FRANCHISE DISCLOSURE DOCUMENT

Harvest The Garden, LLC
A South Carolina Limited Liability Company
57 Windermere Boulevard
Charleston, South Carolina 29407
(843) 637-4602
info@harvesthegarden.com
http://kidsplaygarden.com/

Kids Garden is a children's drop-in educational and recreational center ("**Center**") where parents may drop their children off for a short duration at the facility. The Center offers learning through educational games, crafts, and other activities for toddlers as well as pre-teens, plus programs including a Moms' Morning Out preschool curriculum, art enrichment, and seasonal camps when school's out.

The estimated total investment necessary to begin operation of a Center is $115,250 to $295,500. This includes $40,000.00 that must be paid to the franchisor or an affiliate.

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

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read your contract carefully and in its entirety. Show your contract and this Disclosure Document to an advisor, like an attorney 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: July 10, 2023

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state administrators listed in Exhibit A for information about the franchisor, about other franchisors, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN SOUTH CAROLINA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN SOUTH CAROLINA THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT SOUTH CAROLINA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE LAWS.

3. IN ADDITION TO THE LAWS, REGULATIONS, AND ORDINANCES APPLICABLE TO BUSINESSES GENERALLY, YOU SHOULD CONSIDER THAT CERTAIN ASPECTS OF THE CHILD CARE BUSINESS ARE HEAVILY REGULATED BY FEDERAL, STATE, AND LOCAL LAWS, RULES AND ORDINANCES. FEDERAL, STATE, AND LOCAL DEPARTMENTS OF HEALTH AND OTHER AGENCIES HAVE LAWS AND REGULATIONS CONCERNING THE SUPERVISION AND CARE OF CHILDREN AND THE SANITARY CONDITIONS OF THE CENTERS. STATE AND LOCAL AGENCIES ROUTINELY CONDUCT INSPECTIONS FOR COMPLIANCE WITH THESE REQUIREMENTS. THERE MAY BE OTHER LAWS APPLICABLE TO YOUR BUSINESS. WE URGE YOU TO MAKE FURTHER INQUIRIES ABOUT THESE LAWS, PRIOR TO SIGNING A FRANCHISE AGREEMENT WITH US.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should make sure to do your own investigation of the franchise.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered 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 Franchise Disclosure Document is registered or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	N/A
Hawaii	N/A
Illinois	N/A
Indiana	N/A
Maryland	N/A
Michigan	N/A
Minnesota	N/A
New York	N/A
North Dakota	N/A
Rhode Island	N/A
Virginia	N/A
Washington	N/A
Wisconsin	N/A

In all other states that do not require registration, the effective date of this Disclosure Document is the issuance date of Jul 10, 2023

The following states require that the Franchise Disclosure Document be filed with the state or be exempt from filing: Connecticut, Florida, Kentucky, Maine, Nebraska, North Carolina, South Carolina, South Dakota, Texas, and Utah.

This Franchise Disclosure Document is on file or exempt from filing in the following states having franchise filing and disclosure laws, with the following effective dates:

State	Effective Date
Connecticut	N/A
Florida	N/A
Kentucky	N/A
Maine	N/A
Nebraska	N/A
North Carolina	Exempt from filing 3/06/2018
South Carolina	Exempt from filing 7/11/2018
South Dakota	N/A
Texas	Exempt from filing 11/06/2019
Utah	N/A

In all other states that do not require filing, the effective date of this Disclosure Document is the issuance date of July 10, 2023.

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

The Franchisor. The Franchisor is Harvest The Garden, LLC, a South Carolina limited liability company. To simplify the language in this franchise Disclosure Document ("**Disclosure Document**"), we use the terms "Franchisor," "we," "us," "Company," or "Harvest The Garden" to refer to Harvest The Garden, LLC. When we refer to our affiliates, we will refer to them by their names. "You" means the individual, corporation, or other entity that buys a Kids Garden franchise.

Harvest The Garden, LLC was organized in South Carolina on April 3, 2015, and we have offered KIDS GARDEN franchises since January of 2016. We do business under our corporate name and as "Harvest The Garden". We maintain our principal place of business at 57 Windermere Boulevard, Charleston, South Carolina 29407. We do not conduct business under any other name. We do not offer, nor have we offered in the past any other franchises.

Our Parent, Predecessors, and Affiliates. Our affiliate, Play Garden, LLC formerly known as Kid's Play Garden, doing business as Kids Garden ("**Play Garden**" or "**Kids Garden**"), was organized in the state of Delaware on December 14, 2012. The Company filed as a foreign entity in South Carolina on March 18, 2013. It maintains its principal place of business at 320 West Coleman Boulevard, Unit D, Mount Pleasant, South Carolina 26464. It conducts business under the name Kids Garden. It does not conduct business under any other name. It has not offered franchises in any line of business. It operates two KIDS GARDEN CENTERS (defined below) in Charleston, South Carolina. There are no other Centers in existence. The Centers were formerly known as Kids Play Garden Centers. On November 16, 2015, Play Garden, LLC changed its doing business as from Kid's Play Garden to Kids Garden. This is further discussed in Item 13 Trademarks.

Play Garden owns the common law trademarks and other intellectual property used in KIDS GARDEN CENTERS. Play Garden has licensed us the right to use and sublicense the use of the Marks (defined below) by a Trademark License Agreement dated December 7, 2015.

We have no other affiliates or predecessors.

Agent for Service of Process. We disclose our agents for service of process in Exhibit E.

Prior Experience. We have developed and currently operate certain specified and distinct business formats, methods, procedures, signs, designs, layouts, standards, specifications and marks (the "**Franchise System**") for the establishment, development, and operation of Centers with services for the education and intellectual enrichment for children that are toddlers to pre-teens ("**KIDS GARDEN CENTERS**").

We have not operated KIDS GARDEN CENTERS such as the ones being franchised in this Disclosure Document. Our affiliates have operated KIDS GARDEN CENTERS since April 8, 2013, and as of January 1, 2015, operate two KIDS GARDEN CENTERS. (See Item

20). Other than as provided above, we and our affiliates do not engage in, or offer franchises for, any other business activities.

__The Franchises We Offer__. We will primarily offer the right to enter into a Franchise Agreement ("**Franchise Agreement**") attached as Exhibit C, which grants you the right to acquire one franchise for the development and operation of one KIDS GARDEN CENTER within a specifically described geographic territory ("**Territory**"), described within the Franchise Agreement.

The Franchise System is additionally identified by means of certain trade names, service marks, trademarks, trade dress, logos, emblems, and indicia of origin, including the name "Kids Garden" (the "**Marks**"). We can add, eliminate, modify, or substitute any of the Marks at any time, at our sole discretion. Our Franchise System includes our methods, techniques, standards, specifications, policies, and procedures relating to the operation of KIDS GARDEN CENTERS as described in our confidential operational manual ("**Operating Manual**") and other written directives (collectively, the "**Manuals**"). It also includes our distinctive decor, color schemes, our special curriculum and lesson plans, and our advertising and promotional programs, all of which we may change, improve, and further develop.

__Market and Competition.__ The market for children's care and education, such that KIDS GARDEN CENTERS offer, is highly competitive. Your competition includes all local and national daycare and child care centers, particularly short term hourly centers that offer educational activities. However, we believe we offer a unique opportunity in the child care industry. KIDS GARDEN CENTERS offer high quality supervision and educational instruction on a short-term, drop-in basis.

__Regulations.__ In addition to the laws, regulations, and ordinances applicable to businesses generally, you should consider that certain aspects of the child care business are heavily regulated by federal, state, and local laws, rules and ordinances. Federal, state, and local departments of health and other agencies have laws and regulations concerning the supervision and care of children and the sanitary conditions of the centers. State and local agencies routinely conduct inspections for compliance with these requirements. There may be other laws applicable to your business. We urge you to make further inquiries about these laws.

ITEM 2
BUSINESS EXPERIENCE

President and Director: Maren Anderson Moore

Mrs. Anderson Moore is the Founder of Kids Garden and has been the Creative Education Officer since 2013. Mrs. Moore was the Director of Kids Garden Mount Pleasant from 2013-2015 and Director of Kids Garden Charleston location from 2014-2016. Mrs. Moore is the active CEO for Harvest the Garden the Franchise company of Kids Garden. Mrs. Moore maintains an active ownership at both SC Kids Garden locations.

Her previous experiences include being an elementary school educator for nearly four years and she also obtained her Masters in the Art of Teaching, Elementary Education from the College of Charleston. She previously spent four years as a holistic health counselor.

Director of Operations: Michelle Chaparro

Mrs. Chaparro served as the Center Director for Kids Garden Mount Pleasant, SC from 2015-2021. Mrs. Chapparro has on-boarded and trained our Steamboat Springs, CO, Asheville, NC, Houston, TX and Summerville, SC Franchise locations.

ITEM 3
LITIGATION

FINAL DETERMINATIONS

Play Garden, LLC was involved in a civil matter with the South Carolina Department of Social Services ("DSS") regarding whether the Centers' business model shall follow the state licensing process for daycare centers. The current exemption, South Carolina Annotated Code Section 63-13-20(4)(d), states that:

> "…facilities operated for more than four hours a day in connection with a shopping center or service or other similar facility, where the same children are cared for less than four hours a day and not on a regular basis as defined in this chapter while parents or custodians of the children are occupied on the premises or are in the immediate vicinity and immediately available; however, these facilities must meet local fire and sanitation requirements and maintain documentation on these requirements on file at the facility available for public inspection;"

Regular basis is defined in South Carolina Annotated Code Section 63-13-24 as:

> ""[r]egularly, or on a regular basis": these terms refer to the frequency with which childcare services are available and provided at a facility in any one week; these terms mean the availability and provision of periods of daycare on more than two days in such week."

On June 10th, the Parties entered into a Consent Order that was signed by Judge Melissa Johnson Emery. The Order stated that Play Garden, LLC would attempt to become licensed by DSS within sixty days from the scheduled hearing made on May 26, 2015. Play Garden, LLC received its license on September 18, 2015. This matter is resolved.

There are no other actions to disclose in this Item.

ITEM 4
BANKRUPTCY

We have no bankruptcy information to disclose in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fees. You must pay us an initial franchise fee of $40,000.00. The entire fee is due when you sign the Franchise Agreement, unless other arrangements are made. We will fully earn the initial franchise fee due under each Franchise Agreement when you pay it. The initial franchise fee is **non-refundable**.

Lease Review Fee. Under the Franchise Agreement, if we choose to review your lease or you request we review your lease, you must pay us a lease review fee of $1,000.00. If you fail or you refuse to sign the approved lease and then submit one or more subsequent leases for us to review and approve, for each such subsequent lease, you will pay an additional Lease Review Fee of $1,000.00. The Lease Review Fee covers the expense incurred to review and negotiate your lease (if we choose to do so). Our approval of your lease is required and the Lease Review Fee is not refundable under any circumstances.

ITEM 6
OTHER FEES

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Royalty	Paid at 7% of Gross Sales	Monthly, due within 10 days after the end of the previous month	"**Gross Sales**" include all revenue derived from operating the Center, but (1) excludes sales, use, or service taxes and (2) documented refunds and Company approved credits and discounts to customers and employees. Gift certificate, gift card, or similar program payments are included when the gift certificate, gift card, other instrument or applicable credit is redeemed. Gross Sales also include all insurance proceeds received for loss of business due to a casualty to or similar event. The standard Royalty for all Franchises is 7% of Gross Sales. In the event you are given a reduced Royalty, the Royalty will increase to 7% one year after the signing of the Franchise Agreement. See Franchise Agreement 3B.
Lease Review Fee	Approximately $1,000.00	As incurred	Fee for review and if we choose, the negotiation of certain provision of premises lease. Fee is charged for each subsequent lease review, if you refuse to sign the approved lease and, as a result, we are required to review additional leases.
Proprietary Software Fee	The current software fee ("non-proprietary") is $150.00 per month.	Monthly, due within 10 days after the end of the previous month	The current software used is StayTrak, which is used for the daily operation or registration and tracking of children in Kids Garden centers. This fee is subject to change as it is paid directly to a third-party, which may change its rates. Additionally, we reserve the right to

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
			change software, which may increase or decrease fees. You must purchase computers and/or tablets that are approved for and compatible with the use of StayTrak software. At least one laptop is required for your center.
On-site Opening Assistance	$1,000.00 to $3,000.00, plus travel costs, including without limitation lodging and food expenses	As incurred	Currently, there is no additional fee for On-site Opening Assistance. In the event we decide to include this fee, this is the fee range.
Technology Fee	Paid at 1% of Gross Sales	Monthly, due within 10 days after the end of the previous month	"Gross sales" as defined above. For use of our online systems, website, applications, email, data sharing, integration, software training, Google Drive, search engine optimization, and other related services. We reserve the right to increase or decrease the fee upon 30 days' written notice. Changes to this fee are reserved for events such as offering updated or additional software and technology or price increases by vendors, service providers, or other third parties. You must provide required information and updates. If you are in default of the Franchise Agreement, your website may be removed until defaults are cured.
Interest on Late Payment	2% per month or the maximum rate allowed by applicable state law, whichever is lower. $100.00 per returned check	As incurred	You pay interest on amounts owed after the due date. Service fee of $100.00 per occurrence for checks returned due to insufficient funds.
Transfer Fee-Franchise Fee	50% of then-current initial franchise fee for each Center	As incurred	See Section 12C of the Franchise Agreement
Additional Training	$500 per day, plus travel costs, including without limitation lodging and food expenses	Two weeks prior to the beginning of training	Training fees are waived for the first year, including in-house training at headquarters, beginning on the date of the signing of the Franchise Agreement. Harvest The Garden trains for a week at its headquarters prior to Opening and then again for five days during the Opening week. However, if additional training is required or re-training is required, you must pay an additional training fee. We may charge you for training newly-hired personnel; for refresher training courses; and for additional or special assistance or training you need or request. A minimum of two days Additional Training is required if travel is involved. See Item 11.
Additional Assistance	$500 per day, plus travel costs, including without limitation	Thirty days after billing	Harvest The Garden provides opening assistance free. A minimum of two days

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
	lodging and food expenses, if applicable		Additional Assistance is required if travel is involved. See Item 11.
Inspection and Audit Fee	Cost of audit (which is estimated between $15,000 and $20,000, including travel costs, including without limitation lodging and food expenses) plus 10% interest on under-payment[2]	Within 15 days off report receipt	Payable if examination was done because you failed to provide required report or reveals a Royalty or Marketing Fund contribution understatement exceeding 2% of the amount that you actually reported.
Renewal Fee	50% of then-current initial franchise fee	Thirty days before renewal	See Section 1E of the Franchise Agreement
Management Fee	10% of Gross Sales, plus costs and expenses, including travel costs, including without limitation lodging and food expenses	As incurred	"Gross sales" as defined above. We may assume management of your Center, if: (1) you abandon or fail to actively operate your Center; (2) you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the specified time period; or (3) this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase your Center. We will exercise our right to assume management in 90-day increments, renewable for up to 1 year, in the aggregate. We will periodically discuss with you the results of operation during the time we manage the Center. See Section 14C of the Franchise Agreement.
Insurance	$2,000 to $10,000	As incurred	If you fail to obtain and maintain insurance, we may, at our option, obtain or reinstate the insurance for you and you must promptly reimburse us for the cost of the insurance plus a reasonable fee for our services and our out-of-pocket expenses. Harvest the Garden, LLC must be named as an additional insured.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us and our affiliates if any of us are held liable for claims related to your Center's operation. This includes reimbursement of legal or accounting fees incurred as a result of a breach or termination of the Franchise Agreement or for expenses incurred in enforcing Franchisor's rights against Franchisee under the Franchise Agreement.
Costs and Attorney's Fees	Will vary under circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement.
Marketing	Will vary under circumstances	As incurred	We may, with your approval, advertise, market, and promote your Center on your behalf. In the event that we undertake such activities, you must reimburse us for all costs we incur. Marketing materials will be shared and

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
			provided by Harvest The Garden. However, should edits or changes be required for individual locations, the graphic designer fees are to be paid by the franchisee. New graphics and promotional materials will be supplied to franchisees as new developments take place.
Marketing Fund	1% of Gross Sales	Monthly, due within 10 days after the end of the previous month	"Gross sales" as defined above.
Brand Fund	1% of Gross Sales	Monthly, due within 10 days after the end of the previous month	"Gross sales" as defined above. This contribution will be used for a system-wide contribution for promoting and building the Kids Garden brand.
Mystery Shopper Fee	$200	As incurred	The mystery shopper is intended to ensure compliance with Kids Garden policies such as branding, design, safety, and customer service. If issues or non-compliance is discovered an additional visit may be made to ensure issues have been addressed and corrected.

NOTES

1. All fees are imposed by and payable to us. All fees are non-refundable. These fees may not be uniform for franchisees signing the Franchise Agreement. Unless otherwise indicated, fees are due under the Franchise Agreement.

2. Interest begins from the date of the underpayment.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee	$40,000	Lump Sum	When you sign the Franchise Agreement	Us
Leasehold Improvements[3]	$50,000-$150,000	Lump Sum	As Agreed	Various
Build-Out Plans	$5,000-$10,000	Lump Sum	As Agreed	Architect
Lease Security Deposit	$2,000-$16,000	Lump Sum	Before Opening	Landlord
Utility Deposits	$1,000-$5,000	Lump Sum	Before Opening	Utility Providers
Furniture, Fixtures, and Equipment[4,6]	$11,000-$19,000	Lump Sum	As Agreed	Us or Third Party
Signage	$3,000-$10,000	Lump Sum	Before Opening	Third Party
Miscellaneous Opening Costs	$2,500-$5,000	Lump Sum	Before Opening	Various
Advertising Fee	$1,500	Lump Sum	Before Opening	Us

TYPE OF EXPENDITURE	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Travel and Living Expenses while Training	$1,000-$2,000	Lump Sum	Before Opening	Various
Business Licenses	$250-$1,000	Lump Sum	Before Opening	Various
Grand Opening Advertising	$2,000-$3,000	Lump Sum	As Agreed	Various
Insurance Premiums[5]	$1,500-$5,5000	Lump Sum	Before Opening	Insurance Carrier
Center Mural	$1,500-$5,000	Lump Sum	Before Opening	Us, Our Vendor, Approved Third Party
Aprons	$100-$300	As Incurred	Before Opening and Continuing	Approved Suppliers
Professional Expenses	$2,000-$6,000	Lump Sum	As Agreed	Attorney, Accountant, other Professionals
Additional Funds (eg. Payroll)	$4,000	Lump Sum	As incurred	Various
TOTAL ESTIMATED INITIAL INVESTMENT	$128,350 - $283,300			

Notes:

1. The figures in the charts represent estimated pre-opening salaries of one employee during our 3-week management training program. See Item 11 of this Disclosure Document for more information about our management training program. We will cover the cost of instructors and instructional materials, but you must pay your cost of travel, meals, lodging and salaries.

2. The figures in the charts reflect the estimated security deposit, which typically is calculated as one to two months' rent. The estimate assumes an annual rent of between $24,000 and $48,000. You will purchase or lease real estate for the operation of the Center. Lease costs will vary based on square footage, cost per square foot, location, length of lease, age of the leased property, local market conditions, zoning, and the size of the premises. You should consult a real estate professional in your geographic area before purchasing a franchise.

3. The cost of leasehold improvements will depend on the condition and size of the site, the local cost of contract work, and the location of the Center. The figures in the charts represent the estimated cost of hiring an architect to conform standard plans to the layout of the Center, and to engage a general contractor to adapt the Center to meet our standards. They include remodeling walls, ceilings, floors, and other renovations, including the purchase and installation of signage and HVAC systems, and electrical and carpentry work. This estimate does not include new construction.

4. The figures in the chart represent estimated purchase costs of fixtures and furniture, including tables, chairs, and office furniture. They also include the estimated purchase cost of equipment (including, play craft areas). The furniture, fixtures and equipment will vary, depending on the size and seating capacity of the Center.

5. The estimated cost of annual premiums for the policies required by the Franchise Agreement will vary significantly based on your location, and the claims experience of commercial businesses in the area, as well as your claims experience in other businesses you operate. The figures quoted assume deposits for one month's coverage.

6. See Item 11 for more information about computer hardware and software requirements.

* * *

As described in Item 1, you will need to obtain from the state in which you operate the Center a license for the providing of childcare services. You will obtain other necessary permits and licenses directly from government authorities or through your contractors. We are not responsible for the procurement of any licenses required for operating or building your Center.

We have prepared these estimates based on our Affiliates experience opening a KIDS GARDEN CENTER. The payments described above that are payable to us are not refundable. We are not able to represent whether or not amounts that you pay to third parties are refundable. Except as expressly indicated otherwise in the charts above, these estimates describe your initial cash investment up to the opening of your Center. They do not provide for your cash needs to cover any financing incurred by you or your other expenses. You should not plan to draw income from the operation during the start-up and development stage of your Center, the actual duration of which will vary materially from center to center and cannot be predicted by us for your Center. You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of your Center, which in turn will depend upon factors such as the demographics and economic conditions in the area in which your Center is located, the presence of other KIDS GARDEN CENTERS or other public awareness of our KIDS GARDEN CENTERS and Marks within the general vicinity of your Center, your ability to operate efficiently and in conformance with our recommended methods of doing business, and competition. Because the exact amount of reserves will vary from operation to operation and cannot be meaningfully estimated by us, we urge you to retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your particular operation.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to maintain the quality and uniformity of all KIDS GARDEN CENTERS and services provided, all materials, supplies, goods, fixtures, furnishings, signage, and equipment used at our KIDS GARDEN CENTERS must meet our standards and specifications, as established in the Operating Manual or approved by us in writing. We will provide a list of approved suppliers, including designation by brand and our standards and specifications, as contained in the Operating Manual (see Item 11) or otherwise in writing. You must strictly comply with the standards and specifications and comply with all required purchases of products and services from approved suppliers and in conformity with our standards and specifications. You must offer all classes and follow all curriculum provided by Kids Garden. You may not deviate from our approved classes and curriculum without prior written approval from us. As of the date of this Disclosure Document, none of our officers own an interest in any approved suppliers. We derived no revenues during our fiscal year ending December 31, 2022, as a result of franchisee required purchases.

In constructing and operating the Center, you must use only those types of decorative materials, fixtures, equipment, furniture, and signs ("Operating Assets") that we have approved according to our specifications and standards for appearance, function, and performance. We develop the specifications and standards at our sole discretion. We will not issue to your or to our approved suppliers (except as we deem necessary for purposes of production) the specifications and standards for proprietary Operating Assets.

If you propose to purchase any unapproved Operating Assets from any supplier or any item which has not been specifically approved by us in writing, you must first notify us in writing, using our vendor approval process and application, and submit to us sufficient specifications, photographs, drawings, and other information or samples for us to determine whether the proposed Operating Assets comply with our supplier approved criteria, which determination will be made and communicated in writing to you within a reasonable time, typically 30 days after receipt of the information from you or from the proposed supplier. We may charge you a fee for testing and evaluating suppliers and may impose limits on the number of approved suppliers. We will make an effort to communicate our approval or denial within a reasonable time after completion of the investigation of the proposed supplier/vendor.

All advertising, including internet advertising, must meet our specifications as set forth in our Operating Manual. You must submit all proposed advertising to us for our approval before use. You may not use any advertising not prepared or previously approved by us within the preceding 6 months. On written notice from us, you must immediately discontinue use of any unapproved, or approved and subsequently disapproved, advertising materials. All advertising and promotional materials, signs, decorations, and other items we designate must bear the Marks (see Item 13) in the form, color, location and matter we prescribe. No unauthorized logos, symbols, or marks may be placed, used, or displayed on any advertising or promotional items without our express written consent. Before you may use any advertising or promotional materials, you must submit them to us and we must approve them in writing.

You may purchase approved Operating Assets from (and only from) any supplier approved or designated by us (which may include us or our affiliates). As more fully described in Item 11, you must obtain and maintain during the term of the Franchise Agreement computer hardware and software meeting our specifications. We, our affiliates or our officers are not currently designated suppliers of approved Operating Assets, but we reserve the right to do so in the future and we or our affiliates may derive revenue or profit from such transactions. We maintain approved supplier criteria; however, we do not issue these criteria to you.

You must obtain before opening the Center, and maintain in full force and effect at all times during the term of the Franchise Agreement, at your expense, insurance policies protecting you, us, and your and our respective officers, directors, partners, agents and employees against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense arising or occurring in connection with the Center, including comprehensive general liability insurance, property and casualty insurance, business interruption insurance, statutory workers' compensation insurance, employer's liability insurance, product liability insurance, and automobile insurance coverage for all vehicles used in connection with the Center. These policies must be written by a responsible carrier or carriers acceptable to us and must name us as an additional insured, and must provide at least the types and minimum amounts of coverage specified in the Operating Manual.

If you should fail to obtain or maintain the insurance required by the Franchise Agreement for any reason, we have the right and authority (without, however, any obligation to do so) to procure the insurance. If we do so, you must pay the full premium paid, plus an administrative surcharge of 10%.

We may negotiate purchase arrangements with some or all of the approved or designated suppliers and we may receive money or other benefits from approved or designated suppliers as a result of your purchases. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives. We do not provide material benefits to you based on your purchase of particular products or services or your use of designated or approved suppliers but we may terminate your Franchise Agreement if you purchase from unapproved sources in violation of your Franchise Agreement.

We estimate that 80% of your expenditures for leases and purchases in establishing your Center and on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications). Except as disclosed above, we do not currently receive or derive revenue or other material consideration from vendors as a result of purchases or leases we require franchisees to make.

Other than as described above, we do not provide any material benefits to franchisees based on their use of designated or approved suppliers.

