FRANCHISE DISCLOSURE DOCUMENT

KARTER SCHOOLS, INC.
a Virginia corporation
21290 Springlake Court
Sterling, Virginia 20166
(703) 350-7491
www.karterschools.com
franchise@karterschools.com

The franchisee will own and operate a premier school dedicated to providing top-notch childcare, education, and before and after school programs to students ranging from infant to twelve years old. Franchisor, KARTER SCHOOLS, INC., provides services to franchisees including assistance with training, operations, advertising, purchasing and promotional techniques.

The total investment necessary is between $5,135,925 and $9,584,250 to establish and begin operating a Freestanding Location on real estate owned entirely by you and between $3,125,925 and $5,684,250 to establish and begin operating an Inline Location in a space you lease from a third party. This includes between $570,500 and $725,500 that must be paid to us or our affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss availability of disclosures in different formats, contact the Franchise Administration Department of KARTER SCHOOLS, INC., at 21290 Springlake Court, Sterling, Virginia 20166, (703) 350-7491.

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

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

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

Issuance Date: October 17, 2022

How to Use This Franchise Disclosure Document

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

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia 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.

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

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

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this

subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL. Any questions regarding the notice should be delivered to the Department of the Attorney General, Department of Licensing and Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau, 2501 Woodlake Circle, Okemos, MI 48864, Telephone: (517) 241-6470.

TABLE OF CONTENTS

ITEM		PAGE
ITEM 1.	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2.	BUSINESS EXPERIENCE	3
ITEM 3.	LITIGATION	4
ITEM 4.	BANKRUPTCY	4
ITEM 5.	INITIAL FEES	4
ITEM 6.	OTHER FEES	5
ITEM 7.	ESTIMATED INITIAL INVESTMENT	11
ITEM 8.	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	19
ITEM 9.	FRANCHISEE'S OBLIGATIONS	23
ITEM 10.	FINANCING	24
ITEM 11.	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	25
ITEM 12.	TERRITORY	33
ITEM 13.	TRADEMARKS	35
ITEM 14.	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	37
ITEM 15.	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	38
ITEM 16.	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	39
ITEM 17.	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	41
ITEM 18.	PUBLIC FIGURES	45
ITEM 19.	FINANCIAL PERFORMANCE REPRESENTATIONS	46
ITEM 20.	OUTLETS AND FRANCHISEE INFORMATION	47
ITEM 21.	FINANCIAL STATEMENTS	49
ITEM 22.	CONTRACTS	49
ITEM 23.	RECEIPT	49

EXHIBITS

Exhibit A KARTER SCHOOLS FRANCHISE AGREEMENT with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment), Attachment 4 (Guaranty), and Attachment 5 (Nondisclosure and Noncompetition Agreement)

Exhibit B-1 FRANCHISED BUSINESS DIRECTORY/LISTING OF CURRENT FRANCHISEES

Exhibit B-2 LISTING OF CERTAIN PAST FRANCHISEES

Exhibit C FINANCIAL STATEMENTS

Exhibit D STATE SPECIFIC INFORMATION

Exhibit E FEDERAL AND STATE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

Exhibit F SAMPLE GENERAL RELEASE AGREEMENT

Exhibit G ACH/EFT TRANSFER AGREEMENT

Exhibit H FIRST ADDENDUM TO RENEWAL FRANCHISE AGREEMENT

Exhibit I AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

Exhibit J SMALL BUSINESS ADMINISTRATION ADDENDUM

Exhibit K MANUAL TABLE OF CONTENTS

Exhibit L FORM OF FRANCHISE COMPLIANCE CERTIFICATION

Exhibit M RECEIPT

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

THE FRANCHISOR

To simplify the language in this Disclosure Document, "we," "KARTER SCHOOLS," "our," or "us" means KARTER SCHOOLS, INC. "You" means the person or company that buys the franchise, including, if any, such company's owners, partners, members, controlling shareholders, and guarantors. We are a Virginia corporation, formed under the name "KARTER SCHOOLS, INC.," on April 29, 2021. Our principal business address is 21290 Springlake Court, Sterling, Virginia 20166.

Our sole business since inception is selling KARTER SCHOOLS franchises and providing training and other services to KARTER SCHOOLS franchisees. We began selling KARTER SCHOOLS franchises in 2022. We are not currently engaged in any other business activities and have never offered franchises in any other line of business. We have never operated a KARTER SCHOOLS Franchised Business, although affiliates of ours do.

PARENTS, PREDECESSORS, AND AFFILIATES

We have no predecessors.

Our affiliate KARTER SCHOOL OF CASCADES, INC. ("KS Cascades") was formed on November 29, 2018 under the laws of Virginia. KS Cascades has as its principal place of business 21290 Springlake Ct, Sterling, Virginia, 20166. KS Cascades may be approved to be a supplier of certain goods and services to you. Since January 2019, KS Cascades has operated a KARTER SCHOOLS location in Sterling, Virginia. KS Cascades shares certain employees with us. KS Cascades has not offered franchises in this or any other line of business.

Our affiliate KARTER SCHOOL OF SOUTH RIDING, INC. ("KS South Riding") was formed on May 7, 2020 under the laws of Virginia. KS South Riding has as its principal place of business 25235 Elk Lick Rd, Chantilly, Virginia 20152. KS South Riding may be approved to be a supplier of certain goods and services to you. Since March 2020, KS South Riding has operated a KARTER SCHOOLS location in Chantilly, Virginia. KS South Riding shares certain employees with us. KS South Riding has not offered franchises in this or any other line of business.

Our affiliate, KARTER SCHOOL OF GAINESVILLE, LLC was formed on March 21, 2022 under the laws of Virginia ("KS Gainesville"). KS Gainesville has as its principal place of business 14130 Glenkirk Rd., Gainesville, Virginia 20155. KS Gainesville may be approved to be a supplier of certain goods and services to you. Since June 2022, KS Gainesville has operated a KARTER SCHOOLS location in Gainesville, Virginia. KS Gainesville shares certain employees with us. KS Gainesville has not offered franchises in this or any other line of business.

Exhibit E lists our agent for service of process in your state.

THE FRANCHISE OFFERED

As a KARTER SCHOOLS franchisee, you will own and operate a premier school dedicated to providing top-notch childcare, education, and before and after school programs to students ranging from infant to twelve years old (a "Franchised Business") at an approved location (a "Center"). You will have the option to operate from an inline, pre-existing space ("Inline Location") or from a freestanding building ("Freestanding Location"). Both locations are typically operated on or near main thoroughfares and are between 5,000 to 17,000 square feet on 1.0 to 2.5 acres of land. Each franchisee will have the opportunity to choose to offer a Montessori or a play-based curriculum. We offer qualified franchisees the opportunity to sign a single unit Franchise Agreement.

At your Center you will offer top-notch infant childcare, toddler childcare, preschool, pre-K and junior kindergarten, private kindergarten, summer camps, and before and after school programs. Some of the programs offered include technology and robotics, culinary arts, physical education, visual arts, science, music and performing arts, language arts and literacy, and foreign languages. KARTER SCHOOLS provide a comprehensive education experience for children in a joyful learning culture.

The KARTER SCHOOLS Franchised Businesses are characterized by a unique system that includes unique methods and procedures, superior curriculum, specially designed premises with distinctive décor, equipment, layouts, interior and exterior accessories, color schemes, services, proprietary marks, information, methods of operation, management programs, standards, specifications, and procedures for operations; training and assistance; and advertising and promotional programs; all of which we may improve, amend, and further develop from time to time. You will be required to operate using our Marks and in accordance with our confidential manuals and other proprietary manuals we may loan to you (collectively, the "Manual"), standards, specifications, and systems connected with the establishment and operation of a KARTER SCHOOLS Franchised Business (collectively, the "System"), which we may modify from time to time as we deem appropriate in our sole discretion.

Childcare and child education are well-developed, fragmented industries. You will compete with other KARTER SCHOOLS franchisees; KARTER SCHOOLS businesses owned by our affiliate; and pre-schools, after-school programs, summer camp programs, and childcare facilities offered by public and private schools, churches, and corporations, including both independent operations as well as national and regional chains. Your ability to succeed with this franchise will in part be determined by your ability to compete with these other establishments.

At all times you must comply with the state and local laws, rules, and regulations applicable to the childcare and child education industries. These laws may include requirements for licensing, enrollment capacity, indoor and outdoor facilities, personnel background checks and credentials, age restrictions and training requirements, reporting obligations, food service requirements, and recordkeeping, among others.

Additionally, federal, state, and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your Franchised Business, including those that (a) establish general standards, specifications, and requirements for the construction, design, and

maintenance of the Franchised Business premises; (b) regulate matters affecting the health, safety, and welfare of your customers; restrictions on smoking; and the availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) govern labor practices for your employees; and (f) govern the application of the Affordable Care Act. The Americans with Disabilities Act and Children's Online Privacy Protection Act also may apply to the operation of your Franchised Business. Your jurisdiction may also have laws, rules, regulations, or guidelines related to the capacity of your Franchised Business in light of the COVID-19 pandemic. You should investigate whether there are regulations and requirements that may apply to the geographic area in which you are interested in locating your franchise and should consider both the effect and cost of compliance.

We have not researched any of these laws to determine their applicability to your Franchised Business. You should consult with your own attorney to ensure that the laws of the state where your KARTER SCHOOLS Franchised Business is located permits you to provide the approved services we require. It is your sole responsibility to investigate any laws and regulations in your area, including those related to the establishment and operation of a KARTER SCHOOLS Franchised Business generally. You alone are responsible for complying with all applicable laws and regulations, despite any advice or information that we may give you.

ITEM 2. BUSINESS EXPERIENCE

Name	Position	Principal Occupation During the Past 5 Years
Kiet Nguyen	Chief Executive Officer	Mr. Nguyen is the Chief Executive Officer of KARTER SCHOOLS, INC. in Sterling, Virginia, which was founded in April 2021. Since January 2020, he has also been the Chief Vision Officer for KARTER SCHOOLS OF CASCADES, INC. and KARTER SCHOOLS OF SOUTH RIDING, INC., which operate KARTER SCHOOLS in Sterling, Virginia and Chantilly, Virginia, respectively. From October 2015 to January 2020, Mr. Nguyen was the CEO of the entity that operated the KIDS 'R' KIDS location in South Riding, Virginia.
Thuylinh Nguyen	Chief Vision Officer	Ms. Nguyen is the Chief Vision Officer of KARTER SCHOOLS, INC. in Sterling, Virginia, which was founded in April 2021. Since January 2020, she has also been the Chief Vision Officer for KARTER SCHOOLS OF CASCADES, INC. and KARTER SCHOOLS OF SOUTH RIDING, INC., which operate KARTER SCHOOLS in Sterling, Virginia and Chantilly, Virginia, respectively. From January 2014 to January 2020, Ms. Nguyen was the CEO of the entity that operated the KIDS 'R' KIDS location in South Riding, Virginia.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

The initial fee to open a KARTER SCHOOLS Franchised Business is $75,000. The initial franchise fee is due when you sign the franchise agreement. We do not refund the initial franchise fee under any circumstance.

You will pay us a Real Estate and Building Consultant Fee of $50,000 upon signing the Franchise Agreement. For this fee we will provide guidance in selecting the site for your Center and conduct a brand standards inspection of the Center of the buildout. We do not refund the Real Estate and Building Consultant Fee.

You will pay us or our affiliate a Launch Fee of $40,000 for our assistance in providing marketing materials and assistance as well as grand opening assistance. Specifically, we will implement a three-month social media and ad-words campaign, issue press releases, add a link on our website for your Center, provide food at the grand opening event, and generate marketing flyers and temporary signage. The Launch Fee is due and fully earned within 30 days after signing the franchise agreement. We do not refund the Launch Fee under any circumstance.

Additionally, you will pay us an Initial Training Fee of $35,000 for an initial training program provided to up to four people prior to opening of the Center. The Initial Training Fee is due and fully earned within 30 days after signing the franchise agreement. We do not refund the Initial Training Fee under any circumstances.

Prior to opening your Center, you will purchase from us or our affiliate a package of required furniture, fixtures, equipment and supplies you will need to begin operations ("Opening Package"). Currently, the Opening Package includes furniture, classroom supplies, classroom toys, kitchen supplies (not major appliances), cribs and crib sheets, and playground equipment for classroom use. We estimate the cost of this package to be between $300,000 and $450,000. The Opening Package will be purchased approximately 30 days after signing the franchise agreement. All amounts paid for the Opening Package are non-refundable.

You will pay us or our affiliate the initial costs for a school management system. We estimate the upfront costs of this management system to be between $10,000 and $15,000. These fees are due within 30 days after signing the franchise agreement. We do not refund the upfront costs for the learning management system under any circumstance.

You will pay us or our affiliate an interior design fee of $60,000 for the design services we provide through our approved interior design firm. You will pay us this fee within 30 days after signing the franchise agreement. We do not refund the interior design fee under any circumstances.

All fees mentioned above were uniformly applied during our last fiscal year.

ITEM 6. OTHER FEES

Name of Fee[1]	Amount	Due Date	Remarks
Royalty	Year 1 and 2: 5% of Gross Sales Year 3 and every year thereafter: 6% of Gross Sales	Monthly	During the first and second year following execution of your Franchise Agreement, we will collect a royalty of 5% of Gross Sales. Starting upon the third anniversary of the signing of the Franchise Agreement through the duration of the term of your Franchise Agreement, we will collect a royalty of 6% of Gross Sales. We will start collecting royalties once your Center has commenced operations and has reached enrollment that equals the lesser of 30% capacity or 90 students. See Note 2 for the definition of Gross Sales.
Brand Fund Contribution	2% of Gross Sales	Monthly	We reserve the right to increase the Brand Fund requirement to 3% of Gross Sales.
Technology Fee	$2,000	Monthly	We may use this fee for any technology-related purpose, and we may increase this fee at any time during the term. Currently we use our Technology Fee to provide you with our learning management system. We reserve the right to alter, modify, substitute, add, or delete any technologies provided to you for the Technology Fee in our sole discretion, provided we will never charge a Technology Fee of more than $5,000 a month.

Name of Fee[1]	Amount	Due Date	Remarks
Minimum Local Advertising Spend	Greater of $5,000 or 3% of Gross Sales per month any time your Center has a current enrollment rate at or below 50%. Greater of $3,000 or 2% of Gross Sales per month any time your Center has a current enrollment rate above 50%	Monthly	You must spend the Minimum Local Advertising Spend on approved local advertising. You must use this money in the form and manner we require and with the vendors we approve. We may require that you remit this amount to us or our affiliates to provide you with services related to local advertising.
Initial Curriculum Fee	Varies	As incurred	We reserve the right to implement a proprietary curriculum for the network of franchisees. If we implement it, we will require you to license it from us. You will pay us an initial curriculum fee as well as an annual license fee. We currently anticipate that the initial curriculum fee will be $30,000 but it may be higher or lower at the time of implementation.
Annual Curriculum Fee	Varies	Yearly	We reserve the right to implement a proprietary curriculum for the network of franchisees. If we implement it, we will require you to license it from us. You will pay us an initial curriculum fee as well as an annual license fee. We currently anticipate that the annual curriculum fee will be $5,000 but it may be higher or lower at the time of implementation.
Management System Fee	Currently $60	Monthly	You will pay us the then-current fee for the school management system authorized for your use.

Name of Fee[1]	Amount	Due Date	Remarks
Franchisor- or Affiliate- Provided Goods and Services	Varies	As incurred	If we or our affiliate are an approved or designated supplier, or if we or our affiliate pay the system-wide charges for any good or service you use in operation of your Center, you will pay us or our affiliate the then-current rate or price for such good or service. The supplier designation and list of approved goods or services is subject to change.
Renewal Fee	10% of the then current initial franchise fee	Upon signing a then-current form franchise agreement	Payable in immediately available funds.
Renewal Training Fee	$5,000	Upon signing a then-current form franchise agreement	Payable in immediately available funds. This training fee covers training for four people.
Transfer Fee	Transferor will pay 40% of the then current initial franchise fee, plus all costs and expenses Transferee will pay 60% of the then-current initial franchise fee	Payable at closing	We retain the right of first refusal with respect to all transfer applications.
Transfer Training Fee	Transferee will pay the amount of then-current Initial Training Fee. Currently, $35,000.	$5,000 must be paid at least 10 days prior to attending the Initial Training, with balance due at the closing of the transfer	We reserve the right to reduce the Transfer Training Fee by 75% if you transfer the Franchised Business to an existing franchisee who meets certain previous training requirements.

Name of Fee[1]	Amount	Due Date	Remarks
Advertising Cooperative Fee	There are currently no plans for an advertising cooperative, but one may be formed in the future	When designated by cooperative	Any percentage contribution would be set by the cooperative on a vote of a majority of its members. Each franchisee and each affiliate-owned Franchised Business is entitled to one vote. The maximum fee that can be imposed by the advertising cooperative is 1% of Gross Sales.
Audit Fee	Costs and expenses	As incurred	Audit Fee is paid by you if the difference in reported royalties is 2% or greater.
Interest	2% per month or highest rate allowed by law	Calculated and payable monthly	Interest accrues from the original due date until payment due to us or our affiliates is received in full.
Late Fee	10% of each late payment, plus interest	As incurred	Failure to make timely payment of any fee owed to us.
Insufficient Funds Fee	$100 per violation plus any fee we are charged for uncollected funds	As incurred	Failure to have sufficient funds available for payment to us.
Testing or Supplier Approval Fee	$500 plus our costs and expenses	Upon request	If requested by you, you will pay our fee and all fees and costs incurred by us to obtain the necessary information and evaluate suppliers prior to giving approval for new suppliers and products.
Additional Training	Our current hourly rate, plus all costs and expenses Currently, $100 per hour for each trainer, not to exceed $750 per day for each trainer	As incurred prior to beginning of additional training	We may change the additional training fee from time to time. Payable if you request or we require you or your representatives to attend additional training.

Name of Fee[1]	Amount	Due Date	Remarks
Consultation Services Fee	A reasonable fee, currently up to $750 per day, plus travel and living expenses	As incurred	We may offer consultation services beyond the support services offered under the Franchise Agreement. If you accept consulting services you will pay us our then-current consultation fee, plus all our costs and expenses, including our representative's travel and living expenses incurred to provide the consultation services on-site.
Legal fees and expenses	Costs and expenses, including but not limited to attorneys' fees for any failure to pay amounts when due or failure to comply in any way with the Franchise Agreement	As incurred	You will pay our costs to enforce the Franchise Agreement. Loser pays winner's fees and costs to discourage meritless litigation. We could have to pay your fees.
Management Fee	20% of Gross Sales in the event we must operate franchise due to death, disability, etc., plus our expenses	Monthly with Royalty payment	Only payable in the event we must operate your franchise due to death, disability, etc. Management fee would be paid in addition to Royalty, Technology Fee, Brand Development Fund, and any other fees due to us.
Indemnification	The amount of any claim, suits, demands, costs, fines and actions of any kind, liability or loss we incur from your Franchised Business	As incurred	You agree to defend, indemnify, and hold us harmless should we be sued as a result of something you do or fail to do.
Post-Termination or Post-Expiration Expenses	Costs and expenses	As incurred	You must pay all costs and expenses related to de-identifying the Franchised Business or otherwise complying with your post-termination or post-expiration obligations.

Name of Fee[1]	Amount	Due Date	Remarks
Fines	$1,000 per occurrence	As incurred	Fines can be levied for each instance where Franchisee fails to obtain prior written approval for advertisements, fails to attend required training or franchisor sponsored conventions, offers unauthorized products or services, or otherwise fails to comply with our system's operating standards.
Follow-Up Inspection Fee	All costs and expenses we incur	As incurred	Payable if we perform a follow-up inspection to review any corrective action you take to cure deficiencies.
Refurbishment Fee	Our costs incurred in connection with any refurbishing, remodeling, or updating work we do on your Premises or Franchised Business on your behalf plus an administrative fee of 15% of the expenses we incur	As incurred	Payments will either be made to the Franchisor or third-party suppliers or contractors if you fail to undertake any required refurbishing, remodeling, or updating work.
Conferences and Conventions	Current rate per attendee, currently between $500 and $1,000 per attendee	Upon invoicing.	We reserve the right to charge you an attendance fee for conferences and conventions. We reserve the right to collect the fee for people who are required to attend, whether or not they actually do attend.
Center Expansion Fee	$10,000	As incurred	If you would like to expand the size of your Center, you must pay us this fee.

Name of Fee[1]	Amount	Due Date	Remarks
Relocation Fee	Our costs and expenses plus all then-current fees applicable to building a new Center	As incurred	Payable if you relocate the Center site. Item 5 discusses fees applicable to building a new Center.
Customer Complaint Fee	Our costs and expenses	As incurred	We reserve the right to charge you for our costs to respond and/or resolve a complaint by your customers that you do not satisfactorily resolve.

Note 1. All fees and expenses described in this Item 6 are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us.

Note 2: "Gross Sales" means the total of gross revenue that you derive from the operation of the Franchised Business, including, but not limited to, revenue from services rendered by the Franchised Business, whether from sales for cash or credit and regardless of the collection thereof. Gross Sales does not include sales taxes. If you offer any discounts, offsets, credits or deductions of any nature that exceed the amount we designate, we have the right to collect the Royalty and Brand Fund contributions based upon your then-current published rates, tuition, or other fees that would have been charged if you had offered only the discounts, offsets, credits or deductions authorized by the us, regardless of the amounts actually received from such customer.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Table 1: Freestanding Location You Own

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
PRE-OPENING COSTS[1]					
Initial Franchise Fee	$75,000	$75,000	Lump sum	At signing of Franchise Agreement	Us
Launch Fee	$40,000	$40,000	Lump Sum	Within 30 days after signing Franchise Agreement	Us or our affiliate

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Initial Training Fee	$35,000	$35,000	Lump Sum	Within 30 days after signing Franchise Agreement	Us or our affiliate
Interior Design Fee	$60,000	$60,000	Lump Sum	Within 30 days after signing Franchise Agreement	Us or our affiliate
Real Estate and Building Consulting Fee	$50,000	$50,000	Lump Sum	At signing of Franchise Agreement	Us or our affiliate
Real Estate Development Costs[2]	$4,000,000	$8,000,000	As incurred	Before opening	Third-party providers
Architect Fees[3]	$220,000	$350,000	As incurred	Before opening	Approved third-party provider
Opening Package[4]	$300,000	$450,000	Lump Sum	Within 30 days after signing Franchise Agreement	Us or our affiliate
Other Furniture, Fixtures, and Equipment[5]	$47,500	$68,000	As incurred	Before opening	Approved third-party provider
Vehicle Monthly Payments[6]	$2,700	$6,000	Varies depending on your contract with your supplier	Varies depending on your contract with your supplier; typically monthly	Approved third-party provider
Signage[7]	$10,000	$20,000	As incurred	Prior to Opening	Approved third-party provider

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Management System[8]	$10,500	$15,500	Lump Sum	Prior to Opening and Monthly Thereafter	Us or our Affiliate
Technology Services Fees[9]	$7,225	$7,450	As incurred	Varies depending on contract with supplier	Approved third-party provider
Technology Fee	$6,000	$6,000	Lump sum	Monthly	Us or our affiliate
Utility Deposits	$10,000	$30,000	Lump sum	Usually before opening	Landlord, utilities, phone co.
Insurance Premiums[10]	$5,000	$12,000	As arranged	Varies depending on contract with supplier	Insurance company
Pre-opening Travel and Training Expense[11]	$3,000	$4,300	As incurred	Before Opening	Airline, hotel, restaurants
Accreditation[12]	$4,000	$5,000	As incurred	Before Opening	Designated accreditor
Additional Funds[13]	$250,000	$350,000	As incurred	As incurred	Various
TOTAL	$5,135,925	$9,584,250			

Note 1: All fees and payments are non-refundable unless otherwise noted or allowed by third-party vendors. The above table represents your estimated initial investment through the third month of operation of your business of a new Freestanding Location that you will build. Your expenses will vary from this table if you choose to rent a Freestanding Location or if you purchase an existing Freestanding Location. Our estimates of the costs involved in establishing an Inline Location that you will rent from a third party are detailed in Table 2. Neither we nor our affiliate offer direct or indirect financing for your initial franchise fee or for any other payments you must make or costs you must incur in starting and operating your business.

Note 2. We estimate that the cost to construct the 10,000 to 17,000 square foot Center to be between $3,000,000 and $5,500,000. You must build a facility that is suitable for the operation of the Center. Your cost to construct the Center is difficult to quantify because there are many factors that will impact what you pay, including location, size and condition of the property, local market conditions and demand, local labor and supply costs, square footage, and many other factors.

Note 3. You will be required to use the services of our designated architect.

Note 4. We or our affiliate will supply you with an opening package of furniture, branded signage, classroom supplies, classroom toys, kitchen supplies (not major appliances), cribs and crib sheets, and playground equipment for classroom use. These estimates do not account for sales taxes or freight or delivery charges. The low estimate is for a smaller Center and the high estimate is for a larger Center.

Note 5. Operation of the Center will require you to purchase other furniture, fixtures, and equipment that are not provided in the Opening Package. The low estimate is for a smaller Center of about 10,000 square feet and the high estimate is for a larger Center of about 17,000 square feet. These estimates represent the upfront costs of these furniture, fixtures, and equipment. The monthly fees required to use some of this equipment are discussed in Note 9. The equipment includes internet and Wi-Fi; two late model computers; six late model laptops; two large television monitors; ten tablets; professional grade printer; phones, including a phone for each classroom; voice over internet protocol system; camera and video system, including at least two cameras per classroom, two cameras in the lobby, two cameras in the enrichment room; and at least one camera in the kitchen, each hallway, break room, workroom, and each office; and a security system.

Note 6. You will need to lease 14-passenger buses in the number we require. The low estimate assumes you will be leasing one 14-passneger bus, and the high estimate assumes you will be leasing three 14-passenger buses. These estimates assume that you will lease rather than purchase your vehicles on five-year terms. Your upfront costs will increase if you purchase the vehicle.

Note 7. You must obtain branded signage for the interior and exterior of your Center.

Note 8. The management system software has accounting and enrollment functions. The upfront costs are between $10,000 to $15,000, with an additional monthly fee, currently $60 per month.

Note 9. The required human resources management system, marketing software, reporting and billing system, and secure video streaming service have monthly service fees. The low estimate assumes you will enroll 100 students and the high estimate assumes you will enroll 200 students.

Note 10. This estimate assumes you will pay insurance quarterly.

Note 11. You are responsible for costs associated with sending your representatives to the initial training program, including but not limited to transportation, lodging and food, if any such costs are incurred. You are required to travel to a location we specify to participate in training. This estimate is highly dependent on your proximity to the specified training location and the mode of

transportation required. These estimates are for up to four people to attend our training. These estimates do not include any labor costs.

Note 12. You are responsible for becoming accredited with our designated accreditor, currently Cognia. We estimate that the initial accreditation costs will be between $4,000 and $5,000 and will include a recurring $900 annual fee.

Note 13. You should have a three-month cash reserve to cover the operations of the KARTER SCHOOLS business. Our estimates for the cash reserve you should have on hand include our estimates for six months of initial staffing pre-opening and three months of initial staffing after opening, leasing a temporary sales office space pre-opening, software, royalties, Brand Fund contributions, and advertising expenses, offset by the revenues we estimate you will collect in the first three months of operation. Our estimates do not include any other charges or expenses, including finance charges, interest or debt service obligations or any other expenses. Your costs, and the amount you should have in reserve, will be affected by factors in the local market, your technical, marketing and general business skills, local economic conditions, local competition, local cost factors and where your Franchised Business is located. You may need to have more or less money in your cash reserve than what we have estimated. You may need to have additional working capital to cover lower than estimated sales or higher than estimated operating costs. You should speak with a financial advisor to get a more accurate estimate of the amount you should have in reserve. The operating costs for which you may use the cash reserve are typically non-refundable, but you should ask about refund policies before you patronize any vendor. Development of the Center may take multiple years and costs may escalate. The payments made to third parties may be refundable depending on the terms offered by each third party. The amounts shown in these and all other estimates in Item 7 are based on the experience of our affiliate in operating Karter Schools.

Table 2: Inline Location You Rent

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
PRE-OPENING COSTS[1]					
Initial Franchise Fee	$75,000	$75,000	Lump sum	At signing of Franchise Agreement	Us
Launch Fee	$40,000	$40,000	Lump Sum	Within 30 days after signing Franchise Agreement	Us or our affiliate

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Initial Training Fee	$35,000	$35,000	Lump Sum	Within 30 days after signing Franchise Agreement	Us or our affiliate
Interior Design Fee	$60,000	$60,000	Lump Sum	Within 30 days after signing Franchise Agreement	Us or our affiliate
Real Estate and Building Consulting Fee	$50,000	$50,000	Lump Sum	At signing of Franchise Agreement	Us or our affiliate
Upfit Costs[2]	$2,000,000	$4,000,000	As incurred	Before opening	Third-party providers
Architect Fees[3]	$75,000	$110,000	As incurred	Before opening	Approved third-party provider
Opening Package[4]	$300,000	$450,000	Lump Sum	Within 30 days after signing Franchise Agreement	Us or our affiliate
Other Furniture, Fixtures, Equipment[5]	$47,500	$68,000	As incurred	Before opening	Approved third-party provider
Rent Payments[6]	$135,000	$340,000	Varies depending on your contract with your landlord	Varies depending on your contract with your landlord; typically monthly	Landlord
Vehicle Monthly Payments[7]	$2,700	$6,000	Varies depending on your contract with your supplier	Varies depending on your contract with your supplier; typically monthly	Approved third-party provider

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Signage[8]	$10,000	$20,000	As incurred	Prior to Opening	Approved third-party provider
Management System[9]	$10,500	$15,500	Lump Sum	Prior to Opening and Monthly Thereafter	Us or our Affiliate
Technology Services Fees[10]	$7,225	$7,450	As incurred	Varies depending on contract with supplier	Approved third-party provider
Technology Fee	$6,000	$6,000	Lump sum	Monthly	Us or our affiliate
Utility Deposits	$10,000	$30,000	Lump sum	Usually before opening	Landlord, utilities, phone co.
Insurance Premiums[11]	$5,000	$12,000	As arranged	Varies depending on contract with supplier	Insurance company
Pre-opening Travel and Training Expense[12]	$3,000	$4,300	As incurred	Before Opening	Airline, hotel, restaurants
Accreditation[13]	$4,000	$5,000	As incurred	Before Opening	Designated accreditor
Additional Funds[14]	$250,000	$350,000	As incurred	As incurred	Various
TOTAL	$3,125,925	$5,684,250			

Note 1: All fees and payments are non-refundable unless otherwise noted or allowed by third-party vendors. The above table represents your estimated initial investment through the third month of operation of your business of a Freestanding Location. We assume in this table that you will be renting the Inline Location from a third party. You will likely incur additional costs if instead you choose to purchase your Inline Location. Our estimates for purchasing and constructing a Freestanding Location are in Table 1. Neither we nor our affiliate offer direct or indirect financing for your initial franchise fee or for any other payments you must make or costs you must incur in starting and operating your business.

Note 2. We estimate the cost to upfit the 10,000 to 17,000 square foot Center to be between $1,000,000 and $3,000,000. You must upfit a facility that is suitable for the operation of the Center. These estimates assume that you will be improving a first-generation space with no plumbing, electrical, or flooring work complete. Your costs to improve the space are difficult to quantify because there are many factors that will impact what you pay, including location, size and condition of the property, local market conditions and demand, local labor and supply costs, square footage, and many other factors.

Note 3. You will be required to use the services of our designated architect.

Note 4. We or our affiliate will supply you with an opening package of furniture, branded signage, classroom supplies, classroom toys, kitchen supplies (not major appliances), cribs and crib sheets, and playground equipment for classroom use. These estimates to not account for sales taxes or freight or delivery charges. The low estimate is for a smaller Center and the high estimate is for a larger Center.

Note 5. Operation of the Center will require you to purchase other furniture, fixtures, and equipment that are not provided in the Opening Package. The low estimate is for a smaller Center of about 10,000 square feet and the high estimate is for a larger Center of about 17,000 square feet. These estimates represent the upfront costs of these furniture, fixtures, and equipment. The monthly fees required to use some of this equipment are discussed in Note 8. The equipment includes internet and Wi-Fi; two late model computers; six late model laptops; two large television monitors; ten tablets; professional grade printer; phones, including a phone for each classroom; voice over internet protocol system; camera and video system, including at least two cameras per classroom, two cameras in the lobby, two cameras in the enrichment room; and at least one camera in the kitchen, each hallway, break room, workroom, and each office; and a security system.

Note 6. This estimate assumes that you will rent the space for your Inline Center. The estimates reflect three months of rental payments and a lease deposit of three months rent. These estimates assume you will receive free rent for all pre-opening periods.

Note 7. You will need to lease 14-passenger buses in the number we require. The low estimate assumes you will be leasing one 14-passenger bus, and the high estimate assumes you will be leasing three 14-passenger buses. These estimates assume that you will lease rather than purchase your vehicles on five-year terms. Your upfront costs will increase if you purchase the vehicle.

Note 8. You must obtain branded signage for the interior and exterior of your Center.

Note 9. The management system software has accounting and enrollment functions. The upfront costs are between $10,000 to $15,000, with an additional monthly fee, currently $60 per month.

Note 10. The required human resources management system, marketing software, reporting and billing system, and secure video streaming service have monthly service fees. The low estimate assumes you will enroll 100 students and the high estimate assumes you will enroll 200 students.

Note 11. This estimate assumes you will pay insurance quarterly.

Note 12. You are responsible for costs associated with sending your representatives to the initial training program, including but not limited to transportation, lodging and food, if any such costs are incurred. You are required to travel to a location we specify to participate in training. This estimate is highly dependent on your proximity to the specified training location and the mode of transportation required. These estimates are for up to four people to attend our training. These estimates do not include any labor costs.

Note 13. You are responsible for becoming accredited with our designated accreditor, currently Cognia. We estimate that the initial accreditation costs will be between $4,000 and $5,000 and will include a recurring $900 annual fee.

Note 14. You should have a three-month cash reserve to cover the operations of the KARTER SCHOOLS business. Our estimates for the cash reserve you should have on hand include our estimates for six months of initial staffing pre-opening and three months of initial staffing after opening, leasing a temporary sales office space pre-opening, software, royalties, Brand Fund contributions, and advertising expenses, offset by the revenues we estimate you will collect in the first three months of operation. Our estimates do not include any other charges or expenses, including finance charges, interest or debt service obligations or any other expenses. Your costs, and the amount you should have in reserve, will be affected by factors in the local market, your technical, marketing and general business skills, local economic conditions, local competition, local cost factors and where your Franchised Business is located. You may need to have more or less money in your cash reserve than what we have estimated. You may need to have additional working capital to cover lower than estimated sales or higher than estimated operating costs. You should speak with a financial advisor to get a more accurate estimate of the amount you should have in reserve. The operating costs for which you may use the cash reserve are typically non-refundable, but you should ask about refund policies before you patronize any vendor. Development of the Center may take multiple years and costs may escalate. The payments made to third parties may be refundable depending on the terms offered by each third party. The amounts shown in these and all other estimates in Item 7 are based on the experience of our affiliate in operating Karter Schools.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Vendors, Products, and Services. We have the right to require that all curriculum, supplies, inventory, Technology, and equipment you use in the Franchised Business (i) meet specifications that we establish from time to time; (ii) are a specific brand, kind, or model; (iii) are purchased or leased only from suppliers or service providers that we have expressly approved; and/or (iv) are purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative or similar group buying arrangement organized by us or our affiliates). To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Confidential Manuals or otherwise in writing. We may, in our discretion, unilaterally change or add to any specifications, standards, or approved goods, services, or suppliers. These changes or additions may affect your obligations and may require additional capital investment or expenditures. “Technology” means hardware, computer

systems, mobile devices, applications, software, online services and cloud-based systems, and communications links, systems, providers, and applications. If we alter the approved suppliers or products and services, we will generally provide you with at least 30 days' notice. Even with approved suppliers, only certain goods and services are approved. We have the right to change our business relationship with our approved suppliers as well as the right to add and/or remove approved suppliers from the approved supplier list.

Where we have designated an approved supplier, you must use that supplier. Not purchasing your business's curriculum, supplies, inventory, Technology, and equipment, or any other items where we have designated an approved supplier would put you in violation of the Franchise Agreement. You are required to purchase an Opening Package from us or our affiliates prior to commencing operations of the Center. This package includes furniture, classroom supplies, classroom toys, kitchen supplies (not major appliances), cribs and crib sheets, and playground equipment for classroom use and other items you will need to begin operation of the Center. You will need to use our designated or approved suppliers for replacing or replenishing the opening package items.

We or our affiliate are the designated supplier for interior design services and initial marketing assistance services for your Center. You will pay us the Launch Fee and we will implement a three-month social media and ad-words campaign, issue press releases, add a link on our website for your Center, provide food at your grand opening event, and generate marketing flyers and temporary signage. Additionally, you will pay us the interior design fee.

We or our affiliate is the designated supplier of real estate selection and building consultant services for your Center. You will pay us the Real Estate and Building Consultant Fee and we will provide guidance in selection a site for your Center and perform a brand standards inspection of the Center of the buildout.

We have also designated suppliers for certain required Technology. We may require you to pay us the fees for the Technologies and we will remit the payment to the supplier on your behalf. Currently, you will pay us the fees for the childcare management system. Other required Technologies include voiceover IP services, camera systems, security systems, reporting and billing system, and human resource management system. We reserve the right to change the Technology or vendors, or to require you to use proprietary systems. Costs for these Technologies are in addition to the monthly Technology Fee you will pay us or our affiliate.

We must approve the supplier of your transportation vehicles and approve the vehicle(s) prior to your lease or purchase.

You are required to use the credit card processing service we approve. Since you accept credit cards as a method of payment, you must comply with payment card infrastructure ("PCI") industry and government requirements. PCI security standards are technical and operational requirements designed to protect cardholder data. The standards apply to all organizations that store, process or transmit cardholder data and cover technical and operational payment system components involving cardholder data. Notwithstanding the credit card processing requirement, we do not represent, nor certify to you or your customers, that the credit card processing service approved or

provided by us or an affiliate is compliant, whether or not certified as compliant, with the PCI Data Security Standards. Your credit card processing provider should assist you with this compliance.

If we or our affiliate become an approved, designated, or exclusive supplier of any other good or service, you will pay us or our affiliate the then-current rate or price for such goods and services. In the future, we or our affiliates may be only approved supplier of a proprietary curriculum for the Center and may charge you both an initial curriculum fee and an annual fee for a license.

It is your responsibility to select your own location and we must approve it. We must approve the lease of your space or your purchase contract if you purchase the real estate for the Center. You will be required to use our approved real estate broker to assist you in locating a site and negotiating the lease or purchase, as applicable. We must approve the designs and plans for your location. You will be required to use our approved architect to provide you with plans for your Center. We have the right to require you and your landlord to provide in the lease that we shall have the right at our option and without compensation to you to take assignment of the lease should you materially default under the lease or should your franchise terminate or not be renewed for any reason. If you own the real property, we also have the right to require you to sell us the real property or lease the property to us upon expiration or termination of the franchise agreement for any reason. You are not allowed to relocate the business premises without our prior written approval. Neither we nor our affiliates directly lease property to our franchisees.

Insurance. You are obligated to obtain and maintain at your own expense the types and amounts of insurance that we designate in our Manuals or otherwise in writing. All policies (except any workers' compensation insurance) must name us as an additional insured and shall contain a waiver of all subrogation rights against us and our successors and assigns. All insurance policies must expressly protect both you and us on a primary and non-contributory basis and must require the insurer to defend both you and us in any action while reserving our right to involve counsel of our own choosing in protection of our own and system wide interests. In addition to any other insurances that may be required by applicable law or by your landlord, special form ("all-risk") property insurance, worker's compensation and employer's liability insurance, commercial general liability insurance (at least $1 million per occurrence and $2 million in the aggregate), business interruption insurance (for actual losses sustained), automobile liability insurance (at least $1 million in coverage), professional liability insurance (at least $1 million in coverage), sexual abuse coverage (at least $1 million in coverage), student accident insurance, and umbrella insurance (at least $2 million in coverage).

Section 16 of the Franchise Agreement also outlines the types, amounts, terms and conditions of insurance coverage required for your Franchised Business, including, but not limited to, standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend a claim; and similar matters relating to insured and uninsured claims. If a lease or any other contract you enter into requires more insurance than listed above, you must purchase and maintain such additional insurance, but you must never have less insurance than that listed above. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payments and your history. At least 30 days prior to the time any

insurance is first required to be carried by you, you will deliver to us Certificates of Insurance evidencing the proper coverage.

