underlying assets; office lease with a related party. The Company has leased its location that qualifies for the exemption. The short-term lease cost recognized and disclosed for this class of lease in 2025 and 2024 totaled $42,000 in each year.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets and certain intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Revenue Recognition

The Company follows FASB Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers and Subtopic 952-606 Franchisors-Revenue from Contracts with Customers.

The Company generates revenue from the sale of franchise licenses under various agreements. An initial franchise fee is due at signing and is earned based on the recognition of specific performance obligations. The Company also generates revenue from royalty, advertising, technology, development fee, franchise owner education fee, and site selection fees. From time to time, the Company can charge various other fees as outlined in the Franchise Disclosure Document. See Note 8.

Change in Estimate

During the year ended December 31, 2025, the Company updated its methodology for allocating the transaction price to its performance obligations to more closely align with the timing of when underlying costs are incurred. This change was accounted for prospectively as a change in accounting estimate in accordance with ASC 250.

The effect of this change did not have a material impact on the Company's financial statements.

Franchise Fees

The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee over the term of the franchise license, generally 25 years.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Royalty and Advertising Fees

The Company's franchise agreements contain variable considerations in the form of royalty and advertising fees. These fees are based on a percentage of franchisee monthly sales and are recorded and recognized as revenue as the franchisees provide their services because the variable payment relates specifically to the performance obligation of using the license.

Technology Fees

Technology fees relate to technological support provided by the Company relating to the software, hardware, and support services used in franchisee operations. These fees are charged separately and are earned at a point in time when the services are performed.

Site Selection Fees

Site selection fees relate to assistance provided by the Company with site identification, lease negotiation, acquisition, and design and construction consultation and are identified as a separate performance obligation under the terms of the franchise license. A portion of the site selection fees are recognized ratably over the first 10 months following execution of the franchise agreement, or, in the case of delays, beginning when the site selection process commences. If the site selection process is completed in less than 10 months, any remaining contract liability is recognized at that time to match the increased level of effort and costs incurred.

The other portion of the site selection fees are recognized ratably over the estimated construction period of approximately 11 months. If construction is completed earlier than expected, any remaining contract liability is recognized at that time to match the increased level of effort and costs incurred during the accelerated period.

Training Fees

Training fees are allocated between two categories of training. The initial training occurs during the construction phase of the franchise site and is recognized ratably over the construction period of approximately 11 months; however, if construction is completed earlier than expected, any remaining contract liability is recognized at that time to reflect the increased level of effort and costs incurred. In addition, pre-opening training (team training) fees are recognized at a point in time when the related performance obligation is satisfied, which is typically two weeks prior to the school opening date.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Development Fees

Area development fees represent amounts paid by franchisees to gain first right of refusal to additional franchisees in the location area a franchise is already established in. Area development fees are recognized at a point in time, when the option is exercised and a new franchise agreement is entered into for an additional location by a franchisee.

Initial Direct Costs

The Company incurs certain costs, generally commissions, to facilitate the sale of franchise licenses. These costs are deferred as contract assets and recognized over time consistent with any franchise license revenues as the performance obligations are satisfied.

Income Taxes

The Company is a limited liability company under the Internal Revenue Code, files as a partnership and all taxable income or loss flows through to its members. Accordingly, no federal income tax expense or liability is recorded in the accompanying financial statements.

The Company is subject to the Texas franchise tax, commonly referred to as the Texas margin tax, for the years ended December 31, 2025 and 2024. Accordingly, a provision and liability for state income taxes has been included in the accompanying financial statements, if material.

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Company's evaluation was performed for the tax periods ended December 31, 2021 through December 31, 2025 for U.S. Federal and applicable states, the tax years which principally remain subject to examination by major tax jurisdictions as of December 31, 2025.