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 AGREEMENTS	ITEM IN DISCLOSURE DOCUMENT
A. Site selection and acquisition/lease	Franchise Agreement, Section 2A	Items 8 and 11
B. Pre-opening purchases/leases	Franchise Agreement, Sections 2B, 2G	Items 5, 7, 8, and 11
C. Site development and other pre-opening requirements	Franchise Agreement, Section 2C	Items 7, 8, and 11
D. Initial and ongoing training	Franchise Agreement, Section 4A	Item 11
E. Opening	Franchise Agreement, Section 2G	Item 11
F. Fees	Franchise Agreement, Section 3	Items 5, 6, and 7
G. Compliance with standards and policies/Operating Manual	Franchise Agreement, Section 8	Items 8, 11, and 14

OBLIGATION	SECTION IN AGREEMENTS	ITEM IN DISCLOSURE DOCUMENT
H. Trademarks and proprietary information	Franchise Agreement, Sections 5, 6	Items 13 and 14
I. Restriction on products/services offered	Franchise Agreement, Section 8B,D	Items 8 and 16
J. Warranty and customer service requirements	None	None
K. Territorial development and sales quotas	None	None
L. Ongoing product/service purchases	Franchise Agreement, Section 8B,D	Item 8
M. Maintenance, appearance and remodeling requirements	Franchise Agreement, Section 8A	Item 11
N. Insurance	Franchise Agreement, Section 8F	Item 7
O. Advertising	Franchise Agreement, Section 9	Items 6, 8 and 11
P. Indemnification	Franchise Agreement, Sections 5E, 15B, & 16D	Item 6
Q. Owner's participation, management, and staffing	Franchise Agreement, Section 8C	Items 11 and 15
R. Records/reports	Franchise Agreement, Section 10	Items 6 and 11
S. Inspections/audits	Franchise Agreement, Section 11	Items 6 and 11
T. Transfer	Franchise Agreement, Section 12	Items 6 and 17
U. Renewal	Franchise Agreement, Section 1E, Section 13	Item 17
V. Post-termination obligations	Franchise Agreement, Section 15	Item 17
W. Non-competition covenants	Franchise Agreement, Section 7	Item 17
X. Dispute Resolution	Franchise Agreement, Section 17G	Item 17
Y. Owner's Guarantee		Item 15

ITEM 10
FINANCING

Except as indicated below, we require that initial fees described in Item 5 be paid to us at the time of signing the Franchise Agreement.

We may make optional financing available to qualifying franchisees. If you meet our qualifications, you may finance up to 50% of your Initial Franchise Fee for up to 24 months, provided you sign the Promissory Note ("Note") attached as Exhibit H to the Franchise Agreement at the time you sign the Franchise Agreement. The effective annual interest rate will be 3.0 percentage points above the prime interest rate on the effective date of the Franchise Agreement. There is no prepayment penalty and the rule of 78 does not apply (the rule of 78 is a method of computing interest which requires the interest originally calculated to still be paid even if prepaid). No security interest is required and no person other than you and, if you are an entity, those individuals who are required to sign the form Guaranty and Assumption of Franchisees Obligation attached as Exhibit D to the Franchise Agreement, must sign the Note.

If you accept financing from us and sign the Note, you will be required to waive and excuse presentment for acceptance and payment, notice of dishonor, and protest of dishonor.

Other than as mentioned in the previous sentence, neither the Note, nor any other financing document you sign will contain any waiver of defense or similar provision. In the event payment of the Note is not made under its terms, we may either accept a late payment, together with a late charge equal to 10% of the late payment, or declare the entire balance of the Note immediately due. If the balance of the Note is accelerated, we must give written notice to you and, if the balance is not paid within 10 days after notice is given, you must pay us interest at the maximum legal rate (not to exceed 18%) plus any attorneys' fees and other costs we incur in collecting monies owed. We also have the right to terminate the Franchise Agreement if we accelerate the Note and the Note is not paid within 10 days after acceleration. We have not in the past and do not currently intend to sell, assign, or discount to any third party the Note or any other financing document you sign.

We will comply with all appropriate laws governing any direct financing we offer to you including, if applicable, the California Finance Lenders Law.

Other than as described above, neither we nor our affiliates or agents offer you, directly or indirectly, any financing arrangement. We do not guarantee your promissory notes, mortgages, leases, or other obligations. We reserve the right to terminate our financing program at any time, offer different terms, or assist franchisees in obtaining financing in the future.

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

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

Our Assistance:

We will devote resources to fulfill our obligations to you. However, except as listed below, we need not provide any assistance to you.

Our Pre-Opening Obligations:

Before you open the Center, we will provide you the following assistance:

1. If you do not have an approved location prior to signing the Franchise Agreement, site selection guidelines and consultation will be provided as we deem necessary (Franchise Agreement, Section 2A);

2. If you do not have an approved location prior to signing the Franchise Agreement and you select a site, an on-site evaluation will be provided as we deem necessary as part of our evaluation of your request for site approval. However, we will not provide on-site evaluations for any proposed site before our receipt of the information or materials required by the Franchise Agreement. If an on-site evaluation is deemed necessary and appropriate by us, we will conduct up to one on-site evaluation at our expense. For each additional on-site evaluation (if any), you

must reimburse us for our reasonable expenses, including the costs of travel, lodging and meals (Franchise Agreement, Section 2A);

3. Review and approval of the lease (Franchise Agreement, Section 2B)

4. We will provide initial training for you and your managers, as further described below (Franchise Agreement, Section 4);

5. We will provide 1-3 representative(s) to provide such on-site, pre-opening and opening assistance as we deem appropriate in our sole discretion (Franchise Agreement, Section 2G);

6. We will make available to you advertising and promotional materials at your expense (Franchise Agreement, Section 9);

7. We will loan you one copy of our Operating Manual or make it available to you through a password protected portal (Franchise Agreement, Section 4C);

8. We or our affiliate will make available to you for sale, or designate or approve other suppliers who shall make available to you for sale, products, equipment, and supplies as we designate in the Operating Manual or in writing (Franchise Agreement, Section 4C); and

9. We will provide you with specifications for all required equipment (including computer system), furniture, fixtures, and signs and all lists of approved suppliers or vendors (Franchise Agreement, Section 8D).

Our Post-Opening Obligations:

During the operation of your Center:

1. Upon your reasonable request, and in our sole discretion, we will make available to you advice and assistance on the proper implementation of the Franchise System and operation of the Center (Franchise Agreement, Sections 4 & 8);

2. We will make available to you advertising and promotional materials at your expense (Franchise Agreement, Section 9);

3. We will designate or approve suppliers who will make available to you, for sale: products, supplies, materials, and other products and equipment used at the Center (Franchise Agreement, Section 8D);

4. We will provide you with a list of authorized vendors and suppliers for the products, goods, merchandise, suppliers, signs, furniture, fixtures, equipment, and services (Franchise Agreement, Section 8D);

5. We will provide you with standards, specifications (for non-proprietary Operating Assets), and operating procedures and methods that KIDS GARDEN CENTERS use (Franchise Agreement, Sections 2E, 4, & 8);

6. We will advise you of what purchasing is required and what authorizing Operating Assets and other products and services are required (Franchise Agreement, Sections 2E & 8);

7. We will maintain a website for the promotion of KIDS GARDEN CENTERS (Franchise Agreement, Section 9E).

Advertising and Promotion

A. In General:

You must spend at least $2,500 on an initial, grand opening local advertising, marketing, and promotional program in the form and manner prescribed by us in the Operating Manual or otherwise in writing within 14 days prior to the opening of the Center. (Franchise Agreement, Section 9A) You must use the media and materials we develop or approve in connection with the grand opening advertising program. You may not engage in any promotional or similar activities, directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system unless approved in writing by us.

In addition to the grand opening marketing program, during the first three months the Center is open, you must spend at least $1,000 per month on local marketing, advertising, and promotion. During the remainder of the term of the Franchise Agreement, you must expend, on a monthly basis, an amount equal to 1% of Gross Sales on local marketing, advertising, and promotion as we may, in our sole discretion, direct in the Operating Manual or otherwise in writing. (Franchise Agreement, Section 9C) If you operate 2 or more Centers, you must spend at least 3% of your Gross Sales each calendar quarter to advertise and promote your Centers. Any amount of Local Advertising Cooperative (defined herein) contribution you make will be set off against amounts required to be spent by you for local advertising. Within 30 days after the end of each month, you must send to us, in the manner we prescribe, an accounting of your expenditures for local advertising and promotion during the preceding month. Your local advertising and promotion must follow our guidelines. (Franchise Agreement, Section 9C)

All advertising and promotion by you (including any design, advertisement, sign, or form of publicity) must be in the media and of a type and format as we may approve, including television, print media , radio, and local promotional events, must be conducted in a dignified manner, and must conform to these standards and requirements as we may specify. You must not use any advertising or promotional plans or materials unless and until you have received written approval from us. (Franchise Agreement, Section 9F) You must submit to us for our prior written approval samples of all advertising and promotional plans and materials for any print, broadcast, cable, electronic, computer or other media (including the Internet) that you wish to use and that we have not prepared or previously approved within the preceding 6 months. You must not use these plans or materials until they have been approved in writing by us. If you do not receive written notice of disapproval from us within 15 days of the date of our receipt of these samples or materials, we will be deemed to have disapproved them. (Franchise Agreement, Section 9.F) Once we approve the materials, you are permitted to use them. However, we may, in our discretion, withdraw our approval if a regulatory or other issue arises that, in our opinion, makes such withdrawal in our or the Franchise System's best interest. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

We may make available to you periodically, at your expense, approved advertising and promotional materials, including merchandising materials, point-of-purchase materials, and materials for special promotions. (Franchise Agreement, Section 9F).

B. Marketing Fund:

You may be asked to contribute to a marketing fund for KIDS GARDEN CENTERS ("Marketing Fund") an amount equal to 1% of your Gross Sales, payable in the same manner as the royalty. However, we have the right, at any time and on notice to you, to increase the amount you must contribute to the Marketing Fund to up to 4% of Gross Sales. However, in no event will you be required to contribute or spend, in the aggregate, more than 5% of Gross Sales on Marketing Fund contributions and local marketing requirements . KIDS GARDEN CENTERS that we or our affiliates own in the United States do not contribute to the appropriate Marketing Fund on the same percentage basis as franchisees. (Franchise Agreement, Section 9B)

We or our affiliates or other designees will direct all programs that are developed or presented by the Marketing Fund, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining a Franchise System website and related strategies; administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Marketing Fund will give you samples of advertising, marketing, and promotional formats and materials at no cost. We will send you multiple copies of these materials at our direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Marketing Fund separately from our other funds and not use the Marketing Fund for any of our general operating expenses. However, we may use the Marketing Fund to reimburse ourselves or our affiliates for the reasonable salaries and benefits of personnel who manage and administer the

Marketing Fund, the Marketing Fund's other administrative costs, travel expenses of personnel while they are on Marketing Fund business, meeting costs, overhead relating to Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Marketing Fund and its programs, including conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for Marketing Fund contributions.

The Marketing Fund will not be our asset. We do not owe any fiduciary obligation to you for administering the Marketing Fund for any other reason. We will hold all Marketing Fund contributions for the benefit of the contributors. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on the Marketing Fund contributions to pay costs before using the Marketing Funds other assets. We will prepare an annual, unaudited statement of the Marketing Fund collections and expenses and give you the statement upon written request. We may have the Marketing Fund audited annually, at the Marketing Fund's expense, by an independent certified public accountant. We may incorporate the Marketing Fund or operate it through a separate entity whenever we deem appropriate.

We intend for the Marketing Fund to promote recognition of the applicable Marks and patronage of KIDS GARDEN CENTERS generally. Although we will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all KIDS GARDEN CENTERS contributing to the Marketing Fund, we need not ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to Marketing Fund contributions by KIDS GARDEN CENTERS operating in that geographic area or that any KIDS GARDEN CENTER benefits directly or in proportion to its Marketing Fund contribution from the development of advertising and marketing materials or the placement off advertising and marketing. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Marketing Fund.

We may at any time defer or reduce contributions of a KIDS GARDEN CENTER franchise owner and, upon 30 days' prior notice to you, reduce or suspend Marketing Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund. If we terminate the Marketing Fund, we will distribute all unspent monies to our franchise owners who contribute to the Marketing Fund, and to use and our affiliates, in proportion to their, and our, respective Marketing Fund contributions during the preceding 12-month period.

C. <u>Local Advertising Cooperative</u>:

We have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional Local Advertising Cooperative ("Local Advertising Cooperative"), and to determine whether a Cooperative is applicable to the Center. If a Local Advertising Cooperative has been established in your area before you open the Center, you must become a member of the Local Advertising Cooperative no later than 30 days after opening the Center. If a Local Advertising Cooperative is established after you open the Center, you must become a member of the Cooperative no later than 30 days after the date on which the Local Advertising Cooperative begins operation. If the Center is within the territory of more than one Local Advertising Cooperative, you will not be required to be a member of more than one Local Advertising Cooperative within that territory. (Franchise Agreement, Section 9D)

Each Local Advertising Cooperative will be organized for the exclusive purpose of administering local and/or regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising. No promotional or advertising plans or materials may be used by a Local Advertising Cooperative or furnished to its members without our approval. Each Local Advertising Cooperative will have the right to require its members to make contributions to the Local Advertising Cooperative in an amount determined by the Local Advertising Cooperative, up to a maximum of 3% of Gross Sales during any calendar year, unless two-thirds of the members of the Local Advertising Cooperative vote in favor of a greater contribution. Any payments you make to the Local Advertising Cooperative will be credited towards your required local advertising expenditure.

We will have the power to require the Local Advertising Cooperative to be formed, changed, dissolved, or merged.

D. <u>Advertising Council</u>:

There is presently no advertising council composed of franchisees that advises us on advertising policies.

E. <u>Other Advertising Obligations</u>:

You must list and advertise your Center on all major internet search engines (for example, Google Local and CitySearch) and on all major internet consumer review websites (for example, Yelp and Urban Spoon) listed in the Operating Manual and in at least 1 recommended online or classified telephone directory distributed within the market area of your Center (in the business classifications we prescribe from time to time) and to use the form of classified telephone advertisement approved by us. If other KIDS GARDEN CENTERS are located within the directory's distribution area, we may require you to participate in a collective advertisement with those other KIDS GARDEN CENTERS and to pay your share of that collective advertisement.

We reserve the right, at any time, to issue you a notice that the amounts required to be spent by you toward local marketing, instead, be paid to us or our designee. If we exercise this option, we or our designee will spend such amounts, in accordance with local KIDS GARDEN CENTER marketing guidelines and programs that we develop from time to time, to advertise and promote the Center on your behalf. We may, in our discretion, contribute any of these amounts to the Marketing Fund or to a Local Advertising Cooperative, in which case, the offsets described above will not be applicable. (Franchise Agreement, Section 9.F).

Operating Manual:

In order to protect our reputation and goodwill and to maintain high standards of operation under the Franchise System, you must operate the Center in accordance with the standards, methods, policies, and procedures specified in our Operating Manual, which will be loaned to you for the term of the Franchise Agreement once you complete the initial training program to our satisfaction. The Manual may consist of multiple volumes of printed text, online documents, computer disks, other electronically stored data, DVDs, and/or videotapes. We may provide a portion or all of the Operating Manual (including updates and amendments), and other instructional information and materials, in or via electronic media, including through the Internet. If your copy of the Operating Manual is lost, stolen, or destroyed, you must obtain another copy of the Manual from us and pay us a replacement fee of $1,000.00. A copy of the Table of Contents of the Manual is attached to this Disclosure Document as Exhibit B.

Length of Time to Open Center:

We expect KIDS GARDEN CENTERS to open 6 to 9 months after you sign the lease for the approved location or one year after you sign the Franchise Agreement, whichever occurs first. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to obtain necessary financing, to obtain permits and licenses necessary to construct and operate the Center, to complete construction or remodeling (as it may be affected by other conditions, shortages, delivery schedules and other similar factors) to complete landscaping and to complete required training, as described below.

Computer System, Hardware, and Software:

You must purchase and use a computing system approved by us and used by us and other franchisees to ensure compliance with the standards we specify from time to time in the Operating Manual (the "System Standards"). The system consists of a personal computer and related hardware, including Microsoft Office, card swipes, credit card modems, caller ID, proprietary software, printers, DSL or other high-speed connections, firewall, and other hardware and software as we specify. You must purchase all of the above items from our approved vendor(s), if designated.

We estimate that your cost to purchase the computer system and software is between $1,500 and $3,500, depending on the size of the Center. Acceptable hardware is available from numerous manufacturers, and may be purchased from any source.

We have no proprietary interest in the software, and we are unaware of competing software which may perform the same functions. Support and upgrades may be provided by the software provider, but we do not require or offer upgrades or maintenance services. We estimate your cost for support services from the software provider will be about $150 to $500 per year, subject to future increases. You must maintain, upgrade, and update the computer system as we require and the franchise agreement does not restrict the frequency or expense of upgrades and maintenance. The current software fee from our provider is $125 per month. This fee may change at the discretion of the provider, as we have no control over pricing of the software.

We will have independent access to the business data only (customer data base, POS, sales, inventory,) which is stored in your computer system. There are no contractual limitations on our right to access this information. You must have DSL with a static IP address to enable us to access this information.

You must upgrade your hardware and software when we decide it to be necessary and at your own cost. We reserve the right to update System Standards, which includes computer hardware and software from time to time and there are no contractual limitations on these rights.

Security Systems:

You must purchase and use a security system for each location approved by us. The system shall be connected to 24/7 monitoring for emergency events including but not limited to unlawful entries, fire and smoke detection. We estimate that your cost to purchase a security system will range from $1,000 - $4,000.

<u>Site Selection</u>:

You must operate the Center only at the location approved by us ("Approved Location"). We will consult with you on a site, which we will approve or disapprove based on factors such as business count, traffic count, accessibility, parking, visibility, and competition. When you have given us all the necessary information on the site you have selected, we generally will approve or disapprove the site within 30 days. Once we approve, and before you obtain possession of the site, you must sign a Franchise Agreement. If you fail to sign a Franchise Agreement within a reasonable time after our approval, we may revoke approval of the site. We may assist you by reviewing the lease and making recommendations regarding terms in the lease, but we recommend that you retain an attorney to assist you. You may not sign a lease without our approval. Our approval of a site or lease is not a guarantee of the success or profitability of the site. If you do not locate and sign a lease or purchase document for an acceptable site within 180 days of signing the Franchise Agreement, we may terminate the Franchise Agreement. You may not relocate the Center without our prior written approval, which we may withhold in our sole discretion. (Franchise Agreement, Sections 2A, B)

If you have an Approved Location at the time you sign the Franchise Agreement, you must begin operation of the Center within 180 days after the date of the Franchise

Agreement. If you do not have an Approved Location when you sign the Franchise Agreement, you must begin operation of the Center within 180 days after obtaining an Approved Location. (Franchise Agreement, Section 2A, B)

We will provide site selection guidelines and consultation that we deem advisable. We will conduct one on-site evaluation, as we deem necessary and appropriate and at our expense. For each additional on-site evaluation (if any), you must reimburse us for our expenses, including costs of travel, lodging and meals. Our approval of your proposed site will depend on the factors listed above.

Website:

You may not establish a separate Website for the Center unless approved by us. However, we have the right to require that you have one or more references or webpage(s), as designated and approved by us in advance, within our principal Website (currently, www.kidsplaygarden.com). The term "Website" means an interactive electronic document contained in a network of computers linked by communications software, commonly referred to as the Internet or World Wide Web, including any account, page, or other presence on a social or business networking media site, such as Facebook, Twitter, LinkedIn, and on-line blogs and forums. We have the right to require that you not have any Website other than the webpage(s), if any, made available on our principal Website. (Franchise Agreement, Section 9E)

Training:

You and all managers of the Center approved by us must successfully complete our initial training program to our satisfaction. Our initial training program consists of approximately 3 days of training at our headquarters and/or at an affiliate-owned Center in Charleston, South Carolina. We may change the location of the initial training program to another location we designate. You must complete the initial training program before you open your Center. We may lengthen, shorten, or restructure the contents of this program. The on-site training at your Center will not commence until all improvements have been completed, a certificate of occupancy has been issued and all required licenses have been applied for.

The initial training program is designed to cover all phases of the operation of KIDS GARDEN CENTERS. Any individual attending the training who has not signed the form of Guarantee and Assumption of Obligations attached to the Franchise Agreement must execute a confidentiality agreement in the form provided by us. The instructional materials used in the initial training program consist of our Manuals and other operational materials used in Centers. We do not charge tuition or impose a fee for training-related materials in connection with our initial training program, but you are responsible for all training-related expenses incurred by all persons who attend training including costs of travel, lodging, meals, and wages.

Our training program is conducted by Maren Anderson, who has served as our Director of Franchising since April 2015, and also owner of the two affiliate KIDS GARDEN CENTERS in Charleston, South Carolina. Additionally, Michele Klaus and Carol Peckham assist with training programs.

Our initial training program may change due to updates in materials, methods, manuals, and personnel, or other reasons, without advance notice to you. The subjects and time periods allocated to the subjects actually taught to a particular franchisee and its personnel may vary based on the experience of those persons being trained.

We may require you (or a designated manager and 1 additional manager) and previously trained and experienced employees to attend and satisfactorily complete various training courses that we periodically choose to provide at times and locations that we designate. We will not require attendance at more than 2 such courses, or for more than a total of 5 business days, during any calendar year. Besides attending these courses, if we so choose to have one, you agree to attend an annual meeting of all KIDS GARDEN CENTER franchise owners at a location we designate. Attendance will not be required for more than 3 days during any calendar year.

The following table is a summary of the subjects covered in our initial training program and an estimate of the number of hours of classroom and on the job training allocated to the initial training program.

TRAINING PROGRAM

SUBJECT	Hours of Classroom Training	Hours of On-the-Job Training	Location
Inventory, furniture, fixtures, and design elements		2.5	Mt. Pleasant Center
Emergency protocol, security functions, safety standards	1.0	1.0	Mt. Pleasant Center
Human Resources, scheduling, attire, staff duties	2.0		Mt. Pleasant Center
Curriculum, lesson plans, arts, and projects	2.0	1.0	Mt. Pleasant Center
Center management	2.0	1.0	South Windermere Center
Operating procedures, software, and client accounts	2.0	2.0	South Windermere Center
Handbooks, manuals, and policies	2.0		
Position Development Plans, Action Plans,	2.5		South Windermere Center

SUBJECT	Hours of Classroom Training	Hours of On-the-Job Training	Location
Regulatory Forms, and Staff Documentation			
Reporting, accounting, and filing	2.0		South Windermere Center
Marketing, promotional events, schedule of classes, daily lessons	2.0	1.0	South Windermere Center

You, your managers, and other employees shall also attend such additional courses, seminars and other training programs as we may reasonably require from time to time.

At your request, we will provide advice and assistance on the proper implementation of the Franchise System and operation of your Center. We may impose reasonable fees for these services. Other than as described above, we do not provide any other mandatory or optional training courses.

ITEM 12
TERRITORY

If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your Center. Although you are solely responsible for locating the site for your Center, the location is subject to our written approval. Our approval will be based upon a variety of factors which may include the viability of the then-current location and demographics including, number of households, household income, and vehicular traffic. You may not relocate the Center to any other location without our prior written consent. If we approve any relocation of your Center, you must de-identify the former location. If you have an approved location when you sign the Franchise Agreement, you must begin operations of your Center within 270 days after you sign your Franchise Agreement. If you do not have an approved location when you sign the Franchise Agreement, you must acquire a location within 180 days after you sign your Franchise Agreement and begin operations of your Center within 270 days after obtaining an approved location.

You must submit your proposed lease to us for approval. We will only approve a lease if you and the landlord have signed a Lease Addendum in the form attached as Exhibit B to your Franchise Agreement, which provides that we may assume the lease if you default under your lease or your Franchise Agreement.

You will receive a territory, which will be described in Exhibit E of your Franchise Agreement ("Territory"). Your Territory will be determined by us in our sole discretion as we consider appropriate under the circumstances, and will generally be a geographic area described by attaching a map, or by reference to streets, natural boundaries or zip codes. You will receive an exclusive or protected territory. You will not face competition from other franchisee(s), from KIDS GARDEN CENTERS that we own or from other channels of distribution or competitive brands that we control, in your Territory. The Franchise

Agreement grants you the right to operate a KIDS GARDEN CENTER at a single location, that you select and we approve.

We reserve all rights inside and outside the Territory except those we expressly grant in the Franchise Agreement, including the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly: (a) to establish and operate, and license others to establish and operate, a KIDS GARDEN CENTER under the Franchise System and the Marks at any location outside the Territory; (b) to acquire and operate any business or store of any kind under different proprietary marks at any location (regardless of its proximity to your Center) whether located within or outside the Territory; and (c) within and outside the Territory to acquire, merge with, or otherwise affiliate with, and then own and operate, and franchise or license others to own and operate, any business of any kind, including any business that offers products or services similar to those offered under the Franchise System or that uses the Marks or any other system or marks.

You may not engage in any promotional or similar activities, directly or indirectly through or on the Internet without our consent. You are restricted from soliciting to customers outside your Territory, other than as provided in the Franchise Agreement and Operating Manual. You do not have the right to use other channels of distribution, such as the Internet, telemarketing or other direct marketing to make sales outside your Territory, unless permitted by us in writing.

You do not have the right to acquire additional franchises, although you may apply for the right to operate additional Centers pursuant to separate franchise agreements. While we are not required to do so, we will consider your request to incorporate a right of first refusal with respect to any sites we might desire to develop or have developed as a KIDS GARDEN CENTER during the term of the Franchise Agreement that fall within an agreed upon distance from your Center (the distance would vary depending primarily on whether your Center is located in a rural or urban market). If we agree to incorporate that right into your Franchise Agreement, it will be subject to your being in compliance with the Franchise Agreement, your being able to acquire the right to occupy the proposed premises, and your timely execution of our then-current form of franchise agreement and payment of the required initial fee.

ITEM 13
TRADEMARKS

Under the Franchise Agreement, you will be granted the right to establish and operate a KIDS GARDEN CENTER under the Marks, including KIDS GARDEN and such other trademarks, trade names, and service marks as we may designate as part of the Franchise System. We grant you the non-exclusive right and obligation to use the trademarks under the Franchise Agreement. By "trademark" we mean trade names, trademarks, service marks and logos we authorize to identify KIDS GARDEN CENTERS (the "Marks"). You may note use the Marks in the sale or unauthorized products or services or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale, or other disposition of the KIDS GARDEN CENTER or any interest in the franchise. The Marks are owned by our affiliate, Play Garden, which, under an Intellectual Property License Agreement dated December 7, 2015 ("License Agreement"), granted a license to us a license to use and sublicense the use of the Marks in granting new KIDS GARDEN CENTER franchises to our franchisees in the United States. We must maintain minimum quality and usage standards for the Marks. The License Agreement may be terminated if we cease to be an affiliate of Play Garden (resulting in the loss of our right to use and to sublicense the use of the Marks). All rights and goodwill from the use of the Marks accrue to us and our affiliates.