Method of Approving Suppliers and Vendors. If you want to use goods, services, supplies, fixtures, equipment, inventory, or Technologies, or suppliers that we have not approved, you must first submit to us certain information, including product specifications, product components, product performance history, product samples, supplier information, and any other relevant information. We have sole discretion to choose to review your proposal. If we review your request, we will evaluate the proposed item or supplier based upon certain criteria and determine if you are approved to use the alternate item or supplier. We do not provide the criteria to you but inform you that our review generally includes technical and performance properties of the item, including design, appearance, product reliability, durability, the manufacturer's warranties, quality control methods, financial ability of the product's producers and distributors, supplier history and reputation, and supplier capacity. Our review is generally completed in 90 days. If you submit for our consideration a product or supplier, you must pay us $500, plus all costs and expenses we incur as a result of our testing and approval process. We will advise you in writing of our decision as soon as it is made, but in no case more than 120 days from the date of your submission. We will review no more than two review requests per year. We impose these restrictions to safeguard the integrity of both the System and our Marks. We reserve the right to revoke approval for any item or supplier for any reason and you must cease to use the item or supplier upon 30 days' notice from us.

Required Purchase Percent of Revenue. The cost of the items that you must purchase from us, our affiliates or from suppliers designated by us represents between 80% and 90% of your total purchases in connection with the establishment of your business. The cost of the items that you must purchase from us, our affiliates or from suppliers designated by us represents between 20% and 30% of your total purchases in operating your business.

Revenue Derived. During our last fiscal year ended December 31, 2021, we received no revenue from franchisee purchases. In the future, we and our affiliates will derive revenue from the products and services you are required to purchase or lease. We and our affiliates reserve all rights to receive such revenue in the future. We reserve the right to become, or approve our affiliates to become, approved suppliers in the future or receive benefits from required purchases, such as rebates or discounts, that we do not currently receive.

Interest in Suppliers. Except for Kiet Nguyen, who owns us and our affiliates, none of our officers own any interest in any supplier of goods or services to our franchisees. We, our affiliates, officers, and owners reserve all rights to acquire interests in suppliers of goods and services to you.

Purchasing or Distribution Cooperatives. Currently you are not required to participate in a purchasing or distribution cooperative, but we have the right to require you to participate in one on the future. However, we have the right to require you to participate in a local advertising purchasing cooperative in the future.

Miscellaneous. We may negotiate purchase agreements with suppliers, including price terms, for the benefit of the franchisees; however, we are not required to do so. We do not provide franchisees with any material benefits based upon a franchisee's use of approved suppliers.

Because of the volume of business franchisees may bring in the future to our suppliers, you may enjoy lower prices than you could receive from other suppliers, or on the other hand, you may encounter higher prices than you would otherwise encounter if you were not required to purchase from the authorized supplier. We may, but are under no obligation to, negotiate with these suppliers to your benefit.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Franchise Agreement §§ 1, 2(b)(viii), 2(b)(ix), and 10; Franchise Rider	Items 7, 8, and 11
b. Pre-opening purchases/leases	Franchise Agreement §§ 4, 10, 11, and 12; Lease Rider	Item 8
c. Site development and other pre-opening requirements	Franchise Agreement §§ 2(b)(viii), 7, 8(a)(i), 8(e), 9, 10, 11(a)(ii), 11(b), 11(c), 11(k), 12(a)-(c) and Attachment 2 (Lease Rider)	Items 7, 11
d. Initial and ongoing training	Franchise Agreement §§ 4(g), 11(a)(ii) and (d)	Items 6, 7, 11
e. Opening	Franchise Agreement §§ 1, 3, 4 and 8(a)(i)	Items 5, 7, 11
f. Fees	Franchise Agreement §§ 2(b)(vi), 2(e), 3, 8, 11(d), 11(r), 13(d)(vii), 13(e)(iii), Attachment 1 (Franchise Rider) and Attachment 4	Items 5, 6, 7, and 17
g. Compliance with standards and policies/Manual	Franchise Agreement §§ 2(b)(v), 2(b)(vi), 2(c)(v), 2(c)(vi),4; 11; and Manual	Items 13 and 15
h. Trademarks and proprietary information	Franchise Agreement §§ 7 and 11(c); Manual	Items 13 and 14
i. Restrictions on products/services offered	Franchise Agreement §§ 11(c), 11(e) and 12	Items 8 and 16
j. Warranty and customer service requirements	Franchise Agreement §§ 11(n), 11(o), and 17(c)(iv)	Item 15

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
k. Territorial development and sales quotas	Franchise Agreement not applicable; Franchise Rider	Not Applicable
l. Ongoing product/service purchases	Franchise Agreement § 12	Not Applicable
m. Maintenance, appearance and remodeling requirements	Franchise Agreement §§ 10, 11(b) - (c)	Item 8 and 11
n. Insurance	Franchise Agreement § 16	Item 8
o. Advertising	Franchise Agreement §§ 8 and 10(b)	Items 6, 7, and 11
p. Indemnification	Franchise Agreement § 19(b)	Item 6
q. Owner's participa-tion/management/staffing	Franchise Agreement § 11(a) - (b)	Item 15
r. Records/reports	Franchise Agreement § 11(r)	Items 6 and 17
s. Inspections/audits	Franchise Agreement § 11(r)-(s)	Item 6
t. Transfer	Franchise Agreement §§ 13 and 14	Item 17
u. Renewal	Franchise Agreement § 2(b) - (c)	Item 17
v. Post-termination obligations	Franchise Agreement §§ 7(d), 11(j), 14, 15, 17, 18, 19 and Attachment 5	Item 17
w. Non-competition covenants	Franchise Agreement §§ 11(j), 14, 15, 18, and Attachment 5	Item 17
x. Dispute resolution	Franchise Agreement §§ 19 and 21	Items 6 and 17

ITEM 10. FINANCING

Neither we nor any of our affiliates offer direct or indirect financing. Neither we nor any of our affiliates will guarantee your lease, note, 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 Assistance:

After you sign your Franchise Agreement, but before you open your business:

1. Initial Training. For the Training Fee, we will offer you a training program as described in more detail below.

2. Manual. We will lend you a set of our Manuals.

3. Site Selection. It is your responsibility to select and outfit your own location. For the Real Estate and Building Consultant Fee we will provide you with guidance in selecting a site for your Center and will inspect the Center prior to opening. Despite our guidance and advice, you are ultimately responsible for selecting the site. We must approve your design and plans for your location. You are required to work with our approved real estate broker as you select a site and negotiate a lease or purchase contract. Additionally, you will obtain from our approved architect plans for your Center.

You must submit your site to us for approval and execute your lease or purchase agreement within six months after signing the Franchise Agreement, but we have the right, but not the obligation, to extend the date in writing. We must approve the site location and the lease, if applicable. Our determination to approve or disapprove a site may be based on various criteria, including but not limited to business count, traffic count, accessibility, parking, visibility, competition, and license availability. Generally, we approve or disapprove a site within 30 days of receiving the request. In the event we do not approve a proposed site within said 30 days such site shall be deemed disapproved by us. It is your responsibility to ensure that your premises conform to local ordinances and building codes as well as obtain any required permits. If you fail to execute a lease or purchase contract for the site within a reasonable amount of time after our acceptance of the site, we reserve the right to refer it to another franchise applicant or develop it as a company-owned business. If you fail to begin operations at an Inline Location within 18 months of signing the Franchise Agreement or at a new Freestanding Location within 30 months of signing the Franchise Agreement, we will be able to terminate your franchise, and you will not be entitled to a refund. It is your responsibility to construct, remodel and equip the premises. (Franchise Agreement Sections 1, 4, and 10.)

4. List of Approved Vendors and Suppliers. Before you open your location, we will provide you with a copy of our list of approved vendors and suppliers for all required supplies, fixtures, furnishings, merchandise, equipment, signage, décor and other goods and services or provide you with specifications for such required items or services. Other than the delivery of the opening package items, we do not deliver or install these items. We or our affiliate are the only approved suppliers of the Opening Package, and interior design services, and you will incur fees for these expenses.

5. Launch Marketing and Assistance. For the Launch Fee, we will provide you with marketing materials and assistance as well as grand opening assistance. Specifically, we will implement a three-month social media and ad-words campaign, issue press releases, add a link on our website for your Center, provide food at your grand opening event, and generate marketing flyers and temporary signage.

6. Other Advice. We are not required to provide you with other supervision, assistance, or services prior to the opening of the Franchised Business. (Franchise Agreement Section 4.) However, if requested, we will advise on additional topics related to the opening of your Franchised Business.

During the operation of the Franchised Business under your Franchise Agreement:

1. Advice. We will provide advice and consultation services to you. (Franchise Agreement Section 4(d) - (h).) From time to time we may offer additional consultation services that go beyond the services we provide to you under the Franchise Agreement. If you accept these services, we will charge you a fee not to exceed $750 per day, plus our costs and expenses, including transportation and lodging if our representative travels to your Center.

2. Advertising. We will make available to you from time to time advertising materials we prepare for use by KARTER SCHOOLS franchisees generally.

3. System Improvements. We will make available to you from time to time all improvements and additions to the System to the same extent and in the same manner as they are made available to KARTER SCHOOLS franchisees generally. There is no limit to the maximum amount required to be spent on improvements. You will be required to update, refurbish, or re-equip the Center at least every three years and there is no limit to the maximum amount we may require you to spend on such updating, refurbishing, or re-equipping. (Franchise Agreement Section 4(f) and 10(c).)

4. Additional Training. You may request additional training for yourself or your personnel. You will pay us the then-current additional training fee for such training. The current rate is $100 per trainer per hour, plus costs and expenses incurred, not to exceed $750 per day for each trainer. You must pay for it at the time of the training, unless alternative billing arrangements are agreed to. Also, you bear all indirect training costs and expenses, such as salary expenses of your employees and all expenses of travel, lodging, meals and other living expenses you and your designee incur. While most additional training is optional, you may be required to attend the additional training. If you are required to attend the additional training, you must pay our then-current Additional Training Fee, and you will be responsible for all transportation, lodging, food, and other costs incurred in attending the training.

5. Conferences and Conventions. While we are not required to do so, from time to time we may offer conferences and other training courses relating to our industry and to the conduct of the Franchised Business. Franchisees are required to attend all conferences and other required training courses. These courses may be conducted by our employees and/or by other trainers and will address various aspects of our business and other topics of interest to franchisees. We have

the right to charge you a tuition fee for each attendee, whether or not the attendee is required to attend. Additionally, you will be responsible for all transportation, lodging, food and other costs incurred by any of your attendees in attending such seminar.

6. Website. We will maintain a website (the "Website"), which may include any account, page or other presence on a social and business networking media site (such as Facebook, Twitter, LinkedIn) and online blogs and forums ("Networking Media Site") in order to promote the Marks, or any or all of the Franchised Businesses within the System. We may provide you with a location-specific website for your Franchised Business. You may not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without our advance written consent. You must adhere to the social media policies established from time to time by us and you will require all of your employees to do so as well.

7. Computer System. You are required to use Technologies we approve, as discussed in detail later in this Item 11.

8. Franchise Advisory Council. While we are not required to do so, we reserve the right to maintain a Franchise Advisory Council ("FAC"). The FAC would provide advice to us on various matters, including advertising. The FAC would serve in an advisory capacity only and would have no operational or decision-making power. We would appoint the members of the FAC and have the power to change or dissolve it at any time.

DEVELOPMENT SCHEDULE

You must obtain approval of a site and execute a lease or purchase agreement within six (6) months of signing the Franchise Agreement. We have the right, but without any obligation in our sole business judgment, to extend the date in writing. If you fail to begin operations at an Inline Location within 12 months, or at a Freestanding Location within 24 months, of signing the Franchise Agreement, we will be able to terminate your franchise, and you will not be entitled to a refund. The factors that affect your opening timeline include the amount of time and effort you commit to the site selection process and the construction of your Franchised Business; the availability of acceptable sites within the geographical area you choose; your ability to obtain a lease, financing and building permits; your credit and personal financials; and zoning and licensing requirements. Delays or a lack of effort by you, your contractors, or your prospective landlord will increase these time periods.

TRAINING

For the Initial Training Program Fee of $35,000 we will provide up to four people an Initial Training Program. The Director, Assistant Director, and an owner with at least a 20% or greater ownership interest in the Franchised Business ("Managing Principal") must have successfully completed the training program prior to opening. All training must be completed at least 3 months prior to opening your Franchised Business. All trainers will have at least two years' experience with a KARTER SCHOOLS location and at least five years' experience in the childcare or child education industries. Currently the training programs are conducted on an as-needed basis.

The training program will consist of ten days of training at our approved training facility at an affiliate-owned KARTER SCHOOL in northern Virginia and ten days of training at your location (five days in the week prior to opening of your Center and another five days of training within three months of the Center's opening).

This program is designed to help you obtain a first-hand understanding of what it takes to open, manage and develop your Franchised Business. Combining both hands-on and classroom training, we will review all major aspects of operating your Franchised Business. Refer to the chart below for a summary of the topics covered.

INITIAL TRAINING PROGRAM

Topic	Hours of Classroom Training	Hours of On-The-Job Training	Location
Business Management (History, Culture, Vision, Mission, Leadership, Operations)	32	40	Approved training facility at an affiliate-owned KARTER SCHOOL in northern Virginia, your Center, and/or online
Franchisor and Franchisee Relationship and Responsibilities	6	2	
Business and Financial Staffing, Financial Accounting	12	4	
Professional Development, Annual Continual Learning, Issue management, Health & Safety, Classroom Policies and Procedures, Administrative Policies and Procedures	20	8	
Customer Service, Enrollment Process, Retention, Families and Staff	4	2	
Enrollment Bootcamp	2	0	
Education, Approach to Teaching and Learning, Curriculum, Quality Assurance and	30	12	

Accreditation, Cognia Accreditation			
Marketing & Communication Brand Strategy	2	0	
Internal School Marketing, CRM, Branded Collateral, Social Media / Website	7	1	
Community Marketing/ Public Relations	1	5	
Licensing	4-16 *	0	
Co-Op and National	1	2	
Subtotal	**121-133**	**76**	
Total	**197-209**		

*Licensing training will vary based on state requirements.

MANUAL

The Manual contains mandatory and suggested specifications, standards, and procedures. It is confidential and remains our property. Your employees are to see it only on a need-to-know basis, subject to confidentiality agreements. We may modify this material from time to time and its modified terms are binding on you. The Manual currently contains a total of 57 pages. The table of contents for our Manual is in Exhibit K. (Franchise Agreement Section 11(j).)

We may periodically amend, update or replace the contents of the Manual. Beginning on the 30th day (or any longer time we specify) after our delivery of written notice, you will comply with each amended, updated or replaced provision. Revisions to the Manual will be based on what we, in our sole discretion, deem is in the best interests of the System.

ADVERTISING

You must use only advertising materials we have approved or prepared for your use. (Franchise Agreement Section 8(e).) You may develop marketing materials for your own use at your own cost. We encourage the sharing by franchisees of marketing ideas and materials. We require you to submit marketing and promotional materials to us in advance and to obtain our approval before using them. If we do not approve of your marketing materials within 7 days after you submit them to us, then they are deemed disapproved, and you may not use such materials. If you engage in digital marketing, we must approve the websites that you use to advertise your Franchised Business. You are required to follow our instructions in connection with any marketing or promotional materials we provide for your use. (Franchise Agreement Section 8(d).) We will make available to you, from time to time, marketing materials we prepare for use by our

franchisees generally. You may use such materials in any local marketing. You will pay for all associated costs and for copies. (Franchise Agreement Section 8(g).)

Brand Fund. We have established a fund to pay for a brand development program, which is supported by a fee 2% of Gross Sales per month.

We have the sole discretion to determine where the Brand Fund contributions will be spent to promote, enhance, or further the growth of the KARTER SCHOOLS brand, centers, and System, including, but not limited to: research; promotional marketing, public relations, and advertising expenses to promote the brand; hiring marketing, public relations and advertising agencies, technology companies, consultants, or in-house personnel to assist in developing the KARTER SCHOOLS brand name; developing, evaluating, or using technologies that we believe may benefit the brand, the customers, the franchisees, or the brand's reputation; marketing and advertising, materials, equipment, and supplies for child focused events and activities; reviewing and developing potential new products, materials, services and projects for the System; client response programs; mystery shop programs; incentive programs; teacher recruitment and retention programs; sponsorship of goodwill activities; intranet development and costs; reputation management tools; marketing automation tools; toll-free school locator costs; marketing using emerging media; expenses associated with listings on websites, contest registrations, digital marketing content, influencer marketing, radio, billboards, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research; travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, or digital or social media content, including, but not limited to, advertisements, coupons, and other promotional materials; activities that are directly or indirectly designed to promote the brand, franchisees, and/or increase enrollment in KARTER SCHOOLS businesses; expenses incurred in developing and maintaining non-franchise sales portion of the Website or social media pages; and expenses incurred in using search engine optimization, pay-per-click, or other digital marketing software, services, or companies to help promote the brand. While we do not anticipate that any part of contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Brand Fund for public relations or recognition of the KARTER SCHOOLS brand, for the creation and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available" or similar language.

We are not required to make expenditures for you that are equivalent or proportionate to your Brand Fund contributions or to ensure that any particular franchisee benefits directly or pro rata from the expenditures.

Our first franchisees have not started operating as of the date of this Disclosure Document, so we have not yet collected any contributions to the Brand Fund. Our company-owned centers are not required to contribute to the Brand Fund on the same basis as you. Other franchisees' Brand Fund contributions may be calculated at a different rate or on a different basis and, under limited circumstances, certain franchisees may not be required to pay Brand Fund fees. We have the sole discretion to settle or forgive any accrued and unpaid Brand Fund contributions owed by a

franchisee. Currently, the Brand Fund contributions are payable to us. We reserve the right to establish in the future a nonprofit corporation or other business entity to collect Brand Fund contributions from our franchisees. The Brand Fund is administered by our accounting and marketing personnel under our direction. Unless required by state law, we are not required to provide you with any accounting of, or financial statements relating to, the expenditures of the Brand Fund. The Brand Fund is not audited.

Brand Fund monies not spent in the fiscal year in which they accrue are carried forward to cover marketing expenses in future years. Although the Brand Fund is intended to be perpetual, we may terminate it at any time. We will not terminate the Brand Fund, however, until all money in the Brand Fund has been spent for brand development purposes or returned to the contributors of the Brand Fund on the basis of their respective contributions. (Franchise Agreement Section 8(b).) We may have the Brand Fund borrow from us or other lenders to cover any Brand Fund deficits. We may have the Brand Fund invest any surplus for the Brand Fund's future use.

Other Advertising by Franchisor. We may use our own funds from time to time to conduct advertising. We will have the sole discretion to determine products and geographical markets to be included, and the medium employed. We do not have any obligation to supply you with any advertising or promotional materials produced by or for us at our sole expense.

Advisory Council. We currently do not have an advisory council composed of franchisees that advises us on advertising policies. If we form or approve an advisory council, you must participate. Any advisory council would not have decision-making power. It would be advisory only. We have the right to form, change or dissolve any advisory council.

Local Advertising Requirement. We require that you spend at least (a) the greater of $5,000 or 3% of Gross Sales per month any time your Center has a current enrollment rate at or below 50%, or (b) the greater of $3,000 or 2% of Gross Sales per month any time your Center has a current enrollment rate above 50%. This requirement begins the date your Franchised Business opens. We may require that you submit documentation to us to verify to us that you are meeting this requirement.

Launch Marketing. You will pay us or our affiliate a Launch Fee of $40,000 for our assistance in providing marketing materials and assistance as well as grand opening assistance. Specifically, we will implement a three-month social media and ad-words campaign, issue press releases, add a link on our website for your Center, provide food at your grand opening event, and generate marketing flyers and temporary signage. (Franchise Agreement Section 8(a).)

Local Advertising Cooperatives. While we have not yet established any local advertising cooperatives, we have the right to require that advertising cooperatives be formed, changed, dissolved, or merged. Each local advertising cooperative would be required to adopt written governing documents. Each cooperative would determine its own voting procedures; however, each franchisee and each company-owned KARTER SCHOOLS Franchised Business would be entitled to one vote in any local advertising cooperative. The members and their elected officials would be responsible for administration of the cooperative. Advertising cooperatives would be required to prepare quarterly and annual financial statements prepared by an independent CPA which would be required to be made available to all franchisees in the advertising cooperative.

Any cooperative formed is not a trust fund. We would have no fiduciary duty to you or any franchisee in connection with the collection or use of the cooperative monies or any aspect of the operation of the cooperative. The local advertising cooperative has the right to determine its own fees; however, the maximum fee that could be imposed by the local advertising cooperative is 1% of Gross Sales. (Franchise Agreement Section 8(c).)

WEBSITE

We will have the sole right to control all aspects of the Website, including its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of the Website at any time without notice to you. We may require that you maintain and utilize a specific e-mail account in connection with the Franchised Business. You may not establish or operate a website, webpage, domain name, Internet address, blog, forum, email address, or mobile application that in any way concerns, discusses or alludes to us, the System, or your Franchised Business without our written consent. The Marks may not be used as part of, in conjunction with, to establish, or to operate any domain names, Internet addresses, blogs, forums, or Networking Media Sites, unless specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post, any information to a Networking Media Site relating to us, the System, the Marks, or the Franchised Business that (a) does not comply with our social networking guidelines described in the Manual, (b) is derogatory, disparaging, or critical of us, the System, or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. You may not establish or permit or aid anyone else in establishing any links to any website or any other electronic or computer-generated advertising or communication arrangement which we may create. Subject to the terms of the Franchise Agreement and Manual, we may make available to you a sub-page on the Website specified by us (the "Subpage"). You may be permitted to upload content onto the Subpage, and if you do, you must do so solely to promote, and provide customers information related to, your Franchised Business. You may only upload content onto the Subpage in accordance with terms of the Franchise Agreement and any guidelines, directives or specifications issued by us (collectively, "Subpage Standards"). The Subpage may not contain content which references any other Centers other than your Center. You may not upload, publish, display, or otherwise include or use any content on the Subpage without receiving our approval. Once we approve the initial content of the Subpage, you must submit any changes to us before you make any changes. We may, at any time, cease to make the Subpage available to you or the public. We will be solely responsible for the development of all online ordering. Upon the termination, non-renewal, or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, you may not upload content onto, or otherwise use the Subpage and we may immediately cease to make the Subpage available to you. (Franchise Agreement Section 15.)

COMPUTER REQUIREMENTS

You must purchase or lease the Technologies designated by us and from our designated supplier(s). Currently, the required Technologies include internet and Wi-Fi, professional grade printer, two late-model computers, six late-model laptops, two large television monitors, ten tablets, hardware for the camera system, subscription software for the camera system, a phone for each classroom,

voiceover IP services for the phone systems, a reporting and billing system software, human resource management software, marketing/customer relationship management software, and childcare management system software. We reserve the right to require you to pay us the fees for any of the Technologies which we will remit to the supplier on your behalf. We estimate that the cost for these required Technologies are $47,500 to $68,000 in upfront costs and between $2,400 to $2,500 in monthly subscription fees. The amount of equipment you purchase and the costs of the subscription software will vary depending on the number of classrooms and layout of your Center and your enrollment.

You will pay us the monthly Technology Fee equal to $2,000 per month. We may use this fee for any technology-related purpose, and we may increase this fee at any time during the term. We reserve the right to alter, modify, substitute, add, or delete any technologies provided to you for the Technology Fee in our sole discretion. Currently, for the Technology Fee we provide you with our learning management system.

Current Technology requirements are also updated from time to time in the Manuals. As the Technology requirements change, you may be required to upgrade, update, or replace your Technology. There are no restrictions on our ability to change the Technology and there is no limitation on the costs you may incur as a result of upgrading, updating, or replacing your Technology. Neither we nor our affiliate have any contractual obligation to upgrade, maintain, or update Technology. Your individual contracts with third-party suppliers may contain obligations for those third-party suppliers to provide updates, maintenance, and upgrades. We will not be liable to you for any updates, maintenance, or upgrades or failures to provide updates, maintenance, or upgrades by the approved Technology suppliers. We reserve the right to require you to use and pay for proprietary Technologies.

We will have the right at all times to independently access your Technology to retrieve, analyze, and use the information, including your financial information, regardless of whether or not you were required to purchase the Technology. You agree that we will have the free and unfettered right to retrieve any data and information from your Technology as we, in our sole discretion, deem appropriate, including electronically accessing enrollment records, billing data, and other data of the Franchised Business. There is no contractual limit on our right to access and use data. (Franchise Agreement Section 11(r).)

ITEM 12. TERRITORY

We will grant to you a protected territory that we designate in the Franchise Rider (Attachment 1 to the Franchise Agreement) ("Territory"). You will operate your Franchised Business at an approved location within your Territory. Typically, that Territory will consist of the smaller of (i) an area containing 10,000 households, as determined by the latest U.S. Census data at the time the Franchise Agreement is signed, or (ii) the area that is within a 1.5-mile radius of your Center. We reserve the right to grant you a Territory with a smaller or greater population, as mutually agreed upon by you and us.

Your Territory is protected only to the extent that we will not establish or operate, or license any other person to establish or operate, a brick-and-mortar KARTER SCHOOLS-branded childcare

and child education center (other than at a Non-Traditional Location, as defined below) within your Territory, as long as you are not in default under your Franchise Agreement. Your Territory excludes public and private schools, colleges, and universities; malls; hospitals; hotels; transportation centers; airports; parks (including theme parks), sports arenas; mobile vehicles or units; military installations; limited access venues; churches; office parks; workplaces where employers offer or sponsor on-site childcare; and similar venues ("Non-Traditional Location"). We may operate or license another to operate a KARTER SCHOOLS business at a Non-Traditional Location within your Territory.

Your territorial rights do not depend on the achievement of a certain sales volume, market penetration, or any other contingency other than compliance with the Franchise Agreement.

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.

The Franchised Business is to be operated as a brick-and-mortar childcare and child education center. You may provide goods and services to any customers who select your Center for their childcare and/or child education needs. You may not sell products or provide services to anyone off-site or at locations outside your Territory unless we grant you prior written permission to do so and if all such activities are in accordance with the requirements of the Franchise Agreement and the procedures set forth in the Manuals. Activities such as field trips, camps, or specialty classes, conducted on a limited basis pursuant to the approved curriculum and Manuals are permitted if you obtain our prior written approval ("Authorized Off-Site Activities"). Similarly, centers operated by our affiliate(s) or other franchisees may conduct these Authorized Off-Site Activities at locations within your Territory. If you obtain our prior written permission to sell goods and services or conduct any activities off-site or out of the Territory, you must follow our policies regarding any offsite or out-of-Territory activity and you do not gain any additional territory or exclusivity rights. We have the right to terminate or suspend the approval we may grant to you to conduct any offsite or out-of-Territory activities.

You may not advertise or market outside of your Territory without our prior written approval and must carry out all such advertising (if allowed) only in accordance with our then-current polices and standards for out-of-Territory marketing.

You have no right to sell your products or services through wholesaling or by mail order, catalog sales, telemarketing, online courses, or any unauthorized mobile application, computer sales, and/or internet marketing. We retain the right to control all online sales and services.

RESERVED RIGHTS

Regardless of either proximity to your Territory or your Franchised Business, or any actual or threatened impact on sales of your Franchised Business, we retain all rights not expressly granted to you, including, among others, to: (a) use the Marks and System in connection with establishing and operating KARTER SCHOOLS businesses at any location outside the Territory; (b) use the Marks or other marks in connection with selling or distributing any goods (including branded

merchandise or products) or services anywhere in the world (including within the Territory), whether or not you also offer them, through channels of distribution other than a brick-and-mortar childcare and child education business operating under the Marks and System, including, for example, other permanent or temporary retail locations, Internet, mobile applications, limited-time events in the Territory, kiosks, carts, trucks, catalogs, mail order, or the internet or other electronic means; (c) acquire, establish or operate, without using the Marks, any business of any kind at any location anywhere in the world (including within the Territory); (d) using the Marks, acquire, establish or operate any business of any kind at any location anywhere in the world (including within the Territory and including other KARTER-branded franchise businesses), so long as such business is not a brick-and-mortar childcare and child education business operating under the System; (e) use the Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory); (f) establish or operate, or license other persons to establish or operate, a KARTER SCHOOLS business at any Non-Traditional Location anywhere in the world (including within the Territory); and (g) subject to our current policies, sell and offer or permit another KARTER SCHOOLS business to sell and offer goods and services at offsite locations within the Territory. Although we do not presently sell products, services, or franchises other than under the Marks, we have the right to do so. If we decide in the future to exercise any of these reserved rights, we will not be obligated to compensate you for sales or solicitations made inside your Territory.

Miscellaneous: You may not establish more than one KARTER SCHOOLS business in your Territory without entering into a separate Franchise Agreement. We do not grant under this disclosure document any option, right of first refusal, or similar right to acquire additional franchises. You may not relocate the business premises without our written approval and our approval of the lease or purchase agreement.

ITEM 13. TRADEMARKS

We own all of the trademarks used by our franchisees. The trademarks and service marks listed below and any additional trademarks and service marks are referred to herein as the "Marks." All rights in and goodwill from the use of our Marks ultimately accrues to us. There are no agreements currently in effect that significantly limit our rights to use or license the use to franchisees of the trademarks in any manner material to you.

Upon execution of our Franchise Agreement, we will sublicense to you the limited right to use the following Marks in the operation of your franchised business, for which we have applied for registration on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

REGISTRATION NO.	REGISTRATION DATE	MARK
6521866	October 12, 2021	KARTER SCHOOLS
6521864	October 12, 2021	

All necessary affidavits of use and renewal applications will be timely filed when they become due. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court; nor are there any pending infringement, opposition, or cancellation proceedings or material litigation, involving the above Marks.

Prior to entering into the Franchise Agreement, you should check and be sure that there are no existing uses of our Marks or names or any marks or names confusingly similar to any of them within the market area where you want to do business. If you find any similar names or marks, you must immediately notify us. Any action to be taken in that event is strictly within our discretion.

Your right to use the Marks is derived solely from Franchise Agreements entered into between you and us for the purpose of operating a KARTER SCHOOLS business. You must follow our rules and regulations with respect to the use of the Marks. You may not use any Mark in connection with any business or activity, other than the business conducted by you pursuant to franchise agreements entered into between you and us, or in any other manner not explicitly authorized in writing by us. You cannot use any of the Marks or any other marks, names, or indicia of origin that are or may be confusingly similar to the Marks as part of a corporate name or other legal name. All usage of the Marks by you and any goodwill established from this usage is to our exclusive benefit. After the termination, non-renewal, transfer, or expiration of the Franchise Agreement, you may not, except with respect to Franchised Business businesses operated by you according to Franchise Agreements granted by us, at any time or in any manner identify yourself or any business as a franchisee or former franchisee of, or otherwise associated with, us or use in any manner or for any purpose any Mark or other distinguishing signs of our Franchised Businesses or any colorable imitation of same.

You must immediately notify us of any unauthorized use of the Marks, any challenge to the validity of the Marks, any claim of apparent infringement or challenge to your use of any Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Marks. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We or our affiliate has the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We or our affiliate has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We will indemnify and reimburse you for damages obtained by a third party based on your use of the Marks provided you have at all times fully complied with the Franchise Agreement. However, you would be responsible for any rebranding expenses. If there is any litigation relating to your use of the Marks, you must sign 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.

We reserve the right to substitute different proprietary marks for use in identifying the System and the business operating under it if we, in our sole discretion, determine that substitution of different marks as Marks will be beneficial to the System. You must comply with such change, revision, or substitution and bear all expenses associated with them.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright registration, but you can use the proprietary information in our Manuals, curriculum, and business processes, all of which are trade secrets owned by us. Although we have filed no applications for a copyright registration for the Manuals and curriculum, we claim a copyright and the information is proprietary. There are significant copyrights and trademarks that are material to this franchise, and we will protect the proprietary nature of those items to the full extent of the law.

You must strictly limit your employees' access to the trade secrets, proprietary information, and confidential information (collectively, "Confidential Information"). You must share Confidential Information with them only to the extent they have a "need to know" to perform their jobs. All persons to whom you grant access to the Manual or any other Confidential Information, any person who attends any training program we conduct, and all of your managerial employees must sign our form of confidentiality agreement. You, and if you are a partnership, limited liability company or corporation, all of your owners and guarantors, and any of these individuals' spouses will sign the Nondisclosure and Noncompetition Agreement in the same form as set forth in Exhibit A of this Disclosure Document. You must use the Confidential Information only in the manner required by us. You must fully and strictly comply with all security measures required by us for maintaining the confidentiality of the Confidential Information.

If you or your owners, officers, managers, or employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, curriculum, artwork, designs, formulas, products, packaging or other concepts and features relating to business operations, business practices or training and education in childcare and child education fields in connection with the Franchised Business (the "Innovations"), you (or they) will be deemed to have assigned all of your (or other) rights, title and interests in the Innovations, including any intellectual property rights, to us. You and your owners, officers, managers and employees also must cooperate with us in connection with protecting the Innovations, including executing any and all instruments and do any and all acts necessary to establish our ownership of the Innovations.

If you reproduce any items or materials suitable for copyright protection, you must make sure that each item bears a copyright notice in the form specified by us. You must use the Confidential Information only in the manner required by us and in no other manner. This information is strictly confidential, and you may not disclose to any person, or use any of that information for any purposes, except disclosure to a person who has signed and delivered to us a confidentiality agreement and only as necessary in connection with the operation of your Franchised Business. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets.

You will not have the exclusive right to use the Innovations or any of our patents or patent applications, copyrights or Confidential Information, nor will you acquire, by use or otherwise, any right, title or interest in or to the Innovations, the copyrights or the Confidential Information, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights

and the Confidential Information is limited and temporary. Upon expiration, non-renewal, transfer, or termination of the Franchise Agreement, you may not, directly or indirectly, use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights or the Confidential Information in any manner or for any purpose whatsoever.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the Confidential Information. We or our affiliate will decide, with sole discretion, whether to institute any action in connection with infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the Confidential Information, and will control any proceedings and litigation. We are not required to protect your right to use the Innovations, the patents or patent applications, the copyrights or the Confidential Information. We will not indemnify you for losses arising out of your use misuse of the Innovations, patents or patent applications, copyrights, or Confidential Information. There are no material determinations of any administrative body or court, no pending proceedings in any administrative body or court, nor any agreements that limit our ability to license any patents or copyrights to you. We do not know of any patent or copyright infringement that could materially affect you.

We or our affiliate may, with sole discretion, modify or discontinue use of the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the Confidential Information and/or use other information and/or rights in their place. If we decide to do so, you must do so also, at your expense.

During the term of the Franchise Agreement, you must maintain, to the extent collected, a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers who supply you this information (the "Customer List"). You must provide the Customer List to us upon request. The Customer List will be our property at all times, and you must not disclose the Customer List to any person or entity other than us, or sell the Customer List (or any portion of it) to any person or entity without our express written consent.

You and each of your principals, officers, managers, and employees will be bound by certain provisions protecting our proprietary rights.

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

Your KARTER SCHOOLS Franchised Business must be led by a team of at least three managers, including a Managing Principal with at least 20% ownership in the Franchised Business, Director, and Assistant Director. These managers will personally supervise the operations of the Center. The Director and Assistant Director must meet all state licensure requirements. We must approve your Managing Principal, Director, and Assistant Director and each of them must successfully complete our initial training program before assuming any managerial responsibility.

Your managers must execute a confidentiality and non-competition agreement similar to the one you and all of your owners will execute if you purchase a franchise from us. You must keep us informed at all times of the identity of each Director, Assistant Director, and Managing Principal.

If you receive our approval to change or add a Director, Assistant Director, or Managing Principal, the new individual must also complete our initial training program and will do so at an additional cost.

All personnel employed by you in connection with the operation of your KARTER SCHOOLS Franchised Business must maintain our professional standards, including standards for licensure, instruction, cleanliness, and uniforms.

The people you retain to work in your Franchised Business will be your agents and employees. They are not our agents or employees and we are not a joint employer of such persons. You will be solely responsible for recruiting and hiring the persons you employ to operate the Franchised Business and must determine whom to hire, how many people to hire, retain, and train, and how you will compensate such persons. You are responsible for your employees' and agents' training, wages, taxes, benefits, safety, schedules, work condition, assignments, discipline, and termination. You must comply with all applicable employment laws. We will not operate your Franchised Business, direct your employees, or oversee your employment policies or practices.

You must keep your KARTER SCHOOLS Franchised Business open to the public during the hours we designate in the Manual.

All owners and their spouses must sign our form of non-competition and non-disclosure agreements, as well as personal guarantees of performance in which they will guarantee the performance of the Franchised Business's obligations to us. All Directors and Assistant Directors must sign non-competition and non-disclosure agreements in the form we require. All of your employees, contractors, or agents who have access to our confidential information must sign non-disclosure agreements in the form we require.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Under the Franchise Agreement, you must offer and sell all services and products we require, as we periodically revise in our sole discretion. You may only use the Center to provide the childcare and child education services and activities that are authorized by us and offer them in a way that is compliant with our System and approved curriculum. We reserve the right to require you to license and offer our proprietary curriculum in the future. We have all rights to revise the approved services and products you are required or allowed to offer at your Center. There are no limits on our right to make these changes. We impose these requirements to control the quality and uniformity of the services and products you and other franchisees may offer through use of our trade name and trademarks. We reserve the right to charge you a fine up to $1,000 per occurrence if you sell unapproved services or products, or if you fail to follow our system standards. We reserve the right to establish maximum prices which may be charged based on an analysis of the market and to facilitate advertising and competitive strategies.

You may operate the Center solely as a brick-and-mortar child education and childcare center. The childcare and child education products and services you will provide are targeted for children between the age of six weeks and twelve years. Although we place no restrictions on the customers you may serve, as a practical matter you will be limited to serving customers who select your

Center for their childcare and/or child education needs. You may not sell products or provide services to anyone off-site or at locations outside your Territory unless we grant you prior written permission to do so and if all such activities are in accordance with the requirements of the Franchise Agreement and the procedures set forth in the Manuals. You may conduct Authorized Off-Site Activities and centers operated by our affiliate(s) or other franchisees may conduct these Authorized Off-Site Activities at locations within your Territory. If you obtain our prior written permission to sell goods and services or conduct any activities off-site or out of the Territory, you must follow our policies regarding any offsite or out-of-Territory activity and you do not gain any additional territory or exclusivity rights. We have the right to terminate or suspend any approval we grant to you to conduct any offsite or out-of-Territory activities. You may not advertise or market in the outside of your Territory without our prior written approval or pursuant to our then-current polices and standards for out-of-Territory marketing. You may not territory of another KARTER SCHOOLS location.

You have no right to sell your products or services through wholesaling or by mail order, catalog sales, telemarketing, online courses, or any unauthorized mobile application, computer sales, and/or internet marketing. We retain the right to control all online sales.

You will be obligated to offer and sell those new services and products, and to participate in all local, regional and promotional program initiatives and campaigns adopted by us in which we require you to participate. There is no limit on the number of promotions you may be required to offer during a year or on the amount you would be required to spend. You will not receive any credits or offsets for campaign participation. We have the right to designate which of our franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may, from time to time, develop. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on rights to require you to offer and sell those new products or services or to participate in those programs, initiatives and campaigns. Additionally, if we decide to implement a loyalty program, we reserve the right to require that you participate. You may be allowed or required to participate in these loyalty programs and other franchised locations may not. Decisions on which franchised locations may participate, or are required to participate, in these loyalty programs is purely at our discretion, and will be made based on what we decide is best for the franchise system and our Marks.

The Franchise Agreement requires you to assign a security interest in certain assets to us as collateral in the event you default on your Franchise Agreement. The pledged assets include accounts, credit card receivables, cash, equipment, and your franchise rights. We will agree to subordinate our rights to the security interest to those rights of a prime lender for the purchase of the franchise and/or development of your KARTER SCHOOLS Franchised Business.

ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	Franchise Agreement § 2(a)	Initial term is 25 years from the date that you sign your Franchise Agreement. At the end of your initial term, you may be asked to sign a contract with materially different terms and conditions than your original contract. The royalty rate and protected Territory could be different.
b. Renewal or extension of the term	Franchise Agreement § 2(b) and 2(c)	Two 10-year renewal terms, provided you remain a franchisee in good standing.
c. Requirements for franchisee to renew or extend	Franchise Agreement § 2(b) and 2(c)	You must be in good standing and exercise your option within a window of time. You must provide notice of intention to not to renew at least 12 months prior to the expiration of the Initial Term, otherwise you will be required to renew the franchise. You must agree to the terms of the Franchise Agreement then being offered, make required upgrades to your Franchised Business, secure a sufficiently long lease term, sign a release, and pay your renewal fee of 10% of the then current franchise fee and the renewal training fee of $5,000. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by franchisee	Franchise Agreement §§ 2(d) and 17(e)	For cause, if we breach a material provision of the contract and fail to cure 90 days after written notice, then you can terminate if you are compliant with the terms of your agreement. Also, upon expiration of the franchise term if you elect not to renew.
e. Termination by franchisor without cause	Franchise Agreement not applicable	We cannot terminate except for cause.

PROVISION	SECTION IN AGREEMENT	SUMMARY
f. Termination by franchisor with cause	Franchise Agreement §§ 17(a), 17(b), and 17(c)	Section 17(a) describes cause for automatic termination. Section 17(b) describes cause for termination upon notice. Section 17(c) describes causes for termination if you fail to cure the default after receiving notice. The laws of your state may provide additional rights to you concerning termination of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control. A default under the Franchise Agreement will be a default under all agreements with us or our affiliates.
g. "Cause" defined–defaults which can be cured	Franchise Agreement § 17(c)	Noncompliance; failure to open; non-payment; unauthorized transfers; threats to public health or safety; misuse of the System or Marks; evidence of crime; liability for discrimination; under-reporting; repeated defaults; failure to maintain a good credit rating. Unless we have been through this 2 times already within 12 months or 3 times in a 3-year period, you have 15 days to totally cure after we deliver to you a notice of default. A default under the Franchise Agreement will be a default under all agreements with us or our affiliates, and vice versa.