Advertising Fund

The Company administers advertising funds (Advertising Fund Contributions) collected from franchisees and manages the franchise advertising and marketing program on behalf of the franchisees. Advertising fund contributions are calculated at 1.5% of gross sales and are collected at the same time as the royalty fee. The funds are maintained in a separate account.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising and Marketing

Advertising and marketing costs are charged to operations when the advertising takes place. Advertising and marketing costs totaled $745,827 and $653,972 for the years ended December 31, 2025 and 2024, respectively.

Subsequent Events

Management has evaluated subsequent events through April 19, 2026, the date the financial statements were available to be issued. See disclosures below and Note 10. Events occurring after that date have not been evaluated for inclusion in these financial statements.

On January 1, 2026, the Company entered into and commenced a non-cancelable lease agreement for an office building. The lease has an initial term of five years, with two optional renewal terms of three years each. Under the terms of the agreement, the Company is committed to base rent of approximately $3,500 per month, subject to annual increases of 2.5% over the lease term. The Company expects to recognize a right-of-use asset and a corresponding lease liability in accordance with ASC 842 upon commencement of the lease in 2026.

In January 2026, the Company temporarily exercised its contractual step-in rights for one Ivy Kids franchise location to maintain continuity of franchise operations due to challenges faced by the franchisee. Management has evaluated that this involvement is short-term in nature and is expected to continue only until the transition process is completed.

Note 3: CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and receivables.

The Company maintains cash balances at financial institutions, which may at times exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation ("FDIC). The Company believes it is not exposed to any significant credit risk on its cash. The Company has cash deposits with financial institutions at December 31, 2025 and 2024 in excess of federally insured limits of approximately $424,000 and $500,600, respectively.

Credit risk with respect to accounts receivable is concentrated to a limited number of customers comprising recent franchisees who have bought licenses from the Company. To reduce risk, the Company routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

Note 4: RECEIVABLES

The following table disaggregates the Company's receivables:

December 31,	**2025**	2024
Royalty and advertising fees	**$ 60,170**	$ 26,418
Franchise fees	**690,730**	638,230
Total receivables	**$ 750,900**	$ 664,648

Note 5: PROPERY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	Estimated Useful Life (in years)	**2025**	2024
Furniture and equipment	3-7	**$ 90,149**	$ 90,149
Leasehold improvements	15	**16,134**	16,134
		106,283	106,283
Less: accumulated depreciation		**(97,499)**	(77,401)
Property and equipment, net		**$ 8,784**	$ 28,882

Depreciation expense for the years ended December 31, 2025 and 2024 totaled $20,098 and $414, respectively.

Note 6: DEBT

Disaster Relief Loan Payable

In May 2020, the Company received a Disaster Relief Loan from the SBA in the amount of $150,000. The loan was made available by the CARES Act and is designed to help businesses who are struggling during the coronavirus pandemic. Installment payments of $731, including principal and interest at 3.75%, began in November 2022, with the balance of principal and interest payable in May 2050. The outstanding balance of the loan at December 31, 2025 and 2024 totaled $139,980 and $143,507, respectively.

Note 6: DEBT (Continued)

Future maturities of long-term debt at December 31, 2025 are as follows:

For the years ending December 31,	
2026	$ 3,593
2027	3,731
2028	3,873
2029	4,021
2030	4,174
Thereafter	120,588
Total	$ 139,980

Note 7: REVENUE

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2025 and 2024:

	Franchise Fees	Royalty Fees	Advertising Fees	Area Development Fee	Technology Fees	Site Selection Fees	Training fees	Total
December 31, 2025								
Point in time	**$ -**	**$ 2,516,887**	**$ 541,110**	**$ -**	**$ 33,425**	**$ -**	**$28,225**	**$ 3,119,647**
Over time	**52,149**	-	-	**15,000**	-	**90,279**	**2,867**	**160,295**
Total	**$ 52,149**	**$ 2,516,887**	**$ 541,110**	**$ 15,000**	**$ 33,425**	**$ 90,279**	**$31,092**	**$ 3,279,942**
December 31, 2024								
Point in time	$ -	$ 2,186,685	$ 453,627	$ -	$ 27,867	$186,879	$92,008	$ 2,947,066
Over time	41,738	-	-	-	-	-	-	41,738
Total	$ 41,738	$ 2,186,685	$ 453,627	$ -	$ 27,867	$186,879	$92,008	$ 2,988,804

Contract Balances

Contract assets consist of costs incurred to facilitate the sale of franchise agreements. These costs are amortized over the expected customer life which typically is the franchise license period of 25 years.