The following are registered with the United States Patent and Trademark Office (the "USPTO"):

MARK	Application Date	Registration Date	Registration Number
kids garden	12/02/15	09/20/2016	5044198

We previously operated under the name KIDS PLAY GARDEN. We applied for registration of the name KIDS PLAY GARDEN on March 2, 2015, with the USPTO. An Office Action by the examining attorney was sent on June 10, 2015, in which the examining attorney refused registration based on a likelihood of confusion with trademark "Play Garden" ("Registered Mark") which is owned and registered by Playgarden Holding, LLC, a Delaware limited liability company ("Registrant"). Registrant is not an affiliate nor related in any way to Harvest The Garden, LLC or Play Garden, LLC. Play Garden filed a Response to the Office Action on October 19, 2015, arguing against a likelihood of confusion with the Registered Mark. On November 10, 2015, a new Office Action was issued by the examining attorney again refusing registration for the same basis. On November 11, 2015, we decided to rebrand under the tradename KIDS GARDEN.

There are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise. We know of no superior prior rights or infringing uses that could materially affect your use of the Marks.

We may establish new Marks in the future and you must use and display these marks in accordance with specifications and bear all costs associated with changes to Marks or introduction of new Marks. You must follow our rules when you use these Marks. You may use the Marks only for the purpose of operating and advertising the Center, in accordance with our standards. You may not use the Marks in your corporate name, and every use of the "KIDS GARDEN" mark as a service mark or trade name or other identifier of the Center must be in conjunction with the suffix or other words or phrases more specifically identifying the Center in the exact format that we prescribe, except with our consent which may be withheld in our absolute discretion. You must comply with our requirements, and all requirements imposed by the jurisdiction in which you operate the Center, concerning fictitious name usage. You may not use the Marks as part of any user name, screen name or profile in connection with any social networking sites or blogs. (Franchise Agreement, Section 5)

You must not contest, directly or indirectly, our ownership of the Marks, trade secrets, methods, and procedures that are a part of the Franchise System. You must not register, seek to register, or contest our sole right to register, use, and license others to use the Marks, names, information, and symbols. Any goodwill associated with the Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to the benefit of KIDS GARDEN.

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

Under the Franchise Agreement, we must indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding in which your use of any mark in compliance with the Franchise Agreement is held to constitute trademark infringement, unfair competition or dilution, and for all reasonable costs you incur in the defense of any claim brought against you or in any proceeding in which you are named a party, only if you have timely notified us of the claim or proceeding and have otherwise complied with the Franchise Agreement and only if you have given us the opportunity to defend the claim. If we defend the claim, we have no obligation to indemnify or reimburse you for any fees or disbursements to any attorney retained by you.

We may designate new, modified, or replacement marks for your use, and require you, at your own expense, to use them in addition to or instead of any of the previously designated Marks. These requirements may include, among things, conducting business under a different trade name.

Other than as stated above, we do not know of any superior rights or infringing uses that could materially affect your use of the Marks in this state or in any state where the Center is to be located.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

PATENTS AND COPYRIGHTS

There are no registered patents or copyrights to your operation of the franchise. There are no pending patent applications that are material to the franchise.

We do, however, claim common law copyright and trade secret protection for many elements of the Franchise System, including our Operating Manual, other written materials we develop to assist you in the development and operation of the Center, our trade dress, copyrighted works, and any designs or processes that may in the future be subject to a patent. There are no determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyright materials which are relevant to their use by our franchisees. No agreements limit our right to use or license the use of our copyrights, although we intend to do so. We do not know of any infringing uses of or superior rights in our copyrighted materials.

CONFIDENTIAL INFORMATION

We possess, develop, and will continue to develop certain proprietary and confidential information, including trade secrets relating to the operation of KIDS GARDEN CENTERS. This proprietary and confidential information includes process, methods, techniques, curriculum, lesson plans, training materials, checklists, supplier information, operational standards, advertising, marketing and brand strategy information and other information relating to the establishment and operation of a KIDS GARDEN CENTER that we designate as "Confidential Information". Much of this confidential information is included or referenced in our Operating Manual. You and your owners will not acquire any interest in the confidential information other than the right to use it in operating the Center. You must maintain the absolute confidentiality of the confidential information during and after the expiration or termination of the Franchise Agreement. You and your owners can divulge this confidential information only to individuals or entities specifically authorized by us in advance, or to your employees or contractors who must have access to it to operate the Center, however, such individuals or entities must be under a duty of confidentiality no less restrictive than your obligations to us under the Franchise Agreement. We may require you to have your employees and contractors execute individual undertakings and shall have the right to regulate the form of and be a party to or third-party beneficiary under any such agreements. Neither you nor your owners are permitted to make unauthorized copies, record, or otherwise reproduce the materials or information or make them available to any unauthorized person.

You may not, and you must use your best efforts to ensure that no other person discloses or uses (except as authorized by the Franchise Agreement) any of the contents of the Operating Manual or any other trade secrets, whether during or after the term of your Franchise Agreement. You and your employees will be required to sign a Non-Disclosure Agreement which is attached as Franchise Agreement Exhibit F, or a similar agreement prepared by your attorney.

ITEM 15

OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You must personally participate in the day-to-day operation of your Center or Centers. Your day-to-day manager ("Designated Manager") will be bound by certain provisions of the Franchise Agreement, including the confidentiality and non-compete provisions. Your Designated Manager need not have an equity interest in the franchise. The Center, must be, at all times, under the day-to-day, full-time management supervision of the person you designate to assume, in addition to you, primary responsibility for managing the Center. The Designated Manager must assume responsibilities on a full-time basis and may not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitment, or otherwise may conflict with his or her obligations to operate and manage the Center. It is your obligation and duty to determine if there are any qualifications in your state that you must meet in order to be a Managing Owner and Designated Manager.

Your Managing Owner must supervise the management and operation of the Center and continuously exert best efforts to promote and enhance the Center. If, at any time, the Center is not being managed by a Designated Manager who has satisfactorily completed the training program, we may, but are not required to, immediately appoint a manager to manage the operation of the Center on your behalf. Our appointment of a manger of the Center will not relieve you of your obligations under the Franchise Agreement or constitute a waiver of our right to terminate the franchise. We are not liable for any debts, losses, costs, or expenses you incur in the operation of the Center while it is managed by our appointed manager. We also will have the right to charge a reasonable fee for our management services and we may cease to provide such management services at any time, in our sole discretion. (Franchise Agreement, Section 8C)

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell all services that we designate for sale and only those services that we authorize for sale. We have the right to change the services that you must offer for sale. Services currently include drop in child care, art classes, preschool programs, camps, birthday parties, art curriculum and daily lessons.

We have the right to specify in the Operating Manual or otherwise in writing certain third parties that may be designated suppliers for specified products, materials, supplies, fixtures, furnishings and equipment used or sold at the Center. You must purchase these items from those suppliers designated by us in order to assure the uniform quality and image associated with the Center.

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	Section 1E in Franchise Agreement	Term of the Franchise is 5 years
b. Renewal or extension of the term	Section 1E in Franchise Agreement, Section 13	If you are in substantial compliance with the Franchise Agreement, you may extend the term for two 5-year terms.
c. Requirements for franchise to renew or extend	Section 1E in Franchise Agreement, Section 13	You must give at least 180 days, but no more than 270 days' notice to repair, replace, and update equipment and Center premises to our current standards, not to be in reach of any agreement with us or our affiliates, satisfy all monetary obligations, have the right to remain in possession of the Center premises, pay a renewal fee of 50% of then-current franchise fee execute then-current Franchise Agreement and general release (unless prohibited by law) and comply with current qualifications and training requirements. The then-current Franchise Agreement may contain terms and conditions materially different from those in your previous Franchise Agreements, such as different fee requirements.
d. Termination by Franchisee	Section 14A in Franchise Agreement	You may terminate Franchise Agreement if we materially breach the agreement and do not cure default after notice from you.
e. Termination by franchisor without cause	Section 14.B in Franchise Agreement	We may not terminate the Franchise Agreement without cause.
f. Termination by Franchisor with cause	Section 14.B in Franchise Agreement	Only if you or your owners commit one of several violations.
g. "Cause' defined-curable defaults	Section 14.B in Franchise Agreement	Under Franchise Agreement, you have 10 days to cure monetary defaults and failure to maintain required insurance; 30 days to cure operational defaults and other defaults not listed in (h) below; 15 days to cure quality assurance audits; and applicable cure period for monetary defaults owed to third parties.
h. "Cause" defined – non-curable defaults	Section 14.B in Franchise Agreement	Non-curable defaults under the Franchise Agreement include material misrepresentations or omissions; failure to secure site for the Center within 180 days after Franchise Agreement's effective date; failure to open your Center within 270 days after you sign a lease for your premises or one year after the Franchise Agreement's effective date, whichever is first; failure to complete training; abandonment; unapproved transfers; conviction of a felony; dishonest or

PROVISION	SECTION IN AGREEMENT	SUMMARY
		unethical conduct; unauthorized use or disclosure of the Operating Manual or other confidential information; failure to pay taxes; understanding Gross Sales; repeated defaults (even if cured); an assignment for the benefit of creditors; appointment of a trustee or receiver; failure to comply with anti-terrorism law; and failure to comply with other agreements with us or our affiliate and do not correct such failure within the applicable cure period, if any.
i. Franchisee's obligations on termination/non-renewal	Section 15 in Franchise Agreement	Under the Franchise Agreement, you must: cease operating the Center and using the Marks and Franchise System; return all forms, documents, and information; completely identify the business within 30 days; cancel all fictitious or assumed names; cease operating a similar center; notify telephone number and transfer number to our designee; return the Operating Manual and software and other proprietary materials; comply with confidentiality requirements; and at our option, sell or assign to use your rights in the Center premises and the assets used in the business.
j. Assignment of contract by franchisor	Section 12.B in Franchise Agreement	No restriction on our right to assign.
k. "Transfer" by franchisee-definition	Section 12.B in Franchise Agreement	Includes voluntary or involuntary sale, assignment, subdivision, sub-franchising; grant of mortgage, charge, lien or security interest; merger or consolidation; sale or exchange of voting securities; or transfer caused by divorce or death.
l. Franchisor's approval of transfer by franchisee	Section 12.B and 12.C in Franchise Agreement	We have the right to approve all transfers by you or your owners but will not unreasonably withhold or delay approval. However, transfers among current owners of ownership interests only require prior notice so long as Managing Owner remains the same and there is no change in control.
m. Conditions for franchisor approval of transfer	Section 12.C in Franchise Agreement	Transferee must meet qualifications; all monetary obligations must be paid; you must not be in default of any provisions of agreement; transferor and its owner (and transferee and its owner) must sign general release (unless prohibited by law); transferee must not have any ownership interest in Competitive Business; landlord must transfer lease to the Premises; upgrade Center to current specifications within 120 days; at our request, transferee signs then-current forms of agreement; transferee or designated manager must satisfactorily complete training at its own expense; pay transfer fee; transferor must execute non-compete agreement; we approve purchase

PROVISION	SECTION IN AGREEMENT	SUMMARY
		price, amount of debt and payment terms; transferor agree to subordinate its rights against the assignee to our rights against assignee.
n. Franchisor's right of first refusal to acquire franchisee's Franchised Business	Section 12.G in Franchise Agreement	If you receive and offer to sell or transfer an interest, direct or indirect, in the Franchise Agreement, your Center or an ownership interest in you, we have a right of first refusal to purchase such interest offered for the price and on the terms and conditions contained in the offer with certain provisions; if this right is not exercised within 30 days of our receipt of notice of such intention to sell or transfer, then you may sell or transfer in accordance with items k through m of this Table. If your Center has been used as collateral for an SBA-guaranteed loan (which requires our prior consent), we will not, while such loan remains unpaid, exercise our right of first refusal with respect to a transfer of part of the ownership interests in you unless in connection with our exercises of the right of first refusal we are paying off the SBA-guaranteed loan; however, we reserve the right to assign our right of first refusal with respect to such transfers to an unaffiliated third-party.
o. Franchisor's option to purchase franchisee's business	Section 15.E in Franchise Agreement	We may purchase the assets of your Center upon the expiration of the Franchise Agreement and any successor franchise granted to you, or the termination of the Franchise Agreement by you without cause or by us with cause (each a "Termination Event"). In the case of a Termination Event, we have 30 days from the Termination Event to provide you with written notice of our election to purchase your Center. We also have the right to purchase the assets of you Center upon a change in control of us, or if there is a public offering of our (or certain of our affiliates' or parents') securities (each a "Controlling Event"). In the case of a Control Event, we have until the 3rd anniversary of the occurrence of a Control Event to provide you with written notice of our election to purchase your Center. If we elect to purchase your Center upon a Control Event, we will do so only if we also exercise our similar options to purchase under the other Franchise Agreements entered into by you or your Approved Affiliates.
p. Death or disability	Section 12.B in Franchise Agreement	Death of franchisee (or any of its owners) is a transfer requiring our consent. See (k) above. However, our approval will not be unreasonably withheld or delayed so long as at least one of the Managing Owners continues to be the designated Managing Owners. If, as a result of the death or

PROVISION	SECTION IN AGREEMENT	SUMMARY
		incapacity of the transferor, a transfer is proposed to be made to the transferor's spouse, and if we do not approve the transfer, the trustee or administrator of the transferor's estate will have 9 months after our refusal to consent to the transfer to the transferor's spouse within which to transfer the transferor's interests to another party whom we approve.
q. Non-competition covenants during the term of the franchise	Section 7 Franchise Agreement	Neither you, nor any of your owners or their immediate family members, may have any involvement, directly or indirectly, in a "Competitive Business". "Competitive Business" means any child care center or other business (other than a KIDS GARDEN CENTER): (i) whose gross receipts from the providing of drop-in child care services represent, at any time, at least 10% of the business' total gross receipts, (ii) whose curriculum, lesson plans, business model, or method of operation is similar to that employed by, operated, franchised, or licensed by us, (iii) that offers or sells goods or services that are generally the same as or similar to the goods or services being offered by businesses owned, operated, franchised, or licensed by us, or (iv) that grants franchises or licenses for the operation of any of the foregoing or provides services to the franchisor or licensor of any of the foregoing. In addition, without our prior consent, you must not operate, directly or indirectly, any business marketed by a franchisor or chain under a locally, regionally, or nationally known or registered trademark or service mark. Further, you may not, without permission: recruit or hire general manager or assistant manager of ours, our affiliates, franchisees or developers, or district or regional manager or any of our or our affiliates' officers; nor interfere with vendor/supplier/consultant relationships nor engage in activities that would harm our Marks or Franchise System.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.D in Franchise Agreement	You may not have any involvement, directly or indirectly, in a Competitive Business for 24 months within a 10-mile radius of the premises of your Center or any KIDS GARDEN CENTER in existence or under development at the time of termination or expiration of Franchise Agreement.
s. Modification of the agreement	Section 17.L in Franchise Agreement	No modifications except in writing and signed by both you and us.
t. Integration/merger clause	Section 17.O in Franchise Agreement	Any representation or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. However, nothing in the Franchise Agreement is intended to disclaim the

PROVISION	SECTION IN AGREEMENT	SUMMARY
		representations we made in the Disclosure Document that we furnished to you.
u. Dispute resolution by arbitration or mediation	Section 17.G in Franchise Agreement	We and you must arbitrate all disputes at a location in or within 50 miles or our current principal place of business (currently Charleston, South Carolina) (subject to state law).
v. Choice of Forum	Section 17.I in Franchise Agreement	You must sue us in the state where our corporate headquarters are located (currently South Carolina) (subject to state law).
w. Choice of law	Section 17.H	South Carolina Law (subject to state law).

In addition to the provisions noted in the charts above, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of a right to a jury trial, waiver of punitive damages or exemplary damage, and limitations on whether claims may be raised. (Franchise Agreement – Sections 17.J and 17.K). We recommend that you carefully review all of these provisions, and the entire contract, with a lawyer.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATION

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchise 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 also be given, but only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 Director, Maren Anderson Moore at 57 Windermere Boulevard, Charleston, South Carolina 29407 or (843) 637-4602; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE KIDS GARDEN CENTERS SUMMARY FOR YEARS 2018-2022[1]

Outlet Type	Year	KIDS GARDEN CENTERS at the Start of the Year	KIDS GARDEN CENTERS at the End of the Year	Net Change
Franchised	2018	1	2	+1
	2019	2	2	0
	2020	2	2	0
	2021	2	3	+1
	2022	3	4	+1
Company Owned or Managed[2]	2018	2	2	0
	2019	2	2	0
	2020	2	2	0
	2021	2	2	0
	2022	2	2	0
Total Businesses	2018	3	4	+1
	2019	4	4	0
	2020	4	4	0
	2021	4	5	+1
	2022	5	6	+1

[1] The numbers in this table are for the 12-month periods ending December 31, 2018 through December 31, 2022.
[2] Company-owned includes affiliate-owned or managed.
[3] As of January 1, 2023, our affiliates owned and operated 2 KIDS GARDEN CENTERS.

TABLE NO. 2
TRANSFERS OF KIDS GARDEN CENTERS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AFFILIATE) FOR YEARS 2018 TO 2022[1]

There are no transfers to date.

[1] The numbers in this table are for the 12-month periods ending December 31, 2018 through December 31, 2022.

TABLE NO. 3
STATUS OF FRANCHISED KIDS GARDEN CENTERS FOR YEARS 2018 TO 2022[1]

State	Year	Franchise-Owned KIDS GARDEN CENTERS at Start of Year	Franchise-Owned KIDS GARDEN CENTERS Opened	Franchise-Owned KIDS GARDEN CENTERS Reacquired from Franchisee	Franchise-Owned KIDS GARDEN CENTERS Close	Affiliate-Owned KIDS GARDEN CENTERS Sold to Franchisee	Franchise-Owned KIDS GARDEN CENTERS at End of Year
NC	2018	1	0	0	0	0	1

	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
CO	2018	0	1[2]	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
TX	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	0
SC	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1

[1] The numbers in this table are for the 12-month periods ending December 31, 2018 through December 31, 2022.
[2] This was formerly a licensed Center in Steamboat Springs, Colorado, which opened in January of 2016.

TABLE NO. 4
STATUS OF AFFILIATE-OWNED KIDS GARDEN CENTERS FOR YEARS 2018 TO 2022[1]

State	Year	Affiliate-Owned KIDS GARDEN CENTERS at Start of Year	Affiliate-Owned KIDS GARDEN CENTERS Opened	Affiliate-Owned KIDS GARDEN CENTERS Reacquired from Franchisee	Affiliate-Owned KIDS GARDEN CENTERS Close	Affiliate-Owned KIDS GARDEN CENTERS Sold to Franchisee	Affiliate-Owned KIDS GARDEN CENTERS at End of Year
SC	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2

1 The numbers in this table are for the 12-month periods ending December 31, 2018 through December 31, 2022.

TABLE NO. 5
PROJECTED OPENINGS
AS OF JANUARY 1, 2023 FOR 2023

State	Franchise Agreements Signed But Franchised Business Not Opened	Projected New Franchised Businesses in the Next Fiscal Year	Projected New Affiliate-Owned Franchised Business in the Next Fiscal Year
CO	0	1	0

In the last 3 fiscal years, we have not entered into any agreements with franchisees that contain confidentiality clauses restricting their ability to communicate with you. We are not aware of any trademark-specific franchisee organizations that are associated with our franchise system. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit A is a copy of audited financial statements as of December 31, 2022.

ITEM 22
CONTRACTS

The Following contracts are attached as exhibits to this Disclosure Document:

Exhibit C Franchise Agreement

Exhibit D to the Franchise Agreement Personal Guarantee and Assumption of Obligations

Exhibit F to the Franchise Agreement Non-Disclosure and Non-Competition Agreement

Exhibit H to the Franchise Agreement Promissory Note

Exhibit I Representations and Acknowledgements

Exhibit J General Release

ITEM 23
RECEIPT

The last two pages of this Franchise Disclosure are detachable duplicate Receipts. Please sign and date both copies of the Receipt. Keep on signed copy of the Receipt for your file and return to us the other signed copy of the Receipt.

EXHIBIT A

HARVEST THE GARDEN, LLC

CHARLESTON, SOUTH CAROLINA

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

DECEMBER 31, 2022, 2021, AND 2020

HARVEST THE GARDEN, LLC

CHARLESTON, SOUTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

CONTENTS

STREETMAN, JONES & POWERS, LLC
Certified Public Accountants and Business Advisors

Phone: 843.723.3133
Fax: 843.723.3122
Internet: www.cpacharleston.com

171 Church Street
Suite 240
Charleston, SC 29401

INDEPENDENT AUDITORS' REPORT

Harvest the Garden, LLC
Charleston, South Carolina

Opinion

We have audited the accompanying financial statements of Harvest the Garden, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of operations and member's equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harvest the Garden, LLC as of December 31, 2022, 2021, and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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

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

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

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

Streetman, Jones & Powers, LLC

Streetman, Jones & Powers, LLC
Charleston, South Carolina
June 26, 2023

HARVEST THE GARDEN, LLC
BALANCE SHEETS
AS OF DECEMBER 31, 2022, 2021, AND 2020

ASSETS

	2022	2021	2020
Cash	$ 145,080	$ 74,086	$ 63,627
Accounts Receivable (Note 3)	11,689	8,587	5,658
TOTAL ASSETS	$ 156,769	$ 82,673	$ 69,285

LIABILITIES AND MEMBER'S EQUITY

	2022	2021	2020
CURRENT LIABILITIES			
Accounts payable	$ 9,150	$ -	$ -
TOTAL CURRENT LIABILITIES	9,150	-	-
MEMBER'S EQUITY			
Member's Equity	147,619	82,673	69,285
TOTAL MEMBER'S EQUITY	147,619	82,673	69,285
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 156,769	$ 82,673	$ 69,285

See accompanying notes to the financial statements and independent auditors' report

HARVEST THE GARDEN, LLC
STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

	2022	2021	2020
REVENUE			
Continuing franchise fees	$ 50,176	$ 25,544	$ 11,708
Initial franchise fees	30,000	-	30,000
Total revenue	80,176	25,544	41,708
GENERAL AND ADMINISTRATIVE EXPENSES			
Advertising	-	345	-
Bank charges	16		
Outside labor	-	-	2,000
Computer and Software	194	1,031	-
Office expenses	-	-	894
Professional fees	12,020	-	4,400
Rent	-	-	2,529
Supplies	-	280	-
Total general and administrative expenses	12,230	1,656	9,823
NET INCOME (LOSS)	67,946	23,888	31,885
BEGINNING MEMBER'S EQUITY	82,673	69,285	43,400
MEMBER'S DISTRIBUTIONS	(3,000)	(10,500)	(6,000)
ENDING MEMBER'S EQUITY	$ 147,619	$ 82,673	$ 69,285

See accompanying notes to the financial statements and independent auditors' report

HARVEST THE GARDEN, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

	2022	2021	2020
Cash Flows From Operating Activities:			
Net income	$ 67,946	$ 23,888	$ 31,885
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Decrease (increase) in:			
Accounts receivable	(3,103)	(2,929)	1,275
Increase (decrease) in:			
Accounts payable	9,150	-	(1,181)
Net cash provided by (used in) operating activities	73,993	20,959	31,979
Cash Flows From Financing Activities:			
Member distributions	(3,000)	(10,500)	(6,000)
Net cash provided by (used in) financing activities	(3,000)	(10,500)	(6,000)
Net increase (decrease) in cash	70,993	10,459	25,979
Cash at beginning of year	74,087	63,627	37,648
Cash at End of Year	$ 145,080	$ 74,086	$ 63,627

See accompanying notes to the financial statements and independent auditors' report

1. Summary of Significant Accounting Policies

A. Organization

Harvest the Garden, LLC (the Company) was formed in April 2015 as a South Carolina limited liability company. The Company is a term company and its specified term ends on April 3, 2065. The Company is engaged primarily in the business of offering and selling franchising services, specifically the ownership and operations of children's drop-in educational and recreation centers (Kids Play Garden) throughout the United States of America.

B. Basis of Accounting

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

C. Use of Estimates

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

D. Cash Equivalents

For the purposes of the financial statements, the Company considers all short-term debt and equity securities maturing in three months or less to be cash equivalents.

E. Allowance for Doubtful Accounts

Management considers the probability of collection of accounts receivable based on past experience, taking into account specific circumstances of franchisees as well as general economic factors, when determining whether an allowance for doubtful accounts is necessary.

F. Revenue Recognition

Revenue from sales of individual franchises is recognized when substantially all significant services to be provided by the Company have been performed. Generally, these services are substantially complete and initial fee revenue is recognized on the date the franchisee opens for business to the general public.

Continuing franchise fees are earned based on a percentage of the gross receipts of each individual franchisee and remitted to the Company pursuant to a franchise agreement.

1. Summary of Significant Accounting Policies - Continued

G. Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Total advertising expenses were $0, $345 and $0 for the years ended December 31, 2022, 2021 and 2020, respectively.

H. Income Taxes

The Company has elected disregarded entity status and the Company's earnings and losses are included in the income tax returns of the member; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

The Company's has evaluated the income tax position taken or expected to be taken, if any, on income tax returns filed and the likelihood that, upon examination by relevant jurisdictions, those income tax positions would be sustained. Based on the results of this evaluation, the Company determined there are no positions that necessitate disclosures and/or adjustments.

2. Insured Cash Balances

The Company maintains its cash balances at financial institutions where accounts are secured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. On December 31, 2022, 2021 and 2020, the balances were fully insured.

3. Accounts Receivable

Accounts receivable consist of the following at December 31:

	2022	2021	2020
Initial franchise fees	$ 5,000	$ 5,000	$ 5,000
Franchise royalties	6,689	3,587	658
Accounts receivable, net	$ 11,689	$ 8,587	$ 5,658

4. Related Party Transactions

The member of the Company is also the owner of Play Garden, LLC, a company that holds the trademarks and other intellectual property used by the Company. The Company has a royalty-free, non-exclusive limited license to use the trademarks only on and in connection with the sale of franchises.

In addition, there have been short-term advances and repayments between the related companies for operational convenience.

5. FASB ASC 606 Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB Topic 952, Franchisors, Revenue Recognition. Under the new guidance the franchisor determines if the pre-opening activities contain any distinct goods or services and allocate the transaction price based on the standalone selling price of the performance obligation. Revenue is then recognized when the promised goods or service are provided to the franchisee.

The Company has identified that there are no distinct performance obligations as the pre-opening services are specific to the brand. Site selection assistance is offered in the contract agreement but it is the primary responsibility of the franchisee to select location prospects. Therefore, the Company recognizes the initial franchise fee when the contract is executed and the fee received.

After the application of ASC 606, revenue and cost recognition will be consistent with prior periods.

6. Date of Management Review

Subsequent events have been evaluated through June 26, 2023, which is the date the financial statements were available to be issued.