PROVISION	SECTION IN AGREEMENT	SUMMARY
h. "Cause" defined non-curable defaults	Franchise Agreement §§ 17(a), 17(b), and 17(c)	Abandonment; loss of right to the premises; unauthorized transfers; criminal convictions; failure to transfer upon death or incapacity; 2 defaults within 12 months; material misrepresentations; failure to comply with covenants; false records or submissions; impair the value of the Chain, Marks, or System; dishonest dealings with employees; loss of a required license; failure to perform obligations under your lease, sublease, or financing for the Center if such failure would permit termination of the relevant agreement; bankruptcy, receivership, attachment and the like. A provision in the Franchise Agreement that terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, U. S. Code Section 101. A default under the Franchise Agreement will be a default under all agreements with us or our affiliates, and vice versa.
i. Franchisee's obligations on termination/ non-renewal	Franchise Agreement §§ 11(j), 14, 15, and 18	Cease operations; cease using the System, Marks, and proprietary information; return franchisor's property; cancel assumed names; cooperate with our lease assignment rights; pay all sums owed to Franchisor; pay damages and costs associated with the termination; cooperate with Franchisor's purchase and lease rights; assign us phone numbers and other accounts; comply with the covenants against unfair competition and protect our trade secrets.
j. Assignment of contract by franchisor	Franchise; Agreement § 13(a)	We may freely assign our rights and duties.
k. "Transfer" by franchisee - definition	Franchise Agreement § 13(b) - (g)	The definition of transfer includes issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, and transfer by operation of law.
l. Franchisor's approval of transfer by franchisee	Franchise Agreement § 13(c)(ii)	Except for a few limited circumstances, our prior written approval is required for all transfers. The franchise can be terminated for non-compliance. We will not unreasonably withhold approval.

PROVISION	SECTION IN AGREEMENT	SUMMARY
m. Conditions for Franchisor's approval of transfer	Franchise Agreement § 13(d)	Transferee must attend and successfully complete our training, pay the transfer training fee, pay a fee equal to 60% of the then-current initial franchise fee, and execute the Franchise Agreement and collateral agreements in the then-current form. Transferee must refurbish the Franchised Business to our then-current specifications. You must release us of all claims. Guarantees and share restriction agreements are required if transfer is to a corporation or LLC. You must offer us a 45 day right of first refusal and pay us a transfer fee of 40% of the then-current initial franchise fee. A purchaser must have a credit rating, moral character, reputation and business qualifications satisfactory to us, and must meet all then current requirements of new franchisees.
n. Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement § 13(c)	45 days. We may assign it to another. We may substitute value for cash.
o. Franchisor's option to purchase franchisee's business	Franchise Agreement: § 13(c), § 18(i) and (k)	We have a 45-day option to purchase your assets upon termination or expiration of the Franchise Agreement for book value. Upon termination you may have to assign your lease and phone numbers to us without compensation.
p. Franchisee's death or disability	Franchise Agreement § 13(g)	Your interest must be transferred to an heir or approved buyer within 6 months after your death or disability.
q. Non-competition covenants during the term of the franchise	Franchise Agreement § 14(a);	You must not own or otherwise engage in any business that provides, in whole or in part, educational services to children of any ages between six weeks through first grade and/or childcare services to children of any ages between six weeks through 12 years. You will be required to get your managerial staff to agree to follow this same non-competition covenant.

PROVISION	SECTION IN AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated/ expires	Franchise Agreement § 14(b)	For 2 years after termination or expiration of the agreement you must not own or engage in any business that that provides, in whole or in part, educational services to children of any ages between six weeks through first grade and/or childcare services to children of any ages between six weeks through 12 years within 5 miles of your Franchised Business, Territory, or any KARTER SCHOOLS location. You will be required to get your managerial staff to enter into the same non-competition covenant.
s. Modification of the agreement	Franchise Agreement § 11(k) and 23(e)	We reserve the right to amend the Franchise Agreement if a Franchise Agreement change is agreed to by 70% of the then-current franchisees. Otherwise, no modifications to the Agreement other than in writing.
t. Integration/ merger clause	Franchise Agreement § 23(c);	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Franchise Agreement § 21(a)	Except for certain claims, all disputes not first settled informally or by mediation must be arbitrated in Sterling, Virginia, under rules of the American Arbitration Association.
v. Choice of forum	Franchise Agreement §§ 21(a) and 21(c)	CPR Franchised Business for Alternative Dispute Resolution; AAA, Sterling, Virginia courts (if any), which provision is subject to individual state laws.
w. Choice of law	Franchise Agreement § 21(h)	Virginia law, except federal Lanham Act and Federal Arbitration Act, which choice of law is subject to individual state laws.

Refer to the state law addendums in Exhibit D for information specific to the laws of your state.

ITEM 18. PUBLIC FIGURES

We use no public figures to promote the franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

This financial performance representation discloses historical information regarding the Gross Sales of the two KARTER SCHOOLS owned and operated by our affiliates for the entirety of the period beginning January 1, 2021 and ending June 30, 2022. Location 1 began operating in January 2019 and is an Inline Location, and Location 2 began operating in March 2020 and is a Freestanding Location. Each has capacity for approximately 300 students.

	Gross Sales	
	January 1, 2021 to December 31, 2021	January 1, 2022 to June 30, 2022
Location 1	$3,573,943	$2,115,005
Location 2	$1,168,935	$898,376

The affiliate-owned and operated KARTER SCHOOLS businesses included in this financial performance representation are substantially similar to the KARTER SCHOOLS business for which we are offering franchises in this disclosure document, and their services are the same as those to be offered and sold by franchised KARTER SCHOOLS businesses. Actual results will vary from franchisee to franchisee and from location to location, and we cannot estimate the results of a particular franchise. We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable and consult with an attorney and other advisors prior to executing the franchise agreement.

Written substantiation for the financial performance representation will be made available to you upon reasonable request.

For purposes of the charts above, "Gross Sales" means the total amount of revenue derived from the sale of services that was derived from the operation of the KARTER SCHOOLS business, whether from sales for cash or credit and regardless of the collection thereof. No part of the Gross Sales reflects payment of Royalty payments, Brand Fund Fees, local advertising expenditures, curriculum, technology, and service fees, or similar payments you must make under your Franchise Agreement.

Some outlets sold this amount. Your individual results may differ. There is no assurance you will sell as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make

any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our CEO, in writing at 21290 Springlake Court, Sterling, Virginia 20166, (703) 350-7491, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For Years 2020 to 2022

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company Owned	2019	0	1	+1
	2020	1	2	+1
	2021	2	2	0
Total Outlets	2019	0	1	+1
	2020	1	2	+1
	2021	2	2	0

Table 2
Transfers from Franchisees to New Owners (Other than the Franchisor)
For Years 2020 to 2022

STATE	YEAR	NUMBER OF TRANSFERS
Virginia	2019	0
	2020	0
	2021	0
Totals	**2019**	**0**
	2020	**0**
	2021	**0**

Table 3
Status of Franchised Outlets
For Years 2019 to 2021

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERM-INATIONS	NON-RENEWALS	OUTLETS REACQUIRED BY FRANCHISOR	CEASED OPERATIONS—OTHER REASONS	OUTLETS AT END OF THE YEAR
Virginia	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Totals	2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2020	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2021	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 4
Status of Company-Owned Outlets
For Years 2020 to 2022

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
Virginia	2019	0	1	0	0	0	1
	2020	1	1	0	0	0	2
	2021	2	0	0	0	0	2
Totals	**2019**	**0**	**1**	**0**	**0**	**0**	**1**
	2020	**1**	**1**	**0**	**0**	**0**	**2**
	2021	**2**	**0**	**0**	**0**	**0**	**2**

Table 5
Projected Openings as of December 31, 2021
For Year 2022

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
Virginia	0	1	1
TOTALS	**0**	**1**	**1**

Among the attached Exhibits you will find:

Exhibit B-1 CENTER DIRECTORY/Listing of Current Franchisees lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of the Effective Date.

Exhibit B-2 LISTING OF CERTAIN PAST FRANCHISEES lists the name, city, state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this FDD.

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

There are no independent franchisee organizations that have been asked to be included in this disclosure document.

Within the past three years, we have not signed any confidentiality agreements with our franchisees limiting their communication with you.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit C is our audited financial statement as of August 31, 2022. Our fiscal year ends in December.

ITEM 22. CONTRACTS

A copy of the following contracts or documents are also attached as Exhibits hereto:

Exhibit A	KARTER SCHOOLS FRANCHISE AGREEMENT with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment), Attachment 4 (Guaranty), and Attachment 5 (Nondisclosure and Noncompetition Agreement)
Exhibit F	Sample General Release Agreement
Exhibit G	ACH Transfer Agreement

ITEM 23. RECEIPT

You will find copies of a detachable receipt in Exhibit M at the very end of this disclosure document. Please sign both acknowledging receipt of this disclosure document and return one of them to us for our files.

EXHIBIT A

FRANCHISE AGREEMENT

TABLE OF CONTENTS

		PAGE
RECITALS		1
1.	Grant	1
2.	Term, Expiration, and Additional License Period	2
3.	Required Franchise Fees and Payment	5
4.	Franchisor Services	8
5.	Territorial Provisions	11
6.	Premises	13
7.	Proprietary System and Marks	15
8.	Advertising	18
9.	Telephone Number	24
10.	Construction, Design and Appearance: Equipment	24
11.	Operations, Standards of Quality, Inspections	25
12.	Products; Menu	38
13.	Transfer; Franchisor's Right of First Refusal	39
14.	Non-Competition	44
15.	Trade Secrets and Confidential Information	48
16.	Insurance	48
17.	Termination	50
18.	Obligations upon Termination, Expiration, or Non-Renewal	56
19.	Independent Contractor; Indemnification	59
20.	Franchisee Representations	59
21.	Governing law, Jurisdiction and Venue	64
22.	Notices	67
23.	Miscellaneous	68

Attachment 1 -- Franchise Rider
Attachment 2 -- Lease Rider
Attachment 3 -- Internet, Social Media, and Telephone Assignment
Attachment 4 -- Guaranty
Attachment 5 -- Nondisclosure and Noncompetition Agreement

KARTER SCHOOLS, INC.
FRANCHISE AGREEMENT
LOCATION FRANCHISE

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of _____ by and between KARTER SCHOOLS, INC., a Virginia corporation ("Franchisor"), and _____, a _____, ("Franchisee"). If the Franchisee is a corporation, partnership, limited liability company or other legal entity, certain provisions to this Agreement also apply to its owners, shareholders, partners, principals, or members (collectively, "Owners").

RECITALS:

A. Franchisor has expended time, money and effort to develop a unique system for operating a premier school dedicated to providing top-notch childcare, education, and before and after school programs to students ranging from infant to twelve years old. (The methods of operation are referred to herein as the "System"; the chain of current and future KARTER SCHOOLS Franchised Businesses are referred to herein as the "Chain.")

B. The distinguishing characteristics of the System include the name "KARTER SCHOOLS", superior curriculum, unique methods and procedures, specially designed premises with distinctive décor, equipment, layouts, interior and exterior accessories, color schemes, products, services, proprietary marks, information, the Manual (defined below), methods of operation, management programs, training and assistance, and advertising and promotional programs, all of which Franchisor may improve, amend, and further develop from time to time.

C. Franchisor has the right to license certain service marks, trade names and trademarks, including, but not limited to, the "KARTER SCHOOLS" trademark as well as certain other trademarks, service marks, slogans, logos and emblems which have been and which may hereafter be designated by Franchisor for use in connection with the System (the "Marks").

D. Franchisee desires to obtain a license from Franchisor for use of the Marks and the System solely for the operation of a business at the location listed below (the "Franchised Business"), and Franchisee desires to use the Marks and the System, and to obtain and use the methods, know how, experience and form of operation acquired, devised and/or established by Franchisor and other benefits derived from this franchise relationship strictly in accordance with the provisions set forth below.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Grant.

Franchisor hereby grants to Franchisee, on the terms and conditions contained in this Agreement, and Franchisee accepts from Franchisor, a license ("License") to establish, own, and operate under the System, one (1) Franchised Business at the location ("Location") specified in the Franchise Rider ("Franchise Rider") attached hereto as Attachment 1. Franchisee agrees to

identify the Franchised Business and all of the items and services Franchisee sells or offers for sale only by the Marks. Franchisee has no right to use the System or the Marks for any purpose other than as expressly provided herein.

Pursuant to this grant, Franchisee, at its own expense, shall construct or remodel, and equip, staff, open and operate the Franchised Business at the Location, in accordance with this Agreement. Unless otherwise agreed in a writing executed by Franchisor, Franchisee shall commence operating the Franchised Business within (i) eighteen (18) months after the execution of the Agreement if Franchisee is leasing the Premises, or (ii) thirty (30) months if Franchisee is purchasing the real estate for the Premises, and shall diligently operate such business in accordance with this Agreement for the Term stated herein. Failure to timely open the Franchised Business shall constitute an event of default under the Agreement.

Franchisor and Franchisor's affiliates reserve any and all rights not expressly granted to Franchisee under this Agreement.

2. Term, Expiration, and Additional License Period.

(a) Initial Term. The initial term of this Agreement shall commence upon the execution of this Agreement and shall expire at midnight on the day preceding the twenty-fifth annual (25th) anniversary date of the execution of this Agreement (the "Term" or the "Initial Term"), unless this Agreement has been sooner terminated in accordance with the terms and conditions herein.

(b) First Additional License Period. Upon expiration of the Initial Term, Franchisee will have the right to be granted a renewal of the License for one (1) additional consecutive period of ten (10) years from the date of expiration of the Initial Term (the "First Renewal Term"), provided the following conditions have been met prior to the expiration of the Initial Term:

(i) Franchisee has given Franchisor written notice of its intent to renew the License not less than nine (9) months nor more than eighteen (18) months prior to the expiration of the Initial Term; provided that if Franchisor has not received notice from Franchisee of its desire to renew within such period, Franchisor will notify Franchisee in writing and Franchisee shall have (1) additional consecutive period of ten (10) days from the date notice is given to provide Franchisor with notice of its intent to renew;

(ii) Franchisee is not in default of any of the provisions of this Agreement both at the time Franchisee gives notice of its intent to exercise its rights under the terms of this Section 2(b) and at the commencement of the First Renewal Term;

(iii) All debts and obligations of Franchisee under this Agreement shall be current, including but not limited to Franchisee's obligations to make contributions to the Brand Fund (as defined herein) and each Cooperative (as defined herein) of which Franchisee is a member;

(iv) Franchisee has not received more than two (2) notices of default during any consecutive twelve (12) month period during the Initial Term;

(v) Franchisee executes and delivers to Franchisor, within thirty (30) days after delivery to Franchisee, the then-current form of KARTER SCHOOLS franchise agreement and ancillary agreements, which agreements shall supersede this Agreement in all respects, and the terms and conditions of which may substantially differ from this Agreement;

(vi) Franchisee has paid to Franchisor a renewal fee of ten percent (10%) of the then-current initial franchise fee and renewal training fee equal to Five Thousand Dollars ($5,000), which fees shall be due in immediately available funds upon the execution of the new franchise agreement;

(vii) Franchisee and its owners and guarantors have executed and delivered to Franchisor a general release, in the form prescribed by Franchisor, releasing, to the fullest extent permitted by law, all claims that Franchisee and its owners and guarantors may have against Franchisor and its affiliates and subsidiaries, and their respective members, shareholders, officers, directors, owners and employees in both their corporate and individual capacities;

(viii) Franchisee shall make or provide for in a manner satisfactory to Franchisor, such renovation and re-equipping of the Franchised Business as Franchisor may require, including, without limitation, renovation, upgrading, or replacement of signs, equipment, furnishings, Technology (as defined in Section 11 below), fixtures and decor, to reflect the then-current standards and image of the System; and

(ix) Franchisee shall take all steps necessary to remain in possession of the Location for the duration of the First Renewal Term, unless Franchisor determines that the location of Franchisee's business is no longer viable for the operation of Franchisee's Franchised Business, in which case Franchisor may condition Franchisee's right to renew on Franchisee's obtaining a new site for Franchisee's Franchised Business that Franchisor approves.

If Franchisee fails to perform any of the acts set forth in paragraphs (i) through (ix) of this subsection in a timely fashion, such failure will be deemed an election by Franchisee not to exercise its right to enter into a new franchise agreement, and will cause Franchisee's right to enter into a new franchise agreement to expire without further notice or action by Franchisor.

(c) **Second Additional License Period.** Upon expiration of the First Renewal Term, Franchisee will have the right to be granted a renewal of the License for one (1) additional consecutive period of ten (10) years from the date of expiration of the First Renewal Term (the "Second Renewal Term"), provided the following conditions have been met prior to the expiration of the First Renewal Term:

(i) Franchisee has given Franchisor written notice of its intent to renew the License not less than nine (9) months nor more than eighteen (18) months prior to the expiration of the First Renewal Term; provided that if Franchisor has not received notice from Franchisee of its desire to renew within such period, Franchisor will notify Franchisee in writing and Franchisee shall have (1) additional consecutive period of ten (10) days from the date notice is given to provide Franchisor with notice of its intent to renew;

(ii) Franchisee is not in default of any of the provisions of this Agreement both at the time Franchisee gives notice of its intent to exercise its rights under the terms of this Section 2(c) and at the commencement of the Second Renewal Term;

(iii) All debts and obligations of Franchisee under this Agreement shall be current, including but not limited to Franchisee's obligations to make contributions to the Brand Fund (as defined herein) and each Cooperative (as defined herein) of which Franchisee is a member;

(iv) Franchisee has not received more than two (2) notices of default during any consecutive twelve (12) month period during the First Renewal Term;

(v) Franchisee executes and delivers to Franchisor, within thirty (30) days after delivery to Franchisee, the then-current form of KARTER SCHOOLS franchise agreement and ancillary agreements, which agreements shall supersede this Agreement in all respects, and the terms and conditions of which may substantially differ from this Agreement;

(vi) Franchisee has paid to Franchisor a renewal fee of ten percent (10%) of the then-current initial franchise fee and renewal training fee equal to Five Thousand Dollars ($5,000), which fees shall be due in immediately available funds upon the execution of the new franchise agreement;

(vii) Franchisee and its owners and guarantors have executed and delivered to Franchisor a general release, in the form prescribed by Franchisor, releasing, to the fullest extent permitted by law, all claims that Franchisee and its owners and guarantors may have against Franchisor and its affiliates and subsidiaries, and their respective members, shareholders, officers, directors, owners and employees in both their corporate and individual capacities;

(viii) Franchisee shall make or provide for in a manner satisfactory to Franchisor, such renovation and re-equipping of the Franchised Business as Franchisor may require, including, without limitation, renovation, upgrading, or replacement of signs, equipment, furnishings, Technology (as defined in Section 11 below), fixtures and decor, to reflect the then-current standards and image of the System; and

(ix) Franchisee shall take all steps necessary to remain in possession of the Location for the duration of the Second Renewal Term, unless Franchisor

determines that the location of Franchisee's business is no longer viable for the operation of Franchisee's Franchised Business, in which case Franchisor may condition Franchisee's right to renew on Franchisee's obtaining a new site for Franchisee's Franchised Business that Franchisor approves.

If Franchisee fails to perform any of the acts set forth in paragraphs (i) through (ix) of this subsection in a timely fashion, such failure will be deemed an election by Franchisee not to exercise its right to enter into a new franchise agreement, and will cause Franchisee's right to enter into a new franchise agreement to expire without further notice or action by Franchisor.

(d) Expiration. Renewal of the License after the Initial Term or First Renewal Term shall not constitute a renewal or extension of this Agreement but shall be conditioned upon satisfaction of the above provisions and shall, upon expiration of the Initial Term or Renewal Term, be governed by the Franchise Agreement then executed by Franchisee. If Franchisee fails to meet any of the conditions under this Section 2 with respect to renewal of the License, then the License shall automatically expire at the end of the Initial Term or First Renewal Term, as applicable.

(e) Continued Operation Following Expiration. Unless Franchisee exercises its option to renew the License granted under this agreement in accordance with this Section, Franchisee has no right to continue to operate the Franchised Business after the expiration date. If Franchisor permits Franchisee to continue to operate the Franchised Business after the expiration date, but before the execution by Franchisee of the then-current franchise agreement for a new term as required by Section 2(b) or 2(c) above, then the temporary continuation of the Franchised Business will be on a month-to-month basis, and will be terminable at Franchisor's will by giving Franchisee written notice of termination at least thirty (30) days before the termination is effective. If Franchisor allows Franchisee to continue to operate the Franchised Business on a month-to-month basis after termination, non-renewal, or expiration of this Agreement for any reason, then Franchisee must pay to Franchisor weekly an additional fee equal to the greater of One Thousand Dollars ($1,000) or one hundred fifty percent (150%) of the Royalty due for the same week for every week of month-to-month operation after the Expiration Date, up to Franchisor's then-current initial franchise fee, which fee shall be in addition to Royalty, Brand Fund contributions, and any other payments due to Franchisor under this Agreement. If applicable law requires a longer notice period, the thirty (30)-day period will be deemed modified to be the shortest notice period required by such laws.

3. Required Franchise Fees and Payments.

(a) Initial Franchise Fee and Royalties. In consideration of Franchisor's execution of this Agreement and the services that Franchisor will perform, Franchisee agrees to pay to Franchisor the following fees in such manner as Franchisor may from time to time designate and on the due dates specified below, in the Franchise Rider, or as otherwise designated by Franchisor (each a "Due Date"):

(i) An initial franchise fee in the amount set forth on Attachment 1 hereto ("Initial Franchise Fee") for the initial grant of the License and Franchisor's

associated pre-opening obligations. The Initial Franchise Fee shall primarily compensate Franchisor for Franchisor's pre-opening obligations under this Agreement ("Pre-Opening Services"). The parties recognize the value of the Initial Franchise Fee approximates the market value of the Pre-Opening Services.

(ii) In further consideration of the grant of the License and in consideration of Franchisor's ongoing services to Franchisee, Franchisee agrees to pay to Franchisor a monthly continuing royalty fee (the "Royalty"), as set forth on Attachment 1 attached hereto. The Royalty is due and payable in monthly installments on or before the third (3rd) day of each month during the Term for the sales occurring during the preceding calendar month, or on such other Due Date Franchisor designates with thirty (30) days' advanced written notice to Franchisee.

(iii) On each Due Date, Franchisee shall pay Franchisor's then-current technology fee for the development, implementation, and maintenance of technologies for use in the Franchised Business ("Technology Fee"). Franchisor has the right to increase the Technology Fee with thirty (30) days' notice to Franchisee based on supplier pricing increases, modification to or upgrades of the technology used in the System, and introduction of new technology. Franchisee shall pay the Technology Fee on the Due Date designated by Franchisor.

(iv) If Franchisor or its affiliate is the designated supplier for any required product or service for the Franchised Business (including but not limited to Technologies or marketing or Website services), Franchisee shall pay Franchisor's or its affiliate's then-current rates for such products or services.

(v) If Franchisor or its affiliate pays a supplier a fee on behalf of the Chain for goods and services that are provided to Franchisee, Franchisor has the right to charge Franchisee its pro-rata share of the fees paid by Franchisor or its affiliate.

(vi) Upon execution of the Agreement, Franchisee shall pay Franchisor a marketing and grand opening assistance launch fee equal to Forty Thousand Dollars ($40,000) ("Launch Fee"). Franchisor or its affiliates shall implement a marketing and public relations campaign for no more than three (3) months on Franchisee's behalf.

(vii) Upon execution of the Agreement, Franchisee shall pay Franchisor a training fee for an initial training program to be provided to up to four (4) managers of the Franchised Business.

(viii) Within thirty (30) days of executing this Agreement, Franchisee shall pay Franchisor an interior design fee of Sixty Thousand Dollars ($60,000) ("Interior Design Fee") for Franchisor's assistance in designing the interior of the Premises.

(ix) Prior to opening the Franchised Business, Franchisee shall purchase from Franchisor a package of required furniture, fixtures, equipment and supplies Franchisee will need to begin operations ("Opening Package").

(x) Upon execution of this Agreement, Franchisee shall pay Franchisor a fee of Fifty Thousand Dollars ($50,000) for Franchisor or its affiliate's guidance in selecting a site for the Center and for a brand standards inspection of the buildout ("Real Estate and Building Consultant Fee").

(b) **Franchisee's Account.** On each Due Date, Franchisee must pay Franchisor the fees set forth above, as well as any other amounts due to Franchisor under this Agreement or any other agreement between Franchisor and Franchisee. Franchisor may instead transfer these amounts due from the Franchisee's bank operating account ("Account"). Franchisee's sales reports, in the form designated by Franchisor, shall be submitted to Franchisor on or before the fifth day of each month during the Term or such other date determined by Franchisor with sixty (60) days' advanced written notice to Franchisee. If a transfer from Franchisee's Account is refused, an administrative fee of One Hundred Dollars ($100) will be assessed, as well as reimbursement to Franchisor of any fee its bank charges for uncollected deposit funds. If Franchisee has not reported Gross Sales to Franchisor for any fiscal period, Franchisor will transfer from the Account an amount calculated in accordance with Franchisor's estimate of the Gross Sales during the fiscal period. If, at any time, Franchisor determines that Franchisee has underreported its Gross Sales, or underpaid the Royalty or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor shall initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after Franchisor and Franchisee determine that such credit is due. Alternatively, Franchisor shall have the right in lieu of the Royalty report submission procedure outlined above to obtain the Gross Sales directly by accessing Franchisee's billing system or other Technology or by requiring Franchisee to submit reports to Franchisor from Franchisee's Technology.

Franchisor may, but is not obligated to, require Franchisee to remit payment of the Royalty and other fees by electronic funds transfer ("EFT"). In connection with payments by EFT, Franchisee shall: (1) comply with procedures specified by Franchisor in the Manual; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by EFT as described in this Section; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the Royalty and other amounts payable under this Agreement, including any interest charges; (4) make sufficient funds available in the Account for withdrawal by EFT no later than the Due Date for payment thereof; and (5) maintain a single bank account to make all payments required by this Agreement. Franchisee must advise Franchisor at least fifteen (15) business days prior to any change in Franchisee's bank account or financial institution; no such change will be permitted without the prior written authorization of Franchisor. To ensure the orderly electronic transfer of the Royalties and all other fees as outlined in this Section 3, Franchisee will enter into and maintain a banking agreement with the financial institution which will be responsible for the transfer and payment of the fees owed by Franchisee to Franchisor, and

a copy of that agreement will be submitted to Franchisor prior to the effective date of this Agreement. Franchisee shall not withhold any payments required to be made under this Agreement on any grounds, including any allegations of Franchisor's non-performance.

Failure by Franchisee to have sufficient funds in the Account shall constitute a default of this Agreement and may subject this Agreement to termination for cause as hereinafter set forth. If Franchisee is delinquent in the payment of any obligation to Franchisor, its subsidiaries, affiliates or designees, then Franchisor (or such subsidiaries, affiliates or designees), will have the right to apply any payment from Franchisee to any obligation due, including the oldest obligation due, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to such application.

(c) Inflation Adjustments. Franchisor and its affiliates reserve the right to increase the amount of any fee provided for hereunder, including, without limitation, the Royalty or Brand Fund payments, due Franchisor or an affiliate under this Agreement or a related agreement ("Inflation Adjustment"). An Inflation Adjustment shall be in relation to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor, the cost-of-living-adjustment ("COLA") using the COLA factors determined by the United States Department of Labor, or such other measure determined reliable by Franchisor. Franchisor will notify Franchisee of the amount or percentage adjustment thirty (30) days prior to their effective date.

(d) No Offset or Retention of Funds. Franchisee may not offset or withhold payments owed to Franchisor or any of its affiliates for amounts purportedly due to Franchisee or its affiliates as a result of any dispute of any nature or otherwise, but will pay such amounts to Franchisor or its affiliates and only thereafter seek reimbursement.

(e) Late Fees and Interest. If Franchisee fails to pay the full amount of any fee due to Franchisor under this Agreement on the Due Date of such fee, Franchisee shall pay a late fee equal to ten percent (10%) of each payment that is overdue and interest on the amount due and unpaid at an interest rate equal to the lower of two percent (2%) or the maximum interest rate allowed by law. Additionally, if Franchisee has insufficient funds to cover the electronic transfer when initiated by Franchisor, Franchisee shall pay an administrative fee of One Hundred Dollars ($100).

(f) Discounts. If Franchisee offers any discounts, offsets, credits or deductions of any nature that exceed the amount Franchisor may designate from time to time in the Manual, Franchisor shall have the right to collect the Royalty and Brand Fund contributions from Franchisee based upon Franchisee's then-current published rates, tuition, or other fees that would have been charged if Franchisee had offered only the discounts, offsets, credits or deductions authorized by the Franchisor, regardless of the amounts actually received by Franchisee from such customer.

4. Franchisor Services.

During the Term, Franchisor agrees to provide to Franchisee the following services:

(a) Franchisor or its affiliates shall sell to Franchisee the Opening Package.

(b) Franchisor shall provide Franchisee with specifications for the design of the Franchised Business.

(c) Provided Franchisee timely pays Franchisor the Launch Fee, Franchisor or its affiliate shall implement a marketing and public relations campaign for no more than three (3) months on Franchisee's behalf prior to the opening of the Franchised Business.

(e) Provided Franchisee timely pays Franchisor (or its affiliate) the Interior Design Fee, Franchisor shall provide Franchisee with interior design services for the Franchised Business through its approved vendor(s).

(f) Provided Franchisee timely pays Franchisor (or its affiliate) the Real Estate and Building Consultant Fee, Franchisor shall provide Franchisee with site selection guidance and a buildout inspection.

(g) Franchisor shall provide Franchisee with a list of approved suppliers for, or the specifications for, the required fixtures, furnishings, decor, signs, Technology, goods, products, services, merchandise, uniforms, displays, supplies and equipment necessary to open and operate Franchisee's Franchised Business. Franchisor or its affiliates may be the approved or designated supplier of any of these required items and services;

(h) Provided Franchisee timely pays Franchisor the Initial Training Fee**,** Franchisor shall provide Franchisee with a pre-opening training program for up to four (4) managers of the Franchised Business, including the Director, Assistant Director, and Managing Principal (all defined below); provided that Franchisee shall be responsible for all expenses incurred by such persons in connection with training, including, without limitation, all cost of travel, lodging, meals and wages;

(i) At Franchisee's reasonable request, Franchisor will promptly provide such advice and information as it considers reasonably appropriate to assist Franchisee with all methods and procedures associated with the System; marketing and advertising; management and administration, the use of the System or any changes to it and the use and application of products and services. Franchisee understands and agrees that such advice and information may be rendered by phone, electronically, through the Manual, training and/or by such other means as Franchisor deems appropriate in its sole discretion. Franchisor may, in its discretion, convene meetings of franchisees as it considers necessary or appropriate, in its discretion. Franchisor shall have the right to charge Franchisee fees for any mandatory or optional training, conferences, or conventions.

(j) Franchisee hereby grants Franchisor and its agents the right to enter the Premises and/or the Franchised Business at any time prior to occupancy by the Franchisee in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, designs, purchased and installed equipment, operations and the performance of any and all services by Franchisee and/or Franchisee's employees, invitees or agents. Franchisee shall cooperate with Franchisor's representatives during those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview any architect, designer,

vendor, contractor, subcontractor or Franchisee employee. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee, at its sole expense, shall take such steps as deemed to be necessary by Franchisor to immediately correct any and all deficiencies detected during any such inspection, including without limitation, correcting construction deficiencies or defects, replacing equipment and supplies, and requiring Franchisee to desist from the further use of any equipment, designs, advertising materials, products, and/or supplies that do not conform with Franchisor's then-current plans and specifications, standards or requirements.

(k) Franchisor's supervision and periodic inspections and evaluations of Franchisee's operation as described more fully in Section 11(s), which supervision, inspections and evaluations shall be conducted at such times and in such manner as shall be reasonably determined by Franchisor; and

(l) Franchisor shall communicate to Franchisee information relating to the operation of a KARTER SCHOOLS Franchised Business, and to the extent necessary or pertinent to the operation of the Franchised Business, Franchisor's know-how, new developments, techniques and improvements in the areas of Franchised Business management, employee training, marketing and service.

(m) Franchisor may in certain situations incur legal expenses while providing assistance to Franchisee with respect to, without limitation, lease negotiations, or other legal compliance issues. Such assistance may be at the request of Franchisee or required by Franchisor and may be provided by Franchisor in-house or by outside counsel; provided however, that Franchisor shall have the sole discretion as to whether or not to provide legal assistance. In the event Franchisor does incur legal expenses on behalf of Franchisee, Franchisee shall reimburse Franchisor for such expenses immediately upon notice from Franchisor. Franchisor may, at its option, be reimbursed by EFT.

(n) In addition to the standard support services that Franchisor deems necessary, Franchisor also may offer Franchisee additional consulting or support services, including on-site services, that are greater in scope than the standard support services, and may charge Franchisee a reasonable fee for these services which may include a daily or hourly fee for each of Franchisor's representatives and reimbursement for their travel and living expenses (including airfare, car expenses, lodging, meals, etc.). Additional consulting or support services are subject to availability and shall be offered in Franchisor's sole discretion.

(o) FRANCHISEE AGREES THAT FRANCHISOR IS NOT OBLIGATED TO PROVIDE ANY TRAINING OR ASSISTANCE TO FRANCHISEE'S PARTICULAR LEVEL OF SATISFACTION, BUT AS A FUNCTION OF FRANCHISOR'S EXPERIENCE, KNOWLEDGE AND JUDGMENT. FRANCHISEE ALSO ACKNOWLEDGES THAT FRANCHISOR IS NOT OBLIGATED TO PROVIDE ANY SERVICES TO FRANCHISEE THAT ARE NOT SET FORTH IN THIS AGREEMENT. IF FRANCHISEE BELIEVES FRANCHISOR HAS FAILED TO ADEQUATELY PROVIDE ANY PREOPENING SERVICES TO FRANCHISEE OR TO FRANCHISEE'S EMPLOYEES, WHETHER WITH RESPECT TO SITE SELECTION,

SELECTION AND PURCHASE OF EQUIPMENT AND SUPPLIES, TRAINING, OR ANY OTHER MATTER AFFECTING THE ESTABLISHMENT OF FRANCHISEE'S FRANCHISED BUSINESS, FRANCHISEE MUST NOTIFY FRANCHISOR IN WRITING WITHIN THIRTY (30) DAYS FOLLOWING THE OPENING OF FRANCHISEE'S FRANCHISED BUSINESS OR FRANCHISEE WILL BE DEEMED TO CONCLUSIVELY ACKNOWLEDGE THAT ALL PRE-OPENING AND OPENING SERVICES REQUIRED TO BE PROVIDED BY FRANCHISOR WERE SUFFICIENT AND SATISFACTORY IN FRANCHISEE'S JUDGMENT, AND COMPLIANT WITH ALL REPRESENTATIONS MADE TO FRANCHISEE. IF FRANCHISEE FAILS TO SO NOTIFY FRANCHISOR, FRANCHISEE WILL BE DEEMED TO HAVE WAIVED ALL CLAIMS RELATING TO OR ARISING FROM FRANCHISOR'S OBLIGATIONS TO PROVIDE PRE-OPENING ASSISTANCE.

5. Territorial Provisions.

(a) Territory. Subject to the provisions of this Section 5, provided Franchisee is in compliance with its obligations under this Agreement, Franchisor agrees that during the Term it will not locate nor license another to locate a brick-and-mortar childcare and child education center operating under the Marks and the System within the territory set forth in the Franchise Rider (the "Territory"), except at Non-Traditional Locations, as defined below. Until such time as the Location is identified and agreed upon in the Franchise Rider or in the Site Selection Approval Letter (as defined in the Franchise Rider), no Territory will be granted to Franchisee and Franchisor shall have the right to locate other franchises anywhere Franchisor determines without interfering with any territorial rights of Franchisee. Franchisee recognizes and acknowledges that (i) it will compete with other KARTER SCHOOLS businesses which are now, or which may in the future be, located near or adjacent to Franchisee's Territory and (ii) that such businesses may be owned by Franchisor, its affiliates, and/or third parties. Notwithstanding anything in this Agreement to the contrary, Franchisee's Territory excludes public and private schools, colleges, and universities; malls; hospitals; hotels; transportation centers; airports; parks (including theme parks), sports arenas; mobile units and vehicles; military installations; limited access venues; churches; office parks; workplaces where employers provide or sponsor on-site child care; and similar venues ("Non-Traditional Locations"). Franchisor has the right to operate or license others to operate KARTER SCHOOLS businesses at any Non-Traditional Locations that are otherwise within the geographic area of Franchisee's Territory.

(b) Off-Site and Out of Territory Activities. Franchisee shall not provide goods and services off-site of the Location, or conduct any operations outside of the Territory, without receiving Franchisor's prior written permission. Franchisee shall follow all of Franchisor's standards, procedures, and instructions regarding any activities off-site or outside of the Territory. If Franchisor grants Franchisee permission to conduct any off-site or out-of-Territory activities, Franchisee acknowledges and agrees that Franchisee does not gain any additional territory or exclusivity rights. Franchisor has the right to terminate or suspend Franchisee's approval to conduct any off-site or out-of-Territory activities, and Franchisee shall immediately comply and cease operations outside of the Territory. Franchisee shall provide Franchisor with the information for any customers it has serviced off-site or outside of the Territory. Such off-site or out-of-Territory customers

may be serviced by Franchisor, an affiliate of Franchisor, or any of Franchisor's franchisees, subject to the terms of this Agreement. Additionally, Franchisee agrees and acknowledges that Franchisor may approve other KARTER SCHOOLS businesses to conduct activities at locations within Franchisee's Territory.

(c) **Reservation of Rights**. Franchisor grants franchises and the rights to develop and operate a KARTER SCHOOLS Franchised Business only pursuant to the express terms of written agreements and not orally. All rights that are not granted to Franchisee in this Agreement are specifically reserved to Franchisor, and Franchisor will not be restricted in any manner from exercising them nor will Franchisor be required to compensate Franchisee should Franchisor exercise them. This includes the right, directly or through others and regardless of either (a) proximity to Franchisee's Franchised Business or Territory or (b) any actual or threatened impact on sales of Franchisee's Franchised Business to:

(i) use the Marks and System in connection with establishing and operating KARTER SCHOOLS businesses at any location outside the Territory;

(ii) use the Marks or other marks in connection with selling or distributing any goods (including branded merchandise) or services anywhere in the world (including within the Territory), whether or not Franchisee also offers them, through channels of distribution other than a brick-and-mortar childcare and child education businesses operating in the Territory under the System and the Marks (including, for example, other permanent or temporary retail locations, Internet, mobile applications, limited-time events in the Territory, kiosks, carts, trucks, catalogs, mail order, or the internet or other electronic means);

(iii) acquire, establish or operate, without using the Marks, any business of any kind at any location anywhere in the world (including within the Territory);

(iv) use the Marks, acquire, establish or operate any business of any kind at any location anywhere in the world (including within the Territory and including other KARTER-branded franchise businesses); so long as such business is not a brick-and-mortar childcare and child education business operating under the System;

(v) use the Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory);

(vi) establish or operate, or license other persons to establish or operate, a KARTER SCHOOLS business at any Non-Traditional Locations anywhere in the world (including within the Territory); and

(vii) use the Marks or other marks to operate or approve other KARTER SCHOOLS businesses to operate within the Territory at Franchisor-approved off-site locations or events.

(d) Alternate Channels of Distribution. Franchisee may offer and sell approved products and services only from the Franchised Business, except as Franchisor otherwise approves in advance, and in such event only in accordance with the requirements of this Agreement and the procedures set forth in the Manual, which approval Franchisor may revoke at any time for any reason. Franchisee may not offer or sell services or products through any other means or locations, including via the internet, mobile application, mail order, catalog sales, telemarketing, online courses or wholesale.

(e) Soliciting and Marketing. Franchisee shall not advertise, market, or solicit outside of the Territory, except as Franchisor otherwise approves in advance, and in such event only in accordance with the requirements of this Agreement and the procedures set forth in the Manual, which approval Franchisor may revoke its approval at any time for any reason. Franchisor does not warrant or represent that no other KARTER SCHOOLS Franchised Business will solicit or make any sales within the territory, and Franchisee hereby expressly acknowledges and agrees that such solicitations or sales could occur within the Territory. Franchisor shall have no duty to protect Franchisee from any such sales, solicitations, or attempted sales.

(f) No Right of First Refusal or Options. Franchisee has no right of first refusal or other options or rights to open any additional KARTER SCHOOLS businesses under this Agreement, unless such rights or options are explicitly granted to Franchisee in a separate written agreement or amendment signed by Franchisor.