Contract liabilities consist of remaining franchise fees that have not yet met the criteria for revenue recognition. Contract liabilities are a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year, based on the number of franchise agreements signed.

Note 7: REVENUE (Continued)

Contract Balances (continued)

Contract balances consist of the following:

December 31,	**2025**	2024
Receivables from contracts, beginning of year	**$ 664,648**	$ 361,881
Receivables from contracts, end of year	**$ 750,900**	$ 664,648
Contract assets, beginning of year	**$ 169,516**	$ 142,208
Contract assets, end of year	**$ 185,612**	$ 169,516
Contract liabilities, beginning of year	**$ 1,435,931**	$ 1,019,056
Fees deferred	**359,000**	458,613
Fees recognized	**(188,520)**	(41,738)
Contract liabilities, end of year	**$ 1,606,411**	$ 1,435,931

Note 8: LEASES

On December 5, 2023, the Company entered into a lease agreement with the same related entity for a lease term of 12 months commencing January 1, 2024, with monthly payments of $3,500. The lease does not contain a renewal option. Future minimum rental payments for the year ending December 31, 2024 totaled $42,000.

On December 5, 2024, the Company entered into a lease agreement with the same related entity for a lease term of 12 months commencing January 1, 2025, with monthly payments of $3,500. The lease does not contain a renewal option. Future minimum rental payments for the year ending December 31, 2025 totaled $42,000.

Note 9: RELATED PARTIES

Ivy Kids, LLC was formed in October 2002. On September 15, 2015, Ivy Kids, LLC entered into a License Agreement with the Company, through which Ivy Kids, LLC licensed its intellectual property to Ivy Kids Systems, LLC, which allows the Company to franchise.

Note 9: RELATED PARTIES (Continued)

Ivy Kids Silver Ranch and Ivy Kids Heights, franchisee locations of the Company, are owned and operated by members of Ivy Kids Systems, LLC.

Ivy Kids Sugarland, franchise location of the Company, is owned and operated by a former employee of Ivy Kids Systems, LLC. The former employee received the franchise at a discounted rate.

All other franchise locations are owned and operated by franchisees who are not part of the partnership.

See Note 8 for related party lease disclosures.

Note 10: CONTINGENCIES

In October 2023, the Company entered into an updated settlement agreement with former Members of the Company, whereby an affiliate owned outlet was sold to the former Members and a franchise agreement was entered into for that outlet. No payments have been made in connection with this settlement agreement during the year ended December 31, 2023. In 2024, the Company received payment of the settlement and recorded the receipt in other income in the accompanying statements of income.

In December 2025, the Company was named as a defendant in a legal matter arising from an automobile accident. The Company accrued the estimated loss as of December 31, 2025 and the matter was subsequently settled in January 2026 for $11,000.

Ivy Kids Systems, LLC

FINANCIAL STATEMENTS

December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members
Ivy Kids Systems, LLC
Houston, Texas

Opinion

We have audited the accompanying financial statements of Ivy Kids Systems, LLC (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in members' 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, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
April 17, 2025