EXHIBIT B
TABLE OF CONTENTS
OF
OPERATING MANUALS

OPERATIONS MANUAL TABLE OF CONTENTS
Kids Garden

1. INTRODUCTION TO THE MANUAL

2. INTRODUCTION TO THE FRANCHISE

3. PRE- OPENING PROCEDURES

4 PERSONNEL

5 DAILY OPERATING PROCEDURES

6 CRISES GUIDE

7 SALES PROCEDURES

8 MARKETING

EXHIBIT C
FRANCHISE AGREEMENT

NOTICE: THIS AGREEMENT IS SUBJECT TO ARBITRATION PURSUANT TO THE SOUTH CAROLINA UNIFORM ARBITRATION ACT, SECTION 15-48-10 ET SEQ. OF THE CODE OF LAWS OF SOUTH CAROLINA

HARVEST THE GARDEN, LLC

FRANCHISE AGREEMENT

Franchisee: ________________________________

Center Number: ______________________________

Center Address: _____________________________

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HARVEST THE GARDEN, LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is entered into by and between Harvest The Garden, LLC, a South Carolina limited liability company with its principal place of business at 57 Windermere Boulevard, Charleston, South Carolina 29407 ("we," "us," or "our"),

and

______________________________________ ("you," or "your")
(Name of Individual or Entity)

A ______________________________________
(Type of Entity and State of Organization)

____
Street Address

____
City, State, Zip Code

____
Telephone Number

And is entered into as of the date set for below our signature on this Agreement (the "Effective Date").

1. PREAMBLES, ACKNOWLEDGEMENTS, AND GRANT OF FRANCHISE.

A. PREAMBLES.

(1) We and our affiliates have developed (and will continue to develop and modify) a system for the operation of centers featuring drop-in child services and related products and services authorized by us from time to time (individually, a “Kids Garden Center” and collectively, “Kids Garden Centers”). Kids Garden Centers are developed and operated using certain specified and distinct business formats, methods, procedures, designs, layouts, standards, and specifications, all of which we may improve, further develop, or otherwise modify from time to time.

(2) We and our affiliates use, promote, and license others to use and promote certain trademarks, service marks, and other commercial symbols in operating Kids Garden Centers, including, without limitation, the Kids Garden Mark, and may create, use, and license other trademarks, service marks, and commercial symbols to identify Kids Garden Centers and the products and services offered by Kids Garden Centers (collectively, the “Marks”).

(3) We grant to persons who we determine satisfactorily meet our qualifications, and who confirm their willingness to undertake the investment and effort to own and operate a Kids Garden Center franchise, offering the products and services we authorize and using our and our affiliates’ business formats, methods, procedures, signs, designs, layouts, standards, specifications, and Marks (the “Franchise System”).

(4) You have applied for a franchise, to own and operate a Kids Garden Center and have provided us with certain information in support of your application.

B. ACKNOWLEDGEMENTS.

You acknowledge that:

(1) You have independently investigated this franchise opportunity and recognize that, like any other business, the nature of the business a

Kids Garden Center conducts may, and probably will, evolve and change over time.

(2) We do not guarantee the success of Kids Garden Centers, and being part of a franchise system does not alter the fact that an investment in a Kids Garden Center involves business risk that could result in the loss of a significant portion or all of your investment.

(3) Among other things, your business abilities and efforts are vital to your success and the success of your Center (as defined in Section 1.D.).

(4) Attracting customers for your Center will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising and networking, and display and use of in-store promotional materials.

(5) Retaining customers for your Center will require you to have a high level of customer service and to adhere strictly to the Franchise System and our System Standards (as defined in Section 4.C) and that you are committed to maintaining System Standards.

(6) You have not received from us, and are not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Kids Garden Center, that any information you have acquired from other Kids Garden Center franchise owners (if applicable) regarding their sales, profits, or cash flows was not information obtained from us, and that we make no representation about that information's accuracy.

(7) In all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us.

(8) You have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise.

(9) You have read this Agreement and our Franchise Disclosure Document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Kids Garden Center, and to protect and preserve the goodwill of the Marks.

(10) We have not made, and you have not relied on, any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, including without limitation your own attorney, and have relied solely upon those evaluations in deciding to enter into this Agreement.

(11) You have been afforded an opportunity to ask any questions you have and to review any materials of interest to you concerning this franchise opportunity.

(12) You have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and material we have given or made available to you reviewed by an attorney and have either done so or elected not to do so.

(13) You have a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, and you will have sufficient funds to meet all of your obligations under this Agreement.

C. <u>CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP</u>.

If you are at any time a corporation, limited liability company, or partnership (each, an "Entity"), you agree and represent that:

(1) You will have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and are and will, throughout this Agreement's

term, remain validly existing and in good standing under the laws of the state of your incorporation or formation;

(2) Your organizational documents, operating agreement, or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing of any ownership interests in you will bear a legend referring to this Agreement's restrictions;

(3) Exhibit A ("Listing of Ownership Interests") to this Agreement completely and accurately describes all of your owners and their interest in you as of the Effective Date;

(4) Each of your direct and indirect owners during this Agreement's term and your and their spouses will execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached herein as Exhibit D ("Personal Guaranty and Assumption of Obligations"). We confirm that a spouse who signs Exhibit D solely in his or her capacity as a spouse (and not as an owner) is signing that agreement merely to acknowledge and consent to the execution of the guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purposes (including, without limitation, to bind the spouse's own separate property). Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us revised Exhibits A to reflect any permitted changes in the formation that Exhibit A now contains.

(5) You must identify on Exhibit A one of your owners who is a natural person with at least 25% ownership interest and voting power in you and you will have authority of a chief executive officer (the "Managing Owner"). You agree to deliver to us a revised Exhibit A to accurately indemnify the Managing Owner should the identity of that person change during the term of this Agreement as permitted hereunder.

(6) The Managing Owner is authorized, on your behalf, to deal with us in respect of all matters whatsoever which may arise in respect to

this Agreement. Any decision made by the Managing Owner will be final and binding upon you, and we will be entitled to rely solely upon the decision of the Managing Owner in any such dealings without the necessity of any discussions with any other party named in this Agreement, and we will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Managing Owner.

(7) You will provide to us, at our request, copies of your articles of incorporation and bylaws, articles of organization and operating agreement, or as applicable your written partnership agreement or other governing documents, any amendments to them, resolutions authorizing your entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of your stock or other ownership interest and any other documents that we may reasonably request.

D. GRANT OF FRANCHISE.

You have applied for a franchise to own and operate a Kids Garden Center at the specific location which has been or will be approved by us pursuant to Section 2 of this Agreement (the "Premises") and identified in Exhibit E ("Location and Territory") ("Territory"). If the Premises have not been approved when you sign this Agreement, you and we will revise Exhibit E to identify the Premises once approved. Subject to this Agreement's terms, we grant you a franchise (the "Franchise") to operate a Kids Garden Center solely at the Premises (your "Center"), and to use the Franchise System in its operation, for a term beginning on the Effective Date and expiring 5 years from that date, unless sooner terminated under Section 14.

You agree to, at all times, faithfully and honestly, and diligently perform your obligations under this Agreement and to use your best efforts to promote your Center. You may use the Premises only for your Center. You agree not to conduct the business of your Center at any location other than the Premises. You may not promote or sell any products or services, whether directly or indirectly, through the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system.

E. TERM AND RENEWAL.

(1) Term. This Agreement shall be in effect upon its acceptance and execution by us and, except as otherwise provided herein, the term of this Agreement shall be five (5) years from the date first above written.

(2) Renewal. You may, subject to the following conditions, renew the rights granted under this Agreement for two (2) additional consecutive term(s) of five (5) years. We may require, in our sole discretion, that any or all of the following conditions be met prior to such renewal:

(a) You shall give us written notice of your election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the then-current term;

(b) You shall make or provide for, in a manner satisfactory to us, such renovation and modernization of the premises of the Premises (defined herein) as we may reasonably require, including, without limitation, installation of new equipment and renovation of signs, furnishings, fixtures, and décor to reflect the then-current standards and image of the Franchise System;

(c) You and all of your affiliates shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you and us and our affiliates; and you and all of your affiliates shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

(d) You and all of your affiliates shall have satisfied all monetary obligations owed by you to us and our affiliates under this Agreement, and shall have timely met those obligations throughout the term of this Agreement;

(e) You shall present evidence satisfactory to us that you have the right to remain in possession of the Premises for the duration of the renewal term (including without limitation providing us a complete copy of your lease for the Premises and all exhibits and amendments thereto) or shall obtain our approval of a new location for the Kids Garden Center for the duration of the renewal term;

(f) You shall, at our option, execute our then-current form of franchise agreement (but only for such renewal terms as are provided by this Agreement), which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty fee and advertising contribution and a smaller or modified Franchisee's Territory, except that you shall not be required to pay any initial franchise fee (but shall be required to pay the renewal fee as described below in (i));

(g) You shall execute, and shall cause each of your affiliates to execute a general release in a form prescribed by us, of any and all claims against us and our affiliates, and their respective officers, directors, agents, and employees;

(h) You shall comply with our then-current qualification and training requirements; and

(i) You shall pay us a renewal fee in the amount of fifty percent (50%) of our then-current initial franchise fee.

F. LIMITED EXCLUSIVITY AND RESERVATION OF RIGHTS.

You acknowledge and agree that you have limited exclusive rights and territorial protection for your Center as described in Exhibit E. You further acknowledge that we grant rights only by expressed provisions of written agreements and not by implication, interference or innuendo. We (and our Affiliates) retain the right at all times during and after this Agreement's term to engage in any and all activities that we (and they) deem appropriate and that have not been expressly granted to you in this Agreement, wherever and whenever we (and they) desire, and whether or not such activities compete with your Center, including, without limitation, the right to:

(1) Establish and operate and allow others to establish and operate, Kids Garden Centers using the Marks and the Franchise System, at any

location on such terms and conditions we deem appropriate outside of the Territory;

(2) Establish and operate, and allow others to establish and operate, child care centers, that may offer products and services which are identical or similar to products and services offered by Kids Garden Centers, under other trade names, trademarks, service marks, and commercial symbols different from the Marks, inside or outside the Territory;

(3) Establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, the Internet), wherever located operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Kids Garden Centers, and that sell products or services that are identical or similar to, or competitive with, those that Kids Garden Centers customarily sell;

(4) Acquire the assets or ownership interests of one or more businesses, including Competitive Businesses (defined below), and franchising, licensing or creating similar arrangements with respect to such businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, regardless if inside or outside the Territory;

(5) Be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any other business, including a Competitive Business, even if such business operates, franchises, or licenses such businesses in close proximity to the Center, regardless if inside or outside the Territory; and

(6) Operate and grant any third party the right to operate any Kids Garden Center that we or our designees acquire as a result of the exercise of a right of first refusal or purchase right that we have under this Agreement, any other franchise agreement or any other agreements, outside the Territory.

We may, at our option, engage in all other activities not expressly prohibited by this Agreement.

G. THE EXERCISE OF OUR JUDGMENT.

We have the right to operate, develop, and change the Franchise System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or to withhold an action, to grant or decline to grant you a right to take or withhold an action, or to provide or withhold approval or consent, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and on our judgement of what is in our or the Franchise System's best interests at the time our decision is made.

2. SITE SELECTION, LEASE OF PREMISES, AND DEVELOPMENT AND OPENING OF YOUR CENTER.

A. SITE SELECTION.

If you have not yet located a site for the Premises as of the Effective date, within 180 days after the Effective Date, you agree to purchase, or sign a lease for, a suitable site for your Center. You agree to obtain our written approval of a proposed site for your Center before signing any lease, sublease, or other document for the site. Our determination to approve or disapprove a site may be based on various criteria which may change from time to time in our discretion. You agree to send us information we require for the proposed site. You may operate your Center only at the Premises.

If you do not have an approved location prior to signing this Agreement and you select a site, an on-site evaluation will be provided as we deem advisable as part of our evaluation of your request for site approval. However, we will not provide on-site evaluations for any proposed site before our receipt of the information or materials required by this Agreement. If an on-site evaluation is deemed necessary and appropriate by us, we will conduct up to one on-site evaluation at our expense. For each additional on-site evaluation (if any), you must reimburse us for our reasonable expenses, including the costs of travel, lodging and meals.

You acknowledge and agree that, if we recommend or give you information regarding a site for the Premises, that is not a representation or warranty of any kind, express or implied, of the site's suitability for a Kids Garden Center or any other purpose. Our recommendation indicates only that we believe that the site meets our then-acceptable criteria which have been established for our own purposes and are not intended to be relied on by you as an indicator of likely success. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic or other factors included in or excluded from our criteria could change, even after our approval of the Premises or your development of the Center, altering the potential of a site and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site and premises we recommend fail to meet your expectations. You acknowledge and agree that your acceptance of the Franchise and selection of the Premises are based on your own independent investigation of the site's suitability for the Premises.

B. <u>LEASE OF PREMISES</u>.

We have the right to approve the terms of any lease for your Center premises and any amendment to, or renewal or assignment of the lease. You acknowledge and agree that any review and approval of any Center premises or lease is for our sole benefit and the benefit of the Franchise System, and are not intended to imply or guarantee the success or profitability of any Center Location. You acknowledge that you have been advised to obtain the advice of your own professional advisors before signing a lease. You and your legal and other advisors are solely responsible for negotiating the terms of the lease for your Center's premises. However, your lease must include the terms of our lease addendum attached hereto as Exhibit B ("Addendum to Lease"), unless otherwise approved by us in writing. If you are acquiring an existing Center and assuming a lease that does not contain the terms of our Addendum to Lease, you and the landlord must execute the Addendum to Lease in the form attached hereto as Exhibit B, unless otherwise approved by us in writing. You (and not any of your affiliates or owners) must be the tenant on the lease for the Center's premises. You agree to provide us a copy of the fully executed lease for your Center and any amendments or renewals of your lease upon signing and at any time upon our request.

If you do not agree with the lease provisions that we have approved or negotiated, you may elect not to sign a lease, but you would have to find another suitable site for the Premises. You must not enter into a lease or any other contract for the premises of your Kids Garden Center without our prior written consent.

Upon submission of a proposed lease for the Center, you must pay us or our designated supplier (which may be our affiliate) a lease review fee of One Thousand Dollars ($1,000.00) ("Lease Review Fee"), if we choose to review your lease or you request we review your lease. The Lease Review Fee pays the expenses incurred to review and (if we choose) to negotiate certain provisions of the Lease. You are not a third-party beneficiary of any lease negotiation or review that we conduct. You agree that we do not guarantee that the terms, including rent, will represent the most favorable terms available in that market. We will charge you only one (1) Lease Review Fee unless you refuse to sign a lease that we have certified as acceptable for the Premises, and we then are required to engage in one or more additional lease reviews for the Premises (or for a different location if you refuse to sign any lease for the first proposed Premises). In such event, you will pay us or our designated supplier a Lease Review Fee for the first lease review as well as a Lease Review Fee for each additional lease review.

C. <u>DEVELOPMENT OF YOUR CENTER</u>.

Within 150 days after the date you sign a lease for the Premises, you agree at your expense to do the following: (a) obtain and submit to us for approval detailed construction plans and specifications and space plans for your Center that comply with any design specifications provided by us and all applicable ordinances, building codes, permit requirements, and lease requirements and restrictions; (b) obtain all required zoning changes, planning consents, permits and licenses necessary to lawfully open and operate your Center; (c) construct all required improvements in compliance with construction plans and specifications approved by us; (d) decorate your Center in compliance with plans and specifications approved by us; (e) purchase and install all required equipment (including Computer System, as defined in Section 2.F below), furniture, fixtures and signs (collectively the "Operating Assets"); and (f) obtain all customary contractors' sworn statements and partial and final waivers of lien construction, remodeling, decorating, and installation services. You agree to use the vendor(s) we select, if any (which may include us or our affiliates), for design, engineering, construction management, and purchasing services in connection with the development of your Center.

D. FINANCING; MAXIMUM BORROWING LIMITS; LIQUIDITY.

You acknowledge and agree that:

(1) You will, at all times, maintain sufficient working capital reserves as necessary and appropriate to comply with your obligations under this Agreement. On our request, you will provide us with evidence of working capital availability. We reserve the right, from time to time, to establish certain levels of working capital reserves, and you will comply with such requirements; and

(2) We may from time to time designate the maximum amount of debt that Kids Garden Centers may service, and you will ensure that you will comply with such limits.

E. OPERATING ASSETS.

You agree to use in operating your Center only those Operating Assets we approve for Kids Garden Centers as meeting our specifications and standards of quality, design, appearance, function, and performance. You agree to place or display at the Premises (interior and exterior) only the signs, emblems, lettering, logos, and display materials we approve from time to time. You agree to purchase or lease approved brands, types, or models of Operating Assets only from suppliers we designate or approve (which may include or be included to us or our affiliates).

F. COMPUTER SYSTEM.

You agree to obtain and use specified integrated computer hardware and software, including an integrated computer-based customer-entry system (the "Computer System). We may modify specifications for, and components of, the Computer System. You also agree to maintain a functioning email address (that we assign you) and all specified points of high-speed Internet connections. Our modifications of specifications for the Computer System, and other technological developments or events, might require you to purchase, lease, or license new or modified computer hardware or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, you agree to incur the costs of obtaining and maintaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs. Within 60 days after you receive notice from us, you agree to obtain the Computer System components that we designate and to ensure that your Computer System, as modified, is functioning properly.

You agree that we or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you a monthly or other fee or any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during this Agreement's term.

Although you agree to buy, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces at our specified levels of connection speed without and any third party's computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

G. <u>BUSINESS OPENING</u>.

You agree not to open your Center until:

(1) We notify you in writing that your Center meets our standards and specifications;

(2) You have obtained all applicable licenses and permits;

(3) You and, if you will not be supervising the day-to-day management of the Center, the person you have designated to assume primary responsibility for the day-to-day supervision of the operating of the Center (the "Designated Manager") satisfactorily complete training;

(4) You pay the initial franchise fee and other amounts then due to us; and

(5) You give us certificates for all required insurance policies.

Subject to your compliance with these conditions, you agree to open your Center for business within 270 days after you sign a lease for the Premises or the one-year anniversary of the Effective Date, whichever occurs first.

3. <u>FEES</u>.

A. <u>INITIAL FEES</u>.

In consideration of the franchise granted herein, you shall pay to us, on execution of this Agreement, an initial franchise fee of Forty Thousand Dollars ($40,000). The entire initial franchise fee is fully earned and non-refundable in consideration of administrative and other expenses incurred by us in granting this franchise and for our lost or deferred opportunity to enter into this Agreement with others.

B. <u>OTHER FEES</u>.

You agree to pay us on or before the tenth of each month, in the manner provided below (or as the Operating Manual otherwise prescribes), a monthly royalty fee (the "Royalty") equal to 7%; monthly technology fee (the "Technology Fee") equal to 1%; monthly marketing fee (the "Marketing Fund") equal to 1%; and monthly brand fee (the "Brand Fund") equal to 1% of the monthly Gross Sales (defined in Section 3.C below) during the preceding month (beginning on the first day and ending on the last day of that month). Finally, there is a "Proprietary Software Fee" of $150.00 per month. These fees become due starting on the month following the first month in which the Center starts operating.

C. <u>DEFINITION OF "GROSS SALES"</u>.

As used in this Agreement, the term "Gross Sales" means all revenue that you derive from operating your Center (whether or not in compliance with this Agreement), whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but (1) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) reduced by the amount of any documented funds, credits and discounts your Center in good faith gives to customers or employees. We include gift certificate, gift card or similar program payments in Gross Sales when the gift certificate, gift card, or other instrument or applicable credit is redeemed. Gross Sales also include all insurance proceeds you receive for loss of business due to a casualty to or similar event at the Center.

D. <u>INTEREST ON LATE PAYMENTS</u>.

All amounts which you owe us for any reason will bear interest accruing as of their due date at two percent (2%) per month or the highest commercial contract interest rate that the law allows, whichever is less. We will charge a service fee of One Hundred Dollars ($100.00) per occurrence for checks returned to us due to insufficient funds or in the event there are insufficient funds in the business account you designate to cover our withdrawals. We may debit your bank account automatically for the service charge and interest. You will sign an ACH Authorization (defined below), which is attached hereto as Exhibit G. You acknowledge that this Section 3.D is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of your Center.

E. <u>APPLICATION OF PAYMENTS</u>.

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners.

F. <u>METHOD OF PAYMENT</u>.

You hereby authorize us to debit your checking, savings, or other account automatically for the Royalty, Marketing Fund (as defined in Section 9.B) contributions, other amounts due to us or our affiliates (the "ACH Authorization"). You agree to sign and deliver to us any documents we require for such ACH Authorization, attached hereto as Exhibit G. Such ACH Authorization shall remain in full force and effect during the term of this Agreement. We will debit the account you designate for these amounts on their due dates (or the subsequent business day if the due date is a national holiday or a weekend day). You agree to ensure that funds are available in your designated account to cover our withdrawals.

If you fail to report the Gross Sales, we may debit your account for one hundred ten percent (110%) of the average of the last three Royalty and Marketing Fund contributions that we debited. If the amounts that we debit from your account are less than the amounts you actually owe us (once we have determined the true and correct Gross Sales), we will debit your account for the balance on the day we specify. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following week.

We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic debit (e.g., by check) whenever we deem appropriate, and you agree to comply without payment instructions.

4. <u>TRAINING AND ASSISTANCE</u>.

A. <u>TRAINING</u>.

(1) <u>Initial Training</u>.

After you sign a lease for your Center and before you open your Center, we or our designee will provide initial training to two individuals: (1) you or one of your co-owners, and (2) your Designated Manager (or, if you do not have a manager, the individual who will have responsibility for the day to day operations of your Center) ("Initial Training"). Initial Training consists of a comprehensive program that provides you with the methods, procedures, and techniques you need to operate your Center. One designated individual must complete Initial Training to our satisfaction before your Center opens, but not prior to six weeks (6) before the scheduled opening, and the second designated individual must complete Initial Training to our satisfaction within 6 months (6) after your Center opens. Any replacement manager (or employee having responsibility for the day to day operations of your Center) must also attend and complete the Initial Training to our satisfaction. We have the discretion to determine whether or not any individual has successfully completed Initial Training. If you are converting your existing business to a Center, the two individuals must complete Initial Training within 180 days after you sign the Franchise Agreement. You must ensure that an individual who has completed the Initial Training to our satisfaction is on-site at your Center at all times. If you own and operate more than one (1) Center, each Center must have an individual on site at all times who has completed Initial Training to our satisfaction. You must pay for all travel, accommodations, meals and other expenses incurred by all individuals who attend Initial Training.

We or our designee will provide, at no additional cost to you, two days (2) of on-site assistance and support in connection with the opening and initial operations of your Center. We have discretion to determine the individuals who will provide this on-site support. If, upon the arrival of the support team at your Center, we determine in our discretion that you are not ready to open your Center, or if we determine in our discretion that you require or would benefit from additional on-site opening support, you will be responsible for the reasonable travel and living expenses incurred by our support team in providing the postponed or additional assistance.

If you want more than two individuals to attend Initial Training (such as new or additional managers or employees), you must pay us a fee of $500 per day per person and you must pay for all travel, accommodations, lodging, meals, and other expenses incurred by these individuals. Initial Training for additional individuals will be offered during our regularly scheduled Initial Training sessions.

(2) Additional Training and Conferences.

We may require that you pay $500 per day of training per person, and you are required to pay all travel, accommodations, lodgings, meals, and other expenses, for each individual you may designate for any refresher training we make available to our franchisees or for any optional training programs we may conduct from time to time. A minimum of two days is required if travel is involved. You must attend any annual conferences or seminars that we may require at a location we designate. You agree to pay all costs to attend.

B. GENERAL GUIDANCE.

We will advise you from time to time regarding the operation of your Center based on your reports or our inspections and will guide you with respect to:

(1) Standards, specifications, and operating procedures and methods that Kids Garden Centers use;

(2) Purchasing required and authorized Operating Assets and other products and services;

(3) Advertising and marketing materials and programs; and

(4) Employee training.

We will furnish to you the standards for the operation of your Center. These standards will be furnished in the form of our Operating Manual for the operation of the Kids Garden Center (the "Operating Manual"), which may include one or more separate manuals as well as audiotapes, videotapes, compact discs, computer software, information available on an Internet site, other electronic media, or written materials. We may also provide guidance via telephonic conversations or consultation at our offices. If you request, and we agree to provide, additional or special guidance, assistance or training, we may charge you as described above.

C. OPERATING MANUAL.

You must at all times keep your copy of the Operating Manual current and up-to-date. In the event of any dispute as to the contents of the Operating Manual, the master copies maintained by us at our principal place of business shall be controlling. You must treat the Operating Manual and the information it contains as confidential, and must use all reasonable efforts to maintain the information as secret and confidential. The Operating Manual is subject to the Non-Disclosure Agreement, attached hereto as Exhibit F. You must not copy, duplicate, record or otherwise reproduce the Operating Manual, in whole or in part, or otherwise make it or any part of it available to any unauthorized person. The Operating Manual will remain our sole property and must be kept in a secure place on the Center premises. You agree that the provisions of the Operating Manual, including the System Standards applicable to the Franchise System, and any changes and modifications to the Operating Manual, System Standards, and Franchise System as we may make from time to time, are incorporated into this Agreement and are an essential part of your obligations under this Agreement. At our option, we may post all or portions of the Operating Manual on a restricted website, intranet or extranet to which our franchisees will have access. If we do so, you agree to monitor and access the website, intranet or extranet for any updates to the Operating Manual. Any password or other digital identification necessary to access the Operating Manual will be deemed to be our proprietary information, subject to the confidentiality provisions of this Agreement

D. DELEGATION OF PERFORMANCE.

You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agent or independent contractors with whom we have contracted to perform these obligations.

5. MARKS.

A. OWNERSHIP AND GOODWILL OF MARKS.

You acknowledge that we and our affiliates have the sole right to license and control your use of the Marks and that the Marks shall remain under our and our affiliates' sole and exclusive ownership and control. You acknowledge that you do not acquire any right, title, or interest in the Marks except for the right to use the Marks in the operation of your Center under this Agreement. You will display the Marks prominently at your Center and on forms, advertising, marketing and other materials in the manner we prescribe. Any unauthorized use of the Marks by you shall constitute a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your use of the Marks and any resulting goodwill is for our exclusive benefit.