6. Premises.

(a) Premises. Within six (6) months after the Effective Date of this Agreement, Franchisee shall acquire or lease, at Franchisee's expense, commercial real estate that is properly zoned for the operation of the Franchised Business ("Premises") and approved by Franchisor, which approval shall not be unreasonably withheld. Franchisee shall utilize the services of Franchisor's approved real estate broker to obtain and negotiate the lease or purchase agreement. Failure by Franchisee to lease or purchase a site for the Franchised Business within the time required herein shall constitute a default under this Agreement, and Franchisor, in its sole discretion, may terminate the Franchise Agreement pursuant to the terms of Section 17 of this Agreement. Franchisee is responsible for constructing, renovating or up fitting or causing to be constructed, renovated or up fitted, the Franchised Business. If Franchisor does not approve of a site proposed by Franchisee within thirty (30) days after receiving the proposal thereof, such site shall be deemed disapproved by Franchisor and Franchisee shall not locate its Franchised Business at such site.

(b) Leased Premises. If Franchisee intends to lease the Premises, Franchisee shall provide to Franchisor a copy of the proposed lease and obtain Franchisor's approval of the lease prior to execution. Thereafter, Franchisee shall submit to Franchisor executed copies of all such leases immediately after execution and at such other times as Franchisor may request. The term of the leases plus all options for Franchisee to renew shall together equal or exceed the Term. All leases pertaining to the Premises shall also include an Addendum in the form of Attachment 2 attached hereto, or shall contain terms and conditions substantially similar to those contained in Attachment 2 which Franchisor has approved in writing. At Franchisee's request, Franchisor shall offer assistance to

Franchisee in selecting a site for the location and advising Franchisee in negotiating an acceptable lease agreement for the site. Franchisor shall not represent Franchisee in a legal capacity and advises Franchisee to seek independent legal counsel in the review and negotiation of its lease agreement. FRANCHISEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT FRANCHISOR'S APPROVAL OF A SITE FOR FRANCHISEE'S FRANCHISED BUSINESS IS NOT AND SHALL NOT BE CONSTRUED AS A GUARANTEE OR ASSURANCE THAT THE BUSINESS WILL BE PROFITABLE.

(c) Owned Premises. If Franchisee intends to own the Premises, Franchisee must obtain approval of the Premises from Franchisor, which approval may be withheld at Franchisor's discretion, and shall furnish Franchisor proof of ownership prior to the date Franchisee commences any construction, build-out or remodeling of the Premises. In the event that Franchisee proposes to lease the Premises from any owner, member, manager, partner, director, officer or other principal of Franchisee, or from any person or entity related to or affiliated with Franchisee or one (1) or more of Franchisee's owners, shareholders, members, guarantors, partners, directors, officers or other principals (the "Related Party"), Franchisor may require the Related Party to sign this Agreement and/or separate agreements for the purpose of binding the Related Party to applicable provisions of this Agreement, as determined by Franchisor. Franchisee shall also execute a written lease agreement approved by Franchisor with the Related Party and deliver a copy to Franchisor. All such leases shall also include an Addendum in the form of Attachment 2 attached hereto or shall contain terms and conditions substantially similar to those contained in Attachment 2 which Franchisor has approved in writing.

(d) Premises Identification. Subject to Franchisor's post-termination rights described in Section 18, and regardless of whether the Premises are owned or leased by Franchisee, Franchisee shall remove all signs and other items and indicia which serve, directly or indirectly, to identify the Premises as a KARTER SCHOOLS Franchised Business within ten (10) days of the expiration, non-renewal, or termination of this Agreement for any reason. In the event Franchisee does not comply with this requirement, Franchisor may enter the Premises, without being guilty of trespass and without incurring any liability to Franchisee, to remove all signs and other items identifying the Premises as a KARTER SCHOOLS Franchised Business and to make such other modifications as are reasonably necessary to protect the Marks and the KARTER SCHOOLS System and to distinguish the Premises from KARTER SCHOOLS Franchised Businesses. Provided, however, that this obligation of Franchisee shall be conditioned upon Franchisor giving Franchisee prior written notice of the modifications to be made and the items to be removed.

(e) Suitability of Premises. Regardless of whether the Premises are owned or leased, it shall be the responsibility of Franchisee to determine that the Premises can be used, under all applicable laws and ordinances, for the purposes provided herein and that the Premises can be constructed or remodeled in accordance with the terms of this Agreement. Franchisee shall obtain all permits and licenses that may be required to construct, remodel and operate the Franchised Business, including any necessary childcare license. Franchisee agrees that the Premises will not be used for any purpose other than the operation of the Franchised Business in compliance with this Agreement.

(f) Relocation. Franchisee shall not, without first obtaining Franchisor's written consent, which is subject to the Franchisor's sole discretion: (i) relocate the Franchised Business; or (ii) renew or materially alter, amend or modify any lease, or make or allow any transfer, sublease or assignment of its rights pertaining to the Premises. If Franchisee relocates the Premises during the Term of this Agreement, Franchisee shall pay Franchisor all costs Franchisor incurs as a result of evaluating and approving or rejecting Franchisee's relocation proposal, as well as all fees and costs related to development of a new Franchised Business pursuant to the terms of Franchisor's then-current franchise agreement and franchise disclosure document.

7. Proprietary System and Marks.

(a) Ownership; Use by Others. Franchisor and its affiliates shall have and retain all rights associated with the Marks other than those expressly licensed herein, including, but not limited to the following: (a) to use the Marks in connection with selling products and services; (b) to grant licenses to others to use the Marks, in addition to those licenses already granted to existing franchisees; (c) to develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee; and (d) to sell and distribute services, products, merchandise, accessories and other items via alternate distribution channels bearing the Marks. Franchisee acknowledges that any unauthorized use of the System or the Marks is and shall be deemed an infringement of Franchisor's rights. Franchisee shall execute any documents deemed necessary by Franchisor or its counsel for the protection of the System and the Marks or to maintain their validity or enforceability, or to aid Franchisor in acquiring rights in or in registering any of the System and the Marks or any trademarks, trade names, service marks, slogans, logos and emblems subsequently adopted by Franchisor. Franchisee shall give notice to Franchisor of any knowledge that Franchisee acquires regarding the use by others of the same or similar names or marks or of any claim or litigation instituted by any person or legal entity against Franchisee involving the System or any of the Marks. Franchisee shall cooperate with Franchisor in any suit, claim or proceeding involving the System or the Marks or their use to protect Franchisor's rights and interest in the System and the Marks. In the event of any settlement, award or judgment rendered in favor of Franchisor relating to the use or ownership of the System or the Marks, such settlement, award or judgment shall be the sole property of Franchisor and Franchisee shall not be entitled to or make any claim for all or any part of it. Provided Franchisee complies at all times with this Section 7 and this Agreement, Franchisor shall indemnify Franchisee against and reimburse Franchisee for damages assessed against Franchisee, if any, based on Franchisee's use of the KARTER SCHOOLS Mark which is compliant with this Agreement. Otherwise, Franchisor shall not be required to indemnify Franchisee against or reimburse Franchisee for any loss or damages arising out of Franchisee's use or misuse of any Mark. Franchisor shall not indemnify Franchisee for any use or misuse of Franchisor's copyrights, patents, Customer Lists, Inventions and Ideas, or other proprietary information.

(b) Use of Marks. During the term of this Agreement or thereafter, directly or indirectly, Franchisee shall not commit any act of infringement or contest or aid in contesting the validity or ownership of the System or the Marks, or take any other action to disparage them. Franchisee shall use the Marks only in connection with the operation

of the Franchised Business at the Location specified herein, and shall use them only in the manner authorized by Franchisor. Franchisee shall prominently display the Marks in the manner prescribed by Franchisor on all signs, products, and other supplies and packaging materials designated by Franchisor. Franchisee shall not fail to perform any act required under this Agreement, or commit any act which would impair the value of the Marks or the goodwill associated with the Marks. Franchisee shall not at any time engage in any business or market any products or service under any name or mark which is confusingly or deceptively similar to any of the Marks. Franchisee shall not use any of the Marks as part of its corporate or trade name and shall not use any trademark, trade name, service mark, logo, slogan or emblem in connection with the Franchised Business that has not been authorized by Franchisor. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or applicable state law. Franchisee shall not attempt to register or otherwise obtain any interest in any Internet domain name, website or URL containing or utilizing any of the Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Marks. Franchisee also acknowledges that its use of the Marks pursuant to this Agreement does not give Franchisee any ownership or other interest in or to the Marks, except the license granted by this Agreement.

(c) Designation as Franchisee. Franchisee shall take such additional action as may be necessary under the laws of the state in which the Franchised Business is operated to make clear to the public that Franchisee is an independent franchisee of Franchisor and not owned by Franchisor. Franchisee shall post in a conspicuous location at the business premises, as well as on invoices, purchase orders, marketing materials and the like that "This KARTER SCHOOLS Franchise is independently owned and operated by Franchisee under license from KARTER SCHOOLS, INC."

(d) Discontinuance of Use: Additional Marks. Franchisor has the right to change, revise, or substitute different Marks for use in identifying the System, the Franchised Business, and the products or services sold or offered for sale through the Franchised Business, if Franchisor, in its sole discretion, determines that change, revision, or substitution of different Marks will be beneficial to the System. In such circumstances, the use of the substitute proprietary marks shall be governed by the terms of this Agreement. Franchisee shall comply with each such change, revision, or substitution and bear all expenses associated therewith. In the event that a court of competent jurisdiction should order, or if Franchisor in its sole discretion should deem it necessary or advisable, Franchisee shall modify or discontinue use of any Mark. Franchisee shall comply with Franchisor's directions regarding any such Mark within thirty (30) days after receipt of notice from Franchisor or, if such modification or discontinuance is court-ordered, immediately. Franchisor shall not be obligated to compensate Franchisee for any costs or expenses incurred by Franchisee in connection with any such modification or discontinuance. Franchisee shall also use such additional or substitute Marks as Franchisor shall direct.

(e) Changes in Law Affecting Marks. In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, Franchisee shall sign any documents and do such other act and thing as in the opinion of Franchisor may be necessary to effect the intent and purpose of the provisions of this Agreement.

(f) Copyrights and Patents. Franchisee acknowledges that as between Franchisee and Franchisor, any and all present or future copyrights and patents relating to the System or the KARTER SCHOOLS concept, including, but not limited to, interior designs, curriculum, musical works, electronic code, designs, the Manual, construction plans and specifications and marketing materials, belong solely and exclusively to Franchisor, whether or not developed by Franchisee or Franchisor. Franchisee has no interest in Franchisor's copyrights or patents beyond the nonexclusive License granted in this Agreement.

(g) Ideas and Innovations. All concepts, artwork, designs, curriculum, musical works, inventions, ideas, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, computer software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements thereto that Franchisee or any of its owners, guarantors, shareholders, members, partners, directors, officers, or employees or any personal guarantors may develop, invent, discover, conceive or originate, alone or in conjunction with any other person or persons during the Term that relate in any way, either directly or indirectly, to the Franchised Business and/or the System (collectively referred to as "Inventions and Ideas"), either in whole or in part during the Term, shall be the exclusive property of Franchisor. Franchisee must promptly disclose the existence of any and all Inventions and Ideas to Franchisor. To the extent any Invention or Idea does not qualify as a "work made for hire" for Franchisor, Franchisee and all guarantors of this Agreement hereby assign to Franchisor, without compensation, all right, title and interest in such Inventions and Ideas, and agree that they will execute any and all instruments and do any and all acts necessary or desirable to establish and perfect in Franchisor the entire right, title and interest in such Inventions and Ideas. Franchisor may incorporate such Inventions or Ideas into the System.

(h) Customer and Other Data. Franchisee shall maintain a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers and past customers who have provided such information to the Franchised Business (the "Customer List"). Franchisee shall provide the Customer List to Franchisor upon request. The Customer List shall be the property of Franchisor and Franchisor shall have the right to use the Customer List for any purposes, in Franchisor's sole discretion. Franchisee shall not disclose such information to any person or entity other than Franchisor, or sell such list(s) or any portions thereof to any person or entity without the express written consent of Franchisor. Likewise, other data collected by Franchisee or Franchisee's information technology system (Customer Data and the other data collectively referred to herein as "Franchisee Data") is deemed to be owned by Franchisor, and Franchisee agrees to furnish the Franchisee Data to Franchisor at any time that Franchisor requests it. Franchisor hereby grants Franchisee a limited license to use Franchisee Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the policies that Franchisor establishes periodically and applicable law. Upon termination, non-renewal, transfer, or expiration of this Agreement for any reason, Franchisor shall be the exclusive owner of Franchisee Data, and Franchisee shall not use or disclose Franchisee Data in any form or manner. Franchisee shall not be due any compensation based upon Franchisor use of the Franchisee Data. Franchisee may not

sell, transfer, or use Franchisee Data for any purpose other than marketing KARTER SCHOOLS products and services.

8. Advertising.

(a) Contributions and Expenditures. Recognizing the value of advertising and the importance of the standardization of advertising to the furtherance of the goodwill and public image of the System, Franchisor and Franchisee agree as follows:

(i) Launch Fee. Franchisee is required to pay the Launch Fee for Franchisor's assistance with initial marketing and grand opening events.

(ii) Contributions and Expenditures. During the Term, Franchisee shall make the following contributions and expenditures for advertising:

(A) Each month during the Term in which a Brand Fund ("Brand Fund") has been established, Franchisee shall contribute to the Brand Fund such amount as Franchisor may designate from time to time, which amount is currently two percent (2%) of Gross Sales of the Franchised Business. Notwithstanding the foregoing, Franchisor shall not raise the Brand Fund contribution to more than three percent (3%) of Gross Sales of the Franchised Business. Franchisor has the sole discretion to settle or forgive any accrued and unpaid Brand Fund contribution owed by any franchisee. Franchisee shall make its monthly contribution to the Brand Fund on the date and in the manner as Franchisor may designate from time to time. Franchisee agrees to make such contributions by EFT or in such other manner as the Franchisor may require, on or before each Due Date based on Franchisee's Gross Sales from the preceding calendar month, or such other date(s) identified by Franchisor with thirty (30) days' prior written notice.

(B) In addition to the grand opening requirements of Section 8(a)(i), Franchisee shall spend, per month, at least (i) the greater of Five Thousand Dollars ($5,000) or three percent (3%) of Gross Sales of the Franchised Business any time Franchisee's Center has an enrollment rate at or below fifty percent (50%) or (ii) the greater of Three Thousand Dollars ($3,000) or two percent (2%) of Gross Sales of the Franchised Business any time Franchisee's Center has an enrollment rate above fifty percent (50%) ("Minimum Local Advertising Spend") on local advertising in accordance with Franchisor's standards as set forth in the Manual. Franchisee shall submit verification of its local advertising expenditures at such times and in such form as may be requested by Franchisor from time to time. In the event that Franchisee fails to meet the Minimum Local Advertising Spend and/or fails to provide Franchisor with verification thereof, Franchisee shall pay to the Brand Fund Franchisee's Minimum Local Advertising Spend, less the amount Franchisee actually paid for local advertising. Franchisor has the right to require Franchisee to use the Minimum Local Advertising Spend to pay for specific advertising services, from suppliers approved by Franchisor. Franchisor may require Franchisee to remit the Minimum Local Advertising Spend to the Franchisor or its affiliates in exchange for local

advertising services the Franchisor or its affiliate will provide to Franchisee. All local advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

(b) Brand Fund.

(i) Use. Franchisor has the sole discretion to determine where the Brand Fund contributions will be spent to promote, enhance, or further the growth of the KARTER SCHOOLS brand, Franchised Businesses, and System, including, but not limited to: developing and facilitating technologies for Franchisee to use in the operations of the Franchised Business; research; promotional marketing, public relations, and advertising expenses to promote the brand; hiring marketing, public relations and advertising agencies, technology companies, or in-house personnel to assist in developing KARTER SCHOOLS brand name; developing, evaluating, or using technologies that Franchisor believes may benefit the brand, the customers, the franchisees, or the brand's reputation; developing new customer projects and franchisee revenue sources; marketing and advertising, materials, equipment, and supplies for child-focused events and activities; reviewing and developing potential new products, materials, services and projects for the System; client response programs; mystery shop programs; incentive programs; teacher recruitment and retention programs; sponsorship of goodwill activities; intranet development and costs; reputation management tools; marketing automation tools; toll-free school locator costs; marketing using emerging media; expenses associated with listings on websites, contest registrations, digital marketing content, influencer marketing, radio, billboards, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research; travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, or digital or social media content, including, but not limited to, advertisements, coupons, and other promotional materials; activities that are directly or indirectly designed to promote the brand, franchisees, and/or increase enrollment in KARTER SCHOOLS businesses; expenses incurred in developing and maintaining non-franchise sales portion of the Website or social media pages; and expenses incurred in using search engine optimization, pay-per-click, or other digital marketing software, services, or companies to help promote the brand. Sums paid by Franchisee shall not be used to defray any of Franchisor's expenses, except for such reasonable administrative costs and overhead, if any, that Franchisor may incur in activities reasonably related to the administration or direction of the Brand Fund and promotion and advertising programs for franchisees and the System, including, among other things, the cost of personnel for creating and implementing the programs paid for by the Brand Fund.

(ii) Administration. The Brand Fund is not and shall not be an asset of Franchisor or its designee. The Brand Fund is administered by Franchisor's accounting, technology, and marketing personnel under Franchisor's direction. The Brand Fund is not audited. Franchisor has no obligation to provide Franchisee with an accounting of the Brand Fund expenditures. At Franchisor's option,

Franchisor can create a separate entity to be the recipient of Franchisee's Brand Fund contributions and Franchisee agrees, upon Franchisor's request, to tender Brand Fund payments to said entity. Franchisor, in Franchisor's sole discretion, may spend in any fiscal year an amount greater or less than the aggregate contributions to the Brand Fund in that year, and the Brand Fund may borrow from Franchisor or other lenders to cover deficits of the Brand Fund or cause the Brand Fund to invest any surplus. Franchisee acknowledges that other franchisees may not be required to contribute to the Brand Fund or may be required to contribute at a different rate than Franchisee. Franchisor is not obligated to maintain the Brand Fund contributions or income earned in a separate account from other Franchisor funds.

(iii) Weekly Payment Option. For administrative convenience and at Franchisor's option, in lieu of collecting the Brand Fund percentage designated in Section 8(a)(ii)(A), Franchisor, at its option, may designate an amount certain as a weekly payment, which will be drafted instead of the variable amount. Franchisor will use commercially reasonable efforts to have the amount certain reasonably relate to the anticipated annual Brand Fund contribution which would otherwise be due if the exact percentage were calculated. Upon delivery by thirty (30) days' prior written notice by Franchisee to Franchisor, Franchisee can thereafter elect to abandon the sum certain contribution in lieu of the Brand Fund contribution percentage designated in Section 8(a)(ii)(A).

(iv) No Proportionality. Franchisee agrees and acknowledges that Franchisor does not undertake any obligation to ensure that expenditures from the Brand Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Brand Fund by franchisees operating in such geographic area or that Franchisee or the Franchised Business will benefit directly or in proportion to its contribution to the Brand Fund.

(v) Liability. Neither Franchisor nor any of its respective officers, directors, agents or employees, shall be liable to Franchisee with respect to the maintenance, direction or administration of the Brand Fund, including without limitation, with respect to contributions, expenditures, investments or borrowing, except for acts constituting willful misconduct. THE BRAND FUND IS NOT A TRUST FUND. FRANCHISOR SHALL HAVE NO FIDUCIARY DUTY TO FRANCHISEE IN CONNECTION WITH THE COLLECTION OR USE OF THE BRAND FUND MONIES OR ANY ASPECT OF THE OPERATION OF THE BRAND FUND. FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISOR WILL HAVE NO LIABILITY TO FRANCHISEE FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES ARISING OUT OF OR IN ANY WAY CONNECTED TO THE BRAND FUND OR THE PRODUCTS AND SERVICES PAID FOR OR PRODUCED BY THE BRAND FUND OR FRANCHISOR'S MODIFICATION OR DISCONTINUANCE OF SUCH PRODUCTS AND SERVICES, OR FRANCHISEE'S USE OF OR PARTICIPATION IN THE PRODUCTS AND SERVICES.

(c) **Local Cooperative Advertising.** Franchisee agrees that Franchisor shall have the right, in its sole discretion, to designate from time to time a geographical area in which the Franchised Business is located for the purpose of establishing an advertising cooperative (the "Cooperative"). If a Cooperative has been established applicable to the Franchised Business at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative applicable to the Franchised Business is established at any later time during the Term, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event shall the Franchised Business be required to contribute to more than one (1) Cooperative. The following provisions shall apply to each Cooperative:

(i) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing.

(ii) Each Cooperative shall be organized for the purposes of producing and conducting general advertising programs and activities for use in and around the applicable geographic area and developing standardized promotional materials for use by the members.

(iii) No advertising programs or materials may be used by the Cooperative or furnished to its members, and no advertising or promotional activities may be conducted by the Cooperative, without the prior written approval of Franchisor. All such programs, materials and planned activities shall be submitted to Franchisor for approval in accordance with the procedure set forth in Section 8(e).

(iv) Subject to the provisions of Section 8(a)(ii)(B), each cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the governing body of the Cooperative; however, in no event shall the contribution exceed one percent (1%) of Gross Sales.

(v) Franchisee shall make its contributions to the Cooperative on the date and in the manner designated by the Cooperative. Franchisee shall also submit such statements and reports as may be designated from time to time by the Cooperative. The Cooperative shall submit to Franchisor such statements and reports as Franchisor may designate from time to time.

(vi) Notwithstanding the foregoing, Franchisor, in its sole discretion, may, upon written request of a franchisee stating reasons supporting such request, grant to any franchisee an exemption from the requirement of membership in a Cooperative. Such an exemption may be for any length of time and may apply to one (1) or more Franchised Businesses owned by such franchisee. If an exemption is granted to a franchisee, such franchisee may be required to expend on local advertising the full amount that would otherwise be payable to the Cooperative. Franchisor, in its sole discretion, may also exempt one (1) or more KARTER SCHOOLS centers owned or controlled by Franchisor or its affiliate from the

requirement of membership in a Cooperative for such periods as Franchisor deems appropriate.

(vii) The Cooperative is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Cooperative monies or any aspect of the operation of any Cooperative.

(d) Supplemental Advertising. Franchisee shall have the right to conduct, at its separate expense, supplemental advertising in addition to the expenditures specified in this Section 8. All such supplemental advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

(e) Approval by Franchisor. Any and all advertising and promotional materials Franchisee uses must be approved by the Franchisor. Prior to their use by the Cooperative or by Franchisee, all advertising and promotional materials not prepared or previously approved by Franchisor within the 90-day period preceding their intended use shall be submitted to Franchisor for approval. If approval is not received within seven (7) days from the date of receipt by Franchisor of such materials, the materials shall be deemed disapproved by Franchisor. Franchisor may disapprove of any advertising or promotional materials at any time. Neither the Cooperative nor Franchisee shall use any disapproved advertising or promotional materials regardless of whether any such items had been previously approved by Franchisor.

(f) Franchisor Advertising. Franchisor may from time to time expend its own funds to produce such promotional materials and conduct such advertising as it deems necessary or desirable. In any advertising conducted solely by or for Franchisor, Franchisor shall have the sole discretion to determine the products and geographical markets to be included, and the medium employed and Franchisor shall not have any duty or obligation to supply Franchisee with any advertising or promotional materials produced by or for Franchisor at its sole expense. Franchisor disclaims and Franchisee hereby acknowledges that Franchisee has not received or relied upon any warranty regarding the success of any advertising and/or promotional plans or materials recommended by Franchisor for use by Franchisee. Further, Franchisee acknowledges and agrees that all advertising and promotional plans and materials created in whole or in part by Franchisor are and remain the exclusive property of Franchisor. Franchisor shall have the right to include promotion of available franchises in all marketing and advertising materials, including, but not limited to, signage in the Franchised Business, websites, print media, and TV or radio spots.

(g) Ownership of Advertising. Franchisor shall be the sole and exclusive owner of all materials and rights which result from advertising and marketing program produced and conducted, whether by Franchisee, Franchisor, the Cooperative or the Brand Fund. Any participation by Franchisee in any advertising, whether by monetary contribution or otherwise, shall not vest Franchisee with any rights in the Marks employed in such advertising or in any tangible or intangible materials or rights, including, copyrights, generated by such advertising. If requested by Franchisor, Franchisee shall assign to Franchisor any contractual rights or copyright it acquires in any advertising.

(h) Use of Website. Franchisee will not, directly or indirectly, establish or operate a website, web page, domain name, internet address, blog, forum or e-mail address that in any way concerns, discusses or alludes to the Franchisor, the System or the Franchisee's Franchised Business without Franchisor's written consent, which Franchisor is not obligated to provide. Further, the Marks may not be used as part of, in conjunction with, to establish or to operate any domain names, internet addresses, blogs, forums or social media sites, unless specifically approved by the Franchisor, which approval Franchisor is not obligated to provide. Franchisee will not post, and will take such steps as necessary to ensure that its employees do not post, any information to a social media relating to the Franchisor, the System, the Marks, or the Franchised Business that (a) does not comply with the Franchisor's then-current social networking guidelines described in the Manual, (b) is derogatory, disparaging, or critical of the Franchisor, the System or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. Franchisee shall not establish or permit or aid anyone else to establish any links to any website or any other electronic or computer-generated advertising or communication arrangement which Franchisor may create. Franchisee specifically acknowledges and agrees that, except for social media site postings (which will be subject to this Section), any website will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under this Agreement. Franchisor alone has the right, but not the obligation, to establish, maintain, modify or discontinue all internet and electronic commerce activities pertaining to the System, including through websites or profiles on social media websites and applications (all websites and profiles controlled by the Franchisor collectively referred to as the "Website"). Franchisor shall not be liable for downtime that may occur to any such Website, whether such downtime is caused by Franchisor or a third-party. Franchisor alone will be, and at all times remain, the sole owner of the copyrights to all material which appears on any Website, including any and all material Franchisee may furnish to Franchisor for use on the Website. Ownership of all URLs and other identifiers with any such Website shall vest exclusively in Franchisor. Franchisor shall have the right, but not the obligation, to designate one (1) or more web page(s) to describe Franchisee and/or the Franchised Business, and such web page(s) may be located within Franchisor's Website or at a separate domain. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web page(s); and Franchisor shall have the right to refuse to post and/or discontinue posing any content and/or the operation of any webpage. Franchisee shall not establish a separate website, without Franchisor's prior written approval (which franchisor shall not be obligated to provide). If approved to establish a website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisor has the right to charge additional fees for the creation, maintenance, and upgrading of any website. Franchisor shall have the right to modify the provisions of this Section relating to websites as Franchisor shall solely determine is necessary or appropriate.

(i) Online Use of Marks. Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium, except as permitted by Franchisor's then-current policies. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or

other electronic media without Franchisor's prior written approval of Franchisee's plan for transmitting such advertisements.

(j) Social Media. Franchisor may from time to time maintain one (1) or more social media sites (e.g., www.twitter.com; www.facebook.com, or such other social media sites). Franchisee shall not establish or maintain any social media sites utilizing any user names, or otherwise associating with the Marks, without Franchisor's advance written consent. Franchisor may designate from time to time local or Territory-specific user names/handles to be maintained by Franchisee. Franchisee must adhere to the social media policies established from time to time by Franchisor and Franchisee will require all of Franchisee's employees to do so as well.

9. Telephone Number.

Franchisee shall establish a local telephone number for the Franchised Business. Franchisee shall keep Franchisor notified as to the current telephone number for the Franchised Business. In no event shall Franchisee use such number for any other business. Franchisee further covenants that in the event it obtains any additional or substitute telephone service or telephone number at the Franchised Business, it will promptly notify Franchisor and such additional or substitute number shall be subject to the terms of this Section 9.

10. Construction, Design and Appearance: Equipment.

(a) Construction. Franchisee agrees that it shall use the services of Franchisor's approved architect to design and construct the Premises in accordance with Franchisor's standard construction or remodel plans, design, construction specifications, layout, and specifications for furniture, fixtures, design, and decor (together, the "Spec. Sheet"). Franchisee is solely responsible for the construction of the Premises. Franchisee will commence any required construction promptly after execution of a lease of the Premises. Franchisee shall maintain continuous construction of the Premises until completion. Franchisee will complete construction in accordance with the Spec Sheet. and will not deviate from such plans and specifications without the prior written consent of Franchisor. It is solely Franchisee's responsibility to make sure that the design and construction of the Franchised Business and the Premises are in compliance with all laws, rules, or regulations applicable to the construction of the Premises ("Applicable Laws"), including, without limitation, the Americans with Disabilities Act. Franchisee shall indemnify and hold Franchisor harmless against any and all claims, actions, causes of action, costs, fees, fines and penalties, of every kind and nature, should the design and/or construction of the Premises fail in any way to comply with any Applicable Laws, including, without the limitation, the Americans with Disabilities Act. Franchisee acknowledges the specifications on the Spec Sheet. may exceed the requirements of Applicable Law.

(b) Signs. Franchisee shall prominently display, at its own expense, both on the interior and exterior of the Premises, advertising signs in such form, color, number, location and size, and containing such Marks, logos and designs as Franchisor shall designate. Franchisee will be responsible for ordering any required signage, including an exterior signage for the Franchised Business. Franchisee shall obtain all permits and

licenses required for such signs and shall also be responsible for ensuring that all signs comply with all laws and ordinances. Franchisee shall not display in or upon the premises any sign or advertising of any kind to which Franchisor objects.

(c) Remodeling and Re-equipping. Franchisor reserves the right to require Franchisee to generally refurbish the Franchised Business and/or the Premises at Franchisee's expense, in order to conform to the building design, trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for KARTER SCHOOLS franchises, which include, without limitation, structural changes, installation of new materials, equipment, technology, and Technology, remodeling, redecoration, changing color schemes, and modifications and/or repairs to existing improvements. Such remodeling and re-equipping may include, without limitation, replacing worn out, obsolete, or dated equipment, technology, and Technology, fixtures, furnishings and signs; structural modifications, redecorating; or purchasing more efficient or improved equipment. Franchisor may require Franchisee to perform remodeling and to purchase equipment at such times as Franchisor, in its sole discretion, deems necessary and reasonable and at least every three (3) years during the Term. FRANCHISEE ACKNOWLEDGES THAT EQUIPMENT, ALTERATIONS AND RENOVATIONS REQUIRED BY FRANCHISOR MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY FRANCHISEE DURING THE TERM OF THIS AGREEMENT. In the event of Franchisee's delay, refusal, or failure to make repairs or modifications to the Premises as specified by this Section, Franchisor or its agents may enter the Premises, without further notice and without liability for trespass or other tort and with Franchisee's complete cooperation, and remove, repair, and/or replace, at Franchisee's expense, any items which do not conform to Franchisor's then-current standards and specifications or which are not in conformity with Franchisee's obligation to maintain the Franchised Business and the Premises in the highest degree of repair and condition. In addition to any and all other remedies that Franchisor may have in law or in equity, Franchisee shall reimburse Franchisor for all out-of-pocket expenses incurred by Franchisor in connection with any refurbishing work performed by Franchisor pursuant to this Section, plus an administrative fee of fifteen percent (15%) of the total aggregate amount of expenses incurred by Franchisor.

(d) Expansion. If Franchisee desire to expand the size of the Premises, Franchisee shall obtain Franchisor's prior written approval and pay Franchisor a Ten Thousand Dollar ($10,000) fee. The expanded Premises must conform with Franchisor's specifications and standards.

11. Operations, Standards of Quality, Inspections.

(a) Leadership Team. Three (3) people shall be responsible for the day-to-day operations of the Franchised Business and shall devote their full time and best efforts to the management and operation of the Franchised Business in order to ensure compliance with this Agreement and to maintain Franchisor's high standards: a "Director", "Assistant Director" and another manager. One of these managers shall be an Owner of Franchisee with more than twenty percent (20%) ownership of the Franchised Business ("Managing Principal"). The Director, Assistant Director, and Managing Principal shall:

(i) Devote full time and best efforts to the supervision and conduct of the development and operation of the Franchised Business and shall agree in writing to be bound by non-compete and confidentiality provisions substantially similar to those contained in Sections 14 and 15 of this Agreement.

(ii) Be approved by Franchisor and shall complete Franchisor's initial training requirements and shall participate in and complete to Franchisor's satisfaction all additional training as may be reasonably required by Franchisor. If at any time for any reason the Managing Principal, Director, or Assistant Director no longer qualifies to act as such, Franchisee shall promptly designate another Managing Principal, Director, or Assistant Director subject to the same qualifications set forth in this Section 11.

(b) Management of the Franchised Business. Management responsibility of the Managing Principal, Director, or Assistant Director shall include, without limitation, presence during all business hours; maintaining the highest standards of child education and childcare; maintaining the Franchised Business in the highest condition of sanitation, cleanliness and appearance; and supervising employees to ensure that the highest standard of service is provided and to ensure that Franchisee's employees deal with customers, suppliers, Franchisor, and all other persons in a courteous and polite manner. Franchisor shall receive advance written notice of any change in the Director, Assistant Director, or Managing Principal positions.

(c) Compliance with Franchisor's Standards. Franchisee shall operate the Franchised Business through strict adherence to Franchisor's standards, specifications and policies as they now exist, and as they may from time to time be modified. Such standards and policies include, without limitation: (i) specifications related to childcare and child education; (ii) hours of operation as set forth in the Manual; (iii) employee uniform and credential requirements and specifications; and (iv) use of specified emblems and Marks on curriculum and child materials. Franchisee agrees to follow the instructions of Franchisor as well as Franchisor's employees, agents, and/or Franchisor's area directors or developers.

(d) Training. It will be solely Franchisee's responsibility to ensure that all new employees and current employees are trained to perform their duties in a proper manner at the Franchised Business and Franchisee shall implement and maintain an employee training program, at Franchisee's expense, pursuant to all specifications, standards and procedures prescribed by Franchisor. Franchisee shall ensure that all employees have all necessary certifications and credentials as required by applicable state laws and licensing regulations, and that all employees must satisfy all continuing educational training requirements as may be specified by applicable laws and regulations. In the event that Franchisee is unable to, or fails to, provide the employee training required by this Section, Franchisor may train Franchisee's employees at Franchisor's then-current training rates, and Franchisee shall reimburse Franchisor for all expenses, including reimbursement for mileage at the then-current IRS reimbursement rate, living and travel expenses incurred by Franchisor as a result of such training. Training by Franchisor will be at reasonable times and subject to availability of Franchisor's representatives. In the event that Franchisor provides training to Franchisee's employees upon Franchisee's request, Franchisee hereby

releases, indemnifies and holds harmless Franchisor and its affiliates, agents and employees from all claims, causes of action, expenses, costs, debts, fees, liabilities and damages of every kind arising out of or related to the training and/or the continuing education of Franchisee's employees as set forth herein. Franchisor reserves the right to assess a training fee or attendance fee for any conferences, conventions, or other training Franchisor or its approved suppliers provide.

(e) Compliance with Specifications and Procedures. Franchisee acknowledges that the Manual is designed to protect Franchisor's Marks, brand image, goodwill, and standards and systems, and not to control the day-to-day operation of the business. Franchisee shall comply with all rules, regulations, and directives specified by Franchisor, as well as all mandatory standards, specifications and procedures contained in the Manual, as amended from time to time. Franchisee must supervise and evaluate the performance of its professional and other staff to ensure that each renders competent, efficient, and quality service consistent with Franchisor's brand standards

(f) Franchisee Control. Franchisee acknowledges that it is responsible for the day-to-day operation of its Franchised Business, including hiring, setting the conditions of employment, supervision, discipline and termination of all personnel, purchases and maintenance of equipment and supplies, preparing Franchisee's own marketing plans and funding and implementing those marketing plans, maintenance of employment records, maintaining all childcare and child education licenses, and daily maintenance, safety, security and the achievement of compliance with the Manual. Franchisor's ability to approve certain matters, to inspect the Franchised Business and its operations and to enforce its rights exists only to the extent necessary to protect its interest in the System and the Marks. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters that are clearly reserved to Franchisee.

(g) Employment Matters. Franchisee's employees are not Franchisor's agents or employees and Franchisor is not a joint employer of these individuals. Franchisee is solely responsible for performing all administrative functions at the Franchised Business, including payroll and providing workers' compensation insurance. Franchisee acknowledges that it is not economically dependent on Franchisor, and that Franchisor does not provide facilities, equipment, housing or transportation for Franchisee's employees or provide to Franchisee's employees tools or materials required for Franchisee's employees to perform services for Franchisee. Franchisee shall comply with all employment laws and regulations.

(h) Employer Acknowledgment. Franchisee shall obtain from each of its employees an acknowledgment signed by such persons providing that such individual understands, acknowledges, and agrees that (i) he or she is an employee of Franchisee and not Franchisor and (ii) he or she shall look solely to Franchisee, and not to Franchisor or its affiliates, agents, or employees, for his or her compensation and for all other employment matters.

(i) Evidence of Relationship. Franchisee shall hold itself out to the public as an independent contractor by, without limitation: (i) clearly identifying itself in all dealings

with third parties as a franchised, independently owned and operated entity, including on all public records, checks, stationery, contracts, receipts, marketing materials, envelopes, letterhead, business cards, employment applications, and other employment documents, invoices and other communications, electronic or otherwise; and (ii) displaying a sign in the Franchised Business so as to be clearly visible to the general public indicating that the Franchised Business is independently owned and operated as a franchised business.

(j) Manual. Franchisor will provide Franchisee with one (1) or more manuals, policy and procedure statements, or other written notice of standards and specifications (collectively, the "Manual") which shall contain (i) the mandatory and suggested specifications, standards and operating procedures prescribed from time to time by Franchisor and (ii) information relative to other obligations of Franchisee hereunder and the operation of the Franchised Business. The Manual shall at all times remain the sole property of Franchisor and shall promptly be returned to Franchisor upon the expiration, non-renewal, transfer or other termination of this Agreement for any reason. Franchisor may, from time to time, revise the contents of the Manual. To the extent that Franchisor shall deem it necessary or appropriate, Franchisor will provide Franchisee with policy and procedure statements or other written notice of specifications standards and procedures, policies, and other standards and specifications contained in the Manual, policy and procedure statements and other written notices as issued from time to time by Franchisor. Franchisee acknowledges and agrees that all information in the Manual, policy and procedure statements and other notices constitute confidential information and trade secrets, and shall not be disclosed at any time by Franchisee. Franchisee shall not copy, disclose, duplicate, record or otherwise reproduce, in whole or in part, for whatever reason, the Manual or any other communication or information provided by Franchisor. Franchisor shall have the right to modify the policies and procedures of the Manual at any time, which modifications shall be binding upon Franchisee.

(k) Variations in Standards. Because complete and detailed uniformity under varying conditions may not be possible or practical, Franchisor specifically reserves the right, in its sole discretion and as it may deem in the best interests of Franchisee or the Chain, to vary standards within the Franchised Business or any other Franchised Business in the Chain based upon peculiarities of particular location or circumstances, including, but not limited to, density of population and other demographic factors, size of a franchisee's territory, business practices or customs, or any other condition which Franchisor deems to be of importance to the operation of such Franchised Business or the Chain. Franchisee acknowledges that because of these factors and others, there may be variations from standard specifications and practices throughout the Chain and that Franchisee shall not be entitled to require Franchisor to grant like or similar variations or privileges to Franchisee.

(l) Franchisee Developments. Franchisor shall be deemed the owner and have the right to use and incorporate into the System for the benefit of other franchisees and Franchisor any modifications, ideas or improvements, in whole or in part, developed or discovered by Franchisee or Franchisee's employees or agents, without any liability or obligation to Franchisee or the developer thereof. Franchisee, its Owners, employees, and agents hereby irrevocably assign such modification, idea or improvement to Franchisor, and, to the extent required by Franchisor, agree to execute such documentation related to the assignment in the form designated by Franchisor.

(m) Compliance with Laws. Franchisee shall at all times during the Term comply with all laws, ordinances, rules and regulations of all applicable governmental bodies, and pay any and all taxes, assessments, fines and penalties arising out of the operation of the Franchised Business, including childcare licensing, child abuse, state and federal unemployment taxes and sales taxes and data privacy laws.

(n) Courtesy, Cooperation, Fair Dealing and Ethical Business Practices. In all dealings with customers, suppliers, Franchisor and others, Franchisee will act according to the highest standards of honesty, integrity, fair dealing and ethical conduct. At all times and under all circumstances, Franchisee and its employees shall treat all customers and other persons, including Franchisor's agents, officers, and employees with the utmost respect and courtesy, and shall fully cooperate with Franchisor and its agents, officers, and employees in all aspects of the franchise relationship. Franchisee will operate Franchisee's business in full compliance with all applicable laws, ordinances and regulations, including all licensing requirements. Franchisee will not engage in any illegal discriminatory practices. Franchisor makes no representations as to what (if any) licenses, permits, authorizations or otherwise will be required in connection with Franchisee's establishment or operation of Franchisee's business. Franchisee is solely responsible for determining what licenses, permits, authorizations or otherwise are required and to obtain them, all at Franchisee's expense. Franchisee will refrain from any practice which may injure the goodwill associated with the Marks. Franchisee will notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect the operation or financial condition of, Franchisee, Franchisee's business and/or the Marks.