Ivy Kids Systems, LLC
Balance Sheets

December 31,	**2024**	2023
Assets		
Current assets		
Cash and cash equivalents	**$ 749,428**	$ 575,816
Receivables	**664,648**	361,881
Prepaid expenses	**21,449**	19,638
Contract assets - franchise costs, current portion	**7,306**	5,975
Total current assets	**1,442,831**	963,310
Property and equipment, net	**28,882**	29,296
Contract assets - franchise costs, net of current portion	**162,210**	136,233
Total assets	**$ 1,633,923**	$ 1,128,839
Liabilities and Members' Equity (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	**$ 150,063**	$ 146,165
Contract liabilities - franchise fees, current portion	**110,953**	150,027
Disaster relief loan payable, current portion	**3,461**	3,334
Total current liabilities	**264,477**	299,526
Long-term liabilities		
Contract liabilities - franchise fees, net of current portion	**1,324,978**	869,029
Disaster relief loan payable, net of current portion	**140,046**	143,555
Total long-term liabilities	**1,465,024**	1,012,584
Total liabilities	**1,729,501**	1,312,110
Members' equity (deficit)	**(95,578)**	(183,271)
Total liabilities and members' equity (deficit)	**$ 1,633,923**	$ 1,128,839

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

Ivy Kids Systems, LLC
Statements of Income

For the years ended December 31,	**2024**	2023
Revenue		
Franchise fees	**$ 41,738**	$ 66,364
Franchise royalties	**2,186,685**	2,032,623
Advertising fees	**453,627**	436,845
Site selection fees	**186,879**	126,000
Technology fees	**27,867**	26,192
Training Fees	**92,008**	-
Total revenue	**2,988,804**	2,688,024
Operating expenses	**2,671,176**	2,067,028
Income from operations	**317,628**	620,996
Other income (expense)		
Other income	**534,303**	47,427
Interest expense	**(5,438)**	(5,709)
Total other income (expense)	**528,865**	41,718
Income from operations before provision for state income tax	**846,493**	662,714
Provision for state income tax	**8,800**	7,035
Net income	**$ 837,693**	$ 655,679

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

Ivy Kids Systems, LLC
Statements of Changes in Members' Equity (Deficit)

For the years ended December 31,	**2024**	2023
Members' equity (deficit), beginning of year	**$ (183,271)**	$ 11,050
Net income	**837,693**	655,679
Member distributions	**(750,000)**	(850,000)
Members' equity (deficit), end of year	**$ (95,578)**	$ (183,271)

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

Ivy Kids Systems, LLC
Statements of Cash Flows

For the years ended December 31,	**2024**	2023
Operating activities		
Net income	**$ 837,693**	$ 655,679
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**414**	13,954
Change in operating assets and liabilities		
Receivables	**(302,767)**	(142,098)
Prepaid expenses	**(1,811)**	(4,061)
Contract assets - franchise costs	**(27,308)**	(82,395)
Accounts payable and accrued expenses	**3,898**	61,958
Contract liabilities - franchise fees	**416,875**	343,636
Net cash provided by operating activities	**926,994**	846,673
Financing activities		
Principal payments of disaster relief loan	**(3,382)**	(3,111)
Member distributions	**(750,000)**	(850,000)
Net cash used in financing activities	**(753,382)**	(853,111)
Net change in cash and cash equivalents	**173,612**	(6,438)
Cash and cash equivalents, beginning of year	**575,816**	582,254
Cash and cash equivalents, end of year	**$ 749,428**	$ 575,816
Supplementary disclosure of cash flow information		
Cash paid for interest	**$ 5,438**	$ 5,709
Cash paid for state income taxes	**$ 8,800**	$ 7,035

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

Note 1: ORGANIZATION AND NATURE OF OPERATIONS

Ivy Kids Systems, LLC (the Company) incorporated on June 9, 2015 under the state laws of Texas for the purpose of selling and operating franchises under the brand name "Ivy Kids Early Learning Center". The Company grants franchisees the right to operate a learning center offering childcare and academic education programs to children ages six (6) weeks to twelve (12) years old.

As of December 31, 2024, there are twenty (20) open and operating locations, and sixteen (16) locations with signed /agreements in various stages of development.