B. LIMITATIONS ON YOUR USE OF MARKS.

You shall not use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols other than as approved in writing by us, nor may you use any Mark in connection with unauthorized services or products or in any other manner not expressly authorized by us in writing. **This includes using the Marks as a part of your entity name.** You agree that no service or trade mark other than the Marks shall be used in the marketing, promotion, or operation of your Center.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You must notify us immediately of any possible infringement of any Mark or use of a trademark confusingly similar to the Marks that comes to your attention. You must also notify us of any challenge to your use of the Marks. You may not communicate information about an infringement or challenge with any person other than us, our affiliates or our counsel. You may not settle any claim without our written consent. We may take any action we deem appropriate (including no action) and exclusively control any litigation or United States Patent and Trademark Office or other administrative proceeding arising out of any infringement, challenge or claim related to the Marks. We are not contractually obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, nor are we required to participate in your defense or indemnify you. However, we might choose to do so if, in the opinion of our legal counsel, such action is necessary or appropriate under the circumstances. In that case, we will pay all costs, including attorneys' fees and court costs, associated with any litigation required to defend or protect your authorized use of the Marks. We will not pay any of your attorneys' fees if you hire your own attorney. You must cooperate with us in any litigation. You must execute any and all instruments and documents, render such assistance, and perform such acts as may be necessary or advisable to protect and maintain our interests in the Marks.

D. DISCONTINUANCE OF USE OF MARKS.

If it becomes advisable at any time for us or you to modify or discontinue the use of any Mark, or to use an additional Mark, you must comply with our directions to do so within a reasonable time after we provide notice to you. We need not reimburse you for any lost revenue or the costs you incur to comply with such direction, including the costs to change your Center's signs, replace proprietary supplies or promote the modified or newly required Marks.

6. CONFIDENTIAL INFORMATION.

We and our affiliates possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information" and subject to the Non-Disclosure Agreement and Non-Competition" attached hereto as Exhibit F), relating to developing and operating Kids Garden Centers, whether or not marked confidential, including but without limitation:

(1) site selection criteria;

(2) training and operations materials and manuals, including, without limitation, the Operating Manual;

(3) the System Standards and other methods, formats, specifications, standards, systems, procedure, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting, and operating Kids Garden Centers;

(4) market research, promotional, marketing, and advertising programs for Kids Garden Centers;

(5) knowledge of specifications for, and suppliers of, Operating Assets and other products and supplies;

(6) any computer software or similar technology which is proprietary to us, our affiliates, or the Franchise System, including, without limitation, digital passwords, and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;

(7) knowledge of the operating results and financial performance of Kids Garden Centers, other than your Center; and

(8) customer data.

We shall disclose the Confidential Information to you in Initial Training, in the Operating Manual, and in guidance and materials furnished to you during the term of this Agreement. You have not acquired any interest in the Confidential Information other than the right to utilize it in the Territory in the execution of your duties hereunder during the term of this Agreement, and you acknowledge that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. You acknowledge and agree that the Marks and Operating Assets have valuable goodwill attached to them, that their protection and maintenance are essential to us and our affiliates, and that any unauthorized use or disclosure of the Marks, the Operating Assets or other Confidential Information will result in irreparable harm to us and our affiliates. You also acknowledge and agree that the Confidential Information is proprietary, includes trade secrets of ours, and is disclosed to you solely on the condition that you agree, and all of the other Bound Parties (defined in Section 7 below) hereby agree that you:

(a) will not use the Confidential Information in any other business or capacity;

(b) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

(c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and

(d) will adopt and implement all reasonable procedures prescribed periodically by us to prevent unauthorized use or disclosure of the Confidential Information, including requiring that every employee, agent, or independent contractor you hire or engage to assist you in the operation of your Center execute a Non-Disclosure Agreement and Non-Competition. (See Exhibit F).

You agree that we shall have the perpetual right to use and authorize other franchisees to use, and you shall fully and promptly disclose to us, all ideas, concepts, methods, and techniques relating to the development and operation of the Franchise System howsoever conceived or developed by you or your employees during the term of this Agreement. You acknowledge that any ideas, concepts, methods, and techniques or materials concerning any Center, whether or not protectable intellectual property and whether or not created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our and our affiliates' sole and exclusive property, part of the Franchise System and works "made for hire" for us and our affiliates. With respect to any such item, you assign ownership of that item, or will cause your owners or employees to assign ownership of that item, and all related rights to that item, to us and our affiliates and you must sign whatever assignment or other documents we or our affiliates request to reflect our ownership of, or to help us and our affiliates obtain intellectual property rights in the item. If you are an individual, you agree that your spouse shall be bound, and if you are an entity, you agree that any officers, directors, partners, shareholders and members and their respective spouses shall be bound by this Section 6.

7. EXCLUSIVE RELATIONSHIP DURING TERM.

A. COVENANTS AGAINST COMPETITION

(1) You agree that, in addition to the license of the Marks granted to you under this Agreement, you have been licensed commercially valuable information that comprises Operating Assets, including without limitation, operations, marketing, advertising, and related information and materials. You further agree that the value of this information arises not only from the time, effort, and money expended on compiling the information, but also from all the franchisees' use of the information. Therefore, you agree that, other than the Center, neither you nor any of your officers, directors, shareholder, members, partners, or other owner, nor any spouse or immediate family member of yours of any of these individuals (collectively, "Bound Parties"), shall, during the term of this Agreement:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a "Competitive Business" as defined below, wherever located or operating;

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located or operating;

(c) divert or attempt to divert any business related to the Center, our business, or any other franchisee's Center by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of ours, any of our affiliates, or another franchisee, to any Competitive Business;

(d) directly or indirectly solicit or employ any person who is employed by us, any of our affiliates, or another franchisee of ours without obtaining the employer's prior written consent; or

(e) use any of the Operating Assets for any unauthorized purpose, use any confusingly similar method, format, procedure, technique, slogan, insignia, term, designation, design, diagram, promotional material or course material, or cause or permit any facility or program to look like, copy, or imitate any facility or program operated or licensed by us without our prior consent.

(2) The term "Competitive Business" for purposes of this Agreement, means any child care center or other business (other than a Kids Garden Center): (i) whose gross receipts from the providing of drop-in child care services represent, at any time, at least 10% of the business' total gross receipts, (ii) whose curriculum, lesson plans, business model, or method of operation is similar to that employed by, operated, franchised, or licensed by us, (iii) that offers or sells goods or services that are generally the same as or similar to the goods or services being offered by businesses owned, operated, franchised, or licensed by us, or (iv) that grants franchises or licenses for the operation of any of the foregoing or provides services to the franchisor or licensor of any of the foregoing. In addition, without our prior consent, you must not operate, directly or indirectly, any business marketed by a franchisor or chain under a locally, regionally, or nationally known or registered trademark or service mark.

(3) Further, you agree that, during the Term of this Agreement, you will not operate, directly or indirectly, any other Branded Business, without our written consent. The term "Branded Business" means any business marked by a franchisor or chain under a locally, regionally, or nationally known or registered trademark or service mark.

B. NON-SOLICITATION AND NON-INTERFERENCE.

(1) You further agree that, during the Term, neither you nor any of your owners, your or your owners' Affiliates, or the officers, directors, managers or immediate family members of any of the foregoing will:

(a) recruit or hire any person who is then or was, within the immediately preceding 24 months, employed by us, any of our affiliates, or a franchise owner as (i) general manager or assistant general manager or assistant manager at any Kids Garden

Center, (ii) a district or regional manager or any other such person having responsibility for overseeing or supervising the operation of multiple Kids Garden Centers, or (iii) any of our or our affiliates' officers, in any case without our consent or that of the relevant employer;

(b) interfere or attempt to interfere with our or our affiliates' relationships with any vendor or consultants; or

(c) engage in any other activity which might injure the goodwill of the Marks or the Franchise System.

(2) If you fail to comply with paragraph (a) above, you agree to pay us an amount equal to 200% of the annual salary of such person. Nothing contained herein shall be deemed a waiver of our right to terminate pursuant to Section 14.B of this Agreement.

8. <u>BUSINESS OPERATIONS AND SYSTEM STANDARDS</u>.

A. <u>CONDITION AND APPEARANCE OF YOUR CENTER</u>.

You agree that you will not use any part of the Premises for any purpose other than operating a Kids Garden Center in compliance with this Agreement, and that you will place or display at the Premises (interior or exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we approve from time to time. You further agree to maintain the condition and appearance of your Center, its Operating Assets and the Premises in accordance with the System Standards and, consistent with the image of Kids Garden Centers, as an efficiently operated business offering high quality products and services and observing the highest standards of cleanliness and efficient, courteous service. Therefore, you agree to take, without limitation, the following actions during this Agreement's term at your expense:

(1) thorough cleaning, repairing, and redecorating of the interior and exterior of the Premises at intervals that we may prescribe;

(2) interior and exterior repair of the Premises as needed; and

(3) repair or replacement, at our direction, of damaged, worn-out or obsolete Operating Assets at intervals that we may prescribe (or, if we do not prescribe an interval for replacing any Operating Assets, as that Operating Asset needs to be repaired or replaced).

In addition to the foregoing, you agree to renovate, refurbish, remodel, or replace, at your own expense, the real and personal property and equipment used in operating the Center when reasonably required by us in order to comply with the image, standards of operation, and performance capability we establish from time to time. If we change our image or standards of operation, we shall give you a reasonable time within which to comply with such changes.

B. PRODUCTS AND SERVICES YOUR CENTER OFFERS.

You agree that you:

(1) will offer and sell from your Center all products and services that we periodically specify;

(2) will not offer or sell at your Center, the Premises, or any other location any products or services we have not authorize; and

(3) will discontinue selling and offering for sale any products or services that we at any time disapprove.

C. MANAGEMENT OF YOUR CENTER.

Your Center shall be managed by the Designated Manager. Your Designated Manager agrees to work full-time at your Center, to supervise the day-to-day operations of your Center. You (or your Managing Owner) must supervise the management and operation of your Center and continuously exert best efforts to promote and enhance your Center.

D. APPROVED PRODUCTS, SERVICES, AND SUPPLIERS.

We and our affiliates reserve the right to approve or designate, from time to time, manufacturers, vendors, distributors, suppliers, and producers (collectively referred to herein as “vendors”), terms, and distribution methods of any goods or services (which include, but are not limited to, services, insurance, products, equipment, supplies, and materials). You shall purchase all goods and services required for the operation of your Center from such approved or designated vendors (which may be only one vendor for any given good or service) under terms, in the manner, and from the source designated by us or any of our affiliates. If we or any of our affiliates designates such goods and services are to be purchased through approved or designated third party distributors, then you shall purchase such goods and services from such distributors pursuant to the terms and in the manner approved by us and or our affiliates. We or any of our affiliates may be a supplier, distributor, or otherwise party to these transactions, and may derive revenue or profit from such transactions. We and any of our affiliates may use such revenues or profit without restriction.

In the event you desire to purchase equipment, products, services, supplies, or materials from vendors other than those previously approved by us and our affiliates, you shall, prior to purchasing any such equipment, products, services, supplies, or materials, give us a written request to change vendor. We shall notify you in writing of the approval or rejection of the proposed vendor within a reasonable time after completion of the investigation of the proposed vendor, should we choose to conduct an investigation. We and our affiliate may from time to time inspect any vendor's facilities and products to assure proper production, processing, storing, and transportation of equipment, products, services, supplies, or materials to be purchased from the vendor by you. Permission for such inspection shall be a condition of the continued approval of such vendor. We and our affiliates may, for any reason whatsoever at our or their sole discretion, elect to withhold or revoke approval of the vendor. In order to make such determination, we and our affiliates may, at any time, require that samples from the vendor or a proposed new vendor be delivered for testing. A charge not to exceed the actual cost of the test may be made by us and shall be paid by you. You acknowledge that we and our affiliates are likely to reject your request for a new vendor without conducting any investigation if we and our affiliates already have designated an exclusive vendor for the equipment, products, services, supplies, or materials proposed to be offered by the new vendor permitted in this Section. We will advise you within a reasonable time whether such products, supplies, or services meet our specifications. If, at any time (including after our initial approval), we determine that you fail to meet our specifications and standards in connection with the provision of any products or services, including, without limitation, delivery services, we may permanently or temporarily terminate your right to offer such products or services; provided that nothing contained herein shall be deemed a waiver of our right to terminate pursuant to Section 14 hereof.

E. COMPLIANCE WITH LAW AND GOOD BUSINESS PRACTICES.

You must secure and maintain in force throughout this Agreement's terms all required licenses, permits, and certificates relating to the operation of your Center and operate your Center in full compliance with all applicable laws, ordinances, and regulations. You agree to comply and assist us in our 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 or other regulations. In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Center as may be required by us or by law. You confirm that you are not listed in the Annex to Executive order 13224 and agree 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). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 16.D pertain to your obligations hereunder.

Your Center must in all dealing with its customers, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice that might injure our business or the goodwill associated with the Marks or other Kids Garden Centers. You must notify us in writing within three business days of:

(1) the commencement of any action, suit, or proceeding relating to your Center;

(2) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality relating to your Center;

(3) any notice of violation of any law, ordinance or regulation relating to your Center;

(4) receipt of any notice of complaint from the Better Business Bureau, any local, state, or federal consumer affairs department or division, or any other government or independent third party involving a complaint from a client or potential client relating to your Center; and

(5) written complaints from any client or potential client. You must immediately provide to us copies of any documentation you receive of events in (1) through (5) above and resolve the matter in a prompt and reasonable manner in accordance with good business practices.

F. INSURANCE.

During the term of this Agreement you must maintain in force at your sole expense comprehensive business owners coverage (including contents insurance, loss of business income, employee dishonesty, money coverage, and comprehensive general liability) hire/non-owned auto liability, machinery coverage, umbrella coverage, building coverage, and auto liability coverage, and any other insurance coverage we deem necessary, all containing the minimum liability coverage we prescribe from time to time. You also must maintain worker's compensation insurance for your employees in accordance with laws applicable in the state in which the Center is operated. We may periodically increase the amounts of coverage required under these insurance policies or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. You routinely must furnish us copies of your Certificate of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and your Center on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs, and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

G. PRICING.

Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may charge for products and services offered by Kids Garden Centers. If we impose such a maximum or minimum price for any product or service, you may charge any price for the product or service up to and including the maximum price we impose or down to and including the minimum price we impose, but may not charge any price in excess of the maximum price, or below the minimum price, set by us.

H. CENTER TELEPHONE NUMBERS AND LISTINGS.

You will keep all telephone numbers for the Center separate from telephone numbers you use in any other business operations and from your personal telephone numbers. You will use the telephone numbers for the Center only for business authorized by this Agreement. Upon the expiration or termination of this Agreement, you will:

(1) stop using all Center telephone numbers regardless of our intention to use them;

(2) promptly inform the telephone service provider of your discontinued use of the telephone numbers unless we request that the numbers be transferred to us or our designee; and

(3) execute all documents that we request in order to transfer to us or our designee of all center telephone numbers.

You acknowledge and agree that, as between us and you, we have all rights to, and interest in, all telephone numbers, facsimile numbers, directory listings, and Internet addresses which you use in the operation or promotion of the Center. You hereby irrevocably appoint us, with full power of substitution, as your true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. To evidence and confirm appointment, you must execute the form of Collateral Assignment of Telephone Numbers, Telephone Listings, and Internet Addresses which is attached hereto as Exhibit C.

I. COMPLIANCE WITH SYSTEM STANDARDS.

You acknowledge and agree that operating and maintaining your Center according to System Standards are essential to preserve the goodwill of the Marks and the goodwill of all Kids Garden Centers. Therefore, you agree at all times to operate and maintain your Center according to each and every System Standard, as we periodically modify and supplement them. Though we retain the right to establish and periodically modify System Standards which you have agreed to maintain in the operation of your Center, you retain the right and responsibility for the day-to-day management and operation of your Center and the implementation and maintenance of Systems Standards at your Center. System Standards may regulate any aspect of the operation and maintenance of your Center, including, but not limited to, any one or more of the following:

(1) sales, marketing, advertising and promotional programs and materials and media used in these programs;

(2) staffing levels for your Center and employee qualifications, training, dress and appearance (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions);

(3) use and display of the Marks;

(4) days and hours of operation;

(5) methods of payment that your Center may accept from customers;

(6) participation in market research and testing and product and service development programs;

(7) participations in gift card programs;

(8) curriculum;

(9) bookkeeping, accounting, data processing and recordkeeping systems, and forms; formats, content and frequency of reports to us of sales, revenue, and financial performance and condition; and giving us copies of tax returns and other operating and financial

information concerning the Franchise (we will use reasonable efforts to keep such records confidential);

(10) types, amounts, terms and conditions of insurance coverage required for your Center, including criteria for your insurance carriers;

(11) any other aspects of operating in maintaining your Center that we determined to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Kids Garden Centers. You agree that System Standards we prescribe in the Operating Manual, or otherwise communicate to you in writing or another form, are part of this Agreement as it fully set forth within this text. All references to this Agreement include all System Standards and Operating Assets as periodically modified. You acknowledge that our periodic modification of the System Standards (including, without limitation, changes and additions to equipment and hardware and software required for the Computer System), which may accommodate regional or local variations, may obligate you to invest additional capital in your Center and incur higher operating costs.

9. MARKETING.

A. GRAND OPENING ADVERTISING.

You must spend at least Two Thousand Five Hundred and NO/100 Dollars ($2,500) for a grand opening marketing program for your Center to take place on the dates we designate before and after you Center opens. We reserve the right, in our discretion, to increase the required grand opening advertising required under this Section 9.A to an amount to be determined, depending on factors such as whether your Center is in an urban or rural market. You agree to use the media, materials, programs and strategies we develop or approve in connection with the grand opening advertising program. In addition to the grand opening marketing program, during the first three months the Center is open, you must spend at least $1,000 per month on local marketing, advertising, and promotion.

B. MARKETING FUNDING.

If one is established, you agree to contribute to a marketing fund for Kids Garden Centers (the "Marketing Fund") an amount equal to one percent (1%) of Gross Sales, payable in the same manner as the Royalty. However, we have the right, at any time and with notice to you, to increase the amount you must contribute to the Marketing Fund, to up to four percent (4%) of Gross Sales, provided that in no event will we be entitled to require that the aggregate a month of the required Marketing Fund contribution, the local marketing requirement pursuant to Section 9.C below and the required contribution to a Local Advertising Cooperative (as defined in Section 9.D below) exceed five percent (5%) of Gross Sales.

We or our affiliates or other designees will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements, used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining a Franchise System Website (as defined in Section 9.E below) and related strategies; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Marketing Fund will give you a sample of advertising, marketing, and promotional formats, and materials at no cost. We will sell you multiple copies of these materials at our direct cost of producing them, plus any related shipping handling, and storage charges.

We will account for the Marketing Fund separately from our other funds and not use the Marketing Fund for any of our general operating expenses. However, we may use the Marketing Fund to reimburse us for our affiliates or designees for the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, the Marketing Fund's other administrative costs, travel expenses of personnel while they are on Marketing Fund business, meeting costs, overhead relating to Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Marketing Fund and its programs, including, without limitation, conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for Marketing Fund contributions.

The Marketing Fund will not be our asset. We do not owe any fiduciary obligation to you for administering the Marketing Fund or any other reason. We will hold all Marketing Fund contributions for the benefit of the contributors and use contributions for the purposes described in this Section 9.B. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We may have the Marketing Fund audited annually, at the Marketing Fund's expense, by an independent certified public accountant. We may incorporate the Marketing Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all the rights and duties specified in this Section 9.B.

We intend for the Marketing Fund to promote recognition of the applicable Marks and patronage of Kids Garden Centers generally. Although we will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Kids Garden Centers contributing to the Marketing Fund, we need not ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to Marketing Fund contributions by Kids Garden Centers operating in that geographic area or that any Kids Garden Center benefits directly or in proportion to its Marketing Fund contribution from the development of advertising and marketing materials or the placement of advertising and marketing. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marking Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as expressly provided in this Section 9.B, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Marketing Fund.

We may at any time defer or reduce contributions of a Kids Garden Center franchise owner and, upon 30 days' prior notice to you, reduce or suspend Marketing Fund contributions and operations for one or more periods of any length and ruminate (and, if terminated, reinstate) the Marketing Fund. If we terminate the Marketing Fund, we will distribute all unspent monies to our franchise owners who contribute to the Marketing Fund, and to us and our affiliates, in proportion to their and our respective Marketing Fund contributions during the preceding 12-month period.

C. LOCAL MARKETING EXPENDITURES.

In addition to your obligations under Section 9.A and Section 9.B above, you agree to spend money, as required in this Section 9.C, to promote your Center. You agree to list and advertise your Center on all major internet search engines (for example, Google Local and CitySearch) and all major internet consumer review websites (for example, Yelp and Urban Spoon) set forth in the Operating Manual and in at least one recommended classified telephone directory distributed within the market area of your Center (in the business classifications we prescribe from time to time) and to use a form of classified telephone directory advertisement provided by us. If other Kids Garden Centers are located within the directory's distribution area, we may require you to participate in a collective advertisement with those other Kids Garden Centers and to pay your share of that collective advertisement. You also agree to spend, beginning after you complete your grand opening advertising obligations in Section 9.A above, at least one percent (1%) of the Center's Gross Sales each calendar quarter to advertise and promote your Center (this may include costs of yellow pages advertising); provided, however, that if you or your Affiliates operate two or more Centers we may require you to spend at least three percent (3%) of your Gross Sales each calendar quarter to advertise and promote your Centers. Any amount of Local Advertising Cooperative (defined in Section 9.D below) contribution you make will be set off against amounts required to be spent by you under this Section 9.C. Within 30 days after the end of each calendar quarter, you agree to send us, in the manner we prescribe, an accounting of your expenditures for local advertising and promotion during the preceding calendar quarter. Your local advertising and promotion must follow our guidelines.

You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. At least 30 days before you intend to use them, you agree to send us for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously approved. If you do not receive written approval within 10 days after we receive the materials, they are deemed to be disapproved. Once we approve materials, you are permitted to use them; provided, however, that we may, in our discretion, withdraw our approval if a regulatory or other issue arises that, in our opinion, make such withdrawal in our or the Franchise System's best interests. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

We reserve the right, at any time, to issue you a notice that the amounts required to be spent by you under this section 9.C shall, instead, be paid to us or our designee. If we exercise this option, we will then spend such amounts, in accordance with local Center marketing guidelines and programs that we develop from time to time, to advertise and promote the Marketing Fund or to a Local Advertising Cooperative in accordance with and as required under Section 9.D below. We may also elect, on one or more occasions and without prejudice to our rights to issue further notices, to temporarily or permanently cease conducting such marketing activities on your behalf and, instead, to require you to conduct such marketing activities yourself in accordance with this Section 9.C.

D. LOCAL ADVERTISING COOPERATIVE.

Subject to the terms and conditions of this Section 9.D, you agree that we or our affiliates or designees may establish or direct the establishment of a Local Advertising Cooperative ("Local Advertising Cooperative") in geographical areas (as determined by us) in which two or more Kids Garden Centers are operating. The Local Advertising Cooperative will be organized and governed in a form and manner, and begin operating on a date that we determine in advance. We may change, dissolve, and merge Local Advertising Cooperatives. Each Local Advertising Cooperative's purpose is, with our approval, to administer advertising programs and develop advertising, marketing, and promotional materials for the area that the Local Advertising Cooperative covers. If, as of the time you sign this Agreement, we have established a Local Advertising Cooperative for the geographic area in which your Center is located, or if we establish a Local Advertising Cooperative in that area during this Agreement's term, you agree to sign the documents we require to become a member of the Local Advertising Cooperative and to participate in the Local Advertising Cooperative as those documents require.

If we establish a Local Advertising Cooperative in your geographic area pursuant to this Section 9.D after you open the Center, you must become a member of the Cooperative no later than 30 days after the date on which the Local Advertising Cooperative begins operation. If the Center is within the territory of more than one Local Advertising Cooperative, you will not be required to be a member of more than one Local Advertising Cooperative within that territory. You agree to pay us a weekly Local Advertising Cooperative contribution in the amount we establish for the particular Local Advertising Cooperative, which amount will not exceed three percent (3%) of the Gross Sales. Your Local Advertising Cooperative contribution is payable in the same manner as the Royalty. These contributions may be capped based on the provisions of the by-laws adopted by the Local Advertising Cooperative, subject to our approval. You will pay these monies to us electronically and we will remit them periodically to the Local Advertising Cooperative.

Each Kids Garden Center contributing to a Local Advertising Cooperative will have one vote on matters involving the activities of the particular Local Advertising Cooperative. The Local Advertising Cooperative may not use any advertising, marketing, or promotional plans or materials without our prior written consent. We agree to assist in the formulation of marketing plans and programs, which will be implemented under the direction of the Local Advertising Cooperative. You acknowledge and agree that, subject to our approval and subject to availability of funds, the Local Advertising Cooperative will have sole discretion over the creative concepts, materials, and endorsements used by it. You agree that the Local Advertising Cooperative assessments may be used to pay the costs of preparing and producing video, audio, and written advertising and direct sales materials for Kids Garden Centers in that geographic area; and implementing direct sales programs and employing marketing, advertising, and public relations firms to assist with the development and administration of marketing programs for Kids Garden Centers in such area.

The monies collected by us on behalf of a Local Advertising Cooperative will be accounted for separately by us from our other funds and will not be used to defray any of our general operating expenses. You agree to submit to us and the Local Advertising Cooperative any reports that we or the Local Advertising Cooperative requires.

You understand and acknowledge that your Center might not benefit directly or in proportion to its contribution to the Local Advertising Cooperative from the development and placement of advertising and the development of marketing materials. Local Advertising Cooperatives for Kids Garden Centers will be developed separately and no cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Local Advertising Cooperative on behalf of and at the expense of the Local Advertising Cooperative and to forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in this Section 9.D, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Local Advertising Cooperative.

E. <u>FRANCHISE SYSTEM WEBSITE</u>.

We have established a website to advertise, market, and promote Kids Garden Centers, the products and services that they offer and sell, or the Kids Garden Center franchise opportunity ("Franchise System Website"). We may, but are not obligated to, provide you with a webpage on the Franchise System Website that references your Center. If we provide you with a webpage on the Franchise System Website, you must: (i) provide us the information and materials we request to develop, update, and modify your webpage; (ii) notify us whenever any information on your webpage is not accurate; and (iii) pay our then current initial fee and monthly maintenance fee for the webpage.

We will maintain the Franchise System Website and may use the Marketing Fund's assets to develop, maintain, and update the Franchise System Website. You acknowledge that we have final approval rights over all information on the Franchise System Website (including your webpage). We may implement and periodically modify System Standards relating to the franchise System Website.

Even if we provide you a webpage on our Franchise System Website, we will only maintain such webpage while you are in full compliance with this Agreement and all the System Standards we implement (including without limitation, those relating to the Franchise System Website). If you are in default of any obligation under this Agreement or our System Standards, then we may, in addition to our other remedies, temporarily remove your webpage from the Franchise System Website until you fully cure the default. We will permanently remove your webpage from the Franchise System Website upon this Agreement's expiration or termination.