Franchisee agrees to comply with and/or assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise. Franchisee agrees to comply with and assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to Franchisee's business as may be required by Franchisor or by law. Franchisee confirms that Franchisee is not listed in the Annex to Executive Order 13224 and agrees not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at http://www.treasury.gov). Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Section 19(b) of this Agreement pertain to Franchisee's obligations hereunder.

(o) Business Relations. Franchisee shall at all times operate the Franchised Business in a financially sound, prudent and business-like manner and, without limiting the generality of the foregoing, pay all its bills and accounts promptly when due and shall take no action, or omit to take any action, the result of which would be to tend to disrupt, damage or jeopardize Franchisee's relationship with suppliers or customers, Franchisor's

good reputation, or the good reputation of Franchisor's other franchisees. Franchisee will not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of Franchisee, Franchisor, the Franchised Business, the Marks, the services and/or products sold at the Franchised Business, or constitutes deceptive or unfair competition or otherwise is in violation of any applicable laws.

(p) Crisis Situations. Franchisee shall notify Franchisor immediately upon the occurrence of any situation that may have a material impact on Franchisee, Franchisor, the Franchised Business, or which could have a deleterious effect on the KARTER SCHOOLS brand, Marks or System (a "Crisis"). Franchisee shall follow all of Franchisor's policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by Franchisor or as specified in the Manual, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters. A Crisis includes, but is not limited to, any event that occurs at or about the Franchised Business or in connection with the Franchised Business that has or may cause harm or injury to customers or employees. Examples include, but are not limited to, injuries to or abuse of employees or customers, contagious diseases, natural disasters, terrorist acts, shootings, cyber-attacks, or any other circumstance which may damage the System, Marks, or image or reputation of the Franchised Business, the System or Franchisor. Franchisee will cooperate fully with Franchisor with respect to Franchisor's response to the Crisis. In the event of the occurrence of a Crisis, Franchisor may establish emergency procedures which may require Franchisee to temporarily close the Franchised Business to the public, in which event Franchisor shall not be liable to Franchisee for any loss or costs, including consequential damages or lost profits occasioned thereby.

(q) Change in Marital Status. If Franchisee or one (1) of its owners or guarantors has a change in marital status during the Term of this Agreement, Franchisee shall promptly inform Franchisor of that change and Franchisee agrees that any new spouse will sign Franchisor's form guaranty, non-compete, and confidentiality agreements.

(r) Books and Records; Financial Reporting.

(i) Books and Records. Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Franchisee's expense, full, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles. Franchisee shall maintain such records at the Premises, unless otherwise authorized by Franchisor. Franchisee agrees at all times to use the chart of accounts and accounting procedures established from time to time by Franchisor.

(ii) Submission of Performance Reports. Franchisee shall submit to Franchisor, for review or auditing, financial statements, including a profit and loss statement prepared on a monthly basis, Gross Sales and performance reports for monthly periods, and such forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, including without limitation, by electronic

telecommunications data transmission methods, upon request and as specified from time to time in the Manual or otherwise in writing. If Franchisee prepares and submits to Franchisor monthly profit and loss statements, Franchisor may require Franchisee to have a certified public accountant review such statements on a quarterly basis, the expense of which shall be borne entirely by Franchisee, and then submit such quarterly reviews to Franchisor. Franchisee also shall immediately notify Franchisor in writing when one (1) or more liens or judgments are filed against Franchisee, the Franchised Business, and/or any of the personal guarantors (if any) under this Agreement.

(iii) Submission of Financial Statements and Tax Returns. Franchisee shall submit, within sixty (60) days following the close of business of Franchisee's fiscal year, copies of a balance sheet, profit and loss statement, and cash flow report prepared and certified by a certified public accountant which cover the previous 12 months of operations of the Franchised Business. The statements shall include a statement of income and a balance sheet certified by Franchisee as true and correct and shall be furnished within forty-five (45) days after the end of each fiscal year of the Franchised Business. The fiscal year of the Franchised Business must coincide with the calendar year. Franchisee also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if Franchisee is not a corporation or partnership, Franchisee may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Franchised Business.

(iv) Audit of Franchisee's Records. Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, and tax returns of the Franchised Business and remove copies thereof from the Franchised Business premises. Franchisor shall also have the right at any time, at Franchisor's expense, to have an independent audit made of the Franchised Business books, records and accounts. If any inspection or audit reveals that an underpayment exists, Franchisee shall immediately pay to Franchisor the amount owing to Franchisor, as determined by the inspection or audit. Upon discovery of an understatement of Two Percent (2%) or more, in addition to prompt payment of the underreported amount, Franchisee shall reimburse Franchisor for any and all expense connected with such inspections or audits, including but not limited to reasonable accounting and legal fees as well as interest as provided for in Section 3(e) of this Agreement. Such payments shall be without prejudice to any other remedies Franchisor may have under this Agreement or otherwise at law. If a discrepancy of less than Two Percent (2%) is revealed, Franchisor will bear the costs of the audit.

(v) Forms. Franchisee will use only such forms, including, without limitation, those used in and generated by the required software, as are approved by Franchisor in the Manual or otherwise in writing. Franchisee will obtain all forms specified by Franchisor and/or the required software, at Franchisee's expense, from suppliers approved by Franchisor. Franchisor may maintain and

make available to Franchisee all or a portion of such forms electronically in addition to, or in lieu of, providing hard copies to Franchisee.

(vi) Payroll. At Franchisor's request, Franchisee will use a payroll service designated by Franchisor, or another service approved in writing by Franchisor, at Franchisor's sole discretion, which will include as part of its service the impounding and payment of all employee withholding taxes payable to the Internal Revenue Service and state and local taxing authorities. Franchisee will be responsible for all charges related to the payroll service. In addition, upon Franchisor's request Franchisee must submit copies of all quarterly Forms 941 and all proofs of payment related thereto to Franchisor within ten (10) days of the date such forms and payments are submitted to pertinent governmental agencies.

(s) Inspections. Franchisor and its agents have the right to enter Premises, with or without notice, in person or remotely via communications technology, in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, equipment and operations, and the performance of any and all services provided in and around the Franchised Business and/or the Premises to ensure compliance with all requirements of this Agreement. Franchisee will cooperate with Franchisor's representatives in those inspections by rendering whatever assistance Franchisor may reasonably request, including using communications or audiovisual technology, such as a smartphone, to facilitate the remote inspection by Franchisor or Franchisor's agents and providing the assistance necessary to enable Franchisor to contact and interview contractors, vendors and suppliers, as well as Franchisee's customers and former customers. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee will take such steps as may be necessary to correct the deficiencies detected during any such inspection, including without limitation immediately correcting any problems with construction or leasehold improvements, and immediately desisting from the further use of any equipment, advertising materials, products, or materials that do not conform to Franchisor's then-current plans and specifications, the Manual, or other standards or requirements, and to repair or replace anything in the Franchised Business that does not so conform. If Franchisor determines, in its sole discretion, that it must make follow-up inspection consultations to review Franchisee's corrective actions, Franchisor may require Franchisee to reimburse Franchisor for the costs and expenses incurred by Franchisor in making such follow-up consultations, including the travel and living expenses of Franchisor's representatives. Franchisee acknowledges and agrees that any and all inspections by Franchisor and all demands made by Franchisor to correct deficiencies and conform to Franchisor's standards and specifications will not constitute a representation or warranty by Franchisor that the Franchised Business or its operations comply with applicable laws, codes, ordinances, regulations or governmental standards. Upon reasonable written notification from Franchisor of a scheduled inspection, one (1) of Franchisee's Owners must be present during such inspection.

(t) Technology.

(i) Franchisee must obtain, install, and use, at its own expense, the hardware, computer systems, mobile devices, applications, software, online

services and cloud-based systems, and communications links, systems, providers, and applications that Franchisor specifies from time to time (collectively, "Technology"). Franchisee agrees to: (i) maintain on the Technology only the financial and operating data specified in the Manuals; (ii) use the Technology in accordance with Franchisor's policies and operational procedures; (iii) for the purpose of allowing Franchisor to independently access and download data, input data specified by Franchisor into software or applications specified by Franchisor, transmit data specified by Franchisor to Franchisor or the cloud in the form and at the times required by the Manuals, and/or give Franchisor unrestricted access to its computer system at all times (including users IDs and passwords, if necessary); (iv) maintain the Technology in good working order at Franchisee's own expense; (v) replace or upgrade the Technology as Franchisor requires; (vi) ensure that Franchisee's employees are adequately trained in the use of the Technology and the related policies and procedures; (vii) enter into and maintain at Franchisee expense, any related maintenance agreements designated by Franchisor, and (viii) ensure that the Technology, including its computer network, is compliant with the Data Protection and Security Policies and Privacy Laws (defined below) and remedying any security breaches in accordance with the terms of this Agreement. Franchisee acknowledges that hardware designs and functions change periodically and that Franchisor may desire to make substantial modifications to the Technology specifications or to require installation of entirely different Technology during the Term. The Technology, including software programs, applications, or cloud-based programs, may be licensed or sublicensed to Franchisee by Franchisor, its affiliates, or third party vendors. Franchisee must execute any Technology license agreements required by Franchisor, its affiliates, or the licensor of the designated Technology. Franchisor shall have no liability to Franchisee as a result of Franchisor accessing or failing to access the Technology. Franchisor shall not be liable to Franchisee for damages caused by the failure of Franchisor or an approved supplier to make available for use and purchase any service or item. For the avoidance of doubt,

(ii) Franchisee will secure and maintain separate business telephone lines for telephone and email use at the Franchised Business as specified by Franchisor in the Manual or otherwise. Franchisee will also Franchisee will secure and maintain high speed Internet connection at the Franchised Business as specified by Franchisor in the Manuals or otherwise. Franchisee will provide continuous telephone answering coverage by an employee whenever the Franchised Business is open for business. Franchisee will be solely responsible for the payment of all bills which result from the use and/or maintenance of the telephone lines and Internet connections at the Franchised Business and the operation of all Technology.

(iii) All data provided by Franchisee, uploaded to Franchisor's Technology from Franchisee's Technology, and/or downloaded from Franchisee's Technology to Franchisor's Technology, 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. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including but

not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination, non-renewal, or expiration of, this Agreement for any reason. 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, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the establishment and operation of the Franchised Business pursuant to this Agreement.

(u) Group Buying Services. Franchisee agrees not to use any group buying services, including, without limitation, Groupon or Living Social, without first obtaining express written permission of Franchisor. As with all advertising, advertisements placed with a group buying service are subject to the Section 8(e) herein.

(v) Credit Card Processing. Franchisee agrees to use such credit card processing services approved by Franchisor and to purchase and maintain, at Franchisee's expense, any equipment necessary to permit such credit card processing functionality. Notwithstanding the credit card processing requirement, Franchisor does not represent, nor does it certify or warrant, to Franchisee or Franchisee's customers that the credit card processing service approved by Franchisor is compliant, whether or not certified as such, with the PCI Data Security Standards.

(w) Data Protection; Privacy.

(i) Data Protection and Security Policies. Franchisee shall comply with, or, as applicable, adopt policies consistent with the then-current version of Franchisor's data protection and security policies as may be described in Franchisor's Manual ("Data Protection and Security Policies"). Such policies may govern how Franchisee Data and Personal Information (as defined below) contained in such data shall be accessed, shared, stored, protected, disposed of, or destroyed. Franchisor has the right, but not the obligation to create such Data Protection and Security Policies. Franchisee acknowledges that Franchisor may supplement, modify or amend the Data Protection and Security Policies from time to time in its sole discretion, and that Franchisee shall comply with such modifications or amendments within thirty (30) days of notice from Franchisor. Franchisor may require Franchisee to institute a data privacy policy for its Franchised Business. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

(ii) Privacy Laws. Franchisee warrants and represents and covenants that it shall comply with (i) applicable prevailing industry standards concerning privacy, data protection, confidentiality and information security, including, without limitation, the then-current Payment Card Industry Data Security Standard of the PCI Security Standards Council (the "PCI-DSS"), (ii) the Children's Online Privacy Protection Act, (iii) those Security and Data Protection Policies mandated by the Manual, if any, and (iv) all applicable international, federal, state, and local laws, rules, and regulations, as the same may be amended or supplemented from time to time, pertaining in any way to the privacy, confidentiality, security,

management, disclosure, reporting, and any other obligations related to the possession or use of Personal Information (collectively, "Privacy Laws").

(iii) Marketing; Consumer Protection. Franchisee warrants and represents not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), and to use of automatic dialing systems, SMS text messages, and artificial or prerecorded voice messages, including but not limited to the Telephone Consumer Protection Act of 1991 ("TCPA"). Franchisee must comply with the Fair and Accurate Credit Transactions Act (FACTA) and all other consumer protection laws and regulations.

(iv) Security Breach. Franchisee shall cooperate with Franchisor in any audit that Franchisor may conduct from time to time of its data storage and management systems and Franchisee's storage of Personal Information. In addition, if Franchisee becomes aware of any actual or suspected unauthorized access, processing, loss, use, disclosure, alteration, destruction or other compromise or acquisition of or access to any information, whether such information is stored in paper or electronic form, (i) that can be used to identify, locate or contact an individual, including but not limited to Franchisee's employees and customers (collectively, "Personal Information"); (ii) that is subject to any of the Privacy Laws and/or PCI-DSS; or (iii) that might reasonably expose Franchisor to any harm or prejudice of any type or actual or suspected intrusion by an unauthorized third party into Franchisee's or Franchisor's computers, networks, servers, IT resources, or paper files (a "Security Breach"), Franchisee shall immediately notify the Franchisor's President via telephone of such matter and shall thereafter cooperate with Franchisor to investigate and remedy such matter. Except to the extent required by applicable law, no public disclosure of any instance of such unauthorized access or breach shall be made by Franchisee unless Franchisor has authorized the provision of notice and the form of such notice in writing. Franchisee shall reimburse Franchisor for all reasonable Notification and Remediation Related Costs (hereinafter defined) incurred by Franchisor arising out of or in connection with any such Security Breach that is directly or indirectly caused by Franchisee or its personnel. "Notification and Remediation Related Costs" shall include Franchisor's internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (i) preparation and mailing or other transmission of legally required notifications to affected individuals, regulators and attorneys general; (ii) preparation and mailing or other transmission of such other communications to customers, agents or others as Franchisor deems reasonably appropriate; (iii) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (iv) engagement of information technology consultants, public relations and other similar crisis

management services; (v) payment of legal and accounting fees and expenses associated with Franchisor's investigation of and response to the Security Breach; and (vi) payment of costs for commercially reasonable credit reporting services that are associated with legally required notifications or are advisable under the circumstances. Franchisee agrees to hold harmless, defend and indemnify Franchisor and its officers, directors, agents, and employees from and against any and all losses, expenses, judgments, claims, attorney fees and damages arising out of or in connection with any claim or cause of action in which Franchisor shall be a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with a Security Breach or Franchisee's or Franchisee's officers, directors, agents or employees' violation of any Privacy Law or regulation, consumer protection-related law or regulation, e-mail marketing and other marketing laws and regulations, and the PCI-DSS.

(v) Inspection. Franchisor, through its employees and/or any agents designated by Franchisor from time to time, may at any time during business hours, and without prior notice to Franchisee enter upon and inspect the Franchised Business and examine Franchisee's computer hardware, software, databases, business records and other supporting records and documents in order to verify compliance with its Data Protection and Security Policies, the Children's Online Privacy Protection Act, and Privacy Laws. Any such inspection shall be made at Franchisor's expense, provided that if such inspection is necessitated by Franchisee's repeated or continuing failure to comply with the Data Protection and Security Policies, Privacy Laws, this Agreement or the Franchise Agreement, Franchisor may charge Franchisee for the costs of making such inspection, including without limitation, travel expenses, room and board, and compensation of Franchisor's employees and/or agents.

(vi) Personal Information Requests. Franchisee shall fully comply with Data Protection and Security Policies as they relate to requests regarding individuals' personal information, as it may be defined under international, federal, state, and local law. If requested by Franchisor, Franchisee must cooperate or coordinate with Franchisor to identify personal information Franchisee has accessed, collected, retained, or used in any way.

(vii) Use of Personal Information. Franchisee shall not use, disclose, retain, transfer, share, or sell Personal Information, or personal information as it may be defined under international, federal, state, and local law, unless such action is permitted by (i) the terms of this Agreement, (ii) the terms of the Data Protection and Security Policies, (iii) the standards in the Manual, or (iv) written approval of Franchisor.

(x) Secret Shoppers; Toll-Free Number; Etc. Franchisor may, at its sole discretion, institute various programs for verifying customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including, without limitation, marketing research surveys, a toll-free number, customer comment cards, secret shoppers, or otherwise. Franchisor will share with Franchisee the results of such programs as they pertain to Franchisee's business and Franchisee agrees to reimburse

Franchisor for all costs associated with any and all such programs, which cost may be drafted by EFT at the sole discretion of Franchisor.

(y) Franchise Advisory Council. Franchisor may, but is not obligated to, form a Franchise Advisory Council selected by Franchisor in Franchisor's sole discretion, which shall provide Franchisor input as Franchisor may request from time to time ("FAC"). The FAC exists at Franchisor's pleasure, and Franchisor is not obligated or bound by any input provided by the FAC. The FAC will consist of franchisees in full compliance with this Agreement and/or Franchisor's representatives. Franchisor has the right to add or remove members of the FAC in Franchisor's sole discretion.

(z) Curriculum. Franchisee shall use only curriculum Franchisor has approved for instruction and services in the Franchised Business. Franchisor reserves the right to implement a proprietary KARTER SCHOOLS curriculum at any time. Franchisee shall be required to obtain a license to the curriculum for the fees Franchisor designates, which may include an initial license fee and an annual license fee, and to implement the curriculum.

(aa) Certified Teachers. If required by applicable laws, a certified/credentialed teacher, Director, or Assistant Director responsible for preparing prescribed lessons plans, curriculum and learning programs, and monitoring students, must be on the Premises at required times during instructional hours and testing. The preparation of prescribed lesson plans and teaching may be performed only by a person who is certified as set forth herein and who has been appropriately trained by Franchisee and as outlined in the Manuals.

(bb) Customer Service. Franchisee must guaranty the satisfaction of customers. Franchisee must follow the procedures for customer complaints found in the Manual. Resolution of customer concerns may involve discounting products or services and other such measures that affect the Gross Sales of the Franchisee. Franchisor reserves the right to charge Franchisee for Franchisor's costs to respond and/or resolve a complaint by Franchisee's customers that Franchisee does not satisfactorily resolve.

(cc) Vehicles. Franchisee shall be obligated to purchase or lease the vehicle(s) for the transportation of children. All vehicles utilized in the Franchised Business must meet the System standards and must meet Franchisor's specifications for equipment, safety, layout, appearance, decor and model. Franchisor reserves the right to require Franchisee to utilize tracking systems and/or cameras with the vehicle(s). Franchisor's approval of a vehicle will not constitute a representation or warranty as to the safety of the vehicle nor does it constitute a representation or warranty by Franchisor that vehicle complies with applicable laws, codes, ordinances, regulations or governmental standards. Franchisee shall not use any vehicle other than the approved vehicle(s) in the operation of any part of the Franchised Business without Franchisor's prior written consent. The approved vehicle(s) must be used solely for the Franchised Business. Operators of the vehicle(s) shall drive the vehicle(s) in a manner consistent with federal, state, and local law and maintain all required drivers' licenses. Franchisee shall promptly pay all license and use charges and taxes assessed on or pertaining to the vehicle(s) and shall hold Franchisor harmless therefrom. At its sole expense, Franchisee must upgrade, maintain and replace vehicle(s) periodically in accordance with System standards specified in in the Manuals and other Franchisor communications from time to time, including appearance, logos,

wraps, colors, signage, and equipment. All vehicle(s) must be maintained in good working order and be kept neat and clean.

12. Products.

(a) Suppliers, Products, and Services. In the operation of the Franchised Business, Franchisee shall use and sell only those curriculum, products, materials, supplies, equipment, Technology, and services that have been specifically designated or approved by Franchisor. Franchisee shall obtain all curriculum, products, materials, supplies, equipment, Technology, and services that are used in operation of the Franchised Business from suppliers that Franchisor shall have specifically designated or approved. Franchisee may be required to purchase from Franchisor certain products or services, or Franchisor may designate an affiliate as the designated supplier of any curriculum, products, materials, supplies, equipment, technology, or services used in the operation of the Franchised Business. Franchisor may designate exclusive suppliers for any curriculum, products, materials, supplies, equipment and service. Franchisor or its affiliates may receive payments, discounts, or other compensation from suppliers on account of the suppliers' dealings with Franchisor, Franchisee, or other franchised businesses in the System. Franchisor may use any amounts that it receives from suppliers for any purpose that Franchisor deems appropriate. Franchisor and its affiliates may negotiate supply contracts with its suppliers under which Franchisor is able to purchase products, equipment, supplies, and services at a price lower than that at which franchisees are able to purchase the same items. Franchisor may, from time to time, amend the list of approved curriculum, products, services, and suppliers, and Franchisee must comply with any such changes within thirty (30) days after receiving notice of the change. Products other than those required to be obtained from Franchisor or a designated or approved supplier may be purchased from any source, provided that the particular supplier and products have been approved by Franchisor. Franchisor may, from time to time, amend the list and this section of approved products and suppliers. If Franchisee requests that Franchisor review a new or alternate supplier or product, Franchisee shall pay Franchisor a fee of Five Hundred Dollars ($500) plus any costs and expenses Franchisor incurs as a result of its evaluation. Franchisor has sole discretion to determine whether to review alternate supplier, products, or services requests and shall review no more than two (2) requests per year.

(b) Services/Products and Inventory. Franchisee agrees that it will only offer those products, services, programs, and classes specifically designated or approved by Franchisor. Franchisee must submit a list of all products, services, programs, and classes offered at the Franchised Business at such times and in such a manner as determined by Franchisor. Franchisor has the right to change the approved products, services, programs, and classes and may designate some as optional or mandatory.

(c) Pricing. Franchisee shall have the right during the Term to set prices provided that, subject to applicable antitrust laws, such pricing: (1) complies with any minimum or maximum prices set by Franchisor; and (2) complies with any prices specified by Franchisor; and (3) conforms to any bona fide promotional programs or national or regional accounts programs periodically established by Franchisor. Franchisor retains the right to modify its pricing policies from time to time in its sole discretion. Franchisor specifically reserves the right, in its sole discretion and as it may deem in the best interests

of Franchisee or the Chain, to vary pricing standards and policies within the Franchised Business or any other Franchised Business in the Chain based upon peculiarities of particular location or circumstances, including, but not limited to, density of population and other demographic factors, size of a franchisee's territory, business practices or customs, cost of a franchisee's rent or mortgage payments, or any other condition which Franchisor deems to be of importance to the operation of such Franchised Business or the Chain. Franchisee acknowledges that because of these factors and others, there may be variations from standard pricing policies and practices throughout the Chain and that Franchisee shall not be entitled to require Franchisor to grant like or similar variations or privileges to Franchisee. Franchisee must provide to Franchisor a price list containing all of the prices charged for the products, services, classes, and programs supplied by the Franchised Business. The price list must be updated and supplied to Franchisor every time Franchisee alters its prices and, in any event, at least annually. Franchisee shall establish uniform pricing for the tuition rates and charges for Franchisee's students subject to Franchisor's approval for discounts, offsets, credits or deductions of any nature

(d) System Changes. Franchisee acknowledges that the System, the services, and products offered by the Franchised Business may be modified (such as, but not limited to, the addition, deletion, and/or modification of operating procedures, products, and services, including courses, camps, and recreational activities) from time to time by Franchisor; and Franchisee agrees to comply, at its expense, with all such modifications, including, without limitation, all requirements needed to implement the modifications. Franchisee agrees there is no limit to Franchisor's ability to modify the System. Franchisee may be required to pay additional or increased fees to Franchisor, its affiliates, or third-party vendors, as a result of these System changes.

(e) Technology Changes. Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall 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, at Franchisee's sole cost and expense. Franchisee may be required to pay additional or increased fees to Franchisor, its affiliates, or third-party vendors, as a result of these changes to technology.

(f) Promotional Requirements. Franchisor has the right to require Franchisee to participate in national, regional, and local giveaways and promotions. Franchisee may be required to provide free or discounted items or other free or discounted products or services as a result of such giveaways or promotions. Franchisor is not required to reimburse Franchisee for Franchisee's costs and expenses incurred as a result of these giveaways and promotions.

13. Transfer; Franchisor's Right of First Refusal.

(a) Transfers by Franchisor. This Agreement, and any and/or all of Franchisor's rights and/or obligations under it, are fully transferable by Franchisor in

Franchisor's sole discretion and will inure to the benefit of any person or entity to whom Franchisor transfers it, or to any other legal successor to Franchisor's interest in this Agreement. If Franchisor transfers this Agreement, or any and/or all of Franchisor's rights and/or obligations under it, all past, current and future obligations of Franchisor to Franchisee will cease and be forever extinguished. Franchisor shall be released from all obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer or assignment, and Franchisee's obligations and duties shall be and will remain the same notwithstanding any such assignment. Franchisor may be sold and/or Franchisor may sell any or all of its assets to a competitive or other entity; or Franchisor may participate in an initial, or other, public offering or private placement of Franchisor's stock; may merge, acquire other entities and/or assets (competitive or not); may be acquired by a competitive or other entity; and/or may undertake any refinancing, leveraged buy-out and/or other transaction. Franchisee waives any and all claims, demands and/or damages with respect to any transaction or otherwise allowed under this section or otherwise.

(b) Transfers by Franchisee. The rights and interest of Franchisee under this Agreement are and shall remain personal to Franchisee. Franchisee recognizes that Franchisor has granted the License in reliance on the business, financial capacity, personal skill, qualifications and representations of the Owners and in reliance upon Section 13, 14, 15 and 23 of this Agreement and the Owners' agreement to be bound thereby. Therefore, neither Franchisee's interest, rights or privileges in the Agreement, the License or the Franchised Business, nor the Owners' interest in Franchisee or the Owner(s), in whole or in part, voluntarily or involuntarily, by operation of law or otherwise, in any manner, shall be transferred, except as provided in this Section 13. For purposes of this Agreement, the term "transfer" shall mean any issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance (other than a lien against Franchisee's assets to secure a loan for the construction, remodeling, equipping or operation of the Franchised Business), transfer by bankruptcy, transfer by judicial order, merger, consolidation share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary. Except as provided below, any ownership or structural changes in Franchisee including but not limited to, any merger, reorganization, issuance of additional shares or classes of stock or additional partnership interests, shall constitute and be deemed a transfer and shall be subject to the provisions of Section 13(d).

(c) Franchisor's Right of First Refusal.

(i) If Franchisee or an Owner proposes to transfer this Agreement or its interest herein or in the Franchised Business, in whole or in part, Franchisee must first deliver a statement to Franchisor offering to sell to Franchisor the Franchisee's or Owner's interest in this Agreement and the land, building, equipment, furniture and fixtures and any other assets or leasehold interests used in the operation of the business. If the proposed transfer involves an offer from a third party, then Franchisee must obtain from the third-party offeror and deliver to Franchisor a statement, in writing, signed by the offeror and by Franchisee, of the binding terms of the offer. If the transfer does not involve an offer from a third party, then the purchase price for Franchisor's purchase of assets described above will be the fair market value of the assets, but shall not include the value of any goodwill of the business, as the goodwill of the business is attributable to the Marks and the System.

If Franchisee disagrees with the value of the Franchised Business as determined by Franchisor, then Franchisee and Franchisor shall each hire an appraiser (or a single appraiser, if they so agree) to value the assets. If the appraisals are within twenty percent (20%) of each other, then the difference between the two shall be equally divided to establish the price at which Franchisor may exercise its first right and option. If the difference between the appraisals is greater than twenty percent (20%), then the issue of the fair market value of such consideration shall be determined by a third appraiser selected by the other two appraisers and whose decisions shall be final, except that it may not be lower or higher than the lowest appraisal and highest appraisal, respectively, determined by the first two appraisers. Franchisor and Franchisee will each pay one-half of the appraiser's fees and expenses. Franchisor then has forty-five (45) days from its receipt of the statement setting forth the third-party offer or the appraiser's report, as applicable (and all other information requested by Franchisor) to accept the offer by delivering written notice of acceptance to Franchisee. Franchisor will have an additional 45 days to complete the purchase if Franchisor elects to exercise its right of first refusal. Franchisor's acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to Franchisor; provided, however (and regardless of whether the following are inconsistent with the price and terms set forth in the statement) (1) Franchisor has the right to substitute equivalent cash for any noncash consideration included in the offer, (2) Franchisor will prepare the transaction documents for the transfer, which will be on terms customary for this type of transaction (including representations and warranties, covenants, conditions, and indemnification), and (3) Franchisor's purchase may be limited to any assets related to the business.

(ii) Approval of Transfers. If Franchisor decides not to exercise its right of refusal, Franchisor shall have the right to approve or disapprove the proposed transfer; provided, however, Franchisor's consent shall not be unreasonably withheld as provided in Section 13(d). If Franchisor approves the transfer in writing, Franchisee (or Owner, as applicable) may make the proposed transfer on the exact terms and conditions specified in Franchisee's notice to Franchisor within sixty (60) days after the expiration of Franchisor's right of first refusal. If the transfer is not consummated within such sixty (60)-day period, Franchisee may not thereafter transfer such interest without again complying with this Section 13.

(d) Conditions on Transfer. Provided Franchisor chooses not to exercise its right of first refusal, Franchisor agrees that it will not unreasonably withhold its consent to a proposed transfer if all the following conditions are satisfied:

(i) Franchisee is in full compliance with this Agreement and there are no uncured defaults by Franchisee hereunder, and all debts and financial obligations of Franchisee under this Agreement are current, including Franchisee's obligations to the Brand Fund, each Cooperative of which Franchisee is a member, and all vendors, including but not limited to, Franchisor and any affiliate.

(ii) The proposed transferee executes such documents as Franchisor may reasonably require to evidence that it has assumed the obligations of Franchisee under this Agreement, including, but not limited to, the then current version of the Franchise Agreement, and if required by Franchisor, the proposed transferee executes, and in appropriate circumstances, causes such other parties as Franchisor may require to execute, Franchisor's then-current ancillary agreements to this Agreement, which documents may be substantially different than those executed contemporaneously with the execution of this Agreement. The Franchise Agreement between Franchisor and Franchisee will terminate once an approved transfer is completed;

(iii) Franchisee and all of the personal guarantors of this Agreement, if any, execute a general release, in a form prescribed by Franchisor, releasing Franchisor and its affiliates, predecessors, successors and assigns, and their respective members, managers, officers, directors, shareholders, owners and employees, in their corporate and individual capacities, from any and all claims, causes of action, demands, debts, liabilities, obligations, fees, costs and expenses, including without limitation, claims and causes of action arising under federal, state and local laws, rules, regulations and ordinances, arising prior to and including the date the transfer becomes effective.

(iv) Prior to the date of the proposed transfer, the proposed transferee's principal operator and managers undertake and complete, to the satisfaction of Franchisor, such training and instruction as Franchisor shall deem necessary;

(v) Franchisor is satisfied that the proposed transferee, and if the proposed transferee is an entity, all owners of any interest in such entity, meets all of the requirement for Franchisor's new franchisees applicable on the date Franchisor receives notice of the proposed transfer and including, but not limited to, good reputation and character, business experience, management experience, and financial strength and liquidity;

(vi) The Owner transferring an interest in Franchisee acknowledges and agrees in writing that it is bound by Sections 14, 15 and 23 of this Agreement and all Owners and personal guarantors sign general releases in the form Franchisor requires;

(vii) Franchisee pays to Franchisor a transfer fee equal to forty percent (40%) of the then-current initial franchise fee, which transfer fee will be due upon closing of the transfer;

(viii) The proposed transferee pays to Franchisor a (i) transfer fee equal to sixty percent (60%) of the then-current initial franchise fee, which transfer fee will be due upon closing of the transfer and (ii) transfer training and support fee equal to the then-current initial training fee, which transfer training fee must be deposited with Franchisor on a non-refundable basis at least ten (10) days prior to the training;

(ix) The proposed transferee, and all owners of any interest in a transferee that is an entity, provide Franchisor, at least forty-five (45) days prior to the proposed transfer date, with copies of financial statements for the preceding three (3) years, and where applicable, its certificate of incorporation and bylaws (and any amendments or modifications thereof), minutes and resolutions and all other documents, records and information pertaining to the transferee's existence and ownership;

(x) Within the time specified by Franchisor, Franchisee, at its expense, shall refurbish the Franchised Business, as necessary, to conform the Franchised Business to Franchisor's then-current standards and specifications, including, without limitation, specifications regarding, size, color, trade dress, presentation of the Marks, fixtures, flooring, carpeting, and installed equipment; and

(xi) if transferee and its owners finance any part of the purchase price, they must agree that all obligations under promissory notes, agreements, or security interests reserved in the Franchised Business are subordinate to the transferee's obligation to pay all amounts due to Franchisor and its affiliates and otherwise to comply with this Agreement.

(e) **Transfer of License.** Franchisee may not transfer its rights and interest in this Agreement and/or the License without the prior written consent of Franchisor, which consent may be granted or denied in the reasonable discretion of Franchisor. In the event Franchisor approves a transfer pursuant to this Section 13(e), the following requirements shall be met prior to the approved transfer:

(i) The proposed transferee shall execute such documents as Franchisor may reasonably require to evidence that the transferee has assumed the obligations Franchisee under this Agreement, and any then-current ancillary agreements, which documents may be substantially different than those executed contemporaneously with the execution of this Agreement;

(ii) Franchisee acknowledges and agrees in writing that it is bound by Sections 14, 15 and 23 of this Agreement; and

(iii) Franchisee and the proposed transferee pay the fees set forth in Section 13(d)(vii) and (viii).

(f) **Transfer to a Wholly Owned Entity.** Notwithstanding anything in this Section to the contrary, if Franchisee consists of one (1) or more individual(s), Franchisee may transfer its interest under this Agreement to a corporation, limited liability company or other legal entity without such a transfer being subject to the restrictions of this Section 13 so long as: (1) the legal entity is owned entirely by all of the original individual franchisees or personal guarantors hereof; (2) each and all of the obligations of Franchisee and the new legal entity are personally guaranteed by the original individual franchisees or personal guarantors hereof; (3) Franchisor receives prior written notice of the transfer along with a complete set of the new legal entity's filed, date stamped formation documents; and (4) Franchisee and the new legal entity enter into a written assignment and assumption

agreement in a form prescribed by Franchisor pursuant to which the new legal entity assumes and agrees to discharge all of Franchisee's obligations under this Agreement.

(g) Death/Incapacity/Dissolution. Franchisor shall have the right to determine, in its reasonable business judgment, the mental or physical incapacity of Franchisee or of any individual holding an interest in Franchisee. In the event of such a determination of mental or physical incapacity, the holder of such interest or any duly appointed guardian must promptly decide whether to retain the interest in the Franchised Business and, if necessary, select a qualified manager to direct its operation. The persons with such interest or such guardian may then apply to Franchisor for the right to retain that interest for the duration of the Term and any renewals of this Agreement. Likewise, if Franchisee is a corporation, partnership or other entity, upon the death or incapacity, determined at Franchisor's sole discretion, of an Owner or dissolution of Franchisee, the executor, administrator, conservator, trustee or other representative of such person or entity shall comply with the right of first refusal and consent provision set forth in Section 13. If a Franchisee is one (1) or more individual and any such person dies or becomes permanently incapacitated, and if the law of the jurisdiction where the Franchised Business is located so provides, nothing contained in this Section 13(g) shall deny the spouse, heirs or personal representative of such a Franchisee the opportunity to participate in the ownership of the Franchised Business for a reasonable time after the death or incapacity of Franchisee, provided that the spouse, heirs or personal representative execute an acknowledgement that this Agreement is valid and in effect. If the transfer fails to occur within six (6) months of the date of death, incapacity, or dissolution, then the license to operate the Franchised Business shall terminate.

(h) No Waiver. Franchisor's consent to a transfer of any interest in Franchisee or the Franchised Business granted through this Agreement will not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

14. Covenant Against Unfair Competition.

(a) Franchisee's Covenant Against Unfair Competition – During Term. Franchisee acknowledges it will receive valuable, specialized training and Confidential Information (as defined in Section 15) regarding the production, operational, sales, promotional, and marketing methods of the childcare and child education business that Franchisor has developed through monetary and other resource expenditures that provide competitive advantages to Franchisor's System. During the Term, Franchisee and its Owners will not, without Franchisor's prior written consent, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, salesperson or consultant for, any Competitive Business (as defined in Section 14(d));

(ii) offer or grant franchises or licenses for any Competitive Business; or

(iii) perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(iv) solicit, divert or attempt to solicit or divert any customer that has done business with or has been a customer of Franchised Business at any time during the term of this Agreement to any Competitive Business, by direct or indirect inducement or otherwise, as Franchisee agrees that all goodwill associated with Franchisee's operation under the Marks and the System, and all customer information associated therewith, inure to Franchisor; or

(v) use any vendor relationship established through Franchisee's association with Franchisor for any purpose other than to purchase supplies, products, equipment, merchandise, or services for use or retail sale in the Franchised Business.

(b) <u>Franchisee's Covenant Against Unfair Competition – Post-Term</u>. In partial consideration for Franchisor allowing Franchisee to license Franchisor's Marks and Confidential Information, Franchisee and each of the Franchisee's Owners covenant and agree that for a period of two (2) years after the termination, expiration, or non-renewal of this Agreement, regardless of the reason for such termination, expiration, or non-renewal ("Restrictive Period"), Franchisee and its Owners shall not, within the Restrictive Territory (as defined in Section 14(c) below) engage in any of the following:

(i) engage in any Competitive Business as franchisee or licensee; or

(ii) franchise or license any Competitive Business to any person or party; or

(iii) own, manage, operate, or have any operational or management authority in any Competitive Business; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 14(b) so long as Franchisee does not own themselves or through their spouses or partners more than one percent (1%) of the securities of such corporation; or

(iv) engage in any Competitive Business as an employee, consultant, or independent contractor in any capacity in which Franchisee or its Owners would be in a position to use or disclose Confidential Information of Franchisor; or

(v) solicit, divert, or attempt to solicit or divert to any Competitive Business any vendor or supplier with whom Franchisee had a business relationship through Franchisee's association with Franchisor as of the termination, expiration, or non-renewal of this Agreement or within one (1) year preceding the termination, expiration, or non-renewal of this Agreement; or

(vi) solicit, divert, or attempt to solicit or divert any persons who were employees or independent contractors associated with the Franchised Business as of the termination, expiration, or non-renewal of this Agreement for, or on behalf of any Competitive Business to work with any Competitive Business; or

(vii) solicit, divert, or attempt to solicit or divert any persons who were employees or independent contractors of Franchisor, Franchisor's affiliates, or Franchisor's other franchisees at the time of the termination, expiration, or non-renewal of this Agreement for, or on behalf of, any Competitive Business to work for any Competitive Business; or

(viii) solicit, divert, or attempt to solicit or divert to any Competitive Business any customer located within the Restrictive Territory with whom Franchisee had any business relationship as of the termination, expiration, or non-renewal of this Agreement or within one (1) year preceding the termination, expiration, or non-renewal of this Agreement.

(c) **Restrictive Territory.** For purposes of this Section 14, the term "Restrictive Territory" means the following:

(i) An area which is within a five (5) mile radius of:

(A) The Location of the Franchised Business as of the date of termination, expiration, or non-renewal of this Agreement, or

(B) The location of any other KARTER SCHOOLS location owned by Franchisor or its affiliates or franchisees as of the date of termination, expiration, or non-renewal of this Agreement; or

(ii) Only if the foregoing is determined by a court of law to be too broad, the territories in which Franchisor or its affiliates operate any KARTER SCHOOLS businesses or locations as of the date of termination, expiration, non-renewal, or transfer of this Agreement and the territories of any of Franchisor's KARTER SCHOOLS franchisees, including Franchisee, as those territories exist as of the date of termination, expiration, or non-renewal, of this Agreement; or

(iii) Only if the foregoing is determined by a court of law to be too broad, the Territory served by Franchisee (as defined in Attachment 1) as that Territory exists on the date of termination, expiration, or non-renewal of this Agreement; or

(iv) Only if the foregoing is determined by a court of law to be too broad, at the Location of the Franchised Business.

(d) **Competitive Business**. For purposes of this Section 14, the term "Competitive Business" means any business or commercial activity, other than an authorized KARTER SCHOOLS business, that provides in whole or in part:

(i) educational services to children of any ages between six (6) weeks through first twelve (12) years old or

(ii) childcare services to children of any ages between six (6) weeks through twelve (12) years.