The Company is organized as a limited liability company (LLC), whereby no member, manager, agent, or employee of the Company shall be personally liable for the debts, obligations, or liabilities of the entity, whether arising in contract, tort, or otherwise, or for the acts or omissions of any other member, director, manager, agent, or employee of the entity, unless the individual has signed a specific personal guarantee. The duration of the Company is perpetual.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and 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 could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid investments with an original maturity of 90 days or less.

Receivables

Receivables represent amounts owed to the Company which are expected to be collected within twelve months and are presented in the balance sheets net of the allowance for credit losses.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of probable credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in income as received. Management considered all outstanding balances collectible as of December 31, 2024 and 2023, and accordingly, no allowance for credit losses was recorded.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for additions, major renewals, and betterments are capitalized and repairs and maintenance are charged to operations as incurred. Depreciation expense is recognized over the estimated useful lives of the property and equipment using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or remaining term of the lease.

Leases

The Company leases office space from a related party. Management determines if an arrangement is a lease at inception.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, management elected to use, as a practical expedient, a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Management has elected to apply the short-term lease exemption to the following classes of underlying assets; office lease with a related party. The Company has leased its location that qualifies for the exemption. The short-term lease cost recognized and disclosed for this class of lease in 2024 and 2023 totaled $42,000 in each year.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets and certain intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Revenue Recognition

The Company follows FASB Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers and Subtopic 952-606 Franchisors-Revenue from Contracts with Customers.

The Company generates revenue from the sale of franchise licenses under various agreements. An initial franchise fee is due at signing and is earned based on the recognition of specific performance obligations. The Company also generates revenue from royalty, advertising, technology, and site selection fees. From time to time, the Company can charge various other fees as outlined in the Franchise Disclosure Document. See Note 8.

Franchise Fees

The Company recognizes franchise fees as two (2) performance obligations are satisfied. The amount allocated to the initial training program is earned at a point in time when the performance obligation is satisfied upon completion of the training. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee over the term of the franchise license, generally 25 years.

Royalty and Advertising Fees

The Company's franchise agreements contain variable considerations in the form of royalty and advertising fees. These fees are based on a percentage of franchisee monthly sales and are recorded and recognized as revenue as the franchisees provide their services because the variable payment relates specifically to the performance obligation of using the license.

Technology Fees

Technology fees relate to technological support provided by the Company relating to the software, hardware, and support services used in franchisee operations. These fees are charged separately and are earned at a point in time when the services are performed.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Site Selection Fees

Site selection fees relate to assistance provided by the Company with site identification, lease negotiation, acquisition, and design and construction consultation. In early 2022, these fees are charged separately and are earned at a point in time when the services are performed. During 2022, the franchise agreement was updated to include the site selection fee as part of the franchise fee collected from franchisees. Revenue recognition did not change in 2024, as the Company continues to identify this as a separate performance obligation under the terms of the franchise license.

Initial Direct Costs

The Company incurs certain costs, generally commissions, to facilitate the sale of franchise licenses. These costs are deferred as contract assets and recognized over time consistent with any franchise license revenues as the performance obligations are satisfied.

Income Taxes

The Company is a limited liability company under the Internal Revenue Code, files as a partnership and all taxable income or loss flows through to its members. Accordingly, no federal income tax expense or liability is recorded in the accompanying financial statements.

The Company is subject to the Texas franchise tax, commonly referred to as the Texas margin tax, for the years ended December 31, 2024 and 2023. Accordingly, a provision and liability for state income taxes has been included in the accompanying financial statements, if material.

Tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax position is recorded. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Company's evaluation was performed for the tax periods ended December 31, 2020 through December 31, 2024 for U.S. Federal and applicable states, the tax years which principally remain subject to examination by major tax jurisdictions as of December 31, 2024.

Advertising Fund

The Company administers advertising funds (Advertising Fund Contributions) collected from franchisees and manages the franchise advertising and marketing program on behalf of the franchisees. Advertising fund contributions are calculated at 1.5% of gross sales and are collected at the same time as the royalty fee. The funds are maintained in a separate account.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising and Marketing

Advertising and marketing costs are charged to operations when the advertising takes place. Advertising and marketing costs totaled $653,972 and $596,474 for the years ended December 31, 2024 and 2023, respectively.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 17, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

The Company adopted ASU 2016-13 on January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only. Please refer to accounts receivables and allowance for credit losses policies.