All advertising, marketing, and promotional materials that you develop for your Center must contain notices of the Franchise System Website's domain name in the manner we designate. You may not develop, maintain, or authorize any other Website or create or use a screen name, user name or profile on any social networking site that mentions or describes you or your Center or displays any of the Marks. We do not currently charge this fee. We estimate that this fee will be $50.00 per month if implemented, plus any costs we incur for upgrades and maintenance, which will be divided amongst all franchisees equally.

F. USE OF MARKETING MATERIALS.

All advertising and promotion by you (including any design, advertisement, sign, or form of publicity) must be in the media and of a type and format as we may approve, including television, print media (including yellow pages), radio, and local promotional events, must be conducted in a dignified manner, and must conform to these standards and requirements as we may specify. You must not use any advertising or promotional plans or materials unless and until you have received written approval from us. You must submit to us for our prior written approval samples of all advertising and promotional plans and materials for any print, broadcast, cable, electronic, computer or other media (including the Internet) that you wish to use and that we have not prepared or previously approved within the preceding 6 months. You must not use these plans or materials until they have been approved in writing by us. If you do not receive written notice of disapproval from us within 10 days of the date of our receipt of these samples or materials, we will be deemed to have disapproved them. Once we approve the materials, you are permitted to use them. However, we may, in our discretion, withdraw our approval if a regulatory or other issue arises that, in our opinion, makes such withdrawal in our or the Franchise System's best interest. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

We may make available to you periodically, at your expense, approved advertising and promotional materials, including merchandising materials, point-of-purchase materials, and materials for special promotions.

10. RECORDS, REPORTS, AND FINANCIAL STATEMENTS.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time or a part of the System Standards and Operating Manual. We may require you to use a Computer System to maintain certain sales data and other information. We may also require you to use a third party approved by us for accounting and bookkeeping services. You agree to give us in the manner and format that we prescribe from time to time:

(a) on or before the 5th day of each accounting period specified by us from time to time (each an “Accounting Period”), a report on the Gross Sales of your Center during the preceding Accounting Period;

(b) within 30 days after the end of each accounting quarter specified by us from time to time (each an “Accounting Quarter”), the operating statements, financial statements, statistical reports, purchase records, and other information we request regarding you and your Center covering the previous Accounting Quarter and the fiscal year to date;

(c) within 90 days after the end of each fiscal year, annual profit and loss and source and use of funds statements and a balance sheet for your Center as of the end of that calendar year, prepared in accordance with generally accepted accounting principles or, at our option, international accounting standards and principles. We reserve the right to require that you have these financial statements and the financial statements of any prior fiscal years audited by an independent accounting firm designated by us in writing;

(d) within 10 days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we periodically require relating to your Center and the Franchise; and

(e) by July 15 and January 15 of each calendar year, reports on the status (including the outstanding balance, then current payment amounts, and whether such loan is in good standing) of any loans outstanding as of the previous June 30 and December 31, respectively, for which the Center or any of the Center’s equipment is collateral. You must also deliver to us, within five days after your receipt, copies of any default notices you receive from any of such lenders. You agree that we or our affiliates may contact your banks, other lenders, and vendors to obtain information regarding the status of loans of the type described herein and your accounts (including payment histories and any defaults), and you hereby authorize your bank, other lenders, and vendors to provide such information to us and our affiliates.

You agree to verify and sign each report and financial statements in the manner we prescribe. We may disclose data derived from these reports. Moreover, we may, as often as we deem appropriate (including on a daily basis), access the Computer System and retrieve all information relating to the operation of your Center. You agree to preserve and maintain all records in a secure location at your Center for at least three years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

11. INSPECTIONS AND AUDITS.

A. OUR RIGHT TO INSPECT YOUR CENTER.

To determine whether you and your Center are complying with this Agreement and all System Standards, we and our designated agents or representatives may at all times and without prior notice to you:

(1) inspect your Center;

(2) photograph your Center and observe and videotape the operation of your Center for consecutive or intermittent periods we deem necessary;

(3) remove samples of any products and supplies;

(4) interview the personnel and customers of your Center; and

(5) inspect and copy any books, records, and documents relating to the operation of your Center.

You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere unreasonably with the operation of your Center. You agree to present to your customers the evaluation forms that we periodically prescribe and to participate and request your customers to participate in any surveys performed by or for us.

B. OUR RIGHT TO AUDIT.

We and our designated agents or representatives may at any time during your business hours, and without prior notice to you, examine your Center, bookkeeping, and accounting records for your Center, and sales and income tax records, and returns, and other records. You agree to cooperate fully with our representatives and independent accountants in any examination. If any examination discloses an understatement of the Gross Sales, you agree to pay us, within 15 days after receiving the examination report, the Royalty and Marketing Fund contributions due on the amount of the understatement, plus our service charges and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to contribution understatement exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including, without limitation the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. TRANSFER.

A. BY US.

You acknowledge that we maintain a staff to manage and operate the Franchise System and that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular manager, owner, director, officer, or employee remaining with us in any capacity. We may change our ownership or form or assign this Agreement and any other agreement to a third party without restriction.

B. BY YOU.

You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or to your owners if you are an Entity) and that we have granted you the Franchise in reliance upon our perceptions of your (or your owners) individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither this Agreement (or any interest in this Agreement), your Center or substantially all of its assets and direct or indirect ownership interest in you (regardless of size), nor any ownership interest in any of your owners (if such owners are legal entities) may be transferred without our prior written approval, which consent will not be unreasonably withheld or delayed; provided, however, that transfers among your current owners of ownership interests in you will require prior notice to us but will not require our consent as long as the Managing Owner and Control (defined in Section 17.O below) of you are not changed as a result of such transfer.

You further agree that you will not enter into any proposed mortgage, pledge, hypothecation, encumbrance or giving of a security interest in or which affects the Center, this Agreement or your rights under this Agreement without our prior consent. A transfer of your Center ownership possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in:

(1) this Agreement;

(2) you;

(3) your Center or substantially all of its assets; or

(4) your owner (if such owners are legal entities).

An assignment, sale, gift, or other disposition includes the following events:

(a) transfer of ownership of capital stock, a partnership or membership interest, or other form of ownership interest;

(b) merger or consolidation or issuance of additional securities or other forms of ownership interest;

(c) any sale of a security convertible to an ownership interest;

(d) transfer of an interest in you, this Agreement, your Center or substantially all of its assets, or your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;

(e) if you, one of your owners, or an owner of one of your owners dies, a transfer of an interest in you, this Agreement, your Center or substantially all of its assets, or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; and

(f) pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security, foreclosure upon your Center, or your transfer, surrender, or loss of the possession, control, or management of your Center.

C. <u>CONDITIONS FOR APPROVAL OF TRANSFER</u>.

If you (and your owners) are in full compliance with this Agreement, then subject to the other provisions of this Section 12, we will approve a transfer that meets all of the requirements in this Section 12.C. A non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur) may be transferred if the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character, meet our then applicable standards for Kids Garden Center franchise owners (including no ownership interest in or performance of services for a Competitive Business and assuming all necessary licenses can be transferred), and you (and, if they are already and owner or operator of a Kids Garden Center, the transferee and its owners) execute a general release as described in paragraph (9) of this Section 12.C. If the proposed transfer is of this Agreement, of the Managing Owner's ownership interest in you or a controlling ownership interest in you or one of your owners, or is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfer this Agreement or controlling ownership interest in you or one of your owners, then in addition to the foregoing requirements, all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) you have paid all Royalty, Marketing Fund and advertising cooperative contributions, and other amounts owed to us, our affiliates, and third-party vendors and have submitted all required reports and statements;

(2) you have not violated any provision of this Agreement, the Lease, or any other agreement with us during both the 60-day period before you

requested our consent to the transfer and the period between your request an effective date of the transfer;

(3) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(4) the transferee (or its Designated Manager) satisfactorily complete our training program;

(5) your landlord allows you to transfer the Lease or sublease of the Premises to the transferee;

(6) the transferee agrees (if the transfer is of this Agreement) to upgrade, remodel, and refurbish your Center in accordance with our current requirements and specifications for Kids Garden Centers within 120 days after the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take within this time period);

(7) the transferee at our request, signs our then current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in the Agreement;

(8) you or the transferee pays us 50% of our then current initial franchise fee. However, no transfer fee is due if, upon a spouse's death, that spouse' interest in this Agreement and your Center, or ownership in you, is transferred to the surviving spouse, provided that such transfer is subject to the terms and conditions of this section 12;

(9) you (and your transferring owners) sign a general release (Exhibit J) in a form satisfactory to us, of any and all claims against us and our affiliates and our and their owners, officers, directors, employees, and agents;

(10) we have approved the purchase price, amount of debt and payment terms, and, if you or your owners finance any part of the purchase price, you and your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests

reserved in your Center are subordinate to the transferee's obligation to pay Royalty, Marketing Fund contributions, and other amounts due to us, our affiliates and third party vendors and otherwise to comply with this Agreement;

(11) you and your transferring owners (and your and their immediate family members) will not, for two years beginning on the transfer's effective date, engage in any of the activities proscribed in Section 15. D below; and

(12) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Kids Garden Center you own and operate) identify yourself or themselves or any business as a current or former Kids Garden Center, or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Kids Garden Center in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indications a connection or association with us.

We may review all information regarding your Center that you give the transferee, correct any information we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Center.

Our approval of a transfer of ownership interest(s) in you as a result of the death or incapacity of the proposed transferor will not be unreasonably withheld or delayed so long as at least one of the Managing Owners designated on Exhibit A continues to be the designated Managing Owner. If, as a result of the death or incapacity of the transferor, a transfer is proposed to be made to the transferor's spouse, and if we do not approve the transfer, the trustee or administrator of the transferor's estate will have nine months after our refusal to consent to the transfer to the transferor's spouse within which to transfer the transferor's interests to another party whom we approve in accordance with this Section 12.C.

D. TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED LIABILITY COMPANY.

Notwithstanding Section 12.C above, if you are in full compliance with this Agreement, you may transfer this Agreement to a corporation or limited liability company which conducts no business other than your Center and, if applicable, other Kids Garden Centers, in which you maintain management control and of which you own and control one hundred percent (100%) of the economic interest equity and voting power of all issued and outstanding ownership interests, provided that all of the assets of your Center are owned, and the business of your Center is conducted, only by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of your obligations under this Agreement. Transfers of ownership interest in the corporation or limited liability company are subject to Section 12.C above. You agree to remain personally liable under this Agreement as if the transfer to the corporation or limited liability company did not occur. All corporate formation documents must be sent to us no more than thirty days after formation, including without limitation applicable filed documents as well as partnership, management, or operating agreements.

E. <u>EFFECT OF CONSENT TO TRANSFER</u>.

Our consent to a transfer of this Agreement and your Center, or any interests in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Center or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our rights to demand full compliance by you and the transferee with this Agreement.

F. <u>PUBLIC OR PRIVATE OFFERING</u>.

You acknowledge that the written information used to raise or secure funds can reflect upon us and the Franchise System. You agree to submit any written information intended to be used for that purpose to us before inclusion in any registration statement, prospectus or similar offering memorandum. Should we object to any reference to us or our affiliate or any of our business in the offering literature or prospectus, the literature or prospectus shall not be used until our objections are withdrawn. Notwithstanding the foregoing, you acknowledge and agree that you may not engage in a public offering of securities without our prior written consent.

G. <u>OUR RIGHT OF FIRST REFUSAL</u>.

If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement and your Center, or a direct or indirect ownership interest in you (except to or among your current owners, which is not subject to this section 12.G), in a transaction that otherwise would be allowed under Sections 12.B and C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your Center. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price. The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 12.B and C above. We will approve or disapprove the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you or your selling owner(s) within 30 days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

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

(2) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);

(3) we will have an additional 30 days to prepare for closing after notifying you of our election to purchase; and

(4) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding:

(a) ownership and condition of and title to ownership interests or assets;

(b) liens and encumbrances relating to ownership interests or assets; and

(c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

If we exercise our right of first refusal, you and your selling owner(s) (and your and their immediate family members) agree that, for two years beginning on the closing date, you and they will be bound by the non-competition covenant contained in Section 15.D below. We have the unrestricted rights to assign this right of first refusal to a third party, who then will have the rights described in this Section 12.G

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with condition in Section 12.B and 12.C above. This means that, even if we do not exercise our right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Sections 12.B and 12.C above, you (or your owners) may not move forward with the transfer at all.

If you do not complete the sale to the proposed buyer within 60 days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the 30-day period following either the expiration of the 60-day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

Notwithstanding the foregoing, if your Center has been used as collateral for an SBA-Guaranteed loan (which is subject to our consent as described in Section 12), we will not, while such loan remains unpaid, exercise our right of first refusal under this 12.G with respect to a transfer of part of the ownership interests in you unless, in connection with our exercise of the right of first refusal, we are paying off the SBA-guaranteed loan. However, we retain the right to assign our right of first refusal with respect to such transfers to an unaffiliated third-party.

13. EXPIRATION OF THIS AGREEMENT.

A. YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.

When this Agreement expires:

(1) if you (and each of your owners) have substantially complied with this Agreement during its term; and

(2) if you (and each of your owners) are, both on the date you give us written notice of your election to acquire a successor franchise (as provided in 13.B. below) and on the date on which the term of the successor franchise would commence, in full compliance with this Agreement and all System Standards; and

(3) provided that (a) you maintain possession of and agree (regardless of cost) to remodel or expand your Center, add or replace improvement and Operating Assets, and otherwise modify your Center as we require to comply with System Standard then applicable for new Kids Garden Centers, or (b) at your option, you secure a substitute premises that we approve and you develop those premises according to System Standards then applicable for Kids Garden Centers, then you may acquire a successor franchise to operate your Center as a Kids Garden Center for two additional 5-year terms. You agree to sign the Franchise Agreement we then use to grant franchises for Kids Garden Centers (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement; provided that we will waive the initial franchise fee. However, you must pay a renewal fee in an amount equal to fifty percent (50%) of our then current initial franchise fee. If you (and each of your owners) are not, both on the date you give us written notice of your election to acquire a successor franchise and on the date on which the term of the successor franchise commences, in full compliance with this Agreement and all System Standards, you acknowledge that we need not grant you a successor franchise, whether

or not we had, or chose to exercise, the right to terminate this Agreement during its term under section 14.B.

B. <u>GRANT OF A SUCCESSOR FRANCHISE</u>.

You agree to give us written notice of your election to acquire a successor franchise not more than 270 days and no less than 180 days before this Agreement expires. We agree to give you written notice ("Our Notices"), not more than 90 days after we receive your notice, of our decision:

(1) to grant you a successor franchise;

(2) to grant you a successor franchise on the condition that you correct any existing deficiencies of your Center or in your operation of your Center;

(3) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term or were not in full compliance with this Agreement and all System Standards on the date you gave us written notice of your election to acquire a successor franchise; or

(4) not to grant you a successor franchise because we are no longer granting franchises for Kids Garden Centers.

If applicable, Our Notice will:

(a) describe the remodeling, expansion, improvements, or modifications required to bring your Center into compliance with then applicable System Standards for new Kids Garden Centers; and

(b) state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies.

If we elect not to grant you a successor franchise, Our Notice will describe the reasons for our decision. If we elect to grant you a successor franchise, your right to acquire a successor franchise is subject to your full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

C. <u>AGREEMENTS/RELEASES</u>.

In order to acquire a successor franchise, you must satisfy all of the other conditions for a successor franchise and you and your owners agree to execute the form of franchise agreement and any ancillary agreements we then customarily use in granting franchises for Kids Garden Centers (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement. You and your owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their owners, officers, directors, employees, agents, successors, and assigns. We will consider your or your owners' failure to sign these agreements and releases and to deliver them to us for acceptance and execution (together with the successor franchise fee) within 30 days after their delivery to you to be an election not to acquire a successor franchise.

14. <u>TERMINATION OF AGREEMENT</u>.

A. <u>BY YOU</u>.

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within 45 days after you deliver written notice of the material failure to us or if we cannot correct the failure within 45 days and we fail to give you within 45 days after your reasonable notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Agreement effective an additional 60 days after you deliver to us written notice of termination. Your termination of this Agreement other than according to this Section 14.A will be deemed a termination without cause and a breach of this Agreement.

B. <u>BY US</u>.

We cannot terminate this Agreement without cause. We may terminate this Agreement, effective upon delivery of written notice of termination to you, for cause if:

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating your Center;

(2) you do not locate, and sign a Lease or purchase document for, an acceptable site for the Premises within 180 days after the Effective Date;

(3) you do not open your Center for business with in deadline set forth in Section 2.G.

(4) we determine if you (or your Designated Manager) are not capable or qualified to satisfactorily complete initial training;

(5) you abandon or fail to actively operate your Center for three or more consecutive business days, unless you close your Center for a purpose we approve;

(6) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest or guilty to, a felony;

(7) you fail to maintain the insurance we require and do not correct the failure within 10 days after we deliver written notice of that failure to you;

(8) you (or any of your owners) engage in any conduct which, in our opinion, adversely affects the reputation of your Center or the goodwill associated with the Marks;

(9) you (or any of your owners) make or attempt to make an unauthorized transfer (as defined in section 12.B);

(10) you lose the right to occupy the Premises;

(11) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operating Manual or any other Confidential Information;

(12) you violate any law, ordinance, rule or regulation of a governmental agency in connection with the operation of your Center and fail to correct such violation within 72 hours after you receive notice from us or any other party;

(13) you fail to pay us or our affiliate any amounts due and do not correct the failure within 10 days after written notice of that failure has been delivered or fail to pay any third-party obligations owed in connection with your ownership or operation of the Center and do not correct such failure within any cure period permitted by the person or Entity to whom such obligations are owed;

(14) you fail to pay when due any federal or state income, service, sales, use, employment or other taxes due on or in connection with the operation of your Center, unless you are in good faith contesting your liability for these taxes;

(15) you understate the Gross Sales three times or more during this Agreement's term;

(16) you (or any of your owners) (a) on three or more separate occasions within any 12 consecutive month period fail to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two or more separate occasions within any six consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and if we do notify you of the failure, whether or not you correct the failures after our delivery of notice to you;

(17) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your Center is attached or seized subject to a writ or distress warrant or levied upon, unless the attachment, seizure, writ, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of you or your Center is not vacated within 30 days following the order's entry;

(18) you (or any of your owners) file a petition in bankruptcy or a petition in bankruptcy is filed against you;

(19) you (or any of your owners) fail to comply with anti-terrorism laws, ordinances, regulations and Executive Orders;

(20) you create or allow to exist any condition in or at the Kids Garden Center's Premises which we reasonably determine to present a health or safety concern for the Kids Garden Center's customers or employees;

(21) you fail to pass quality assurance audits, and do not cure such failure within 15 days after we deliver written notice of failure to you;

(22) you (or an of your owners) fail to comply with any other provision of this Agreement or any System Standards, and do not correct the failure within 30 days after we deliver written notice of the failure to you; or

(23) you or an Affiliate fails to comply with any other agreement with us or our affiliate and do not correct such failure within the applicable cure period if any.

C. ASSUMPTION OF MANAGEMENT.

We have the right (but not the obligation), under the circumstances described below, to enter the Premises and assume the management of your Center (or to appoint a third party to assume its management for any period of time we deem appropriate but not to exceed 90-day increments, renewable for up to one year, in the aggregate). We will periodically discuss with you the results of operation of the Center during the time that we manage it. If we (or a third party) assume the management of your Center during subparagraphs (1) and (2) below, you agree to pay us (in addition to the Royalty, Marketing Fund contributions, and other amounts due under this Agreement) an amount equal to ten percent (10%) of Gross Sales, plus our (or the third party's) direct out-of-pocket costs and expenses, for any period we deem appropriate. If we (or a third party) assume the management of your Center, you acknowledge that we (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Center incurs or to any of your creditors for any supplies, products, or other assets or services your Centers purchase, while we (or the third party) manage your Center.

We (or a third party) may assume the management of your Center under the following circumstances:

(1) if you abandon or fail to actively operate your Center;

(2) if you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you; or

(3) if this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase your Center under Section 15.E below.

If we exercise our rights under subparagraphs (1) or (2) above, that will not affect our right to terminate this Agreement under Section 14.B above.

15. OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.

A. PAYMENT OF AMOUNTS OWED TO US.

You agree to pay us within 15 days after this Agreement expires or is terminated, or on any later date that we determine the amounts due to us, the Royalty, Marketing Funding contributions, interest, and all other amounts owed to us (and our affiliates) which then are unpaid.

B. DE-IDENTIFICATION.

When this Agreement expires or is terminated for any reason:

(1) you may not directly or indirectly at any time or in any manner (except with other Kids Garden Centers you own and operate) identify yourself or any business as a current or former Kids Garden Center or as one of our current or former franchise owners; use any mark, any colorable imitation of a Mark, or other indicia of a Kids Garden Center in any manner or for any purpose; any trade name, trade or service

mark, or other commercial symbol that indicated or suggests a connection or association with us;

(2) you agree to take the action required to cancel all fictitious or assumed name or equivalent registration relating to your use of any Mark;

(3) you agree to deliver to us, at your expense, within 30 days all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials containing any Mark otherwise identifying or relating to a Kids Garden Center that we request and allow us, without liability to you or third parties, to remove these items from your Center;

(4) if we do not have or do not exercise an option to purchase your Center under Section 15.E below, you agree promptly and at your own expense to make the alterations we specify in the Operating Manual (or otherwise) to distinguish your Kids Garden Centers in order to prevent public confusion and in order to comply with the non-competition provisions set forth in Section 15.D;

(5) you agree to comply with your obligations with respect to the telephone listings and Internet Addresses as described in Section 8.H; and

(6) you agree to give us, within 30 days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

C. <u>CONFIDENTIAL INFORMATION</u>.

You agree that, when this agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including without limitation computer software or similar technology and digital passwords and identifications that we have licenses to you or that otherwise are proprietary to us or the Franchise System) in any business or otherwise and return to us all copies of the Operating Manual and any other confidential materials that we have loaned you.

D. <u>COVENANT NOT TO COMPETE / NON-SOLICITATION</u>.

(1) *<u>Non-Competition</u>.* Upon termination or expiration of this Agreement, you and your owners agree that, for two years beginning on the effective date of termination or expiration of this Agreement or the date on which all persons restricted by this Section 15.D begin to comply with this Section 15.D, whichever is later, neither you nor any of your owners (or yours or their immediate family members) will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business (as defined in Section 7 above) located or operating:

(a) within a 10-mile radius of the Premises; and

(b) within a 10-mile radius of any other Kids Garden Center in operation or under construction on the later of the effective date of the termination or expiration of this agreement or date or which all persons restricted by this Section 15.D begin to comply with this Section 15.D.

These restrictions also apply after transfers, as provided in Section 12.C(11) above. If any person by this section 15.D refuses voluntarily to comply with these obligations, the two-year period for that person will commence with the entry of a court order enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcement of the covenants made in this Section 15.D will not deprive you of your personal goodwill or ability to earn a living. In the event this provision is found invalid by a ruling body or court, it will be reformed and enforced to the most restrictive nature allowed by law.

(2) *<u>Non-Solicitation</u>.* You further agree that, for two years beginning on the effective date of termination or expiration of this Agreement, neither you nor any of your owners, your or your owners' Affiliates, or the officers, directors, managers or immediate family members of any of the foregoing, will:

(a) recruit or hire any person who is then or was, within the immediately preceding 24 months, employed by us, any of our affiliates, or franchise owners as (i) a general manager or assistant manager at any Kids Garden Center, (ii) a district or regional manager or any other such person having responsibility for overseeing or supervising the operation of multiple Kids Garden Centers or (c) any of your or our affiliates' officers, in any case without our consent that of the relevant employer;

(b) interfere or attempt to interfere with our or our affiliates' relationships with any vendors or consultants; or

(c) engage in any other activity which might injure the goodwill of the Marks or the Franchise System.

If you fail to comply with paragraph (a) above, you agree, in addition to all other remedies we have as a result of your failure, to pay us an amount equal 200% of the annual salary of such person.

E. OUR RIGHT TO PURCHASE YOUR CENTER.

(1) *Purchase Option*. In addition to any other rights to purchase we have under this Agreement, we have the right to purchase your Center, as described in this Section 15.E (the "**Purchase Option**"), upon the occurrence of either a **"Termination Event"** or a "**Control Event**." We have the unrestricted right to assign the Purchase Option in our discretion.

A "**Termination Event**" is either the expiration of this Agreement and any successor franchise granted pursuant to Section 13 or the termination of this Agreement by you without cause or by us as permitted under Section 14.B.

A "Control Event" is:

(a) a Change of Control (as defined below); or

(b) the signing of an underwriting agreement between a managing underwriter or underwriters and us or our affiliate, the receiving of a highly confident or similar letter from an underwriter to us or an affiliate to sell our or a Designated Entity's shares in a public offering, or the filing of a registration statement filed under the Securities Act of 1933, as amended, in which our or our direct or indirect parent's equity interests are directly or indirectly proposed to be sold in a public offering.

A "Change of Control" means any transaction or a series of related transactions that result in (a) a merger, consolidation, recapitalization, sale of equity securities or any similar transaction as a result of which any person other than one or more of the current members of Harvest The Garden or their affiliates ("Permitted Holders") (i) has the power, directly or indirectly, to elect or determine the outcome of the election of our governing board or manager or of a similar governing body of a Designated Entity; or (ii) has the right, to receive more than twenty percent (20%) of our or a Designated Entity's assets upon or such entity's liquidation, or a Designated Entity's assets in to any person who is not a Permitted Holder. A "Designated Entity" is Harvest The Garden, Kids Garden LLC or any direct or indirect parent of either.

(2) *Purchase Option Triggered by a Termination Event*. We may exercise the Purchase Option based on a Termination Event by giving you written notice of our election by not later than 30 days after the occurrence of the Termination Event. The purchase price for your Center will be the net realizable value of the tangible assets in accordance with the liquidation basis of accounting (not the value of your Center as a going concern ("Liquidation Value"). Closing of the purchase will take place, as described in paragraph (5) below on a date we select which is within 90 days after the purchase price is determined by us or, if you dispute the calculation of the purchase price, as determined pursuant to paragraph (4) below.