(e) Reasonableness. The foregoing in-term and post-termination covenants against unfair competition with respect to similar Competitive Businesses shall apply regardless of how or why the Agreement terminates, expires, or does not renew. The parties agree that the foregoing covenants contained in this Section 14 contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect Franchisor's goodwill or Franchisor's other business interest and its franchisees and the provisions do not prevent Franchisee or its Owners from earning a living. Franchisee agrees that the scope of activities prohibited in this Section 14, and the length of the term and geographical restrictions in this Section 14, are necessary to protect the legitimate business interests and are fair and reasonable and are not the result of overreaching, duress, or coercion of any kind. Franchisee's full, uninhibited, and faithful observance of each of the covenants in this Section 14 will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants in this Section 14 will not impair Franchisee's or its Owners' ability to obtain employment commensurate with Franchisee's or its Owners' abilities or on terms fully acceptable to Franchisee or otherwise to obtain income required for the comfortable support of Franchisee and its Owners and their families, and the satisfaction of the needs of all of Franchisee's and its Owners' creditors. Franchisee's and its Owners' special knowledge of childcare and child education services (and anyone acquiring this knowledge through Franchisee or its Owners) is such as it would cause Franchisor serious injury and loss if Franchisee or its Owners (or anyone acquiring this knowledge through Franchisee or its Owners) were to use this knowledge to the benefit of a competitor or were to compete with Franchisor or its franchisees. The covenants in this Section 14 are to be construed as independent of any other covenant or provision of this Agreement. The existence of any claim Franchisee or any of its Owners may have against Franchisor or any of its affiliates (regardless of whether arising under this Agreement) is not a defense to the enforcement of these covenants against Franchisee or its Owners. In the event of any violation of the provisions of this Section 14, the Restrictive Period shall be extended by a period of time equal to the period of the violation. Franchisee and Franchisor agree that the running of the applicable post-termination Restrictive Period shall be tolled during any period of such violation.

(f) Managerial and Supervisory Employees. Franchisee covenants that it shall cause all persons who are involved in managerial or supervisory positions with Franchisee to enter into an agreement to be bound by provisions substantially similar to Sections 14 and 15 of this Agreement. Franchisee agrees to provide Franchisor with copies of such executed agreement upon request. If Franchisee has reason to believe that any person has violated any such provisions of this Agreement, Franchisee shall promptly notify Franchisor and cooperate with Franchisor to protect Franchisor against unfair competition, infringement, or other unlawful use of the Marks, trade secrets, curriculum, or System of Franchisor. Franchisee further grants Franchisor the right, but not the obligation, to prosecute any such lawsuits at Franchisor's expense on behalf of Franchisee.

15. Trade Secrets and Confidential Information.

Franchisee understands and agrees that Franchisor has disclosed or will hereafter disclose to Franchisee certain confidential or proprietary information and trade secrets. Except as necessary in connection with the operation of the Franchised Business and as approved by Franchisor, Franchisee shall not, during the Term or at any time after the expiration, non-renewal, transfer, or termination of this Agreement, regardless of the cause thereof, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity Confidential Information. "Confidential Information" means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the Franchised Business not generally known to the public and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), curriculum, designs, electronic code, artwork, all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information that the Franchisor or its affiliates designates as confidential including all information contained in the Manuals, which may be provided as one or more separate manuals, written instructional guides, electronic files, or other communications from the Franchisor or its affiliates, which may be changed or supplemented from time to time. Franchisee shall disclose to its employees only such Confidential Information as is necessary to operate its business hereunder and then only while this Agreement is in effect. Any and all information, knowledge, or know-how, including without limitation, electronic code, designs, drawings, artwork, curriculum, materials, equipment, marketing, and other data which Franchisor designates as secret or confidential shall be deemed secret and confidential for purposes of this Agreement. Franchisee will require all personnel having access to any Confidential Information from Franchisor to execute an agreement requiring them to maintain the confidentiality of information they receive in connection with their employment at the Franchised Business. Those confidentiality agreements will be in a form satisfactory to Franchisor.

16. Insurance.

(a) Types and Extent of Coverage. Franchisee shall obtain and maintain throughout the Term such insurance coverages with such limits as specified below (or such greater amounts of insurance as may be required by the terms of any lease or mortgage relating to the Premises, or the Manual, which may be amended by us at any time):

(i) Commercial general liability insurance with limits of at least $2,000,000 in aggregate and $1,000,000 each occurrence;

(ii) Special form, all-risk property insurance with the limits Franchisor requires;

(iii) Professional liability insurance with limits of at least $1,000,000;

(iv) Business interruption insurance with coverage for actual loss;

(v) Sexual abuse coverage with limits of at least $1,000,000;

(vi) Student accidence insurance with the limits Franchisor requires;

(vii) Umbrella insurance with at limits of at least $2,000,000;

(viii) Worker's compensation insurance that complies with the statutory requirements of the state in which Franchisee's business is located.

(b) **Other Insurance Requirements.** Franchisee shall obtain from a nationally recognized insurance company and at all times during the term of this Agreement maintain in force and pay the premiums for all types of insurance listed above with complete operations coverage. All policies of insurance required to be maintained hereunder shall: (i) be written as primary policy coverage and not "excess over" or contributory with any other applicable insurance, including Franchisor's insurance; (ii) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer(s)' liability; (iii) shall not contain any special limitations on the scope of coverage afforded to Franchisor; (iv) shall provide that any failure by Franchisee or any of Franchisee's employees, agents, subcontractors, or suppliers, to comply with any notice, reporting, or other similar provisions of such policies shall not affect the coverage provided to Franchisor. From time to time in Franchisor's sole discretion, Franchisor may increase or modify such limits of liability or require additional types of coverage. The insurance policies shall name Franchisor and any affiliates, officers, members, owners, subsidiaries, and employees Franchisee designates as an "additional insured" and shall expressly protect both Franchisor and Franchisee (and any other additional insured) on a primary and non-contributory basis and shall require the insurer to defend both Franchisee and Franchisor (and any other additional insured) in any action while reserving Franchisor's right to involve counsel of Franchisor's own choosing in protection of its own and system wide interests. Additionally, Franchisee's insurance policy must waive on behalf of Franchisee's insurer any right of subrogation by the insurance company against Franchisor and Franchisor's officers, shareholders, and employees. Franchisee understands that doing so does not necessarily furnish Franchisee with protection levels adequate to Franchisee's needs and that Franchisee's obligation to indemnify Franchisor as set forth above in this Agreement may exceed the amount of insurance Franchisee is required to obtain or does obtain. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, Franchisee will deliver or caused to be delivered to Franchisor Certificates of Insurance evidencing the proper coverage with limits not less than those required by this Agreement and evidencing that Franchisor is named as an additional insured under such policy on a primary and non-contributory basis as required in this Agreement. At least thirty (30) days prior to expiration of any such policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing that Franchisee has procured proper renewal or replacement coverage with limits not less than those required by this Agreement and reflecting that Franchisor and its affiliates are additional insured under the policy on a primary and non-contributory basis as required herein. All Certificates will expressly provide that at least thirty (30) days' prior written notice will be given to Franchisor in the event of any alteration to, or cancellation of, the coverage evidenced by the Certificates of Insurance.

(c) Franchisee will acquire and maintain in force cyber liability insurance coverage with single occurrence limits of not less than as set forth in Franchisor's Manual

(it being understood that such policy will be in place within thirty (30) days following the Agreement Effective Date).

(d) Franchisor, or its insurer, shall have the right to participate in discussions with Franchisee's insurance company or any claimant (in conjunction with Franchisee's insurance company) regarding any claim of liability, and Franchisee agrees to adopt Franchisor's reasonable recommendations to its insurance carrier regarding the settlement of any such claims.

(e) Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, Franchisor will have the right and authority to immediately procure such insurance deemed to be necessary and to charge the amount of the cost to procure and maintain such insurance to Franchisee, along with a reasonable fee for Franchisor's expenses in procuring the insurance, Franchisor is authorized to collect from Franchisee all insurance related expenses paid on behalf of Franchisee through automatic electronic bank transfers as provided for in Section 3 of this Agreement.

17. Termination.

(a) Automatic Termination. Franchisee shall be in default under this Agreement, and this Agreement and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee in the event that (i) Franchisee makes a general assignment for the benefit of creditors or a petition in bankruptcy is filed by Franchisee; (ii) a petition in bankruptcy is filed against and not opposed by Franchisee; (iii) Franchisee is adjudicated as bankrupt or insolvent; (iv) a bill in equity or other proceeding is filed for the appointment of a receiver or other custodian for Franchisee's business or assets if filed and consented to by Franchisee; (v) 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; (vi) proceeding for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (vii) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless an appeal or supersedeas bond is filed); (viii) Franchisee is dissolved; (ix) any portion of Franchisee's interest in the Franchised Business becomes subject to an attachment, garnishments, levy or seizure by any credit or any other person claiming against or in the rights of Franchisee; (x) execution is levied against Franchisee's business or property; or (xi) the real or personal property of Franchisee's Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

(b) Termination without Opportunity to Cure. Franchisee shall be in default and Franchisor may, at its option, terminate this Agreement and all rights granted herein, without affording Franchisee any opportunity to cure the default, effective upon the earlier of receipt of notice of termination by Franchisee, or five (5) days after mailing of such notice by Franchisor, upon the occurrence of any of the following events:

(i) Franchisee at any time ceases to operate or otherwise abandons the Franchised Business for a period of three (3) days without Franchisor's prior written permission;

(ii) Franchisee forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located or loses the right to possession of the Premises; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee the Premises are damaged or destroyed, then Franchisee shall have forty-five (45) days after either such event in which to apply for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld), provided, Franchisee shall either relocate or commence and diligently pursue reconstruction of the Franchised Business within sixty (60) days after the event;

(iii) Except as otherwise permitted in this Agreement, any owner of more than twenty-five percent (25%) interest in Franchisee transfers all or part of such interest or Franchisee transfers any interest in the Franchised Business, a material portion of the assets of the Franchised Business or Franchisee;

(iv) Franchisee or any Owner of more than twenty-five percent (25%) of Franchisee is proven to have engaged in fraudulent conduct, or is convicted of, or pleads guilty or no contest to a felony or a crime involving moral turpitude, a crime harming children, or any other crime or offense that is reasonably likely to have an adverse effect on the Chain, System, the Marks or the goodwill associated therewith or that indicates unsuitability for childcare; provided, that if the act or conviction involves an Owner of Franchisee, Franchisor will not terminate this Agreement if Franchisee notifies Franchisor promptly after it learns of the event constituting the default, and within fifteen (15) days of the date of the notice, either (a) the person or entity that committed the wrongful act divests his or its entire interest in Franchisee, or (b) Franchisee obtains Franchisor's consent for such owner to maintain his or its ownership interest;

(v) An approved transfer is not effected within six (6) months of the death or incapacity of any individual Franchisee; or the death, incapacity or dissolution of any Owner;

(vi) Twice within a twelve (12) month period or three (3) times within a three (3) year period, Franchisee is given notice of being in default under any of the terms or requirements of this Agreement, whether or not such defaults are timely cured after notice;

(vii) Franchisee fails to comply with any of the covenants of Franchisee set forth in this Agreement;

(viii) Franchisee makes any material misrepresentation to Franchisor or breaches any warranty of representation made to Franchisor, whether in this Agreement or otherwise;

(ix) Franchisee knowingly or intentionally maintains false books or records or submits any false records, statement or report to Franchisor;

(x) Franchisee, or any of its Owners or employees, by act or omission, materially impairs the value of, or the goodwill associated with, the Chain, any of the Marks or the System;

(xi) Franchisee takes, withholds, misdirects, or appropriates for Franchisee's own use any funds from Franchisee's employees' wages for employees' taxes, FICA, insurance or benefits, or generally fails to deal fairly and honestly with Franchisee's employees or customers;

(xii) Franchisee loses or is denied any federal, state or local license that Franchisee must possess in order to operate the Franchised Business, including licenses to provide childcare;

(xiii) Franchisee is found liable by any judicial, administrative, or arbitral body for violation of federal, state, or local laws barring discrimination on the basis of race, sex, national origin, age or sexual orientation, or is found liable for any common law civil claim the facts of which are grounded in allegations of discrimination on the basis of race, sex, national origin, age, or sexual orientation; or

(xiv) Franchisee, after curing a default pursuant to Section 17 of this Agreement, commits the same act of default again within six (6) months;

(xv) Franchisee fails to open the Franchised Business within (1) eighteen (18) months after executing this Agreement if Franchisee leases the Premises or (2) thirty (30) months after executing this Agreement if Franchisee purchases the real estate for the Premises;

(xvi) Franchisee fails to perform or observe any provision of the lease or sublease for the Premises, any financing of the Franchised Business and/or Premises, and/or any lease or financing of any of the approved equipment or any other equipment, decor, furnishings, fixtures or tangible property used at the Franchised Business and Premises, if such failure would permit the termination of any such lease, sublease, or financing arrangement pertaining to the Premises and/or Franchised Business;

(xvii) Franchisee agrees that if during the period prior to the opening date of the Franchised Business: (a) any representations or warranties of Franchisee and/or the Director, Assistant Director, or Managing Principal prove to be inaccurate or false, (b) the Director, Assistant Director, or Managing Principal fails to take or pass any of Franchisor's required training, (c) the Director, Assistant Director, or Managing Principal and/or Franchisee fails to pass any credit or character check performed by or on behalf of Franchisor, and/or (d) Director, Assistant Director, or Managing Principal and/or Franchisee fail to timely or diligently perform any duties or obligations during the period prior to the opening date, then Franchisor shall have the right, but not the obligation, to either (a) pay Franchisee the portion of the Initial Franchise Fee that has been paid to Franchisor minus Ten Thousand Dollars ($10,000) and to immediately terminate this Agreement and the relationship between Franchisor and Franchisee without any

duty to provide Franchisee any notice or opportunity to cure such breach or (b) terminate this Agreement.

(c) Termination After Opportunity to Cure. Except for those defaults provided for under Sections 17(a) or 17(b), Franchisee shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Manual, policy and procedure statement or other written document provided by Franchisor, or to carry out the terms of this Agreement in good faith. For such defaults and to the extent curable, Franchisor will provide Franchisee with written notice and fifteen (15) days to cure or, if a default cannot reasonably be cured within fifteen (15) days, to initiate within that time substantial and continuing action to cure such default and to provide Franchisor with evidence of such actions. If the defaults specified in such notice are not cured within the fifteen (15)-day period, if substantial and continuing action to cure has not been initiated, or if the default cannot be cured, Franchisor may, at its option, terminate this Agreement upon written notice to Franchisee. Such defaults shall include, without limitation, the occurrence of any of the following events:

(i) Franchisee fails to construct or remodel or to commence operating the Franchised Business in accordance with this Agreement;

(ii) Franchisee fails, refuses, or neglects to promptly pay any monies or fees owing to Franchisor, its affiliates or the Brand Fund contribution when due or to submit the financial or other information required under this Agreement;

(iii) Any Owner of twenty-five percent (25%) or less of Franchisee makes a transfer of such interest in violation of this Agreement; provided, however, that Franchisee's right to cure such a default shall be conditioned upon Franchisee immediately notifying Franchisor of the improper transfer and taking all actions necessary to either (a) obtain Franchisor's approval thereof, or (b) if approval is not desired or the transfer or transferee is not approved by Franchisor, to re-acquire the interest so transferred;

(iv) A threat or danger to public, customer, or employee health or safety results from the construction, maintenance, or operation of the Franchised Business;

(v) Franchisee, or any of its Owners, or employees misuses or makes any unauthorized use of the System or the Marks;

(vi) Franchisor has proof Franchisee, an Owner, or the Director, Assistant Director, or Managing Principal has committed a felony, crime or offense involving moral turpitude, or any other crime or offense that Franchisor believes is injurious to the chain, including, but not limited to, abuse of customers, health or safety hazards, drug or alcohol problems, or permitting unlawful activities at Franchisee's business;

(vii) Franchisee submits to Franchisor on two or more separate occasions at any time during the Term or any renewal hereof, any reports or other data,

information or supporting records which understate the Gross Sales of the Franchised Business, the Royalties and/or any other sums owed to Franchisor for any period of, or periods aggregating, two or more weeks, and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error; or

(viii) Franchisee fails to maintain a good credit rating by failing to make prompt payment of undisputed bills, invoices or statements from suppliers of products and services.

Franchisee hereby authorizes Franchisor to notify any lender, creditor, customer or landlord of Franchisee or the Franchised Business upon the occurrence of any default under this Section, or any event or circumstances which the giving or notice or passage of time or both would constitute an event of default under this Section, and to otherwise communicate with such lenders, creditors, customers, vendors or landlords with respect to any such default, or any such event or circumstance.

(d) Relief in Equity. Franchisee agrees that neither termination of this Agreement nor an action at law, nor both, would be an adequate remedy for a breach or default by Franchisee, or by any other persons bound by this Agreement, in the performance of any obligation relating to Franchisor's Marks or indicia, the trade secrets revealed to Franchisee in confidence pursuant to this Agreement or the obligations of Franchisee and such other persons upon and after termination of this Agreement. The parties therefore agree that in the event of any such breach or default, in addition to all other remedies provided elsewhere in this Agreement or by law, Franchisor shall be entitled to relief in equity from a judge or arbitrator, at its option, (including a temporary restraining order, temporary or preliminary injunction and permanent mandatory or prohibitory injunction) to restrain the continuation of any such breach or default or to compel compliance with such provisions of this Agreement.

(e) Termination by Franchisee. If Franchisor fails to perform any material obligation imposed upon it by this Agreement, and such failure is not cured within ninety (90) days after Franchisee delivers written notice of such failure to Franchisor, then, provided Franchisee is otherwise compliant with Franchisee's obligation under this Agreement and any other agreement with Franchisor, Franchisee may terminate this Agreement at any time thereafter by delivering thirty (30) days' written termination notice to Franchisor.

(f) Limitation of Services or Benefits. Franchisor shall have the right, but not the obligation, to temporarily or permanently limit or remove certain services or benefits provided or required to be provided to Franchisee hereunder in lieu of exercising its right to terminate this Agreement pursuant to the terms hereof, including, without limitation, eliminating Franchisee's right to use Franchisor's website free of charge, eliminating any website Franchisor has created for Franchisee, restricting or removing Franchisee's right to purchase products directly or indirectly from Franchisor or its affiliates, limiting Franchisor's advertising and promotional assistance, and restricting or removing Franchisee's right to use any Technologies which are provided by or are proprietary to Franchisor or its affiliate. Nothing in this Section constitutes a waiver of any other right or remedy of Franchisor under this Agreement. Franchisee acknowledges that Franchisor's

exercise of its rights pursuant to this Section shall not be deemed a constructive termination. Any services or benefits removed or limited pursuant to this Section may be reinstated at any time in Franchisor's sole discretion.

(g) Cross-Defaults. Any default by Franchisee under this Agreement shall be a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any owner or affiliate of Franchisee). Any default by Franchisee (or any owner or affiliate of Franchisee) under any other agreement or any other obligation between Franchisor (or any affiliate of Franchisor) and Franchisee (or any owner or affiliate of Franchisee) shall be a default under this Agreement. Any default by Franchisee (or any owner or affiliate of Franchisee) under any lease, sublease, loan agreement, or security interest related to the Franchised Business may be regarded as a default under this Agreement, regardless of whether or not any such agreements are between Franchisee (or any owner or affiliate of Franchisee) and Franchisor (or any affiliate of Franchisor).

(h) Extended Cure Period. Notwithstanding anything to the contrary in this Agreement, Franchisor reserves the right to grant to Franchisee in Franchisor's sole discretion an extended cure period for any breach. Franchisee acknowledges that Franchisor's decision to grant such an extended cure period shall not operate as a waiver of any of Franchisor's rights and that Franchisor can choose to condition such an extension upon the signing of a general release by Franchisee and its Owners and guarantors.

(i) Noncompliance. Without waiving Franchisor's rights that Franchisor may have, and in Franchisor's sole discretion, Franchisor may elect not to terminate Franchisee's franchise agreement as a result of a default. In the event a default occurs, Franchisor may elect to give written notification (a "Notice of Noncompliance") to Franchisee that its Franchised Business is not in compliance with the terms and conditions of this Agreement. Such Notice of Noncompliance shall state a period for Franchisee to cure the noncompliance, which shall be a period not less than thirty (30) days. For a period of six (6) months from and after the date of such Notice of Noncompliance, Franchisee shall reimburse Franchisor for reasonable costs that Franchisor incurs with respect to the Franchised Business, including without limitation the costs of any audit or inspection of the Franchised Business in excess of Franchisor's normal audit program, any mystery shopping for the Franchised Business during such six (6)-month period in excess of Franchisor's normal mystery shopping program applied to all franchised businesses, additional training that Franchisor determines is required to bring the Franchised Business up to Franchisor's standards, and any personnel costs incurred by Franchisor at the Franchised Business to ensure the proper management and operation of the Franchised Business. Nothing in this section shall limit Franchisor's termination rights as otherwise set forth in this Agreement, which Franchisor reserves the right to exercise at any time.

(j) Step-In Rights. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right, or any other rights Franchisor may have against Franchisee, upon a failure to meet any of the requirements of this Agreement or upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to enter upon Franchisee's business premises and exercise complete authority with respect to the operation of Franchisee's Franchised Business until such time as Franchisor determines that the default has been cured, and Franchisee is

otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all reasonable costs and overhead, if any, incurred in connection with its operation of the Franchised Business including, without limitation, costs of personnel for supervising and staffing the Franchised Business and their travel and lodging accommodations, plus Franchisor's then-current management fee. If Franchisor undertakes to operate the Franchised Business pursuant to this Section 17(j), Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits, or proceedings which may arise out of Franchisor's operation of the Franchised Business.

18. Obligations upon Termination, Expiration, or Non-Renewal.

Upon termination, non-renewal, or expiration of this Agreement for any reason, all rights granted hereunder to Franchisee shall terminate and revert to Franchisor, and Franchisee shall have all the following obligations with respect to the Franchised Business:

(a) Franchisee shall immediately cease to operate the business licensed under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as KARTER SCHOOLS franchisee with respect to such business.

(b) Franchisee shall immediately and permanently cease to use, in any manner whatsoever, all trade secrets, Confidential Information, methods, procedures and techniques used by or associated with the System, and the proprietary Marks KARTER SCHOOLS and all other Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the KARTER SCHOOLS Chain.

(c) Franchisee shall immediately and permanently cease to use, in any manner whatsoever, the Mark "KARTER SCHOOLS" and all other Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the KARTER SCHOOLS Chain and System.

(d) Franchisee shall immediately return to Franchisor any property held or used by Franchisee which is owned by Franchisor, including the Customer Lists, and shall cease to use, and either destroy or convey to Franchisor, all curriculum, lesson plans, designs, signs, advertising materials, artwork, displays, stationery, forms and any other materials that bear or display the Marks. Franchisee shall deliver to Franchisor all login credentials associated with any directory, marketing, Website, Technology, social media, and all other accounts and systems affiliated with the Franchised Business.

(e) Franchisee shall take such actions as may be necessary to cancel any assumed name or similar registration which contains the mark KARTER SCHOOLS or any other Marks of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with its obligation within thirty (30) days after termination, non-renewal, or expiration of this Agreement.

(f) Franchisee shall promptly pay all sums owed to Franchisor. Such sums shall include all damages, costs, and expenses, including lost future royalties and reasonable attorneys' fees, incurred by Franchisor as a result of the default and the termination. Any outstanding obligations to Franchisor shall give rise to and remain, until

paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee located on the Premises on the date this Agreement is terminated, expires, or does not renew.

(g) Franchisee shall promptly pay to Franchisor all damages, costs and expenses including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement.

(h) Franchisee shall immediately deliver to Franchisor all Manuals, policy and procedure statements, instructions, Manuals, and other materials related to operating the Franchised Business, including, without limitation, curriculum, artwork templates, copyrighted artwork, brochures, charts and any other materials provided by Franchisor and all copies thereof, and shall neither retain nor convey to another any copy or record of any of the foregoing.

(i) Franchisor shall have the option, to be exercised within thirty (30) days of termination, non-renewal, or expiration of this Agreement, to assume Franchisee's assumed name or equivalent registration and business licenses, telephone numbers, telephone directory listings and advertisements (whether in print or part of an Internet directory), and e-mail addresses and/or Internet domain names which contain the Mark of Franchisor or its affiliates, and Franchisee shall sign all documents necessary to permit Franchisor to assume Franchisee's rights in such items. If Franchisor elects not to exercise this option, Franchisee shall take all action necessary to cancel each of the items listed above and shall furnish Franchisor with evidence satisfactory to prove its compliance within fifteen (15) days after receiving notice of Franchisor's termination or expiration of this Agreement and the expiration of the option granted herein. In the event Franchisee fails to timely do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to obtain such cancellation on Franchisee's behalf and at Franchisee's expense.

(j) Franchisee shall comply with the covenants contained in this Agreement, including, but not limited to, the covenants against unfair competition and the covenants not to disclose trade secrets or Confidential Information.

(k) Franchisee shall, if Franchisor so requests, assign to Franchisor or its designee any interest which Franchisee has in any lease for the Premises or any other agreement related to the Premises. Franchisee will do whatever is necessary to effectuate and complete the assignment. In the event Franchisor does not elect to exercise its option to acquire any lease for the Premises, and unless otherwise directed by Franchisor, Franchisee shall, within ten (10) days after termination, non-renewal, or expiration of this Agreement, make such modifications and alterations to the Premises as may be necessary to distinguish the appearance of the Premises from that of other KARTER SCHOOLS locations and shall make such specific additional changes thereto as Franchisor may reasonably request.

(l) Franchisee shall, if Franchisor so requests and if Franchisee owns the real property on which the Franchised Business is located, lease the Premises to Franchisor on substantially the same terms and conditions contained in Franchisee's lease for the

Premises, or if no lease exists or if the existing lease is not commercially reasonable, then on commercially reasonable terms. The lease shall be for an initial five (5) year term, with two (2) five (5) year renewal terms (at Franchisor's option). If the parties cannot agree on the rent to be charged under the lease within thirty (30) days after the expiration, termination, or non-renewal of the Agreement, the rent will be determined by a qualified independent appraiser. Franchisee and Franchisor shall each present their proposed rent, and the independent appraiser will select the most commercially reasonable rent from the two proposals. The independent appraiser's determination will be binding on the parties. If the parties are not able to agree on an independent appraiser within forty-five (45) days of the termination, non-renewal, or expiration of this Agreement, each party will select an independent appraiser. The independent appraisers chosen will then select a third independent appraiser whose determination will be binding on the parties. The parties agree to select their respective appraisers within fifty-five (55) days after the termination, nonrenewal, or expiration of this Agreement and the two appraisers chosen are obligated to appoint the third appraiser within fifteen (15) days after the date on which the last of the two party-appointed appraisers is appointed. Franchisor and Franchisee will bear the cost of their own appraisers and share equally the reasonable fees and expenses of the third appraiser. The parties will take reasonable actions to cause the third appraiser to complete his or her appraisal within fifteen (15) days after the third appraiser's appointment.

(m) If Franchisor requests, Franchisee shall sell to Franchisor any assets used in connection with the operation of Franchisee's Franchised Business. Franchisor has the right, but not the obligation, to exercise this right by providing Franchisee written notice of Franchisor's election within sixty (60) calendar days after the termination, non-renewal, or expiration of this Agreement and paying Franchisee the book value for such assets within sixty (60) calendar days of such notice. For purposes of this paragraph, "book value" means the amount Franchisee actually paid for the assets less depreciation (calculated by using the straight-line depreciation method on a ten (10) year depreciation schedule irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor's right to purchase any assets that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Franchised Business, or Franchisor may require that Franchisee close the Franchised Business during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the assets of the Franchised Business. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise. Franchisor may purchase all or only a portion of the assets of the Franchised Business and may exclude from its purchase any assets or cash, for any reason, in Franchisor's sole

discretion. Franchisor shall have the right to set off and apply any amounts due to Franchisee pursuant to this subsection against any and all other amounts which may be due from Franchisee to Franchisor.

19. Independent Contractor; Indemnification.

(a) Independent Contractor. It is understood and agreed by the parties that this Agreement creates only a contractual relationship between the parties subject to the normal rule of contract law. This Agreement does not create a fiduciary relationship between the parties and Franchisee is and shall remain an independent contractor. Franchisee agrees to hold itself out to the public as an independent contractor, separate and apart from Franchisor. Franchisee agrees that it shall not make any contract, agreement, warranty, or representation on Franchisor's behalf without Franchisor's prior written consent, and Franchisee agrees that it shall not incur any debt or other obligation in Franchisor's name. This Agreement shall not be deemed to confer any rights or benefits to any person or entity not expressly named herein.

(b) Indemnification. Franchisee hereby waives all claims against Franchisor for damages to property or injuries to persons arising out of the operation of the Franchised Business. Franchisee must fully protect, indemnify, defend, reimburse and hold Franchisor and its owners, directors, officers, insurers, successors and assigns and Franchisor's affiliates harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with, or incidental to the operation of, the Franchised Business (regardless of cause or any concurrent or contributing fault or negligence of Franchisor or its affiliates) or any breach by Franchisee or Franchisee's failure to comply with the terms and conditions of this Agreement. Franchisor also reserves the right to select its own legal counsel to represent its interests, and Franchisee must reimburse Franchisor for all of Franchisor's costs and all attorneys' fees immediately upon Franchisor's request as they are incurred.

(c) Payment of Taxes. Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on Royalties, any similar taxes or levies, imposed upon or required to be collected or paid by Franchisor or Franchisor's affiliates by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license, or lease of property or property rights provided by this Agreement other than taxes on Franchisor's net income.

20. Franchisee Representations.

(a) FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PROPOSED FRANCHISE AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN

INDEPENDENT BUSINESS OWNER OR BUSINESS. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY, OR GUARANTEE, OR REPRESENTATION OTHER THAN AS SET FORTH IN THE DISCLOSURE DOCUMENT, EXPRESS OR IMPLIED, FROM ANY EMPLOYEE OR AGENT OF FRANCHISOR AS TO THE POTENTIAL SALES VOLUMES, PROFITS, OR LEVEL OF SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT OR THE SUITABILITY OF THE APPROVED LOCATION OF THE FRANCHISED BUSINESS. FRANCHISOR HAS NOT REPRESENTED THAT (I) FRANCHISEE WILL EARN, CAN EARN, OR IS LIKELY TO EARN A GROSS OR NET PROFIT, (II) FRANCHISOR HAS KNOWLEDGE OF THE RELEVANT MARKET, OR (III) THE MARKET DEMAND WILL ENABLE FRANCHISEE TO EARN A PROFIT FROM THE FRANCHISED BUSINESS;

(b) FRANCHISEE ACKNOWLEDGES THAT IT RECEIVED A COPY OF THE COMPLETE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, THE ATTACHMENTS THERETO, AND THE AGREEMENTS RELATED THERETO, IF ANY, AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS SIGNED OR CONSIDERATION PAID.

(c) FRANCHISEE ACCEPTS THE TERMS, CONDITIONS AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLE AND NECESSARY TO MAINTAIN FRANCHISOR'S STANDARDS OF QUALITY, SERVICE AND UNIFORMITY AND IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. FRANCHISEE ACKNOWLEDGES THAT OTHER FRANCHISEES OF FRANCHISOR HAVE BEEN OR WILL BE GRANTED FRANCHISES AT DIFFERENT TIMES AND IN DIFFERENT SITUATIONS. FRANCHISEE FURTHER ACKNOWLEDGES THAT THE PROVISIONS OF THE FRANCHISE AGREEMENTS PURSUANT TO WHICH SUCH FRANCHISES WERE GRANTED MAY VARY MATERIALLY FROM THOSE CONTAINED IN THIS AGREEMENT AND THAT FRANCHISEE'S OBLIGATIONS ARISING HEREUNDER MAY DIFFER SUBSTANTIALLY FROM OTHER FRANCHISEES; AND

(d) FRANCHISEE RECOGNIZES THAT THE SYSTEM MAY EVOLVE AND CHANGE OVER TIME AND THAT THE LICENSE AND OPERATION OF THE FRANCHISED BUSINESS INVOLVE AN INVESTMENT OF SUBSTANTIAL RISK AND ITS SUCCESS IS DEPENDENT PRIMARILY UPON THE BUSINESS ACUMEN AND EFFORTS OF FRANCHISEE AND OTHER FACTORS BEYOND FRANCHISOR'S CONTROL. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE AND HAD AMPLE TIME AND OPPORTUNITY TO CONSULT WITH INDEPENDENT PROFESSIONAL ADVISORS, INCLUDING BUT NOT LIMITED TO LAWYERS AND ACCOUNTANTS, AND HAS NOT RELIED UPON ANY EXPRESS OR IMPLIED GUARANTEE AS TO POTENTIAL VOLUMES, REVENUES, PROFITS OR SUCCESS OF THE BUSINESS VENTURE

CONTEMPLATED BY FRANCHISEE. EVEN THOUGH THIS AGREEMENT CONTAINS PROVISIONS REQUIRING FRANCHISEE TO OPERATE THE FRANCHISED BUSINESS IN COMPLIANCE WITH FRANCHISOR'S SYSTEM: (1) FRANCHISOR OR FRANCHISOR'S AFFILIATES DO NOT HAVE ACTUAL OR APPARENT AUTHORITY TO CONTROL THE DAY-TO-DAY CONDUCT AND OPERATION OF FRANCHISEE'S BUSINESS OR EMPLOYMENT DECISIONS; AND (2) FRANCHISEE AND FRANCHISOR DO NOT INTEND FOR FRANCHISOR OR FRANCHISOR'S AFFILIATES TO INCUR ANY LIABILITY IN CONNECTION WITH OR ARISING FROM ANY ASPECT OF FRANCHISOR'S SYSTEM OR FRANCHISEE'S USE OF THE FRANCHISOR SYSTEM OR THE OPERATION OF THE FRANCHISED BUSINESS WHETHER OR NOT IN ACCORDANCE WITH THE REQUIREMENTS OF THE MANUAL.

(e) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE MAKES THE FOLLOWING REPRESENTATIONS AND WARRANTIES: (1) FRANCHISEE IS DULY ORGANIZED AND VALIDLY EXISTING UNDER THE LAWS OF THE STATE OF ITS FORMATION; (2) FRANCHISEE IS QUALIFIED TO DO BUSINESS IN THE STATE OR STATES IN WHICH THE FRANCHISED BUSINESS IS LOCATED; (3) EXECUTION OF THIS AGREEMENT AND THE DEVELOPMENT AND OPERATION OF THE FRANCHISED BUSINESS IS PERMITTED BY ITS GOVERNING DOCUMENTS; AND (4) FRANCHISEE'S ARTICLES OF INCORPORATION, ARTICLES OF ORGANIZATION OR WRITTEN PARTNERSHIP AGREEMENT SHALL AT ALL TIMES PROVIDE THAT FRANCHISEE'S ACTIVITIES ARE LIMITED EXCLUSIVELY TO THE DEVELOPMENT AND OPERATION OF THE KARTER SCHOOLS FRANCHISED BUSINESS.

(f) IF FRANCHISEE IS AN INDIVIDUAL, OR A PARTNERSHIP COMPRISED SOLELY OF INDIVIDUALS, FRANCHISEE MAKES THE FOLLOWING ADDITIONAL REPRESENTATIONS AND WARRANTIES: (A) EACH INDIVIDUAL HAS EXECUTED AN AGREEMENT WHEREBY THEY AGREE TO BE BOUND BY ALL THE TERMS OF THIS AGREEMENT; (B) EACH INDIVIDUAL SHALL BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND ANY BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT; AND (C) NOTWITHSTANDING ANY TRANSFER FOR CONVENIENCE OF OWNERSHIP, PURSUANT TO THIS AGREEMENT, EACH INDIVIDUAL SHALL CONTINUE TO BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND ANY BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT. **IF FRANCHISEE VIOLATES A TERM OR CONDITION CONTAINED WITHIN THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO, WITHHOLDING ANY MONIES OWED TO FRANCHISOR IN THE ABSENCE OF A COURT ORDER PERMITTING THE WITHHOLDING OF SUCH MONIES, FRANCHISEE SHALL REIMBURSE FRANCHISOR FOR ALL REASONABLE COSTS INCURRED BY FRANCHISOR IN PURSUING THE ENFORCEMENT OF THIS AGREEMENT. THESE COSTS SHALL INCLUDE, BUT NOT BE**

LIMITED TO, COURT COSTS AND FEES, ACCOUNTING COSTS AND FEES, EXPERT WITNESS COSTS AND FEES, REASONABLE ATTORNEYS' FEES, THE REASONABLE VALUE OF FRANCHISOR'S EMPLOYEES' TIME, WITNESS FEES AND TRAVEL EXPENSES INCURRED BY FRANCHISOR. THE RECOVERY OF THE COSTS AND FEES SPECIFIED ABOVE SHALL INCLUDE THE RECOVERY OF ALL COSTS AND FEES INCURRED BY FRANCHISOR RELATING TO OR ARISING FROM ANY AND ALL DEFENSES, COUNTERCLAIMS AND/OR CROSSCLAIMS ASSERTED BY FRANCHISEE OR THE PERSONAL GUARANTORS UNDER THIS AGREEMENT. THIS OBLIGATION WILL GIVE RISE TO AND REMAIN A LIEN IN FAVOR OF FRANCHISOR AGAINST ANY AND ALL OF THE PERSONAL PROPERTY, GOODWILL, CASH, FURNISHINGS, EQUIPMENT, SIGNS, FIXTURES AND INVENTORY OWNED BY FRANCHISEE AND LOCATED ON AND AROUND THE PREMISES OPERATED PURSUANT TO THIS AGREEMENT UNTIL FRANCHISEE IS IN FULL COMPLIANCE WITH THIS AGREEMENT AND ANY AMOUNTS OWED ARE PAID IN FULL. ALL COSTS TO BE COLLECTED BY FRANCHISOR PURSUANT TO THIS PROVISION SHALL BE COLLECTED VIA ELECTRONIC BANK TRANSFER AS SPECIFIED IN THIS AGREEMENT.

(g) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE HAS PROVIDED TO FRANCHISOR A CURRENT LIST OF ALL OWNERS AND FRANCHISEE AGREES THAT FRANCHISEE WILL ADVISE FRANCHISOR OF ANY AND ALL CHANGES IN OWNERSHIP.

(h) IF FRANCHISEE IS A CORPORATION, FRANCHISEE SHALL MAINTAIN STOP-TRANSFER INSTRUCTIONS AGAINST THE TRANSFER ON ITS RECORDS OF ANY VOTING SECURITIES, AND EACH STOCK CERTIFICATE OF THE CORPORATION SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: "ANY ASSIGNMENT OR TRANSFER OF THIS STOCK IS SUBJECT TO THE RESTRICTION IMPOSED ON ASSIGNMENT BY FRANCHISOR, PURSUANT TO FRANCHISE AGREEMENT(S) TO WHICH THE CORPORATION IS A PARTY." IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH MEMBERSHIP OR MANAGEMENT CERTIFICATE OR OTHER EVIDENCE OF INTEREST IN FRANCHISEE SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: "ANY ASSIGNMENT OR TRANSFER OF AN INTEREST IN THIS LIMITED LIABILITY COMPANY IS SUBJECT TO THE RESTRICTIONS IMPOSED ON ASSIGNMENT BY FRANCHISOR PURSUANT TO FRANCHISE AGREEMENT(S) TO WHICH THE LIMITED LIABILITY COMPANY IS A PARTY." IF FRANCHISEE IS A PARTNERSHIP, ITS WRITTEN AGREEMENT SHALL PROVIDE THAT OWNERSHIP OF AN INTEREST IN THE PARTNERSHIP IS HELD SUBJECT TO, AND THAT FURTHER ASSIGNMENT OR TRANSFER IS SUBJECT TO, ALL RESTRICTIONS IMPOSED ON ASSIGNMENT BY THIS AGREEMENT.

(i) FRANCHISEE ACKNOWLEDGES THAT UNDER APPLICABLE U.S. LAW, INCLUDING, WITHOUT LIMITATION, EXECUTIVE ORDER 13224, SIGNED ON SEPTEMBER 23, 2001 (THE "ORDER"), FRANCHISOR IS

PROHIBITED FROM ENGAGING IN ANY TRANSACTION WITH ANY SPECIALLY DESIGNATED NATIONAL OR BLOCKED PERSON. "SPECIALLY DESIGNATED NATIONAL" OR "BLOCKED PERSON" SHALL MEAN (1) THOSE PERSONS DESIGNATED BY THE U.S. DEPARTMENT OF TREASURY'S OFFICE OF FOREIGN ASSETS CONTROL FROM TIME TO TIME AS A "SPECIALLY DESIGNATED NATIONAL" OR "BLOCKED PERSON" OR SIMILAR STATUS, (2) A PERSON ENGAGED IN, OR AIDING ANY PERSON ENGAGED IN, ACTS OF TERRORISM, AS DEFINED IN THE ORDER, OR (3) A PERSON OTHERWISE IDENTIFIED BY GOVERNMENT OR LEGAL AUTHORITY AS A PERSON WITH WHOM FRANCHISOR IS PROHIBITED FROM TRANSACTING BUSINESS. CURRENTLY, A LISTING OF SUCH DESIGNATIONS AND THE TEXT OF THE ORDER ARE PUBLISHED AT THE WEBSITE: WWW.USTREAS.GOV/OFFICES/ENFORCEMENT/OFAC. ACCORDINGLY, FRANCHISEE REPRESENTS AND WARRANTS TO FRANCHISOR THAT AS OF THE DATE OF THIS AGREEMENT, NEITHER FRANCHISEE NOR ANY PERSON HOLDING ANY OWNERSHIP INTEREST IN FRANCHISEE, CONTROLLED BY FRANCHISEE, OR UNDER COMMON CONTROL WITH FRANCHISEE IS A SPECIALLY DESIGNATED NATIONAL OR BLOCKED PERSON, AND THAT FRANCHISEE (1) DOES NOT, AND HEREAFTER SHALL NOT, ENGAGE IN ANY TERRORIST ACTIVITY; (2) IS NOT AFFILIATED WITH AND DOES NOT SUPPORT ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY; AND (3) IS NOT ACQUIRING THE RIGHTS GRANTED UNDER THIS AGREEMENT WITH THE INTENT TO GENERATE FUNDS TO CHANNEL TO ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY, OR TO OTHERWISE SUPPORT OR FURTHER ANY TERRORIST ACTIVITY. FRANCHISEE AGREES THAT FRANCHISEE SHALL IMMEDIATELY PROVIDE WRITTEN NOTICE TO FRANCHISOR OF THE OCCURRENCE OF ANY EVENT WHICH RENDERS THE REPRESENTATIONS AND WARRANTIES IN THIS SECTION INCORRECT.