Note 3: CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and receivables.

The Company maintains cash balances at financial institutions, which may at times exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation ("FDIC). The Company believes it is not exposed to any significant credit risk on its cash. The Company has cash deposits with financial institutions at December 31, 2024 and 2023 in excess of federally insured limits of approximately $500,600 and $362,000, respectively

Note 3: CONCENTRATION OF CREDIT RISK (Continued)

Credit risk with respect to accounts receivable is concentrated to a limited number of customers comprising recent franchisees who have bought licenses from the Company. To reduce risk, the Company routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

Note 4: RECEIVABLES

The following table disaggregates the Company's receivables:

December 31,	**2024**	2023
Royalty and advertising fees	**$ 26,418**	$ 44,651
Franchise fees	**638,230**	317,230
Total receivables	**$ 664,648**	$ 361,881

Note 5: PROPERY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	Estimated Useful Life (in years)	**2024**	2023
Furniture and equipment	3-7	**$ 90,149**	$ 90,149
Leasehold improvements	15	**16,134**	16,134
		106,283	106,283
Less: accumulated depreciation		**(77,401)**	(76,987)
Property and equipment, net		**$ 28,882**	$ 29,296

Depreciation expense for the years ended December 31, 2024 and 2023 totaled $414 and $13,954, respectively.

Note 6: DEBT

Disaster Relief Loan Payable

In May 2020, the Company received a Disaster Relief Loan from the SBA in the amount of $150,000. The loan was made available by the CARES Act and is designed to help businesses who are struggling during the coronavirus pandemic. Installment payments of $731, including principal and interest at 3.75%, began in November 2022, with the balance of principal and interest payable in May 2050. The outstanding balance of the loan at December 31, 2024 totaled $143,507.

Future maturities of long-term debt at December 31, 2024 are as follows:

For the years ending December 31,	
2025	$ 3,334
2026	3,720
2027	3,731
2028	3,873
2029	4,021
Thereafter	124,828
Total	$ 143,507

Note 7: REVENUE

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2024 and 2023:

	Franchise Fees	Royalty Fees	Advertising Fees	Technology Fees	Site Selection Fees	Training Fees	Total
December 31, 2024							
Point in time	**$ -**	**$ 2,186,685**	**$ 453,627**	**$ 27,867**	**$ 186,879**	**$ 92,008**	**$ 2,947,066**
Over time	**41,738**	-	-	-	-		**41,738**
Total	**$ 41,738**	**$ 2,186,685**	**$ 453,627**	**$ 27,867**	**$ 186,879**	**$ 92,008**	**$ 2,988,804**
December 31, 2023							
Point in time	$ -	$ 2,032,623	$ 436,845	$ 26,192	$ 126,000	$ -	$ 2,621,660
Over time	66,364	-	-	-	-	-	66,364
Total	$ 66,364	$ 2,032,623	$ 436,845	$ 26,192	$ 126,000	$ -	$ 2,688,024

Note 7: REVENUE (Continued)

Contract Balances

Contract assets consist of costs incurred to facilitate the sale of franchise agreements. These costs are amortized over the expected customer life which typically is the franchise license period of 25 years.

Contract liabilities consist of the remaining initial franchise fees to be amortized over the life of the franchise agreements, 25 years. Contract liabilities are a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year, based on the number of franchise agreements signed.