(3) *Purchase Option Triggered by a Control Event*. We may exercise the Purchase Option based on a Control Event by providing you with written notice (the "Option Notice"); provided, however, that we have the right to rescind our election after the purchase price is determined but prior to Closing. Closing on the purchase (the "Closing Date") will take place 90 days after the Option Notice (or if the 90th day falls on a holiday or weekend, on the next business days); provided, however, that if the purchase price cannot be calculated prior to the scheduled Closing Date because either you have not provided the financial and other information we reasonably require in order to make such a determination (including audited financial statements) or you dispute

the purchase price calculations, Closing shall take place not later than 45 days following the final determination of the purchase price.

The purchase price of your Center under this paragraph (3) may be determined as follows.

(a) If, when we issue the Option Notice, the Center has operated for at least a full Fiscal Year (that is, the 52 or 53 Accounting Periods that make up our fiscal year), the purchase price will be six times the Center's EBITDA (defined below) for the full Fiscal Year ending on the last day of the last full Accounting Period immediately preceding our issuing the Option Notice;

(b) If, when we issue the Option Notice, the Center has operated for more than three but fewer than 12 full Accounting Periods, the purchase price will be six times the Center's annualized EBITDA (based on its EBITDA for the number of Accounting Periods that it operated prior to our issuing the Option Notice); and

(c) If, when we issue the Option Notice, the Center has operated for not more than three full Accounting Periods, the purchase price will be the actual costs expended by you for development of the Center plus twenty percent (20%) of such costs.

"EBITDA" means net income, calculated using generally accepted accounting principles (including, without limitation, all direct or indirect costs of operations including pre-opening expenses, Royalty payments, Marketing Fund contributions and any local marketing expenditures or Local Advertising Cooperative expenditures), before interest, income taxes, depreciation, and amortization.

We may exclude from the assets to be purchased any operating assets or other items that are not reasonably necessary (in function or quality) to the operation of your Center or that we have not approved as meeting System Standards for Kids Garden Centers, and the purchase price will reflect these exclusions. No liabilities, contingent or otherwise, and no ownership interests will be assumed in connection with our purchase of your Center under this Section. We may set off against the purchase price, and reduce the purchase by, any and all amounts you or your owners owe us or our affiliates or to any landlords, taxing authorities, vendors or other third parties who we determine, as a result of monies owed to them, might have a claim or encumbrance against the Center or the assets we are purchasing.

If, due to a Control Event, we exercise our right under 10(c) to require you to have your financial statements audited for prior fiscal years, you agree to fully cooperate in such audit and to require your auditors to complete the audit as soon as possible after we notify you of the required audit, but in any event not later than 6 months after such notice.

(4) *Disputes Regarding Purchase Price Calculation*. If you dispute the calculation of the purchase price, the purchase price will be determined by one independent accredited appraiser designated by us who will calculate the purchase price applying the criteria specified above. We agree to select the appraiser within 15 days after we receive the financial and other information necessary to calculate the purchase price (if you and we have not agreed on the purchase price before then). You and we will share equally the appraiser's fees and expenses. The appraiser must complete its calculation within 30 days after its appointment. The purchase price will be the appraiser's determinations of the value, applying the appropriate mechanism as described above. Notwithstanding the foregoing, if the Center is used as collateral for an SBA-guaranteed loan (which required our consent under 12.B), if, while such loan remains unpaid, we and you cannot agree on the purchase price, the purchase price will be determined by three independent accredited appraisers, one of whom will be designated and paid for by us, one of whom will be designated and paid for by you, and the third who will designated by your and our appointee and paid for by you and us equally. Each appointed appraiser will calculate the purchase price, applying the appropriate mechanism described above, and the determination of at least two of the appraisers shall be the purchase price. You and we will select our respective appraisers within 15 days after we receive the financial and other information necessary to calculate the purchase price (if you and we have not agreed on the calculation of the purchase price, as described above, before then), and the third appraiser must be appointed within 15 days after the

appointment of your and our appraisers. The appraisers must complete their calculations within 30 days after their appointment.

(5) *Closing*. You will continue to operate the Center in accordance with this Agreement through the Closing. Prior to Closing, you agree to cooperate with us in conducting due diligence, including providing us with access to your business and financial records, relevant contracts, and all other information relevant to the Center. At the Closing, we (or our assignee) will pay the purchase price in cash. You agree to execute and deliver to us (or our assignee):

(a) an Asset Purchase Agreement and all related agreements, in form and substance acceptable to us and in which you provide all customary warranties and representations, including, without limitation, representations and warranties as to ownership and condition of and title to assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets contingent or otherwise;

(b) a transfer of good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you;

(c) an assignment of all of the licenses and permits for your Center which may be assigned or transferred;

(d) an assignment of the Lease;

(e) general releases, in form and substance satisfactory to us, of any and all claims you and your owners have against us and our shareholders, officers, directors, employees, agents, successors, and assigns; and

(f) an agreement, in form and substance satisfactory to us, voluntarily terminating this Agreement under which you and your owners agree to comply with all post-term obligations set forth in Sections 15.A-15.D and with all other obligations which, either expressly or by their nature, are intended to survive termination or expiration of this Agreement.

F. **REMEDIES**.

In the event this Agreement is terminated because of your default, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer. You and we agree that a reasonable estimate of those damages is the then net present value of the Royalty fees, Marketing Fund contributions and Local Advertising Cooperative contributions that would have become due from the date of termination to the scheduled expiration date of this Agreement. For this purpose, Royalty fees, Marketing Fund contributions and Local Advertising Cooperative contributions shall be calculated based on Gross Sales of the Center for the 12 months preceding the effective date of termination. In the event the Center has not been in operation for 12 months preceding the termination date, Royalty fees, Marketing Fund contributions and local Advertising Cooperative contributions will be calculated based on the average monthly gross sales of all Kids Garden Centers during our fiscal year immediately preceding the termination date.

G. **CONTINUING OBLIGATIONS**.

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. **RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION**.

A. **INDEPENDENT CONTRACTORS**.

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venture, partner, or employee of the other for any purpose, You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, your personnel, and others as the owner of your Center under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time.

You also acknowledge that you will have a contractual relationship only with us and may look only to us to perform under this Agreement. Play Garden is not a party to this Agreement and has no obligations under it. You may not look to Play Garden for performance. However, because Play Garden is the owner of the Marks, you and we agree that Play Garden will be a third-party beneficiary of those provisions in this Agreement relating to usage of the Marks, with the independent right to enforce such provisions against you and to seek damages form you for your failure to comply with those provisions.

B. <u>NO LIABILITY TO OR FOR ACTS OF OTHER PARTY</u>.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is anything other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of your Center or the business you conduct under this Agreement. We will have no liability for your obligations to pay any third parties, including any product vendors.

C. <u>TAXES</u>.

We will have no liability for any sales, use, service, occupation, excise, gross receipts income, property, or other taxes, whether levied upon you or your Center, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any such taxes that we must pay to any state taxing authority on account of your operation or payments that you make to us.

D. <u>INDEMNIFICATION</u>.

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the operation of your Center, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those alleged to be caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Indemnified Party's intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. For purposes of this indemnification, "claims" include all obligations, damages (actual consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and not withstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subparagraph.

17. ENFORCEMENT.

A. SECURITY INTEREST.

As security for the performance of your obligations under this Agreement, including payments owed to us for purchase by you, you hereby collaterally assign to us the Lease and grant us a security interest in all of the Operating Assets and all other assets of your Center, including but not limited to inventory, accounts, supplies, contracts, and proceeds and products of all those assets. You agree to execute such other documents as we may reasonably request in order to further document, perfect and record our security interest. If you default in any of your obligations under this Agreement, we may exercise all rights of a secured creditor granted to us by law, in addition to our other rights under this Agreement and at law. If the Center is not the 1st or 2nd Kids Garden Center developed by you or your Affiliates and if a third-party lender requires that we subordinate our security interest in the assets of your Center as a condition to lending you working capital for the construction or operation of your Center, we will agree to subordinate pursuant to terms and conditions determined by us. This Agreement shall be deemed to be a Security Agreement and Financing Statement and may be filed for record as such in the in the records of any county and state that we deem appropriate to protect our interests.

B. <u>SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS</u>.

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and unenforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

C. <u>WAIVER OF OBLIGATIONS</u>.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of 10 days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same similar, or different nature, with other Kids Garden Centers; the existence of franchise agreements for other Kids Garden Centers which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

D. <u>COSTS AND ATTORNEYS' FEES</u>.

If either party initiates an arbitration, judicial or other proceeding, the prevailing party will be entitled to reasonable costs and expenses (including attorney' fees incurred in connection with such judicial or other proceeding).

E. <u>YOU MAY NOT WITHHOLD PAYMENTS DUE TO US</u>.

You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations under this Agreement or for any other reason, and you specifically waive any right you may have at law or inequity to offset any funds you may owe us or to fail or refuse to perform any of your obligations under this Agreement.

F. <u>RIGHTS OF PARTIES ARE CUMULATIVE</u>.

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

G. **ARBITRATION.**

We and you agree that all controversies, disputes, or claims between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, and you (and your owners, guarantors, Affiliates, and employees) arising out of or related to:

(1) this Agreement or any other agreement between you (or you owners) and us (or our affiliates);

(2) our relationship with you;

(3) the scope or validity of this Agreement or any other agreement between you (or you owners) and us (or our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration obligation under this Section 17.G, which we and you acknowledge is to be determined by an arbitrator, not a court); or

(4) any System Standard,

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of our then-current principal place of business (currently, Charleston, South Carolina). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et. seq.). All matters relating to arbitration's award may be entered in any court of competent jurisdiction.

The arbitrator shall issue only a standard decision and not a reasoned decision. The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performances, injunctive relief, and reasonable attorney's fees and costs, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid or, except as expressly provided in this Section 17, award any punitive, exemplary, or multiple damages against either party (we and you are hereby waiving to the fullest extent permitted by law, except as expressly provided in this Section 17, any right to or claim for any punitive, exemplary, or multiple damages against the other).

We and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with the Attorney's Fees and Costs provisions of this Agreement (Section 17.D above).

We and you agree the arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, and you (and your owners, guarantors, affiliates, and employees) may not be commenced, conducted, or consolidated with any other arbitration proceeding between us and any other person. Notwithstanding the foregoing or anything to the contrary in this Section, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions in the Agreement.

Despite our and your agreement to arbitrate, we and you each have the right to a proper case to see temporary restraining orders and temporary or preliminary injunctive relief from a court competent jurisdiction; provided, however, that we and you must contemporaneously submit our dispute for arbitration on the merits as provided in this Section.

You and we agree that in any arbitration arising as described in this Section, requests for documents shall be limited to documents that are directly relevant to significant issues in the case or to the case's outcome; shall be restricted in terms of time frame, subject matter and persons or entities to which requests pertain; and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that there shall be no interrogatories or requests to admit. With respect to any electronic discovery, you and we agree that:

(a) production of electronic documents need only be from sources used in the ordinary course of business. No such documents shall be required to be produced from back-up servers, tapes, or other media;

(b) the productions of electronic documents shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;

(c) the description of custodians from whom electronic documents may be collected shall be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the dispute; and

(d) where the cost burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount of controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, subject to allocation of costs in the final award as provided herein.

In any arbitration arising out of or related to this Agreement, each side may take three discovery depositions. Each side's depositions are to consume no more than a total of 15 hours. There are to be no speaking objections at the depositions, except to preserve privilege. The total period for the taking of depositions shall not exceed six weeks.

The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration and termination of the Agreements.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

H. GOVERNING LAW.

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF SOUTH CAROLINA, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT (1) ANY SOUTH CAROLINA LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION, AND (2) THE ENFORCEABILITY OF THOSE PROVISIONS OF THIS AGREEMENT WHICH RELATE TO RESTRICTIONS ON YOU AND YOUR OWNERS' COMPETITIVE ACTIVITIES WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH YOUR CENTER IS LOCATED.

I. CONSENT TO JURISDICTION.

SUBJECT TO THE OBLIGATION TO ARBITRATE UNDER SECTION 17.G ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN A COURT OF GENERAL JURISDICTION NEAREST TO OUR THEN CURRENT PRINCIPLE PLACE OF BUSINESS (CURRENTLY CHARLESTON, SOUTH CAROLINA), AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF THAT COURT AND WAIVE ANY OBJECTION YOU

(OR THE OWNER) MIGHT HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THAT COURT.

J. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 16.D, AND EXCEPT FOR PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AVAILABLE TO EITHER PARTY UNDER UNITED STATES FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION PROCEEDING, OR COUNTER CLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

K. INJUNCTIVE RELIEF.

Nothing in this Agreement bars our right to obtain specific performances of the provisions of this Agreement and injunctive relief against conduct that threatens to injure or harm us, the Marks, or the Franchise System under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may obtain such injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and you hereby expressly waive any claims for damages caused by such injunction.

L. BINDING EFFECT.

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operating Manual and System Standards, this Agreement may not be modified except by a written agreement signed by our and your duly authorized officers.

M. LIMITATIONS OF CLAIMS.

You and your owners agree not to bring any claim asserting that any of the Marks are generic or otherwise invalid. Except with regard to your obligation to pay us and our affiliates Royalty payments, the Marketing Fund contributions, Local Advertising Cooperative contributions and other advertising fees and other payments due from you pursuant to this Agreement or otherwise, any claims between the parties must be commenced within one year from the date on which the party asserting the claim knew or should have known the facts giving rise to the claim, or such claim shall be barred. The parties understand that such time limit might be shorter than otherwise allowed by law. You and your owners agree that you and their sole recourse for claims arising between the parties shall be against us or our successors and assigns. You and your owners agree that our and our affiliates' members, managers, shareholders, directors, officers, employees, and agents shall not be personally liable nor named as a party in any action between us or our affiliates and you and your owners. The parties agree that claims of any other party or parties shall not be joined with any claims asserted in any action or proceeding between us and you. No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. NO implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

N. AGREEMENT EFFECTIVENESS.

This Agreement shall not be effective until accepted by us as evidenced by dating and signing by an officer or other duly authorized representative of ours. Notwithstanding that this Agreement shall not be effective until signed by us, we reserve the right to make the effective date of this Agreement the date on which you signed the Agreement.

O. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement which, together with the System Standards contained in the Operating Manual (which may be periodically modified as provided in Sections 4.C, 8.I, and 17.L above), constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Center (and understandings or agreements reached or any representations made, before this Agreement are superseded by this Agreement). Nothing contained herein shall be deemed a waiver of any rights you may have to rely on the Franchise Disclosure Document. Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us. Except as provided in Section 16.D, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to “we”, “us”, and “our”, with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. “Control” means the power to direct or cause the direction of management and policies.

If two or more persons are at any time the owners of the Franchise and your Center, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “owner” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and your Center or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise, or your Center and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a “controlling ownership interest” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you and one of your owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners after the proposed transfer). "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

The term "your Center" includes all of the assets of the Kids Garden Center you operate under this Agreement, including its revenue and the Lease.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

All exhibits attached to this Agreement, are hereby incorporated into this Agreement, by reference.

P. <u>LAWFUL ATTORNEY</u>.

Notwithstanding anything otherwise contained in this Agreement, if you do not execute and deliver any documents or other assurances so required of you pursuant to this Agreement or if we take over the management or operation of the business operated hereunder on your behalf for any reason, you hereby irrevocably appoint us as your lawful attorney with full power and authority, to execute and deliver in your name any such documents and assurances, and to manage or operate the business on your behalf, and to do all other acts and things, all in such discretion as we may desire, and you hereby agree to ratify and confirm all of our acts as your lawful attorney and to indemnify and save us harmless from all claims, liabilities, losses, or damages suffered in so doing. You also hereby appoint us as your attorney-in-fact receive and inspect your confidential sales and other tax records and hereby authorize all tax authorities to provide such information to us for all tax periods during the terms of this Agreement.

18. <u>NOTICES AND PAYMENTS</u>.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operating Manual will be deemed to be delivered on the earlier of the date of actual delivery or one of the following:

(a) at the time delivered via computer transmission and, in the case of the Royalty, Marketing Fund contributions, and other amounts due, at the time we actually receive payment;

(b) one business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission;

(c) one business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or

(d) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; or

(e) and must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two days before then) will be deemed delinquent.

19. <u>ELECTRONIC MAIL</u>.

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize email for such communications. You authorize the transmission of email by us and our employees, vendors, and affiliates ("Official Senders") to you during the term of this Agreement.

You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers directors and employees to give their consent to Official Senders' transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you, and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement.

This consent given in this Section 19 shall not apply to the provision of notice by either party under this Agreement pursuant to Section 18 unless we and you otherwise agree in a written document manually signed by both parties.

20. RELOCATION.

If, at any time during the Term of this Agreement, you determine that, despite using your good faith efforts, it is no longer economically feasible to operate the Center at the Premises, we will consider, in good faith, your request to relocate the Center to a new site within the Territory. We will not be required to consider any request to relocate the Center under this Section 20 if you are not then in compliance with this Agreement. Further, your right to relocate the Center shall be subject to our approval of the proposed new site as described in Section 2 of this Agreement, and your development of the proposed new Kids Garden Center at the new approved site in accordance with this Agreement and in accordance with a timetable to which we agree at the time we grant our approval (including a timetable for closing of the Center at the existing Premises and re-opening the Center at a new site.) Any request for relocation and any approvals we grant in connection therewith shall be in writing. When the Center is closed at the current Premises and is re-opened at the new approved site, this Agreement shall be deemed to reflect the new address as the Premises.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as the Effective Date.

FRANCHISOR:	FRANCHISEE:
HARVEST THE GARDEN, LLC, a South Carolina limited liability company ________________________ **By: Maren Anderson** **Its: President**	________________________ **By:** **Its/An:**

EXHIBIT A
TO FRANCHISE AGREEMENT

LISTING OF OWNERSHIP INTERESTS

1. **Form of Owner.**

(a) **Individual Proprietorship.** Your owner(s) (is) (are) as follows:
____
____

(b) **Corporation, Limited Liability Company, or Partnership.** You were incorporation or formed on __________________________________, under the laws of the State of ____________________. You have not conducted business under any name other than your corporate, limited liability company, or partnership name unless indicated in the following; ________________.

2. **Owners.** The following identifies the owner that you have designated as, and that we approve to be, the Managing Owner and lists the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	Owner's Name	Type/ %-age of Interest
Managing Owner:	______________________	______________________%
Other Owners:	______________________	______________________%
	______________________	______________________%
	______________________	______________________%

3. Center Premises: ____

FRANCHISOR:	FRANCHISEE:
HARVEST THE GARDEN, LLC, a South Carolina limited liability company __________________________ **By: Maren Anderson** **Its: President**	 __________________________ **By:** **Its/An:**

<u>EXHIBIT B</u>
TO THE FRANCHISE AGREEMENT

HARVEST THE GARDEN, LLC'S
<u>ADDENDUM TO LEASE</u>

THIS ADDENDUM TO THE LEASE ("Addendum") shall be attached to and made a part of that certain lease agreement dated ________________, 20___ ("Lease") by and between, ____________________________ ("Landlord"), and ____________________________ ("Tenant"). In the event of any contradiction or inconsistency between the terms of this Addendum and the terms of the Lease, the terms of this Addendum shall control. All defined terms not specifically defined in this Addendum shall be given the meanings ascribed to them in the Lease.

Recitals

A. Tenant is or will be a party to a franchise agreement with Harvest The Garden, LLC ("Franchisor"), pursuant to which Tenant was granted or will be granted the right to own and operate a Harvest The Garden center ("the Center").

B. Franchise requires that the Lease contain certain provisions that protect Franchisor's proprietary assets, marks, and franchise system.

C. Tenant has requested, and the Landlord has agreed, to amend the Lease to include the requirements set forth below.

Franchisor Required Terms

1. <u>Rent</u>. Rent under the Lease must be an exact amount per month. Rent cannot be a percentage of Tenant's gross receipts. Any provisions in the Lease related to percentage rent (such as a definition of gross receipts) are hereby deleted.

2. <u>Tenant Use and Identity</u>. Tenant shall have the right to use the Premises for a children's drop-in center and other related purposes. Landlord acknowledges and represents to Tenant that such use does not conflict with any other use provision within the Shopping Center. Tenant is an individual franchise owner or an entity created to own the franchise business, which will operate under the trade name "Kids Garden" or similar trade name. Under no circumstance is Franchisor or any of its affiliates, representatives, designees, or assigns the tenant under the Lease, a guarantor under the Lease, or in any other way obligated for Tenant's obligations under the Lease.

3. <u>Radius Restrictions and Tenant Relocation</u>. Any radius restrictions or relocation provisions found in the Lease are hereby deleted.

4. <u>Exclusivity; Use</u>. Throughout the Initial Term and any extension, Landlord agrees that Tenant shall have the exclusive right in the Shopping Center to operate a children's drop-in center providing short-term childcare. Other tenants in the Shopping Center offering childcare services ancillary to their business will NOT be permitted. For purposes of this provision, "ancillary" means any business that derives no more than 10% of its gross revenues from childcare services. In no event shall Landlord permit any childcare services in the Shopping Center.

This exclusive provision shall not include any Shopping Center tenant existing as of the date of the Lease. However, to the extent Landlord has the right, Landlord shall NOT consent to any assignment or sublease if the change in use would violate this exclusive use provision.

If this exclusive use provision is violated, then in addition to any other remedy Tenant may have at law or in equity, Tenant shall have the right to (a) terminate the Lease or (b) immediately reduce its Base Rent to $1.00 per month until Landlord cures the breach or, if Landlord does not cure the breach, for the remainder of the Initial Term and any extension.

5. <u>Right of Termination</u>. Upon the 2nd anniversary date of the Lease, so long as Tenant is not in material default under the Lease, Tenant shall have the right to terminate the Lease upon 120 days' prior written notice to Landlord. If so terminated, Tenant shall reimburse Landlord the greater of: (a) the unamortized balance of Landlord's improvement allowance, plus any real estate commissions paid, or (b) 3 months of Base Rent.

If Tenant exercises the above right to terminate, Franchisor shall have the right, but not the obligation, to manage the Center until a new franchise owner occupies the Center.

6. <u>Hours of Operations</u>. Tenant's minimum hours of operation shall be from 8:00 a.m. to 6:00 p.m. Monday through Sunday. These hours may fluctuate depending on the Tenant's scheduling of services.

7. <u>Signage</u>.

(a) Tenant has the right to install the customary and usual display signs mandated by Franchisor (i) in the Premises, (ii) on the exterior of its building, and (iii) on monument/pylon signs, in each case, to the maximum-allowable size. Tenant signs are subject to Landlord's sign criteria and approval, not to be unreasonably withheld, and applicable municipal codes.

(b) Tenant shall also have the right to display a banner reading "Coming Soon" (or similar message) during the period between Lease execution and the date that is 30 days after Tenant opens for business to the public. Tenant shall also be permitted to display professional grade signs/posters and tasteful promotional items in the windows of the Premises consistent with Franchisor's national standards.

8. **Tenant's Right to Assign or Sublease.**

(a) Notification. In the event Tenant is permitted to assign or sublease the Lease under any circumstances, Tenant must first obtain Franchisor's written consent and provide Landlord 30 days' prior written notice.

(b) Transfer to Franchisor. Tenant shall have the right to assign the lease or sublet the Premises, without charge and without Landlord's consent, to Franchisor or its parent, subsidiaries or affiliates (each, a Kids Garden entity). In such event, the Kids Garden entity shall have the right to reassign the lease, without charge and without Landlord's consent, to a duly authorized franchisee of a Kids Garden entity and to thereupon be released from any further liability under the Lease.

(c) Transfer to Franchisee. Tenant shall also have the right to assign the Lease or sublet the Premises, without charge but with Landlord's consent, not to be unreasonably withheld, to another duly authorized franchisee of a Kids Garden Entity.

(d) Options. Any options to extend the term of the Lease shall automatically transfer to the assignee involved in any transfer made pursuant to this Section.

9. Tenant Default. If Landlord sends Tenant a notice of default, Landlord must simultaneously send a copy of the notice to Franchisor as follows: Harvest The Garden, LLC, Attention: Legal Department, 57 Windermere, Charleston South Carolina 29407.

10. Notice and Cure. Franchisor (or its designee) shall have the opportunity, but not the obligation, to enter the Premises to make modifications necessary to protect the equipment, furniture, fixtures and signs, or to cure any default under the Lease or Tenant's franchise agreement as follows:

Cure under the Lease. Landlord agrees to give Franchisor written notice of any Tenant defaults prior to exercising any remedies against Tenant under the Lease. Franchisor shall have Tenant's cure period plus an additional 10 days to cure (at Franchisor's option) any Tenant defaults, and to perform any other acts necessary to keep the Lease in full force and effect, but Franchisor is not obligated to cure.

Cure under the Franchise Agreement. Franchisor (or its designee) shall have the option, upon default, expiration, or termination of Tenant's franchise agreement, and upon notice to Landlord to:

(a) assume all of Tenant's rights under the Lease including, but not limited to, the right to renew the Lease and pay rent;

(b) assign or sublease the Premises per the above terms; and

(c) remove equipment, furniture, fixtures and signs (provided that Franchisor has the authority to do so).

11. Landlord's Warranties.

(a) Landlord represents, covenants, and warrants that:

(i) it has lawful title to the Shopping Center

(ii) the Shopping Center is in compliance with the Americans with Disabilities Act ("ADA");

(iii) it shall maintain throughout the Term of the Lease general liability insurance coverage for the Shopping Center consistent with coverage maintained by prudent owners of properties similar to the Shopping Center;

(iv) so long as Tenant pays all monetary obligations due under the Lease and performs all of its other covenants under the Lease, Tenant shall peacefully and quietly have, hold, occupy and enjoy the Premises;

(v) Tenant's permitted use does not violate any contracts or agreements to which Landlord is a party.

(b) In addition, Landlord shall indemnify and hold harmless Tenant and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (i) Landlord's operation of the Shopping Center, (ii) Landlord's negligence or breach in the performance of any of its obligations under the Lease, or (iii) any violation of law by Landlord or any other act or omission of Landlord or its contractors, agents, or employees. The foregoing indemnification shall survive expiration or termination of the Lease.

12. Landlord Work and Repairs. If the Shopping Center is not in compliance with all laws, codes, or other regulations, Landlord shall perform necessary remedial work at its sole cost and expense. Landlord covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Tenant, to keep, maintain and replace, if necessary, the foundations, the exterior paint, the plumbing system, the electrical system, the utility and sewer lines and connections to the Premises, the sprinkler mains, if any, structural elements and systems including, without limitation, the roof, roof membrane, roof covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

13. Common Areas.

(a) Landlord shall not change or alter the Common Areas in any manner which would:

(i) alter the dimensions or location of the Premises;

(ii) adversely affect the use, operation or conduct of Tenant's business in the Premises;

(iii) adversely affect the accessibility or visibility of the Premises; or

(iv) reduce the current ratio of parking to rentable square feet in the Shopping Center by more than 10%.