(j) Franchisee covenants that during the Term, it will at all times faithfully, honestly and diligently perform its obligations under this Agreement, and that it will continuously exert its best efforts to promote and enhance the business of the Franchised Business and other franchised businesses established and operated by Franchisee under the System.

(k) Franchisee and all guarantors hereof acknowledge and agree that the obligations regarding the use of Confidential Information and trade secrets set forth in this Agreement will apply throughout the Term and after the expiration, non-renewal, transfer or termination of this Agreement for any reason, without limitation as to time or geographic scope. Franchisee covenants that upon termination, non-renewal, transfer, or expiration, Franchisee will immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, trade secrets, methods, procedures and techniques associated with the System.

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

21. <u>Governing law, Jurisdiction and Venue</u>.

(a) <u>Mediation; Arbitration</u>.

(i) Before Franchisee and Franchisor may bring an action against the other, Franchisor and Franchisee must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding. Mediation shall be conducted by the CPR Center for Alternative Dispute Resolution, under the rules established by the International Franchise Association endorsed National Franchise Mediation Program, and in accordance with its then-current rules for mediation of franchise disputes (and in the event such program is not then in existence, by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes). Notwithstanding the previous sentence, the parties may mutually agree on a mediator and/or procedures and/or venue for mediation. The non-binding mediation provided for herein shall be commenced by the party requesting mediation (the "complainant") providing written notice of the request for mediation (the "request") to the party with whom mediation is sought (the "respondent"). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent. Non-binding mediation commenced under this Section shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service. The mediator selected shall have experience in franchise matters.

(ii) Franchisee acknowledges that it has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of Virginia, where Franchisor's decision-making authority is vested, franchise operations are conducted and supervised and where Agreement was rendered binding. Therefore, the parties agree that, to the extent that any disputes cannot be resolved directly between Franchisee and Franchisor and following compliance with the applicable mediation requirements set forth in Section 21(a)(i) above, any action arising out of or relating to this Agreement or the making, performance, or interpretation thereof shall upon thirty (30) days' written notice by either party be resolved, except as elsewhere expressly provided in this Agreement, upon application by any such party by binding arbitration in the City of Sterling, Virginia, in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including without limitation the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration laws, and judgment on the arbitration award may be entered in any court of competent jurisdiction. Franchisee and Franchisor agree that arbitration shall be conducted on an individual—not a class-wide— basis. The Federal Arbitration Act shall apply to all arbitration and arbitration venue questions. Any award by the arbitrator(s) shall be final, binding and nonappealable, except for errors of law. The matter shall be heard by one (1) arbitrator mutually selected by the parties who shall have at least ten (10) years' experience in practicing franchise law during which franchise law is or has been their primary area of practice and shall have substantial experience in the preparation of franchise agreements and franchise disclosure documents. Franchisee understands that by agreeing to arbitrate it gives up jury and appeal and other rights it might have in court.

(b) WAIVER OF PUNITIVE DAMAGES. FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE EACH SHALL BE LIMITED SOLELY TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THE NON-BREACHING PARTY.

(c) Injunctive Relief. Notwithstanding the provisions of Section 21(a) above, Franchisee agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction, or in the first instance from an Arbitrator, to restrain any conduct by Franchisee in the development or operation of the Franchised Business that could materially damage the good will associated with the Marks and the Chain, provided that if Franchisee counters, as Franchisee may, by initiating arbitration, Franchisor agrees to arbitrate the entire dispute thereafter except preliminary injunctive relief (and permanent injunctive relief also, if Franchisee will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement. Franchisee agrees Franchisor will not be required to post a bond to obtain any injunctive relief with respect to use of the Marks.

(d) Prevailing Party, Attorney's Fees and Costs. The non-prevailing party agrees to reimburse the prevailing party for all expenses reasonably incurred (including attorney's fees): (i) to enforce the terms of this Agreement, an obligation owed to Franchisor by Franchisee and/or the Owners, or an obligation owed to Franchisee by Franchisor; and (ii) in the defense of any claim that one party asserts against the other party on which the prevailing party substantially prevails in court, arbitration or other formal legal proceedings, whether incurred prior to or in preparation for such proceedings or thereafter. In the event Franchisor is the prevailing party, Franchisor has the right to reimburse Franchisor through EFT transfer for any legal fees.

(e) JURY TRIAL AND CLASS ACTION WAIVER. FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY FRANCHISOR AND FRANCHISEE. NEITHER FRANCHISEE NOR FRANCHISOR SHALL SEEK TO LITIGATE OR ARBITRATE AGAINST THE OTHER PARTY TO THIS AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER PARTY TO THIS AGREEMENT. NO LITIGATION, ARBITRATION OR OTHER ACTION OR PROCEEDING UNDER THIS AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN FRANCHISEE AND FRANCHISOR AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, FRANCHISEE OR FRANCHISOR, UNLESS BOTH FRANCHISEE AND FRANCHISOR CONSENT IN WRITING. FRANCHISOR HAS THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. FRANCHISEE AGREES AND ACKNOWLEDGES THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN FRANCHISEE AND ANY AFFILIATE OF FRANCHISOR WILL BE CONSIDERED UNIQUE ON ITS FACTS AND SHALL NOT BE BROUGHT AS A CLASS OR GROUP ACTION. FRANCHISEE MAY NOT ARBITRATE ON A CLASS-WIDE BASIS (OR JOIN ANY THIRD-PARTY CLAIM).

(f) WAIVER OF CERTAIN DAMAGES. EXCEPT FOR FRANCHISEE'S OBLIGATIONS TO INDEMNIFY FRANCHISOR UNDER THIS AGREEMENT AND CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE FOR ITS UNAUTHORIZED USE OF THE MARKS, UNAUTHORIZED USE OR DISCLOSURE OF CONFIDENTIAL INFORMATION, OR BREACH OF FRANCHISEE'S NON-COMPETITION COVENANTS, FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF

APPLICABLE) WAIVE ANY RIGHT TO OR CLAIM FOR PUNITIVE, CONSEQUENTIAL, EXEMPLARY, MULTIPLE, INCIDENTAL OR OTHER DAMAGES IN EXCESS OF THE ECONOMIC DAMAGES ACTUALLY SUSTAINED BY THE NON-BREACHING PARTY, WHETHER ASSERTED AS A RELATED OR INDEPENDENT TORT, AS A BREACH OF CONTRACT, OR AS ANY OTHER CLAIM OR CAUSE OF ACTION BASED ON STATUTORY OR COMMON LAW. EXCEPT FOR ANY SPECIFIC WRITTEN WARRANTIES EXPRESSLY PROVIDED IN CONNECTION WITH A SPECIFIC ITEM, FRANCHISOR SHALL NOT BE LIABLE TO ANY PERSON OR ENTITY IN RELATION TO ANY GOODS AND/OR SERVICES (INCLUDING ANY ASPECT OF THE LABOR OR INSTALLATION OF ANY EQUIPMENT, OR PRODUCTS) PROVIDED BY FRANCHISOR, FRANCHISOR'S AFFILIATES AND/OR ANY PERSON/COMPANY REFERRED/APPROVED BY FRANCHISOR OR THEM. SUCH ITEMS ARE PROVIDED WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE THEIR RIGHT TO (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE AND SURRENDER THEIR RIGHT TO PURSUE A JUDICIAL REMEDY OF ANY CLAIM ARISING OUT OF, OR RELATED TO THIS DISPUTE, EXCEPT AS ELSEWHERE EXPRESSLY PROVIDED IN THIS AGREEMENT.

(g) Remedies Cumulative. All rights and remedies conferred upon Franchisee and Franchisor by this Agreement and by law shall be cumulative of each other, and neither the exercise nor the failure to exercise any such right or remedy shall preclude the exercise of any other such right or remedy.

(h) Governing Law. This Agreement and any claim or controversy arising out of or relating to rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed under the laws of the State of Virginia and any dispute between the parties shall be governed by and determined in accordance with the substantive law of the State of Virginia and the Federal Arbitration Act, which laws shall prevail in the event of any conflict of law. The venue for any arbitration concerned with the enforcement and interpretation of this Agreement shall be Sterling, Virginia. Nothing in this Subsection 21(h) is intended, or shall be deemed, to make any Virginia law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable. Any and all claims and actions arising out of or relating to this agreement, the relationship of franchisee and franchisor, or franchisee's operation of the franchised business, brought by franchisee against franchisor, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

22. Notices.

Except as otherwise provided in this Agreement, all notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given (i) by personal delivery, (ii) by registered or certified mail, return receipt

requested, postage prepared, or (iii) by delivery to a nationally recognized overnight courier service, in each case, addressed as follows:

If intended for Franchisor, addressed to

Franchisor: KARTER SCHOOLS, INC.
Attn: Chief Executive Officer
21290 Springlake Court
Sterling, Virginia 20166

With a copy (which shall not constitute notice) to:

Manning, Fulton & Skinner, P.A.
Attn: Ritchie W. Taylor
3605 Glenwood Avenue, Suite 500
Raleigh, NC 27612

If intended for Franchisee addressed to

The notice address set forth in the Franchise Rider, or,

If Franchisee has opened its Franchised Business, the address of the approved Location of the Franchised Business, or

In either case, to such other address as may have been designated by notice to the other party. Notice shall be deemed received (i) in the case of hand delivery, on the same date as the notice is delivered, (ii) in the case of overnight courier, overnight courier the next business day after the notice is sent, or (iii) in the case of certified mail, three (3) days after the date the notice is deposited in the mail.

23. Miscellaneous.

(a) Severability. The invalidity or unenforceability of any one (1) or more provision of this Agreement shall in no way affect any other provision. If any court of competent jurisdiction determines any provision of this Agreement to be invalid, illegal or unenforceable, that portion shall be deemed severed from the rest, which shall remain in full force and effect as though the invalid, illegal or unenforceable portion had never been a part of this Agreement.

(b) Construction. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, as the case may require. All acknowledgements, warranties, representations, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement as Franchisee.

(c) Entire Agreement. This Agreement, the documents incorporated herein by reference and the exhibits attached hereto, comprise the entire agreement between the parties and all prior understandings or agreements concerning the subject matter hereof are

canceled and superseded by this Agreement. This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to those set forth in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise. Notwithstanding the foregoing, nothing in this Agreement or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document.

(d) Assignees. This Agreement shall be binding upon the heirs, successors, permitted assigns and legal representatives of the parties.

(e) Amendments. Franchisor reserves the right to amend this Agreement if a Franchise Agreement change proposed by Franchisor is agreed to by seventy percent (70%) of the then-current Franchisees. Further, except for those permitted to be made unilaterally by Franchisor, no supplement, amendment or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.

(f) Waivers. No failure of Franchisor to exercise any right given to it hereunder, or to insist upon strict compliance by Franchisee with any obligation, agreement or undertaking hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand full and exact compliance by Franchisee and shall not affect or impair Franchisor's rights with respect to any subsequent default of the same or of a different nature, nor shall any delay or omission of Franchisor to exercise any right arising from such default affect or impair Franchisor's rights as to such default or any subsequent default. Franchisor has the unrestricted right to elect to not enforce (or to selectively enforce) any provision of this Agreement or any other agreement, standard or policy, whether with respect to Franchisee and/or any other franchisee or other person, or any affiliate of Franchisee or Franchisor, without liability.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same Agreement. The Parties may utilize electronic means, including electronic mail and facsimile, to execute and transmit the Agreement or PDF copies of the Agreement and all such electronically transmitted copies of the Agreement shall be deemed as valid as originals.

(h) Headings. The headings used in the Agreement are for convenience only, and the paragraphs shall be interpreted as if such headings were omitted.

(i) Time of Essence. Franchisee agrees and acknowledges that time is of the essence with regard to Franchisee's obligations hereunder, and that all of Franchisee's obligations are material to Franchisor and this Agreement.

(j) Territory Boundaries. Territory boundaries are as described in the Franchise Rider.

(k) Agreement Binding Upon Signature of Franchisor. Franchisee acknowledges that this Agreement shall not take effect until its acceptance and execution by an authorized officer of Franchisor.

(l) Evolving Agreements. Franchisee acknowledges that Franchisor has entered, and will continue to enter, into agreements with other Franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Franchisor and Franchisees other than Franchisee may have different rights and obligations does not affect the parties' duty to comply with this Agreement.

(m) Delegation. Franchisor shall have the right to delegate Franchisor's duties under this Agreement to any affiliated or non-affiliated entity, agent, or employee and Franchisee agrees to such assignment without any right to approve such actions.

(n) Final Act. The last signature applied to this Agreement shall be the signature of Franchisor's authorized officer. The Agreement shall not be binding on Franchisor until signed by Franchisor.

(o) Fines. For each instance where Franchisee fails to obtain prior written approval for advertisements, fails to attend required training or franchisor sponsored conventions, offers unauthorized merchandise or otherwise fails to comply with KARTER SCHOOLS system's operating standards, Franchisor shall, at Franchisor's option, have the right to levy a fine in an amount up to One Thousand Dollars ($1,000) per occurrence. The imposition of a fine pursuant to this section shall not act as a waiver of any of Franchisor's other remedies under this Agreement. Furthermore, Franchisor has the right to collect any such fines by means of EFT.

(p) Covenant of Good Faith. No covenant of good faith and fair dealing shall be implied into this Agreement, except that if applicable law shall imply such a covenant in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such a covenant, Franchisee acknowledges that (a) this Agreement grants Franchisor the discretion to make decisions, take actions, and refrain from taking actions not inconsistent with Franchisor's explicit rights and obligations hereunder that may favorably or adversely affect Franchisee's interests; (b) Franchisor will use its judgment in exercising such discretion based on Franchisor's assessment of its own interests and balancing those interests against the interests of Franchisee and other franchisees within the Chain generally; (c) Franchisor will have no liability to Franchisee for the exercise of its discretion, so long as such discretion is not exercised in bad faith toward Franchisee; and (d) in absence of such bad faith, no trier of fact in any legal action shall substitute its judgment for Franchisor's judgment so exercised.

(q) Modification of Agreement. If any term or provision, or any portion thereof, of this Agreement, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereto, and Franchisor

will have the right, in its sole discretion, to modify such invalid or enforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable.

(r) **Security Agreement**. Franchisee agrees to give no security interests, pledges or encumbrances in Franchisee's inventory, leasehold, fixtures, securities or franchise agreement without the prior written approval of Franchisor, which shall not be deemed a consent to assignment. Franchisor will not unreasonably withhold approval but is legitimately concerned to ensure: (a) that Franchisee not lose the business; (b) that the business not be lost to the franchise system; and (c) that Franchisor not have to defend a claim to franchisee rights by anyone it shall not have agreed to accept as a franchisee. In order to secure the prompt performance of Franchisee's obligations under this Agreement, Franchisee grants Franchisor and Franchisor takes a first priority security interest in all of Franchisee's assets, including without limitation, all present and after acquired inventory and equipment wherever located, accounts, deposit accounts, chattel paper, instruments, contract rights (including Franchisee's rights under this Agreement) and general intangibles, including payment intangibles, and all proceeds and products thereof including insurance proceeds. All items in which a security interest is granted are referred to as the "Collateral". This Agreement and the License granted to Franchisee hereunder may not be used by Franchisee as collateral or be the subject of a security interest, lien, levy, attachment or execution by Franchisee's creditors, any financial institution, or any other party, except with Franchisor's prior written approval. The security interest is to secure payment of the following (the "Indebtedness"): (a) all amounts due under this Agreement or otherwise by Franchisee; (b) all sums which Franchisor may, at Franchisor's option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; (c) all expenses, including reasonable attorneys' fees, which Franchisor incurs in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting Franchisor's rights under the security interest and this Agreement; and (d) all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of Franchisee to Franchisor or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not Franchisor executes any extension agreement or renewal instruments. Franchisee will from time to time as Franchisor requires join with Franchisor in executing any additional documents and one (1) or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to Franchisor. Upon default and termination of Franchisee's rights under this Agreement, Franchisor shall have the immediate right to possession and use of the Collateral. Franchisee agrees that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at Franchisor's option and without notice, become due and payable immediately, and Franchisor shall then have the rights, options, duties, and remedies of a secured party under, and Franchisee shall have the rights and duties of a debtor under the Uniform Commercial Code of Virginia (or other applicable law), including, without limitation, Franchisor's right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by Franchisor in a commercially reasonable manner. Reasonable notification of the time and place of

any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth above. This Agreement shall be deemed a security agreement and a financing statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a financing statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

FRANCHISEE ACKNOWLEDGES THAT, IN ALL OF ITS DEALINGS WITH FRANCHISOR'S OWNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND REPRESENTATIVES, THESE INDIVIDUALS ACT ONLY IN THEIR REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND THESE INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR. NOTWITHSTANDING THE FOREGOING, IF FRANCHISOR ENGAGES ANY BROKER, THAT BROKER WILL BE SOLELY LIABLE FOR ITS CONDUCT WITH FRANCHISEE EXCEPT THAT FRANCHISOR WILL REMAIN LIABLE FOR THE BROKER'S CONDUCT SOLELY TO THE EXTENT OF FRANCHISOR'S OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT IN ENGAGING THE BROKER. IN ADDITION, FRANCHISOR MAKES NO WARRANTY AS TO FRANCHISEE'S ABILITY TO OPERATE THE FRANCHISED BUSINESS IN THE JURISDICTION IN WHICH THE FRANCHISED BUSINESS WILL BE OPERATED. FRANCHISEE MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY ON THIS ISSUE. IF LEGISLATION IS ENACTED, OR A REGULATION PROMULGATED, BY ANY GOVERNMENTAL BODY THAT PREVENTS FRANCHISEE FROM OPERATING THE FRANCHISED BUSINESS, FRANCHISOR IS NOT LIABLE FOR DAMAGES NOR REQUIRED TO INDEMNIFY FRANCHISEE IN ANY MANNER WHATSOEVER OR TO RETURN ANY MONIES RECEIVED FROM FRANCHISEE.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK –
SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, parties hereto have duly executed this Agreement on the day, month and year first written above.

Franchisor:

KARTER SCHOOLS, INC.

By: _____
Name: _____
Title: _____

FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR APPROVED LOCATIONS IN OHIO: You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Franchisee:

_____

By: _____
Name: _____
Title: _____

[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR APPROVED LOCATIONS IN OHIO]

Notice of cancellation

_____
(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to KARTER SCHOOLS, INC., 21290 Springlake Court, Sterling, Virginia 20166, (703) 350-7491 not later than midnight of _____.

I hereby cancel this transaction.

_____
(Purchaser's Signature)

(Date) _____

[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR APPROVED LOCATIONS IN OHIO]

Notice of cancellation

_____
(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to KARTER SCHOOLS, INC., 21290 Springlake Court, Sterling, Virginia 20166, (703) 350-7491 not later than midnight of _____.

I hereby cancel this transaction.

_____
(Purchaser's Signature)

(Date) _____

ATTACHMENT 1 TO FRANCHISE AGREEMENT
FRANCHISE RIDER

Initial Franchise Fee

The Initial Franchise Fee, which is due and payable upon execution of this Franchise Agreement, is:

_____ Seventy-Five Thousand Dollars ($75,000)

Royalty

For the period commencing on the date the Agreement is executed through the twenty fourth (24th) month of the Term, Franchisee shall pay a monthly Royalty of Five Percent (5%) of Gross Sales of the Franchised Business. Beginning in the twenty-fifth (25th) month of operation of the Franchised Business through the remainder of the Term, Franchisee shall pay a monthly Royalty of Six Percent (6%) of Gross Sales of the Franchised Business. Franchisor shall not begin to collect Royalties until the Franchised Business has opened for business and has reached enrollment that equals the lesser of thirty percent (30%) capacity or ninety (90) students.

For purposes of this Attachment 1, "Gross Sales" shall mean the total of gross revenue derived from the operation of the Franchised Business, including, but not limited to, revenue from services rendered by the Franchised Business and from the sale of products, whether from sales for cash or credit and regardless of the collection thereof. Gross Sales also includes any business interruption insurance proceeds Franchisee. Gross Sales does not include sales taxes. If Franchisee uses any group buying service, Franchisee's Gross Sales shall include the total gross amount paid by the customer for the service or good Franchisee provides, whether or not such amount is ultimately paid to Franchisee or the group buying service. The Royalty due each month shall be calculated based on the Gross Sales collected during the calendar month immediately preceding the Due Date of the Royalty. Gross Sales shall include, but shall not be limited to, all revenues from tuition and fees paid for any programs, services, products, and classes offered at or through the Franchised Business.

Notice

The following address is Franchisee's address under Section 22 of the Franchise Agreement.

Franchisee's Address for Notice:

_____
_____
_____
_____

Managing Principal

The following individual is an Owner and will participate in the day-to-day management and operations of the Franchised Business:

_____

Already-Approved Location and Territory (If Applicable)

If the Location has already been selected by Franchisee and approved by Franchisor, then the following are Franchisee's Location and Territory for the term of the Franchise Agreement:

Location: _____

Territory: _____

Unassigned Location and Territory (If Applicable)

If no Location has been determined at the time this Franchise Agreement is executed, then the Location will be within the following area, provided the exact location will be subject to Franchisor's review and approval:
_____ (the "Prospective Market Area").

If Franchisee has not been approved to operate at a specific Location at the time the Franchise Agreement is approved, Franchisor reserves the right to sell franchises—and grant territories to others who will operate KARTER SCHOOLS Franchised Businesses—in and around the Prospective Market Area. Franchisee may then be required to choose a final location outside of any protected territory given to any other franchisee, and that territory may be outside of the Prospective Market Area set forth above.

When Franchisee selects its desired location for the Franchised Business, Franchisee must follow the approval process set forth in Section 6(a) of the Franchise Agreements and Franchisor's Manual. If Franchisor approves of Franchisee's proposed location, Franchisor will send Franchisee its form site approval letter ("Site Selection Approval Letter"). The location set forth in the Site Selection Approval Letter shall constitute the "Location" of the Franchised Business pursuant to Section 1 of the Franchise Agreement. Franchisee's Territory shall be the smaller of (i) an area containing ten thousand (10,000) households, as determined by the latest U.S. Census at the time the Franchise Agreement is executed, or (ii) the area that is within a one and one half mile (1.5)-mile radius of Franchisee's Franchised Business.

ATTACHMENT 2 TO FRANCHISE AGREEMENT
LEASE RIDER

This Lease Rider is executed as of this date of _____, by and between _____ ("Tenant") and _____ ("Landlord") as a Rider to the lease dated _____ (as amended, renewed, and/or extended from time to time, the "Form Lease") for the Premises located at _____ ("Premises").

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

1. Permitted Use. The Premises are leased to Tenant for the operation of a premier school dedicated to providing top-notch childcare, education, and before and after school programs to students ranging from infant to twelve years old. The Tenant may also use the Premises for promotions, celebrations, meetings, and other group functions where Tenant's services and products will be offered or sold. Landlord covenants that from and after the date hereof, Landlord shall not permit any other tenant to operate a business in the same shopping center as the Premises a business that provides, in whole or in part, educational and/or childcare services to children of any ages between six (6) weeks and twelve (12) years old.

2. Signage. Notwithstanding anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other proprietary and identification on both the exterior and within the interior of the Premises as approved by KARTER SCHOOLS, INC., a Virginia corporation and franchisor of the KARTER SCHOOLS concept **("Franchisor")**.

3. Assignment and Subletting. Landlord's consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant's assets or business or an assignment or sublet to Franchisor, any parent, subsidiary or affiliated entity of Tenant or Franchisor, or another KARTER SCHOOLS franchisee. Landlord shall approve as an assignee or sublettee any tenant who has become a transferee of the Franchise Agreement by and between Tenant and Franchisor (the "Franchise Agreement") as a result of a merger, reorganization or sale of all or substantially all of Tenant's assets. Tenant shall also have the right, without the consent of Landlord, to assign the Form Lease to a company incorporated or to be incorporated by Tenant or a partnership formed or to be formed by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding shares of capital stock of the company or is the managing general partner of the partnership.

4. Notices; Opportunity to Cure. Copies of any demand letters, default notices or other similar notices of non-compliance **("Notice")** sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

KARTER SCHOOLS, INC.
Attn: Chief Executive Officer
21290 Springlake Court
Sterling, Virginia 20166

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, and prior to exercising any remedies under the Form Lease, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon Notice from Landlord to Franchisor (at the address set forth herein) that Tenant has failed to cure in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant pursuant to the terms of the Form Lease.

5. Option to Lease. Landlord hereby agrees that, in the event of (a) the termination, non-renewal, or expiration of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; or (c) Tenant's failure to exercise any extension option contained in the Form Lease, Franchisor shall have the option to lease the Premises pursuant to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give Notice to Franchisor (at the address set forth herein) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If Franchisor elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within thirty (30) days after (1) termination, non-renewal, or expiration of the Franchise Agreement; (2) Franchisor's receipt of Notice from Landlord that the Form Lease has been terminated; or (3) receipt of Notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease;

(c) If Franchisor elects to lease the Premises, Franchisor shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Form Lease) as are contained in the Form Lease; provided, however, that Franchisor's leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any such lease shall permit Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as a KARTER SCHOOLS franchised location; and

(d) Nothing contained herein shall affect Landlord's right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

6. De-identification. Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a KARTER SCHOOLS franchise location operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its

employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination, non-renewal, or expiration as required under the Franchise Agreement, Franchisor may cause all required de-identification to be completed at Tenant's sole cost and expense.

7. Assignment of Interest. This Rider is binding and shall inure to the benefit of Landlord, Tenant, and Franchisor, their assigns, and successors-in-interest. Franchisor is an intended beneficiary of this Rider, provided Franchisor shall have no liability for any of Tenant's obligations under the Form Lease. Franchisor signs below for the limited purpose of acknowledging and agreeing to the provisions of this Rider.

8. Non-disturbance from Mortgage Lenders. It is a condition of the Form Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agrees not to disturb Tenant's rights under the Form Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Form Lease beyond any applicable grace or cure period provided therein. If a mortgage, deed of trust or deed to secure debt currently encumbers the Premises, it is a condition precedent to Tenant's obligations under the Form Lease that the holder of such encumbrance enter into a written recordable form of subordination and non-disturbance agreement with Tenant, in a form reasonably acceptable to Tenant, as described above.

9. Security Interest. Any security interest and/or landlord's lien of Landlord in Tenant's trade fixtures, trade dress, signage, equipment and other personal property is hereby subordinated to any security interest and pledge granted to Franchisor in such items.

LANDLORD:

_____

By: _____
Its: _____
Name: _____

TENANT:

_____

By: _____
Its: _____
Name: _____

Agreed to:

FRANCHISOR:

KARTER SCHOOLS, INC.

By: _____
Name: _____
Title: _____

ATTACHMENT 3 TO FRANCHISE AGREEMENT
INTERNET, SOCIAL MEDIA, AND TELEPHONE ASSIGNMENT

This Assignment Agreement (the "Assignment") is made, and entered into, between KARTER SCHOOLS, INC., a Virginia corporation ("Company") and the undersigned Franchisee ("Franchisee").

RECITALS

A. Company has developed a unique system for the establishment and operation of a premier school dedicated to providing top-notch childcare, education, and before and after school programs to students ranging from infant to twelve years old (the "System");

B. Company and Franchisee have entered into a Franchise Agreement dated _____ (the "Franchise Agreement"), pursuant to which Franchisee was granted the right to operate a KARTER SCHOOLS franchised business ("Franchised Business") under the System; and

C. It is the desire of and in the best interests of Company and the System that in the event the Franchise Agreement terminates, expires, or is not renewed, the telephone numbers, telephone directory listings, internet addresses, and social media accounts used by Franchisee in connection with the operation of its KARTER SCHOOLS franchised business are assigned to Company.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and Company agreeing to enter into the Franchise Agreement, Company and Franchisee agree as follows:

1. Franchisee hereby agrees to assign to Company: (i) those certain telephone numbers and regular, classified or other telephone directory listings used by Franchisee in connection with operating the KARTER SCHOOLS franchised business (collectively, the "Telephone Listings") and (ii) all email addresses, domain names, social media accounts and comparable electronic identities that use the Marks and any Internet directory, website or similar item used by Franchisee in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future, (collectively "Internet Listings").

2. This Assignment is for collateral purposes only and, except as specified herein, Company will have no liability or obligation of any kind whatsoever arising from or in connection with Franchisee's use of the Telephone Listings and the Internet Listings (collectively the "Listings") unless and until Company notifies the telephone company and the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as "Telephone Company"), Franchisee's Internet service provider ("ISP"), and social media websites ("Websites") to effectuate the assignment pursuant to the terms hereof.

3. Upon termination, expiration, or nonrenewal of the Franchise Agreement (without renewal or extension) for any reason, Company will have the right and is hereby empowered to effectuate the assignment of the Listings to itself or to any third party it designates. In the event

Company exercises its assignment rights Franchisee will have no further right, title or interest in the Listings; provided, however, Franchisee will pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and immediately, at the Company's request, (i) take any other action as may be necessary to transfer the Listings to the Company or Company's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Company on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Company or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

4. Franchisee appoints Company as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by the Assignment to Company or Company's designated agent or taking any other actions required of Franchisee under this Agreement. Franchisee grants Company full authority to act in any manner proper or necessary to the exercise of the forgoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such numbers, and Franchisee ratifies every act that Company may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, termination, or nonrenewal of Franchisee's rights under the 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 rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Company and is for consideration.

5. The parties agree that the Telephone Company, the Websites, and the ISP may accept Company's written direction, the Franchise Agreement or this Assignment as conclusive proof of Company's exclusive rights in and to the Listings upon such termination, expiration or nonrenewal of the Franchise Agreement and that such assignment shall he made automatically and effective immediately upon Telephone Company's, Websites' and ISP's receipt of such notice from Company or Franchisee. The parties further agree that if the Telephone Company, the Websites, or the ISP requires that the parties execute the Telephone Company's, the Websites,' or the ISP's assignment forms or other documentation at the time of termination, expiration or nonrenewal of the Franchise Agreement, Company's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

6. The validity, construction and performance of this Assignment is governed by the laws of the State in which Company is located. All agreements, covenants, representations and

warranties made in this Agreement survive the signing of this Agreement. All of Company's rights inure to Company's benefit and to the benefit of Company's successors and assigns.

Agreed to this date of _____.

FRANCHISEE:	FRANCHISOR:
_____	KARTER SCHOOLS, INC.
[Print Name of Business Entity]	
_____	_____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

ATTACHMENT 4 TO FRANCHISE AGREEMENT
PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement (the "Agreement") between KARTER SCHOOLS, INC. ("Franchisor") and _____ ("Franchisee") dated of even date herewith, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Franchisee, including without limitation the dispute resolution provisions of the Agreement.

Further, except for those designated as "Spouse" and not "Owner" in the signature block below, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement, including but not limited to the non-compete provisions, and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Agreement.

The undersigned's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other guarantors of Franchisee. The undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so. Franchisor may proceed against the undersigned and Franchisee jointly and severally, or Franchisor may, at its option, proceed against the undersigned, without having commenced any action, or having obtained any judgment against Franchisee. The undersigned agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by the Franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; (3) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Personal Guaranty, which shall be continuing and irrevocable during the term of the Agreement; and (4) this Personal Guaranty shall apply in all modifications to the Agreement of any nature agreed to by Franchisee with or without the undersigned receiving notice thereof.

The undersigned waive: (1) notice of demand for payment of any indebtedness or on performance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; (3) any right he/she may have to require that an action be brought against the Franchisee or any other person as

a condition of liability; (4) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and (5) notice of any changes permitted by the terms of the Agreement or agreed to by the Franchisee.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of Franchisor's successors and assigns.

PERSONAL GUARANTORS:

Signature: _____
Name: _____
Address: _____
City:_____ State: _____ Zip Code:_____
Owner or Spouse: _____

Signature: _____
Name: _____
Address: _____
City:_____ State: _____ Zip Code:_____
Owner or Spouse: _____

Signature: _____
Name: _____
Address: _____
City:_____ State: _____ Zip Code:_____
Owner or Spouse: _____

Signature: _____
Name: _____
Address: _____
City:_____ State: _____ Zip Code:_____
Owner or Spouse: _____

Signature: _____
Name: _____
Address: _____
City:_____ State: _____ Zip Code:_____
Owner or Spouse: _____

ATTACHMENT 5 TO FRANCHISE AGREEMENT
NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement ("Agreement") is made and entered into as of _____ by and between KARTER SCHOOLS, INC., a Virginia corporation ("Franchisor"), and _____ ("Associate"), who resides at _____. All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

RECITALS

A. The Franchisor is engaged in the business of franchising premier schools dedicated to providing top-notch childcare, education, and before and after school programs to students ranging from infant to twelve years old ("Franchised Business"). The Franchise Businesses are operated under the Franchisor's trademark "KARTER SCHOOLS" and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the "Marks");

B. The Franchisor has developed methods for establishing, operating and promoting Franchised Businesses pursuant to the Franchisor's Confidential Information (defined below) and Trade Secrets (defined below) and such Confidential Information and Trade Secrets as may be further developed from time to time by the Franchisor ("System");

C. The Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and customer service, which goodwill and reputation have been and will continue to be of major benefit to the Franchisor;

D. Associate desires to become involved with _____ ("Franchisee"), a franchisee of the Franchisor in the capacity of an owner, guarantor, officer, partner, director, or agent of the Franchised Business, or is a spouse or domestic partner of an owner of a Franchised Business, and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee's Obligations form; and

E. Associate and the Franchisor have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Franchisor and other franchisees of the Franchisor. Associate agrees to the terms of this Agreement as partial consideration for the Franchisor's willingness to allow Associate to engage in a business relationship with Franchisor or Franchisee using the Franchisor's Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Franchisor, intending legally to be bound, agree as follows:

1. Definitions.

(a) "Associate" shall mean the individual described in the first paragraph of this Agreement.

(b) "Competitive Business" as used in this Agreement means any business or commercial activity, other than a KARTER SCHOOLS business that provides in whole or in part:

(1) educational services to children of any ages between six (6) weeks and twelve (12) years old or

(2) childcare services to children of any ages between six (6) weeks through twelve (12) years old.

(c) "Confidential Information" shall include, without limitation, all knowledge, know-how, proprietary curriculum, formats, plans, data processes, supply systems, marketing systems, techniques, designs, layouts, standards, methods, and procedures related to the establishment and operation of the Franchised Business, and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), curriculum, artwork, designs all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information that the Franchisor or its affiliates designates as confidential including all information contained in the Manuals, which may be provided as one (1) or more separate manuals, written instructional guides, CD Rom, electronic files, or other communications from the Franchisor or its affiliates, which may be changed or supplemented from time to time.

(d) "Franchise Agreement" shall mean the franchise agreement between Franchisor and Franchisee dated _____ as amended or renewed from time to time.

(e) "Location" shall mean the approved location of Franchisee's Franchised Business.

(f) "Restrictive Territory" shall mean:

(i) An area which is within a five (5)-mile radius of:

a. The Location of the Franchised Business as of the first date of the Restrictive Period, or

b. The location of any other KARTER SCHOOLS businesses owned by Franchisor or its affiliates or franchisees as of the first date of the Restrictive Period; or

(ii) Only in the event the foregoing is determined by a court of law to be too broad, the territories in which Franchisor or its affiliates operate any KARTER SCHOOLS businesses or locations as of the date of termination, expiration, or non-renewal of the Franchise Agreement; and the territories of any of Franchisor's KARTER SCHOOLS franchisees, including Franchisee, as those territories exist as of the first date of the Restrictive Period; or

(iii) Only in the event the foregoing is determined by a court of law to be too broad, the Territory served by Franchisee as that Territory exists on the first date of the Restrictive Period; or

(iv) Only in the event the foregoing is determined by a court of law to be too broad, at the Location of the Franchised Business.

(g) "Restrictive Period" shall mean a period of two (2) years that begins the earlier of (i) the date of termination, expiration, or non-renewal of the Franchise Agreement, regardless of the reason for such termination, expiration, or non-renewal, or (ii) the date Associate's association with Franchisee or the Franchised Business ends for any reason, including but not limited to, divorce, separation, sale, termination, or transfer.

(h) "Term" shall have the meaning defined in the Franchise Agreement.

(i) "Territory" shall have the meaning defined in the Franchise Agreement.

(j) "Trade Secret(s)" shall mean information, including a customer lists, pattern, compilation, program, device, method, technique or process related to the Franchised Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Confidential Information and Trade Secrets. Associate and the Franchisor acknowledge that the Confidential Information and Trade Secrets that are developed and utilized in connection with the operation of the Franchised Business are unique and the exclusive property of the Franchisor or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates. Associate further acknowledges that the Franchisor or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. Nondisclosure of Confidential Information. During the Term and any renewal Term of the Franchise Agreement and for all periods after the Term and any renewal Term of the Franchise Agreement, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchised Business, any of the Confidential Information of the Franchisor or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to Associate through no fault of Associate; (b) information that entered the public domain after it was Communicated to Associate through no fault of Associate; (c) information that was in Associate's

possession free of any obligation of confidence at the time it was communicated to Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Associate is legally compelled to disclose the information, if Associate has notified the Franchisor before disclosure and used Associate's best efforts, and afforded the Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

5. Nondisclosure of Trade Secrets. During the Term and any renewal Term of the Franchise Agreement and for as long as such information constitutes a Trade Secret, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchised Business, any of the Trade Secrets of the Franchisor or its affiliates.

6. In-Term Covenant Against Unfair Competition. During the Term, Associate will not, without Franchisor's prior written consent, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) own, manage engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, sales person or consultant for, any Competitive Business; or

(ii) offer or grant franchises or licenses for any Competitive Business; or

(iii) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(iv) use any vendor relationship established through Associate's association with Franchisor or Franchisee for any purpose other than to purchase supplies, products, equipment, merchandise, or services for use or retail sale in the Franchised Business; or

(v) solicit, divert or attempt to solicit or divert any customer of the Franchisee at any time during the Term of the Franchise Agreement, to any Competitive Business, by direct or indirect inducement or otherwise.

7. Post-Termination Covenant Against Unfair Competition. Associate covenants and agrees that for the Restrictive Period Associate shall not, within the Restrictive Territory, engage in any of the following:

(i) Engage in any Competitive Business as franchisee or licensee; or

(ii) Franchise or license any Competitive Business to any person or party; or

(iii) Own, manage, operate, or have any operational or management authority in any Competitive Business; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of

this Section 7(iii) so long as Associate does not own themselves or through their spouses or partners more than one percent (1%) of the securities of such corporation; or

(iv) Engage in any Competitive Business as an employee, consultant, or independent contractor in any capacity in which Associate would be in a position to use or disclose Confidential Information; or

(v) solicit, divert, or attempt to solicit or divert to any Competitive Business any vendor or supplier with whom Associate had a business relationship through Associate's association with Franchisor or Franchisee as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period; or

(vi) solicit, divert, or attempt to solicit or divert any persons who were employees or independent contractors associated with Franchisee as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period; or

(vii) solicit, divert, or attempt to solicit or divert any persons who were employees or independent contractors of Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period; or

(viii) solicit, divert, or attempt to solicit or divert to any Competitive Business any customer located within the Restrictive Territory with whom Associate had a business relationship through Associate's association with Franchisor or Franchisee as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period.

8. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Franchisor may be entitled. Associate agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars ($500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

9. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and Trade Secrets and that any violation of this Agreement would cause substantial and irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Associate or Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information and Trade Secrets. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between the parties that no action or lack of action on the part of the

Franchisor will entitle or permit Associate to disclose any such Confidential Information or Trade Secrets in any circumstances.

10. Effect of Waiver. The waiver by Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Franchisor and their respective heirs, executors, representatives, successors and assigns.

12. Entire Agreement. This instrument contains the entire agreement of Associate and the Franchisor relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

13. Governing Law; Jurisdiction and Venue. The laws of Virginia (without giving effect to its conflicts of law principles) govern all matters arising under and relating to this Agreement, including torts. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Virginia, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Virginia. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Virginia. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

14. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

15. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

16. Miscellaneous. Due to the importance of this Agreement to Franchisor, any claim Associate has against Franchisor is a separate matter and does not entitle Associate to violate, or justify any violation of, this Agreement. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, unless otherwise herein defined.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

ASSOCIATE:

_____

[Print Name]

_____

FRANCHISOR:
KARTER SCHOOLS, INC.