Contract balances consist of the following:

December 31,	**2024**	2023
Receivables from contracts, beginning of year	**$ 361,881**	$ 219,783
Receivables from contracts, end of year	**$ 664,648**	$ 361,881
Contract assets, beginning of year	**$ 142,208**	$ 59,813
Contract assets, end of year	**$ 169,516**	$ 142,208
Contract liabilities, beginning of year	**$ 1,019,056**	$ 675,420
Fees deferred	**458,613**	447,000
Fees refunded	**-**	(37,000)
Fees recognized	**(41,738)**	(66,364)
Contract liabilities, end of year	**$ 1,435,931**	$ 1,019,056

Note 8: LEASES

On December 26, 2022, the Company entered into a lease agreement with a related entity owned by the majority members of Ivy Kids Systems, LLC for a lease term of 12 months commencing January 1, 2023, with monthly payments of $3,500. The lease does not contain a renewal option. Rent expense for the year ended December 31, 2023 totaled $42,000.

Note 8: LEASES (Continued)

On December 5, 2023, the Company entered into a lease agreement with the same related entity for a lease term of 12 months commencing January 1, 2024, with monthly payments of $3,500. The lease does not contain a renewal option. Future minimum rental payments for the year ending December 31, 2024 totaled $42,000.

On December 5, 2024, the Company entered into a lease agreement with the same related entity for a lease term of 12 months commencing January 1, 2025, with monthly payments of $3,500. The lease does not contain a renewal option. Future minimum rental payments for the year ending December 31, 2025 totaled $42,000.

Note 9: RELATED PARTIES

Ivy Kids, LLC was formed in October 2002. On September 15, 2015, Ivy Kids, LLC entered into a License Agreement with the Company, through which Ivy Kids, LLC licensed its intellectual property to Ivy Kids Systems, LLC, which allows the Company to franchise.

Ivy Kids Silver Ranch and Ivy Kids Heights, franchisee locations of the Company, are owned and operated by members of Ivy Kids Systems, LLC. All other franchise locations are owned and operated by franchisees who are not part of the partnership.

See Note 8 for related party lease disclosures.

Note 10: CONTINGENCIES

In October 2023, the Company entered into an updated settlement agreement with former Members of the Company, whereby an affiliate owned outlet was sold to the former Members and a franchise agreement was entered into for that outlet. No payments have been made in connection with this settlement agreement during the year ended December 31, 2023. In 2024, the Company received payment of the settlement and recorded the receipt in other income in the accompanying statements of income.

EXHIBIT H

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State Effective Dates

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

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	April 23, 2026
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	May 18, 2026, as amended _____
Washington	
Wisconsin	

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

RECEIPT (YOUR COPY)

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

If Ivy Kids Systems, LLC offers you a franchise, it must provide this Franchise Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that Ivy Kids Systems, LLC give you this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration to us or an affiliate in connection with the proposed franchise sale.

Michigan requires that Ivy Kids Systems, LLC give you this Franchise Disclosure Document at least 10 business days before the execution of the franchise or other agreement or the payment of any consideration, whichever occurs first.

If Ivy Kids Systems, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

Issuance Date: April 20, 2026, as amended June 11, 2026.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: Dick Ren, 2707 Spring Green Blvd., Katy, Texas 77494, Telephone: (281) 769-4266.

See Item 1 for our registered agent authorized to receive service of process.

I have received a Franchise Disclosure Document dated April 20, 2026, as amended June 11, 2026, that included the following Exhibits:

Exhibit A – State Administrators/Agents for Service of Process
Exhibit B – State Specific Addenda
Exhibit C – Franchise Agreement
Exhibit D – Area Development Agreement
Exhibit E – List of Franchisees and Developers
Exhibit F – List of Franchisees and Developers Who Have Left the System
Exhibit G – Financial Statements
Exhibit H – Table of Contents of the Manual

_____ _____

Date Prospective Franchisee

_____

Printed Name

PLEASE KEEP THIS COPY FOR YOUR RECORDS.

RECEIPT (OUR COPY)

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

If Ivy Kids Systems, LLC offers you a franchise, it must provide this Franchise Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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Date Prospective Franchisee

_____

Printed Name

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO IVY KIDS SYSTEMS, LLC, 2707 SPRING GREEN BLVD., KATY, TEXAS 77494.