By: _____
Name: _____
Title: _____

EXHIBIT B-1

FRANCHISED BUSINESS DIRECTORY/LISTING OF CURRENT FRANCHISEES AS OF JUNE 30, 2022

None.

EXHIBIT B-2

LISTING OF CERTAIN PAST FRANCHISEES
AS OF JUNE 30, 2022

None.

EXHIBIT C

FINANCIAL STATEMENTS

KARTER SCHOOLS, INC.

FINANCIAL REPORT

AS OF AUGUST 31, 2022

KARTER SCHOOLS, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	3
Balance Sheet	4
Statement of Operations	5
Statement of Changes in Stockholders' Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8

REESE
CPA LLC

Independent Auditor's Report

To the Shareholders
Karter Schools, Inc.
Chantilly, Virginia

Report on the Financial Statements

We have audited the accompanying balance sheet of Karter Schools, Inc. as of August 31, 2022, and December 31, 2021, and the related statements of operations, stockholders' equity and cash flows for the eight months ended August 31, 2022, and period from April 29, 2021 (Inception) through December 31, 2021, and the notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Karter Schools, Inc. as of August 31, 2022 and December 31, 2021 and the results of their operations and their cash flows for the eight months ended August 31, 2022 and period from April 29, 2021 (Inception) through December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Reese CPA LLC

Ft. Collins, Colorado
October 12, 2022

2580 East Harmony Road, Ste 301-10 • Ft Collins, CO 80528
Office: (303) 999-6485

KARTER SCHOOLS, INC.
BALANCE SHEETS
AS OF AUGUST 31, 2022 AND DECEMBER 31, 2021

	2022	2021
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	$ 4,470	$ 50,000
Prepaid expense	14,605	14,075
TOTAL CURRENT ASSETS	19,075	64,075
NON-CURRENT ASSETS	-	-
TOTAL ASSETS	$ 19,075	$ 64,075
LIABILITIES AND SHAREHOLDERS' S EQUITY:		
CURRENT LIABILITIES	$ -	$ -
TOTAL CURRENT LIABILITIES	-	-
NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	-	-
STOCKHOLDERS' EQUITY		
Common Stock, 1,000 authorized, no par value		
1,000 shares issued and outstanding	19,075	64,075
TOTAL SHAREHOLDERS' EQUITY	19,075	64,075
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 19,075	$ 64,075

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

KARTER SCHOOLS, INC.
STATEMENT OF OPERATIONS
FOR THE EIGHT MONTHS ENDING AUGUST 31, 2022 AND THE
PERIOD FROM APRIL 29, 2021 (INCEPTION) THROUGH DECEMBER 31, 2021

	2022	2021
REVENUES	$ -	$ -
OPERATING EXPENSES	-	-
TOTAL OPERATING EXPENSES	-	-
OPERATING INCOME	-	-
OTHER INCOME (EXPENSE)	-	-
NET INCOME	$ -	$ -

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

KARTER SCHOOLS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE EIGHT MONTHS ENDING AUGUST 31, 2022 AND THE
PERIOD FROM APRIL 29, 2021 (INCEPTION) THROUGH DECEMBER 31, 2021

	Common Stock	Retained Earnings	Total Stockholders' Equity
BALANCE, APRIL 29, 2021 (INCEPTION)	**$ -**	**$ -**	**$ -**
Sale of common stock	64,075	-	64,075
Net income	-	-	-
BALANCE, DECEMBER 31, 2021	**64,075**	**-**	**64,075**
Return of captial contribution	(45,000)	-	(45,000)
Net income	-	-	-
BALANCE, AUGUST 31, 2022	**$ 19,075**	**$ -**	**$ 19,075**

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

KARTER SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE EIGHT MONTHS ENDING AUGUST 31, 2022 AND THE
PERIOD FROM APRIL 29, 2021 (INCEPTION) THROUGH DECEMBER 31, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ -	$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash member contributions	-	14,075
Changes in assets and liabilities:		
Prepaid expense	(530)	(14,075)
Net cash provided by operating activities	(530)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used for investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of common stock	-	50,000
Return of contributed capital	(45,000)	
Net cash provided by financing activities	(45,000)	50,000
NET INCREASE IN CASH	(45,530)	50,000
CASH, BEGINNING	50,000	-
CASH, ENDING	$ 4,470	$ 50,000
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -

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

KARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS

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

Karter Schools, Inc. ("Company") was formed on April 29, 2021, (Inception) in the State of Virginia as a corporation. The Company offers the right to own and operate a luxury school dedicated to providing top-notch childcare, education, and after school programs to students ranging from infant to twelve years old. Franchisor, KARTER SCHOOLS, INC., provides services to franchisees including assistance with training, operations, advertising, purchasing and promotional techniques.

Affiliates

KARTER SCHOOL OF CASCADES, INC. ("KS Cascades") was formed on November 29, 2018, under the laws of Virginia. KS Cascades owns the trademarks and intellectual property used in the operation of a KARTER SCHOOLS Franchised Business. KS Cascades has licensed to the Company the right to use and sublicense to the Company's franchisees the right to use certain trademarks. KS Cascades is approved to be a supplier of certain goods and services to the Company's franchisees. Since January 2019, KS Cascades has operated a KARTER SCHOOLS location. KS Cascades shares certain employees with the Company.

KARTER SCHOOL OF SOUTH RIDING, INC. ("KS South Riding") was formed on May 7, 2020, under the laws of Virginia. KS South Riding is approved to be a supplier of certain goods and services to the Company's franchisees. Since March 2020, KS South Riding has operated a KARTER SCHOOLS location. KS South Riding shares certain employees with the Company.

KARTER SCHOOL OF GAINESVILLE, LLC was formed on March 21, 2022, under the laws of Virginia ("KS Gainesville"). KS Gainesville may be approved to be a supplier of certain goods and services to you. Since June 2022, KS Gainesville has operated a KARTER SCHOOLS location in Gainesville, Virginia. KS Gainesville shares certain employees with the Company.

The above affiliates do not sell franchises in any other line of business and are not otherwise engaged in any other business activity.

Location Information

The following table summarizes the number of locations open and operating for the eight months ended August 31, 2022, and period from April 29, 2021 (Inception) through December 31, 2021:

	2022	2021
Locations in operation, beginning	2	2
Locations opened	1	-
Locations terminated or closed	-	-
Locations in operation, ending	3	2
Franchised locations	-	-
Affiliate owned locations	3	2

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

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Development Stage Operations

The Company's planned franchising activities, as previously described, have not yet commenced. Since its inception the Company has not sold any franchises or earned any revenue. The Company's activities are subject to significant risks and uncertainties, including failing to secure additional capital to fund operations until the Company achieves break-even operational status.

Use of Estimates

Preparation of the Company's financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of August 31, 2022, and December 31, 2021.

Accounts Receivable

Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. Management evaluates individual customer's receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any accounts receivable or allowance for doubtful accounts as of August 31, 2022, and December 31, 2021, and did not charge-off any accounts receivable for the eight months ended August 31, 2022, and period from April 29, 2021 (Inception) through December 31, 2021.

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

Prepaid expense

Prepaid expense consists of franchise development cost and will be charged to expense when the Company begins to sell franchises.

Property, Plant & Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to seven years). The Company had no property, plant & equipment as of August 31, 2022, and December 31, 2021.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. The Company had no intangible assets as of August 31, 2022, and December 31, 2021.

Revenue Recognition, Non-refundable Deferred Franchise Fees and Franchise Acquisition Assets

The Company recognizes revenues under the guidance of ASC 606, "Contracts with Customers". The Company's revenue is principally generated through franchise agreements executed with the Company's franchisees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a qualified party purchases a KARTER SCHOOLS franchise, the Company grants the franchisee the right to operate the franchised business in a designated territory and to use the proprietary methods, techniques, trade dress, trademarks, and logos ("symbolic intellectual property" or "IP"). Revenues related to the designated territory and IP are continuing royalties of 5% of gross revenues in years one and two and of 6.0% of gross revenues in each year thereafter. These revenues will be used to continue the development of the Company's brand, the franchise system and provide on-going support for the Company's franchisees. The royalties are billed monthly and are recognized as revenue when earned. The Company has no revenue from royalty fees for the eight months ended August 31, 2022, and period from April 29, 2021 (Inception) through December 31, 2021.

Revenue from initial franchise fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory rights and symbolic intellectual property. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin or fair market value

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

Revenue Recognition, Non-refundable Deferred Franchise Fees and Franchise Acquisition Assets (continued)

approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the good or service has been transferred to the franchisee. Unearned initial fee revenues will be recorded as non-refundable deferred revenue. Commissions and other direct costs related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as expense when the related performance obligation has been satisfied. The Company has no revenue from initial fees for the eight months ended August 31, 2022, and period from April 29, 2021 (Inception) through December 31, 2021.

Advertising Fund Contribution

The Company has the right to collect an advertising fund fee of up to 2% of the gross revenues of each franchise location. The Company had no franchisees and no contributions to the fund for the eight months ended August 31, 2022, and period from April 29, 2021 (Inception) through December 31, 2021.

Income Taxes

The Company has adopted the liability method of accounting for income taxes ASC 740, "Income Taxes." Under ASC 740, deferred income taxes are recorded to reflect tax consequences on future years for the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized.

The Company adopted the provisions ASC 740-10-25 "Accounting for Uncertainty in Income Taxes," (formerly "FIN 48"). This provision prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under the provision, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Company did not make any adjustments to opening retained earnings because of the implementation.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the taxable income. The Company's evaluation was performed for the for the eight months ended August 31, 2022, and period from April 29, 2021 (Inception) through December 31, 2021.

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

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the eight months ended August 31, 2022, and period from April 29, 2021 (Inception) through December 31, 2021, was $0 and $0.

Fair Value of Financial Instruments

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

Recently Issued Accounting Pronouncements

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

NOTE 2 – COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 3 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through October 12, 2022, the date on which the financial statements were available to be issued.

EXHIBIT D

STATE SPECIFIC INFORMATION

RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES

VIRGINIA

Addendum to the Disclosure Document

The following statement is added to Item 5.

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

The following statements are added to Item 17.h.

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.
>
> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

EXHIBIT E

STATE AND FEDERAL REGULATORY AUTHORITIES

FEDERAL TRADE COMMISSION

Franchise Rule Coordinator
Federal Trade Commission Division of Marketing Practices
Seventh and Pennsylvania Avenues, N.W., Room 238
Washington, D.C. 20580
Telephone: (202) 326-2970

STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA:
Commissioner of Financial Protection & Innovation
Department of Financial Protection and Innovation
320 West 4th St., Ste. 750
Los Angeles, California 90013
Telephone: (213) 576-7500 or
Toll Free Telephone: (866) 275-2677

CONNECTICUT:
Eric Wilder, Director of Securities
Connecticut Department of Banking
Securities and Business Investment Division
260 Constitution Plaza
Hartford, CT 06103-1800
Telephone: (860) 240-8233

HAWAII:
Commissioner of Securities
of the State of Hawaii
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
Telephone: (808) 586-2722

ILLINOIS (Registered Agent):
Tanya Solov, Director of Securities
Office of the Secretary of State
Securities Department
69 West Washington Street, Suite 1220
Chicago, IL 60602
Telephone: (312) 793-3884

ILLINOIS (Regulatory Authority):
Lisa Madigan
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
Telephone: (217) 782-4465

INDIANA:
Chris Naylor, Securities Commissioner
Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, IN 46204
Telephone: (317) 232-6681

IOWA:
Jim Mumford, Securities Administrator
Director of Regulated Industries Unit
Iowa Securities Bureau
330 Maple Street
Des Moines, IA 50319-0066
Telephone: (515) 281-5705

MARYLAND (Registered Agent):
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
Telephone: (410) 576-6360

MARYLAND (Regulatory Authority):
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020
Telephone: (410) 576-6360

MICHIGAN (Regulatory Authority):
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
525 W. Ottawa Street
Lansing, MI 48909
Telephone: (517) 373-1152

MICHIGAN (Registered Agent):
Linda Cena, Securities Director
Office of Financial & Insurance Regulation
525 West Allegan
1st Floor Constitution Hall
Lansing, MI 48909
Telephone: (517) 241-6345

MINNESOTA:
Minnesota Dept. of Commerce
Securities-Franchise Registration
85 7th Place East, Suite 280
Saint Paul, MN 55101-2198
Telephone: (651) 539-1500

NEW YORK (Administrator/Regulatory Authority)
New York State Department of Law
Investor Protection Bureau
28 Liberty St., 21st Floor
New York, NY 10005
Telephone: (212) 416-8222

NEW YORK (Agent for Service of Process)
Secretary of State
99 Washington Avenue
Albany, NY 12231

NORTH DAKOTA:
North Dakota Securities Department
Fifth Floor State Capitol, Dept. 414
600 East Boulevard
Bismarck, ND 58505-0510
Telephone: (701) 328-2910

OKLAHOMA:
Oklahoma Securities Dept.
First National Franchised Business
120 N. Robinson Suite 860
Oklahoma City, OK 73102
Telephone: (405) 280-7700

RHODE ISLAND:
Division of Securities
1511 Pontiac Ave
John O. Pastore Complex-Bld 69-1
Cranston, RI 02920
Telephone: (401) 462-9500

SOUTH DAKOTA:
Division of Insurance
Securities Regulation
124 S. Euclid, Ste. 104
Pierre, SD 57501
Telephone: (605) 773-3563

TEXAS:
Hope Andrade
Secretary of State
P.O. Box 12697
Austin, TX 78711-2697
Telephone: (512) 463-5701

UTAH:
Division of Consumer Protection
Utah Department of Commerce
160 East 300 South
SM Box 146704
Salt Lake City, UT 84114-6704
Telephone: (801) 530-6601

VIRGINIA (Registered Agent):
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
Telephone: (804) 371-9733

VIRGINIA (Regulatory Authority)
State Corporation Commission,
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
Telephone: (804) 371-9051

WASHINGTON:
Address for Service of Process:
Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, WA 98501
Telephone: (360) 902-8760

Mailing Address:
Department of Financial Institutions
Securities Division
PO Box 9033
Olympia, WA 98507

WISCONSIN:
Franchise Office
Wisconsin Securities Commission
P.O. Box 1768
Madison, WI 53701
Telephone: (608) 266-3364

EXHIBIT F

SAMPLE MUTUAL RELEASE

[This release is a sample form currently in use and is subject to change. This release is not signed with the initial Franchise Agreement but is applicable on renewal or transfer.]

FOR AND IN CONSIDERATION of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties, the parties agree and covenant to fully and mutually release the other as follows:

1. The Franchisee and its successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, members, officers, directors, principals, employees and affiliated parties (collectively, the "Franchisee Parties") do hereby release and forever discharge Franchisor, its, successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, members, officers, directors, principals, employees and affiliated parties (collectively, the "Franchisor Parties") from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, including, without limitation: (a) arising out of or related to the Franchisor Parties' obligations under the franchise agreement or (b) otherwise arising from or related to the Franchisee Parties' relationship, from the beginning of time to the date of Franchisee's signature below, with any of the Franchisor Parties.

2. Franchisee, on Franchisee's own behalf and on behalf of the other Franchisee Parties, further covenant not to sue any of the Franchisor Parties on any of the claims released by the preceding paragraph and represent that Franchisee has not assigned any such claims released by the preceding paragraph to any individual or entity who is not bound by this Release. It is understood and agreed that this Release is not to be construed as an admission of liability with respect to the Franchisor Parties.

3. The consideration expressly mentioned herein is the only consideration paid or to be paid by said parties hereby released. The parties acknowledge that no other party, or agent, or attorney of any other party, has made any promise, or representation or warranty to induce this Release, not herein expressly set forth, and no such promises, representations or warranties are relied upon as a consideration for this Release, or otherwise, but any and all of the parties' respective claims, of whatever nature are hereby fully and forever released, compromised and settled. Full and complete compromise, settlement, and accord and satisfaction are hereby acknowledged, and it is expressly agreed by the undersigned parties never to sue any of the other parties hereby released on any alleged promise, representation or warranty for this Release not herein expressly set forth.

4. This Agreement contains the entire agreement and understanding between the parties as to the matters specified herein and supersedes and replaces all agreements on this subject matter, whether written or oral. The terms contained herein may not be modified or amended except in writing signed by the parties. The terms of this Release are contractual and not a mere recital.

5. The undersigned further state that they have carefully read the foregoing instrument; that they know the contents thereof; that they understand and agree to each and every term and condition contained herein; that they signed the same as their own free act and deed; and that they have not assigned any rights released hereunder to any person or organization, private or governmental.

6. The parties hereby covenant and agree that each shall not make, at any time or place, any disparaging remarks, verbally or in writing, concerning any of the parties' actions or perceived omissions, regarding any matter connected with this Release Agreement or otherwise take any action that would disparage or cast doubt upon the business acumen or judgment of any other party. Each party understands and acknowledges that each other party's business and reputation are of special, unique, and extraordinary character, which gives them a particular value, the loss of which cannot reasonably be compensated in damages in an action at law. Accordingly, each party further agrees that in addition to any other rights or remedies that any other party may possess at law, any aggrieved party shall be entitled to injunctive and other equitable relief in order to prevent or remedy a breach of the provisions of this Agreement by any other party hereto.

7. The terms of this Release arose from discussions between the parties. Accordingly, no claimed ambiguity in this Release shall be construed against any party claimed to have drafted or proposed the language in question.

8. This Release shall be governed by and construed pursuant to the laws of the State of Virginia.

9. This Release may be executed in two (2) copies, each of which shall be deemed an original.

IF THE FRANCHISED BUSINESS FRANCHISEE OPERATES UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE FRANCHISEE PARTIES. FRANCHISEE RECOGNIZES THAT FRANCHISEE OR THE FRANCHISEE PARTIES MAY HAVE SOME CLAIM, DEMAND OR CAUSE OF ACTION AGAINST FRANCHISOR PARTIES OF WHICH FRANCHISEE, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH FRANCHISEE, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE, HIM, HER, OR IT FROM ASSERTING IT AGAINST FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, EXPRESSLY WAIVES ANY RIGHTS OR BENEFITS

CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN THE CREDITOR'S FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY THE CREDITOR MUST HAVE MATERIALLY AFFECTED THE CREDITOR'S SETTLEMENT WITH THE DEBTOR."

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT FRANCHISEE HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the franchised business is located in Maryland or if Franchisee is a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

All releases given by the Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Releasing Parties, in the Releasing Parties independent judgment, believe necessary or appropriate.

[Signatures on following page]

FRANCHISEE:

_____

By: _____
Name: _____
Title: President

GUARANTORS:

_____(SEAL)
Name: _____

_____(SEAL)
Name: _____

_____(SEAL)
Name: _____

Acknowledged by:

FRANCHISOR
KARTER SCHOOLS, INC.

By: _____
Name: _____
Title: _____

EXHIBIT G

ACH/EFT TRANSFER AGREEMENT

AUTHORIZATION TO HONOR CHECKS AND DEBITS BY AND PAYABLE TO THE FOLLOWING PAYEE(S):

The undersigned depositor ("Franchisee" or "Payor") hereby authorizes KARTER SCHOOLS, INC. ("Franchisor" or "Payee") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the bank designated below ("Bank") to debit or credit such account(s) pursuant to Franchisor's instructions.

Name of Person or Legal Entity of Franchisee: _____
Bank: _____
Branch: _____
City: _____ State: _____ Zip Code: _____
Bank Transit/ABA Number: _____
Account Number: _____

This authority is to remain in full and force and effect until sixty days after Franchisor has received written notification from Franchisee of its termination.

FRANCHISEE/PAYOR:

_____

By: _____
Name: _____
Title: _____
Date: _____

INDEMNIFICATION AGREEMENT

To the above named Payee and the Bank designated:

The Payor agrees with respect to any action taken pursuant above authorization:

1. To indemnify the Bank and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, including any costs or expenses reasonably in collection therewith.
2. To indemnify Payee and the Bank for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
3. To defend at Payor's cost and expense any action which might be brought by any depositor or any other persons because of any actions taken by the Bank of Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Bank's or Payee's participation therein.

BE SURE THAT ALL INFORMATION ASKED FOR IS PROVIDED

EXHIBIT H

FIRST ADDENDUM TO FRANCHISE AGREEMENT
(to be signed by a renewing franchisee concurrently with the Franchise Agreement)

[This Agreement is a sample form currently in use and is subject to change.]

BETWEEN KARTER SCHOOLS, INC.

AND

_____

THIS FIRST ADDENDUM ("Addendum") to the Franchise Agreement dated as of the Effective Date ("Agreement") between KARTER SCHOOLS, INC. ("Franchisor") and _____ ("Franchisee") is made as of the same date to amend and supplement certain terms and conditions of the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

1. **Franchised Location.** Franchisor has previously approved the Franchised Location as required pursuant to the Franchise Agreement. The Franchised Location is: _____.

2. Lease Approval. Franchisor has previously approved the lease for the Franchised Location as required pursuant to the Franchise Agreement and therefore waives the requirement for lease review and approval (and the associated lease review fee); provided, however, that if Franchisee enters into a new lease for the Franchised Location during the term of the Agreement, all lease review and approval requirements shall remain applicable.

3. Commencement of Operations. Franchisor and Franchisee acknowledge that the Franchised Location has commenced operations as required pursuant to the Franchise Agreement.

4. Franchisor's Development Assistance. Franchisee acknowledges and agrees that Franchisor has complied with its obligations under the Agreement (or Franchisee waives, as the case may be, Franchisor's obligation) to (1) assist Franchisee in choosing the Franchised Location and determining fulfillment of the requisite criteria for the Franchised Location, such determination based on information provided by Franchisee (including those obligations set forth in the Franchise Agreement; and (2) to provide opening support services listed in the Franchise Agreement .

5. Grand Opening. The Section of the Franchise Agreement pertaining to a Grand Opening is deleted.

6. Remodeling. Franchisee will complete the remodeling and renovations of the Franchised Business, at Franchisee's expense, listed on Exhibit 1 to this addendum no later than

Sixty (60) days following the Effective Date of the Agreement or at such different time as set forth in Exhibit 1.

7. Release. Franchisee, for itself, and its respective heirs, successors, assigns, agents and representatives, hereby fully and forever unconditionally releases and discharges Franchisor, and its predecessors, affiliates, successors, assigns, agents, representatives, employees, owners, officers, and directors (collectively referred to as "Franchisor Affiliates") from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in equity, whether known or unknown, which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with Franchisor or Franchisor Affiliates, however characterized or described, from the beginning of time until the date of this Addendum.

8. Non-Disparagement. Franchisee agrees not to, and to use its best efforts to cause its current and former owners, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or Franchisor Affiliates or their respective current and former agents, principals, officers, directors, owners, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the KARTER SCHOOLS brand, the KARTER SCHOOLS system, or any other service-marked or trademarked concept of Franchisor, or which would subject the KARTER SCHOOLS brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed on the date first set forth above.

KARTER SCHOOLS, INC.
By: _____
Title: _____
Date*: _____
(*This is the Effective Date)

FRANCHISEE:

Sign Here if you are taking the franchise as an

INDIVIDUAL(S)

(Note: Use these blocks if you marked in the Franchise Agreement that you are an individual or a partnership but the partnership is not a separate legal entity)

_____
Signature
Print Name: _____
Date: _____

_____
Signature
Print Name: _____
Date: _____

_____
Signature
Print Name: _____
Date: _____

_____
Signature
Print Name: _____
Date: _____

Sign here if you are taking the franchise as a

CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

Print Legal Name of Entity

_____

By: _____
Signature
Print Name: _____
Title: _____
Date: _____

Exhibit 1

Remodeling

EXHIBIT I

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

[This Agreement is a sample form currently in use and is subject to change.]

THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER ("Agreement") is made among **KARTER SCHOOLS, INC.** ("Franchisor"), **[SELLER NAME(S) OR ENTITY NAME]** ("Seller"), and **[BUYER NAME(S) OR ENTITY NAME]** ("Buyer"), and, if any, the undersigned Guarantors, effective as of the Effective Date.

RECITALS

A. Seller is the franchisee pursuant to that certain franchise agreement between Franchisor and Seller, as franchisee, dated **[date of seller franchise agreement]** (the "Seller Franchise Agreement"), governing the operation of the _____ business located at **[Franchised Business address],** Franchised Business #_____ ("Franchised Location");

B. Buyer is the franchisee under that certain franchise agreement between Franchisor and Buyer, as franchisee, dated **[date of buyer franchise agreement],** Franchised Business #_____ (as amended, the "Buyer Franchise Agreement");

C. Seller has notified Franchisor that it and Buyer have entered into an Asset Purchase Agreement, dated **[date of Asset Purchase Agreement]** (the "Purchase Agreement"), pursuant to which Seller has agreed to sell and Buyer has agreed to purchase all of the rights, obligations and assets relating to the Franchised Location (the "Interests") and, further, that Buyer has agreed to assume the lease obligations with regard to the Franchised Location (collectively, the "Transfer"); and

D. Seller and the guarantors of the obligations of Seller (the "Seller Guarantors") have requested that Franchisor consent to the Transfer and release Seller and the Seller Guarantors from all obligations under the Franchise Agreement and guaranty, respectively; and

E. The parties desire to set forth the terms and conditions under which Franchisor will consent to the Transfer and release.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals, which are incorporated herein, the mutual covenants expressed herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Effective Date. The Effective Date will be the date on which Franchisor signs this Agreement acknowledging its consent to the proposed Transfer.

2. Proposed Transfer. Buyer is purchasing the Interests from Seller in accordance with the terms and conditions of the "Purchase Agreement," a copy of which has been provided to Franchisor by Seller and Buyer. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of the agreement and is the version which has been or will be executed by them to effectuate the Transfer.

3. Conditional Consent; Release of Guaranty. The Seller Franchise Agreement provides that the Transfer cannot take place without the consent of Franchisor. Franchisor will consent to the Transfer, as provided in the Seller Franchise Agreement, and will release (a) Seller from any obligations arising under the Seller Franchise Agreement and (b) Seller Guarantors under any guaranty agreement (in each case except as described below) from and after the Effective Date; provided, however, such consent and release are expressly contingent upon compliance with the following terms and conditions on or before the date of the closing of the Transfer ("Closing"):

a. Franchise Agreement. The Seller Franchise Agreement will terminate as of the Closing, and the operation of the Franchised Location will thereafter be governed by the Buyer Franchise Agreement;

b. Payment of Amounts Due. Seller will pay all amounts due and owing to Franchisor through the date of Closing; including but not limited to past due royalty and Brand Fund contributions in the amount of $_____;

c. Transfer Fee. Seller shall pay a transfer fee of $_____ as provided in the Seller Franchise Agreement;

d. Financial Statements. Seller will provide Franchisor with all required monthly financial statements for the Franchised Location through the date of Closing;

e. Training. Buyer or Buyer's designated representative(s) shall have satisfactorily completed the initial training program as described in the Buyer Franchise Agreement prior to the Closing;

f. Right to Possession. Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises for the Franchised Location by way of lease assignment (with **all** required landlord consents) or otherwise;

g. Site Selection Assistance. Buyer acknowledges and agrees that Franchisor has satisfied any and all obligations under the Buyer Franchise Agreement with respect to site selection and development assistance;

h. Remodeling. Seller and Buyer shall ensure that all of the items reflected on the Pre-Sale Inspection which is attached hereto have been completed;

i. Purchase Agreement. The Purchase Agreement will not be amended and the terms of the transaction thereunder will not be changed except with the prior written consent of Franchisor;

j. **Buyer Loans.** Buyer shall provide Franchisor with copies of all loan documents or loan commitments evidencing all debt taken on by Buyer in connection with the purchase of the Franchised Location; and

k. **Franchised Location Possession.** Prior to Closing and changing possession of the Franchised Location, Seller and Buyer shall obtain the written consent of Franchisor to change possession.

4. **Waiver of Right of First Refusal.** Franchisor hereby waives any right of first refusal to purchase the Interests as it may have pursuant to the Seller Franchise Agreement.

5. **Release of Franchisor.** Seller, the Seller Guarantors and Buyer, and each of them, for themselves and their affiliates, employees, officers, directors, successors, assigns, and other representatives, hereby fully and forever unconditionally release and discharge Franchisor, and its affiliates, parents, subsidiaries, area directors and agents and their respective employees, owners, members, officers, directors, successors, assigns, guarantors and other representatives (the "Released Parties"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown to them, which they may have against the Released Parties as of the date of this Agreement, or which may thereafter be discovered, accrued, or sustained, in connection with, as a result of, or in any way arising from, any relations or transactions with the Released Parties, however characterized or described, including but not limited to, any claims arising from the Seller Franchise Agreement, the Buyer Franchise Agreement or the Purchase Agreement or the transactions described herein.

If the Franchised Location is located in California or if either Buyer or Seller is a resident of California, the following shall apply:

Section 1542 Acknowledgment. It is the intention of Seller and Buyer in executing this Agreement that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand or cause of action released by Seller and/or Buyer. Each of Seller and Buyer recognizes that he, she or it may have some claim, demand or cause of action against the Release Parties of which he, she, or it is totally unaware and unsuspecting, which he, she or it is giving up by executing this Agreement. It is the intention of each of Seller and Buyer in executing this instrument that it will deprive him, her or it of such claim, demand or cause of action and prevent him, her or it from asserting it against the Released Parties. In furtherance of this intention, Seller and Buyer expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each of Seller and Buyer acknowledges and represents that he, she, or it has consulted with legal counsel before executing this Agreement and that he, she, or it understands its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands and causes of action.

6. Termination of Seller Franchise Agreement and Guaranties. Franchisor and Seller acknowledge and agree that, as of the date of Closing, upon the Transfer and upon compliance with the conditions set forth in Section 3 above, the Seller Franchise Agreement and the guaranties (if any) will automatically terminate and neither Seller nor Seller Guarantors shall have any further rights or obligations thereunder except that neither Seller nor any Seller Guarantor shall be released from:

a. any obligations to pay money to Franchisor owed under either the Seller Franchise Agreement or the guaranty prior to Closing; or

b. the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including without limitation the post-termination restrictive covenants, audit rights, dispute resolution and notice, and confidentiality provisions of the Seller Franchise Agreement).

7. Acknowledgment. Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

8. Additional Documents. Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

9. Miscellaneous Provisions. This Agreement will be construed and enforced in accordance with, and governed by, the laws of the state of Virginia. This Agreement may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The headings of this Agreement are for convenience and reference only and will not limit or otherwise affect the meaning hereof. This Agreement may be executed in any number of counterparts and sent via facsimile, each of which will be deemed an original but all of which taken together will constitute one and the same instrument. All capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the applicable franchise agreement.

10. Non-Disparagement. In consideration of the accommodations provided to Seller, the Seller Guarantors and Buyer and concessions made by Franchisor and its affiliates under this Agreement, Seller, the Seller Guarantors and Buyer agree not to, and to use their best efforts to cause their current and former owners, officers, directors principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Released Parties or their respective current and former agents, principals, officers, directors, owners, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the KARTER SCHOOLS brand, the KARTER

SCHOOLS system, or any other service-marked or trademarked concept of Franchisor, or which would subject the KARTER SCHOOLS brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

THUS signed by the parties shown below and made effective as of the Effective Date.

SELLER(S): If Seller is a legal entity, name of entity:_____

By: _____	**By:** _____
Name: _____	**Name:** _____
Title (if applicable): _____	**Title (if applicable):** _____
By: _____	**By:** _____
Name: _____	**Name:** _____
Title (if applicable): _____	**Title (if applicable):** _____

SELLER GUARANTORS:

_____	_____
Print Name: _____	**Print Name:** _____
_____	_____
Print Name: _____	**Print Name:** _____

Signatures Continue on Next Page

BUYER(S): If Buyer is a legal entity, name of entity:_____

By:	_____	**By:**	_____
Name:	_____	**Name:**	_____
Title (if applicable):	_____	**Title (if applicable):**	_____

By:	_____	**By:**	_____
Name:	_____	**Name:**	_____
Title (if applicable):	_____	**Title (if applicable):**	_____

ACCEPTED:

KARTER SCHOOLS, INC.

By:_____
Name: _____
Title: _____
Date*: _____

*This date is the Effective Date

PRE-SALE INSPECTION

EXHIBIT J

SBA ADDENDUM

SOP 50-10 5(j) Appendix 9

ADDENDUM TO FRANCHISE[1] AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20___, by and between KARTER SCHOOLS, INC. ("Franchisor"), located at 21290 Springlake Court, Sterling, Virginia 20166, 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

[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).

renewals) for fair market value.

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

EXHIBIT K

MANUAL TABLE OF CONTENTS

KARTER SCHOOLS

Table of Contents

Introduction **2**
- Welcome 2
- Confidentiality 2
- Manual Updates 4
- Use of this Manual 4
- Meet the Owners 10
- History 11
- Vision 11
- Karter School Core Values 12
- Sample Organizational Structure 13

Programs **14**
- Accreditation 14
- Infants 14
- Toddlers 14
- Preschool 15
- PreK 15
- Kindergarten 15
- School Age 16
- Before and After School 16
- Enrichments 16
- Summer Camps 17
- Field Trips 17

Operations **18**
- Hours of Operations 18
- Licensing 18
- Visitors 18
- Brand Image 18
- Staff Appearance 18
- Opening and Closing 19
- Housekeeping 19
- Cleaning 19
- Maintenance Expectations 20

Enrollment Process 20
Registration 20
Collecting Tuition 20
Transportation 21
Food and Kitchen 21
Keys and Passwords 22
Classroom Supplies 22
Computer Usage 22

Safety & Security 23
Supervision 23
Guidelines for Proper Supervision 23
Immunizations and Vaccinations 24
Injury Prevention 24
Key Guidelines 24
Playground Habits 24
Transportation Safety 25
Transportation Binder 25
Field Trip Safety 26
Health & Emergency Records 26
Attendance 26
Backpack 27
Sunscreen 27
Supervised Bathroom Visits 27
Supervision 27
Incident Reporting 27
Mandated Reporting Requirements 27
Employee Incident Procedures 28
Student Incident Procedures 28
Allergies 29
Child Abuse and Neglect 29
Security 30
Emergency Procedures 30
Severe Weather 31
Disaster Preparedness & Recovery 31
Shelter in Place vs. Evacuation 32
Evacuation Plan 32
Pandemic 33

Customer Service **34**
Service Strategy 34

Sales and Marketing **35**
Phone Calls 35
Referrals 35
Karter Branding 35
Trademark 35
Advertising 36
Customer Avatar 36
Competition 36
Social Media and Marketing 37
Website 37
Media 37

Business Administration **38**
Employment Application 38
Payroll Records 38
Personnel Records 38
Labor Regulations 38
Hiring 39
Compensation 39
Staffing and Job Descriptions 39
Recruitment, Interviewing, & Hiring 40
Recruiting Strategies 40
Reviewing Applications and Conducting Interviews 40
Offers of Employment 41
New Hire Onboarding 42
Training 42
Team Member Training 43
Tracking Training 43
Third-Party Training 43
Managing Performance 43
Feedback 44
Staff Meetings 44
Retention 44
Compensation 45
Performance Appraisals 45

Preparing for the Review 45
During the Review 45
Concluding the Review 45
Turnover 46
Exit Interviews 46
Terminations 46

Financial Management 47
Employment Applications 47
Payroll Records 47
Personnel Records 47
Bank Deposits 47
Accounting & Bookkeeping 47
What You Should Monitor 48
Daily 48
Weekly 48
Monthly 48
Record Keeping 49
Monitor Inventory 49
Keep Receipts 49
Payroll Requirements 49
Payroll & Taxes 50
Measure Performance 50
Budgeting 50
Projected Sales & Revenue 50
Projected Total Costs 50
Profit or Loss 51
Cumulative Profit or Loss Over Time 51
Hardware and Software Requirements 51
Accrual Method of Accounting 51
Franchisee Reporting Requirements 52
Business Audits & Inspections 52
Insurance 52
Start of Insurance Requirements 53
Occurrences vs. Claims Requirement 53
Insurer Qualifications 53
Coverage Requirements 54

Appendix 57

EXHIBIT L

FORM OF FRANCHISE COMPLIANCE CERTIFICATION

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

1. Have you received and personally reviewed our Franchise Disclosure Document ("FDD"), Franchise Agreement and each Addendum (if any), and related agreement (i.e., personal guaranty) attached to them?

   Yes or No? _____

2. Did you receive the Franchise Agreement and each related agreement, Addendum, or Amendment (if any), containing all material terms, at least 7 days before signing any binding agreement with us or an affiliate?*

   Yes or No? _____

   * This does not include changes to any agreement mutually agreed upon.

3. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, and before paying any funds to us or an affiliate?

   Yes or No? _____

4. Do you understand all of the information contained in the FDD, Franchise Agreement and each Addendum (if any), and related agreement provided to you?

   Yes or No? _____

   If No, what parts of the FDD, Franchise Agreement, Addendum (if any), and/or related agreements do you not understand?

   _____
   _____
   _____

5. Did you sign a receipt for the FDD indicating the date you received it?

   Yes or No? _____

6. Have you discussed the benefits and risks of purchasing a KARTER SCHOOLS franchise with an attorney, accountant or other professional advisor?

   Yes or No? _____

   If No, do you wish to have more time to do so?

   Yes or No? _____

7. Do you understand that the success or failure of your KARTER SCHOOLS franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes or No? _____

8. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a KARTER SCHOOLS franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes or No? _____

9. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a KARTER SCHOOLS franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes or No? _____

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a KARTER SCHOOLS franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes or No? _____

11. If you have answered "Yes" to any one of questions 8-10, please provide a full explanation of each "Yes" answer in the following blank lines.

_____

_____

_____

12. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the KARTER SCHOOLS franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?

Yes or No? _____

Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

13. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes or No? _____

14. You signed the Franchise Agreement, and Addendum (if any) and related agreements on _____, and acknowledge that no agreement or addendum is effective until signed and dated by us.

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

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF ILLINOIS AND FRANCHISED BUSINESSES LOCATED IN ILLINOIS: Questions 1 and 5 do not apply to you.

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISED BUSINESSES LOCATED IN MARYLAND: None of the above representations are intended to nor will they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The individuals signing below for the "**Franchisee Applicant**" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISE APPLICANT:

Signature:_____
Name: _____
Date: _____

Signature:_____
Name: _____
Date: _____

Signature:_____
Name: _____
Date: _____

State Effective Dates

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

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

State	Effective Date
California	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending
Washington	Not Registered
Wisconsin	Not Registered

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

EXHIBIT M

RECEIPT

This disclosure document summarized certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If KARTER SCHOOLS, INC. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale or, if you live in New York, or Rhode Island, at the first personal face-to-face meeting.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever comes first.

If KARTER SCHOOLS, INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of the franchisor is: KARTER SCHOOLS, INC., 21290 Springlake Court, Sterling, Virginia 20166, (703) 350-7491.

Issuance Date: October 17, 2022

The name, principal business address and telephone number of each franchise seller offering the franchise is:

☐	☐	☐
Kiet Nguyen KARTER SCHOOLS, INC. 21290 Springlake Court Sterling, Virginia 20166 (703) 350-7491	Thuylinh Nguyen KARTER SCHOOLS, INC. 21290 Springlake Court Sterling, Virginia 20166 (703) 350-7491	

KARTER SCHOOLS, INC., authorizes the state agencies identified on Exhibit E as our registered agent authorized to receive service of process.

I have received a disclosure document dated: October 17, 2022, that included the following: Exhibit A – KARTER SCHOOLS, INC. Franchise Agreement, with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment), Attachment 4 (Guaranty), and Attachment 5 (Nondisclosure and Noncompetition Agreement), Exhibit B-1 – Franchised Business Directory/Listing of Current Franchisees , Exhibit B-2 – Listing of Certain Past Franchisees Exhibit C – Financial Statements, Exhibit D – State Specific Information, Exhibit E – Federal and State Regulators and Agents for Service of Process, Exhibit F – Sample General Release Agreement, Exhibit G – ACH/EFT Transfer Agreement, Exhibit H – First Addendum to Renewal Franchise Agreement, Exhibit I – Agreement and Conditional Consent to Transfer, Exhibit J – Small Business Administration Addendum, Exhibit K – Manual Table of Contents, Exhibit L – Form of Franchise Compliance Certification, Exhibit M – Receipt

_____ _____

Date Prospective Franchisee

Individually and as an officer, partner, member or manager of _____, a _____ organized under the laws of _____.

You may return one copy of this receipt either by signing, dating and mailing it to Franchise Administration, at KARTER SCHOOLS, INC., 21290 Springlake Court, Sterling, Virginia 20166.

RETAIN THIS COPY FOR YOUR RECORDS

RECEIPT

This disclosure document summarized certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If KARTER SCHOOLS, INC. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale or, if you live in New York, or Rhode Island, at the first personal face-to-face meeting.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever comes first.

If KARTER SCHOOLS, INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of the franchisor is: KARTER SCHOOLS, INC., 21290 Springlake Court, Sterling, Virginia 20166, (703) 350-7491.

Issuance Date: October 17, 2022

The name, principal business address and telephone number of each franchise seller offering the franchise is:

☐	☐	☐
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