(b) The costs of capital improvements to the Common Areas, defined as any costs that are not fully chargeable to current expenses in the year the expenditure is incurred (calculated in accordance with generally accepted accounting principles) shall be excluded from the calculation of Tenant's Common Areas' cost pass through, if any.

14. Hazardous Materials. Landlord represents and warrants to the best of its knowledge that the Premises are free of all asbestos, asbestos containing materials, and other hazardous or toxic materials (collectively, "Hazardous Materials").

Tenant shall have no obligation to make any repairs, alterations, or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Shopping Center, the building of which the Premises are a part of the Premises, other than those Hazardous Materials brought onto such areas by Tenant.

Landlord shall indemnify and hold Tenant harmless from and against all liabilities, loss, costs, damages, and expenses which Tenant may incur (including reasonable attorneys' fees) as the result of a breach of Landlord's representation and warranty set forth in this Section or the presence of Hazardous Materials in or about the Shopping Center, Building, or the Premises.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date and year first written above.

LANDLORD:

____

BY:_____________________________
NAME:__________________________
TITLE:__________________________

TENANT:

____

BY:_____________________________
NAME:__________________________
TITLE:__________________________

<u>EXHIBIT C</u>
TO THE FRANCHISE AGREEMENT

<u>COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, TELEPHONE LISTING AND INTERNET ADDRESSES</u>

THIS COLLATERAL ASSIGNMENT is entered into this __day of___________,20__. In accordance with the terms of the Harvest The Garden, LLC Franchise Agreement ("Franchise Agreement") between Harvest The Garden, LLC ("Franchisor") and ____ ("Franchisee"), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Kids Garden Center ("Franchise Business") located at ____.

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular classified or other telephone directory listings (collectively, the "Telephone Numbers and Listings") and (2) those certain Internet website addresses ("URLs") associated with Franchisor's trade and service marks and used from time to time in connection with the operation of the Franchise Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and the listing agencies which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as "Telephone Company") and Franchisee's Internet service provider ("ISP") to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without extension), Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the URLs, and, in such event, Franchisee shall have no further right, title, or interest in the Telephone Numbers and Listings, and the URLs, and shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchise agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings and the URLs, and Franchisee irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to Assign the Telephone Numbers and listings and the URLs to Franchisor, Franchisor shall direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor, Franchisor shall direct the Telephone Company and the ISP to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor's exclusive rights in and to the Telephone Numbers and Listings and the URLs upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Telephone Company's and ISP's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of the 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.

THUS SIGNED this as of the day and date shown on the first page hereof.

FRANCHISOR: **HARVEST THE GARDEN, LLC, a South Carolina limited liability company** _________________________ **By: Maren Anderson** **Its: President**	**FRANCHISEE:** _________________________ **By:** **Its/An:**

EXHIBIT D
TO THE FRANCHISE AGREEMENT

PERSONAL GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ______ day of ___________, 20___, by ___________________________________.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by Harvest The Garden, LLC ("us," "we," or "our"), each of the undersigned personally and unconditionally (a) guarantee to us and our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that ____________________________ ("Franchise Owner") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, and transfer requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchise Owner and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchise Owner fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchise Owner or any other person; and (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Franchise Owner or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives: (i) all right to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchise Owner arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and other notices to which her or she may be entitled.

Each of the undersigned represents and warrants that, if no signature appears below for such undersigned's spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estates.

The provisions contained in Section 17 (Enforcement) of the Agreement, including Section 17.G (Arbitration), Section 17.I (Consent to Jurisdiction) and Section 17.D (Costs and Attorneys' Fees) of the Agreement are incorporated into this Guaranty by reference and shall govern this Guaranty and any disputes between the undersigned and us. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur.

By signing below, the undersigned spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including, without limitation, to bind the spouse's own separate property).

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTORS	**SPOUSES**
1. **NAME:**_____________________________ **SIGNATURE:**_____________________	**1.** **NAME:**_____________________________ **SIGNATURE:**_____________________
2. **NAME:**_____________________________ **SIGNATURE:**_____________________	**2.** **NAME:**_____________________________ **SIGNATURE:**_____________________
3. **NAME:**_____________________________ **SIGNATURE:**_____________________	**3.** **NAME:**_____________________________ **SIGNATURE:**_____________________

EXHIBIT E
TO THE FRANCHISE AGREEMENT

LOCATION AND TERRITORY

Section 1.F. The Franchised Location is: ____________________________

Section 1.F. The Territory is:__________________________________

If the Territory is defined by streets, highways, freeways, or other roadways, or rivers, streams, or tributaries, then the boundary of the Territory shall extend to each such street, highway, freeway, or other roadway, river, stream, or tributary.

IN WITNESS WHEREOF, the parties have executed this EXHIBIT E to the Franchise Agreement on __________________________.

FRANCHISOR:	FRANCHISEE:
HARVEST THE GARDEN, LLC, a South Carolina limited liability company ______________________ **By: Maren Anderson** **Its: President**	 ______________________ **By:** **Its/An:**

EXHIBIT F
TO THE FRANCHISE AGREEMENT

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (the "Agreement") is made and entered into this ____ day of _________, 20___, by and between ____, residing at _______________________________________, who presently is a manager, assistant manager or employee of a Kids Garden Center, or a director, manager or officer of a Kids Garden franchisee (the "Employee") and ______________________________, a (State) ________________, and its successors and assigns (the "Employer").

RECITALS

WHEREAS, Employer is a company engaged in the business of owning and operating a Kids Garden franchise under a license granted by Harvest The Garden, LLC (the "Franchisor").

WHEREAS, Employer is desirous of protecting its rights and interests in and to the Kids Garden franchise that Franchisor has granted to Employer, including operating systems, sales and marketing programs and ideas, and all information and documents relating thereto.

WHEREAS, Employee is being retained by Employer to provide services as the _________________________ for Employer.

WHEREAS, Employer will provide substantial opportunities to the Employee in the conduct of Employee's position including, but not limited to, present and future earnings, access to potential and existing clients, and Employer's and Franchisor's confidential and proprietary information. Employee further acknowledges that Employer would not employ or continue to employ Employee without Employee's agreeing to be bound by the restrictions contained in this Agreement.

NOW, THEREFORE, in consideration of the premises, which Employee agrees is good and valuable consideration, the receipt of which hereby is acknowledged, Employee represents and warrants to Employer and covenants and agrees with Employer as follows:

1. Recitals. The statements made in the Recitals above are true and accurate and are incorporated herein.

2. Specialized Knowledge and Training. Employee acknowledges and agrees that:

(a) the knowledge and experience that Employee will acquire while associated with and/or employed by Employer is of a special, unique, and extraordinary character and that Employee's position with Employer places Employee in a position of confidence and trust with the clients, sales agents, contacts, account executives, investors, accounts, associates and employees of Employer and allow Employee access to Confidential Information (as that term is defined in Section 6 below), which access Employee would not have but for Employee's relationship with Employer; and

(b) Employer will make substantial investments of time and capital in the development of Employee's goodwill, education and expertise, from which Employee will receive a substantial and direct economic benefit.

3. Operating System and Trademarks. Employee acknowledges and agrees that:

(a) Franchisor is the creator and owner of the trade secrets, products, curriculum, concept, style, confidential information, format and operating system (collectively, the "Operating System") and the logotypes, service marks and trademarks now or hereafter involved in the operation of a Kids Garden Center using the style, trademark, service mark, and trade name Kids Garden (collectively, the "Trademarks"), and the goodwill associated therewith, and has granted to Employer the right and license to operate a licensed Kids Garden Center using the Operating System and the Trademarks subject to the continuing control by Franchisor of the dissemination and use of the Operating System and the Trademarks;

(b) Employee has obtained or will obtain knowledge of the Operating System in connection with its association with or employment by either Franchisor and/or Employer, which knowledge obtained or to be obtained by Employee was unknown to it prior to said employment and/or the execution of this Agreement, and which knowledge is a prerequisite for Employee's employment; and

(c) Because the protection of the Operating System and the Trademarks is vital to the continued success of Franchisor and franchisees of Franchisor, Franchisor is unwilling to permit Employer to disclose to Employee the Operating System except upon the terms set forth in this Agreement, including the requirements of confidentiality, non-disclosure and non-competition as set forth in this Agreement.

4. Ownership of Operating System and Trademarks. Employee acknowledges and agrees that Franchisor is the sole and exclusive owner of all right, title and interest in and to the Operating System and the Trademarks, and that the Operating System and the Trademarks shall be used by Employee only in accordance with the terms hereof. Employee shall acquire no right, title or interest in or to the Operating System and/or the Trademarks. Employee shall not, directly or indirectly, at any time during or after the term of Employee's employment by or association with Employer's Kids Garden Center, do or cause to be done any act or thing disputing, attacking, or in any way impairing or intending to impair Franchisor's right, title, or interest in or to the Operating System or the Trademarks. Employee shall immediately notify Employer of all infringements of the Operating System or the Trademarks by others that come to Employee's attention and of all challenges to or limitations on Franchisor's use of the Operating System or any of the Trademarks.

5. Non-disclosure of Confidential Information. The parties hereto acknowledge that during the period in which the Employee is employed by or associated with Employer (the "Employment Period"), the Employee shall use, receive, conceive or develop Confidential Information (as that term is defined in Section 6 below). Employee covenants and agrees that during the Employment Period and at all times thereafter, Employee shall not, except with the prior written consent of Employer or Franchisor, which consent shall be granted or denied at the Employer's or Franchisor's sole and absolute discretion, or except if acting solely for the benefit of Employer in connection with Employer's business and in accordance with the Employer's business practices and policies, at any time disclose, divulge, report, transfer or use, for any purposes whatsoever, any of such Confidential Information which has been used, received, conceived or developed by Employee. Employee also recognizes that such Confidential Information represents a valuable asset of the Employer and Franchisor and is required to ensure the effective and successful conduct of their respective businesses.

6. Confidential Information. For purposes of this Agreement, the term "Confidential Information" shall mean all of the following materials and information that Employee uses, receives, conceives or develops or has used, received, conceived or developed, in whole or in part, in connection with Employee's employment by or association with Employer:

(a) The Operating System and Trademarks;

(b) The contents of any manuals or other written materials of Franchisor, Employer, or any of Franchisor's subsidiaries or affiliates;

(c) The names and information relating to customers and prospective customers of Employer, or other persons, firms, corporations or other entities with whom the Employee has contact with on behalf of Employer or to whom any other employee of Employer has provided goods or services at any time;

(d) The terms of various agreements between Employer and any third parties, including without limitation, the terms of customer agreements, vendor or supplier agreements, lease agreements, advertising agreements and the like;

(e) Any data or database, or other information compiled by Employer, including, but not limited to, client lists, customer information, information concerning Employer, or any business in which Employer is engaged or contemplates becoming engaged, any company that Employer engages in business, any client, prospective client or other person, firm or corporation to whom or which Employer has provided services or goods or to whom or which any employee of Employer has provided services or goods on behalf of Employer, or any compilation, analysis, evaluation or report concerning or deriving from any data or database, or any other information;

(f) All policies, procedures, strategies and techniques regarding the services performed by Franchisor, training, marketing and sales of Franchisor, specifically including but not limited to the Operating System and Trademarks, either oral or written, and assorted lists containing information pertaining to clients and prospective clients; and

(g) Any other information, data, know-how or knowledge of a confidential or proprietary nature observed, used, received, conceived or developed by Employee in connection with Employee's employment by Employer.

7. <u>Use and Return of Confidential Information</u>.

(a) The Employee agrees that under no circumstance and at no time shall any of the Confidential Information be taken from Employer's premises and that under no circumstances and at no time shall any of the Confidential Information be duplicated, in whole or in part, without the express written permission of Employer, which permission may be granted or denied in its sole and absolute discretion.

(b) The Employee agrees that, upon termination of employment with Employer, Employee shall return to Employer all such Confidential Information, which is in Employee's possession regardless of the form in which any such materials are kept.

(c) The Employee covenants and agrees that all right, title and interest in any Confidential Information shall be and shall remain the exclusive property of Employer and/or Franchisor. Employee agrees to promptly disclose to Employer all Confidential Information developed in whole or in part by Employee within the scope of this Agreement and to assign to Employer and/or Franchisor any right, title or interest Employee may have in such Confidential Information. Employee agrees to turn over to the Employer all physical manifestations of the Confidential Information in Employee's possession or under Employee's control at the request of Employer.

8. <u>In-Term Non-Solicitation and Non-Competition</u>. In order to protect the goodwill of the Operating System and Trademarks, during the term of Employee's employment by or association with Employer, Employee shall not, directly or indirectly:

(a) Divert, or attempt to divert, any business opportunity or customer of Employer, Franchisor or any licensed Kids Garden Center to any competitor, or do or perform, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Operating System and the Trademarks;

(b) Employ or seek to employ any person who is at that time employed by Employer, Franchisor, or any Kids Garden franchisee, or otherwise directly or indirectly induce such person to leave the employ of said party;

(c) Develop, own, manage, operate, be employed by or have any interest in any business or facility (other than a licensed Kids Garden Center), which is the same as or substantially similar to a licensed Kids Garden Center, or is in any way competitive with a licensed Kids Garden Center, wherever located.

9. <u>Post-Term Non-Solicitation and Non-Competition</u>. In order to protect the goodwill of the Operating System and Trademarks, for a period of two (2) years following the termination of Employer's employment by or association with Employer, for any reason, Employee shall not, directly or indirectly:

(a) Divert, or attempt to divert, any business opportunity or customer of Employer, Franchisor or any Kids Garden Center to any competitor, or do or perform, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Operating System and the Trademarks;

(b) Employ or seek to employ any person who is at that time employed by Employer, Franchisor, or any Kids Garden franchisee, or otherwise directly or indirectly induce such person to leave the employ of said party;

(c) Develop, own, manage, operate, be employed by or have any interest in any business or facility (other than a licensed Kids Garden Center) which is the same as or substantially similar to a Kids Garden Center, or is in any way competitive with a Kids Garden Center, and which is located within a radius of ten (10) miles of the Employer's Kids Garden Center or any other Kids Garden Center (whether company-owned, affiliate-owned or franchised).

At no time during or after the term of Employee's employment by or association with Employer shall Employee use or duplicate the Operating System or the Trademarks, except pursuant to a valid license from Franchisor. Employee expressly agrees that the restrictive covenants contained in Sections 8 and 9: (i) are reasonable as to time and geographical area; (ii) do not place an unreasonable burden on Employee; and (iii) are supported by adequate consideration to Employee.

10. At-Will Employment. The mere entering into this Agreement by Employee shall not operate so as to require Employer to continue to employ Employee, and Employee hereby represents and warrants to Employer that Employee has not received any promises or guarantees, implied or express, of such continued employment by or association with Employer. Employee agrees that this Agreement shall be applicable to Employee regardless of whether the termination of its employment by or association with Employer occurs at the instance of Employee or Employer and, if at the instance of Employer, regardless of whether the termination was for cause. Employee further agrees that Employee's breach of this Agreement shall be grounds for the termination of Employee's employment.

11. Enforcement and Remedies. Employee agrees that a breach or default of the terms of this Agreement will cause irreparable harm to Employer and/or Franchisor and, therefore, in the event of any such breach or default, Employer and/or Franchisor shall be entitled to injunctive relief, specific performance, or other equitable relief. Employer and/or Franchisor shall be entitled to a restraining order or injunction without bond and without specific proof of irreparable harm and without specific proof of an inadequate remedy at law. Any specific right or remedy set forth in this Agreement shall not be exclusive, but shall be cumulative to other remedies available to Employer and/or Franchisor under this Agreement or at law or in equity, including injunctive relief, specific performance and recovery of money damages. The failure of Employer and/or Franchisor to enforce any of the provisions of this Agreement shall not constitute a waiver thereof or otherwise operate to limit any of Employer's and/or Franchisor's rights hereunder.

The existence of any claim, defense or cause of action that Employee may have against Employer and/or Franchisor, regardless of cause or origin, shall not constitute a defense against the enforcement of this Agreement by Employer and/or Franchisor against Employee.

12. Toll Period. In the event Employee shall violate any provision of this Agreement as to which there is a specific time period during which Employee is prohibited from taking certain actions or from engaging in certain activities, as set forth in such provision, then, such violation shall toll the running of such time period from the date of such violation until such violation shall cease.

13. Successors and Assigns. This Agreement shall be binding upon Employee and his or her heirs, personal representatives, successors and assigns, and shall inure to the benefit of Employer and Franchisor (Franchisor being an intended third-party beneficiary hereof, with independent rights to enforce this Agreement) and their respective heirs, personal representatives, successors and assigns. Employee expressly agrees that this Agreement shall be assignable by Employer to a successor to the business of Employer and Employee hereby expressly consents to such assignment. Franchisor's rights under this Agreement are fully assignable and transferable and shall inure to the benefit of Franchisor's affiliates, successors and assigns.

14. Miscellaneous.

(a) Time is of the essence of this Agreement and of every term, covenant and condition hereof.

(b) The headings in this Agreement are for convenience only and are not to be construed as a part of this Agreement or in any way defining, limiting or amplifying the provisions hereof.

(c) If Employer or Franchisor retains an attorney or institutes a suit against Employee in any way connected with this Agreement or its enforcement, or to utilize remedies for its breach, they (if prevailing) shall be entitled to recover from Employee reasonable attorneys' fees (not to exceed actual attorneys' fees incurred) and all costs in connection with said enforcement or suit, whether or not suit is filed or, if filed, is prosecuted to judgment.

(d) This Agreement shall be governed by, construed and enforced under the laws of the State of ____________ whose courts shall have jurisdiction over any legal proceedings arising out of this Agreement, and _________ County, __________ shall be the place of venue for any such action or proceedings. [Insert State and County where Employer's Franchised Business is located]

(e) The invalidity or unenforceability of any covenant, term or condition of this Agreement, or any portion of any covenant, term or condition of this Agreement, shall not affect any other covenant, term or condition or portion thereof and this Agreement shall remain in effect as if such invalid or unenforceable covenant, term or condition (or portion thereof) were not contained herein; provided that the invalidity of any such provision does not materially and adversely affect the expected benefits accruing to any party hereunder.

(f) This Agreement contains the entire agreement between the parties and supersedes all prior and contemporaneous understandings, representations, warranties, and agreements. This Agreement shall not be amended or modified, except in writing signed by all parties hereto.

15. WAIVER OF JURY TRIAL. EMPLOYEE HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES THE RIGHT EMPLOYEE MAY HAVE TO A TRIAL BY JURY OF, UNDER, OR IN CONNECTION WITH EMPLOYEE'S EMPLOYMENT WITH EMPLOYER, THIS AGREEMENT, OR ANY AGREEMENT OR DOCUMENT EXECUTED IN CONJUNCTION HEREWITH OR ANY COURSE OF CONDUCT, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY RELATING HERETO OR THERETO.

16. Acknowledgment. Employee acknowledges that Employee understands the terms and conditions set forth in this Agreement and has had adequate time to consider whether to agree to them and to consult a lawyer, if Employee wished to do so.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

EMPLOYER:	EMPLOYEE:
______________________________	______________________________
______________________________	By: ______________________________
[Print Name and Title]	[Print Name]

<u>EXHIBIT G</u>
TO THE FRANCHISE AGREEMENT

<u>ACH AUTHORIZATION</u>

AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)

Please complete and sign this form.

Franchisee Information

Franchisee Name or Legal Entity: ____

Kids Garden Center Number and Location: ________________________________

Name and Email of Person to Receive ACH Debit Advice: _______________________

I (we) hereby authorize Harvest The Garden, LLC (“Company”) to make ACH withdraws from my (our) account at the financial institution named below. I authorize the Company to initiate direct deposits into this account in the event that a debit entry is made in error. I (we) acknowledge that the origination of the ACH transaction to or from my (our) account must comply with the provisions of the U.S. law.

I agree to indemnify the Company for any loss arising in the event that any withdrawals from any (our) account shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

This Agreement will remain in effect until the Company has received advanced written notice of cancellation from me (us) in such time and in such manner as to afford the Company a reasonable opportunity to act on it, and in no event shall such notice period be less than thirty (30) days.

Name of Financial Institution:	
ABA Routing Number:	
Account Number: **Checking or Savings**	
Authorized Signature (Primary):	**Date:**

<u>EXHIBIT H</u>
TO THE FRANCHISE AGREEMENT

<u>PROMISSORY NOTE</u>

$________________ Date: ____________

FOR VALUE RECEIVED, the undersigned Maker of this Note promises to pay to the order of Harvest The Garden, LLC at 57 Windermere Boulevard, Charleston, South Carolina 29407 ("Holder"), the principal sum of ____ Dollars ($____________) in the currency of the United States of America together with interest from the date of this Note at the rate of 3.0 percentage points above the prime interest rate on the effective date of the Franchise Agreement dated ___________________________ ("Franchise Agreement").

1. On the ____ day of ________________________, 20__, and on the _____ day of each and every month thereafter, the sum of $________ will be due and payable in full.

2. On the ____ day of _____________________, 20___, the then entire outstanding principal and interest balances owing under this Note, if not sooner paid, will be due and payable in full.

3. Any payment is late if not received by holder within 10 days after it is due. If a payment is late, Holder may, in its sole discretion elect to:

> A. Declare the entire unpaid principal and interest balances immediately due and payable; or
>
> B. Accept the late payment along with a late charge in the amount of 10% of the amount of the late payment. The late charge will be for the purpose of compensating the Holder for additional expenses which it is recognized that Holder will incur as a result of the late payment.

4. All payments, as of the date they are received, will first be credited to any late charges due; the balance, if any, will then be credited to the outstanding interest balance; and the balance, if any, will then be credited to the outstanding principal balance.

5. In the event Holder elects under 3A above to demand payment in full of the entire unpaid balance, Holder will first provide Maker with written notice of its election, demanding payment in full within 10 days. In the event a default exists after the 10-day notice period has expired, Maker promises and agrees:

A. That the entire outstanding principal and interest balances, including late charges, will bear interest from the original due date of the delinquent payment at the rate of 18% (default rate) per year (or if this rate exceeds the maximum permitted by law, then the interest rate will be the highest rate permitted by law); and

B. To pay Holder's actual attorneys' fees and costs incurred in collection efforts as a result of the default.

6. In the event a default exists after the 10-day notice period as provided above in paragraph 5, Harvest The Garden may in addition elect to terminate and cancel the Franchise Agreement between Harvest The Garden and Maker described in paragraph 7 below in accordance with the provisions of the Franchise Agreement.

7. This Note constitutes past performance of the certain written Franchise Agreement between Maker and Harvest The Garden dated _______ day of ________________, 20___, and as such, will be read and interpreted in a manner consistent with the terms of said agreement. Default under the terms of this Note will be sufficient grounds for termination or cancellation of that Franchise Agreement in accordance with the terms of the Franchise Agreement.

8. The Makers and endorsers of this Note waive and excuse presentment for acceptance and payment, notice of dishonor, and protest of dishonor, and agree to any extension of time of payment and partial payments before at, or after maturity.

9. In the event of any sale, transfer assignment, encumbrance, or other conveyance of the rights, duties, or obligations of maker under the terms of the Franchise Agreement between Maker and Harvest The Garden, the entire unpaid principal and interest balances of this Note as of the date of the date of such sale, transfer, assignment, encumbrance, or other conveyance will immediately become due and payable in full without any further notice or demand.

[SIGNATURE PAGE FOLLOWS]

WITNESS:	MAKER:
______________________	______________________ Name:______________________ Address: ______________________ ______________________ Telephone:______________________

WITNESS:	MAKER:
______________________	______________________ Name:______________________ Address: ______________________ ______________________ Telephone:______________________

EXHIBIT D
STATE ADMINISTRATORS

California Department of Corporations 320 West 4th Street Suite 750 Los Angeles, California 90013	Connecticut The Department of Banking Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103–1800 (860) 240-8299
Florida Florida Department of Agriculture & Consumer Services Division of Consumer Affairs Mayo Building, Second Floor Tallahassee, Florida 32399-0800	Hawaii Business Registration Division Securities Compliance Branch Department of Commerce and Consumer Affairs 335 Merchant Street Honolulu, Hawaii 96813
Illinois Office of Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706	Indiana Secretary of State Franchise Section Indiana Securities Division 302 West Washington, Room E-111 Indianapolis, Indiana 46204
Kentucky Commonwealth of Kentucky Office of the Attorney General Consumer Protection Division 024 Capital Center Drive P.O. Box 2000 Frankfort, Kentucky 40602	Maryland Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, Maryland 21202–2020
Michigan Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, Michigan 48913	Minnesota Department of Commerce 85 7th Place East Suite 500 St. Paul, Minnesota, 55101–2198
Nebraska Department of Banking and Finance	New York

1200 N Street Suite 311 P.O. Box 95006 Lincoln, NE 68509	Bureau of Investor Protection and Securities New York State Department of Law 23rd Floor 120 Broadway New York, New York 10271
North Dakota Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505	Rhode Island Department of Business Regulation Securities Division 1511 Pontiac Avenue Cranston, Rhode Island 02920-4407
South Dakota Division of Securities c/o 445 E. Capitol Avenue Pierre, South Dakota 57501	Texas Statutory Document Section Secretary of State P.O. Box 12887 Austin, Texas 78711
Virginia State Corporation Commission Division of Securities and Retail Franchising Ninth Floor 1300 East Main Street Richmond, Virginia 23219	Washington Department of Financial Institutions Securities Division 150 Israel Rd., SW Tumwater, Washington 98501
Wisconsin Franchise Registration Division Office of the Wisconsin Commissioner of Securities 101 East Wilson Street Madison, Wisconsin 53702	

EXHIBIT E
AGENTS FOR SERVICE OF PROCESS

California Commissioner of Corporations Department of Corporations 320 West 4th Street, Suite 750 Los Angeles, California 90013 1-866-275-2677	Connecticut The Banking Commissioner The Department of Banking Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103–1800 (860) 240-8299
Hawaii Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813	Illinois Attorney General of the State of Illinois 500 South Second Street Springfield, Illinois 62706
Indiana Secretary of State 201 State House Indianapolis, Indiana 46204	Kentucky Commonwealth of Kentucky Office of the Attorney General Consumer Protection Division 1024 Capital Center Drive P.O. Box 2000 Frankfort, Kentucky 40602
Maryland Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202–2020	Michigan Department of Consumer and Industry Services Corporation, Securities, and Land Dev't Bureau 6546 Mercantile Way Lansing, Michigan 48910
Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota, 55101–2198	Nebraska Department of Banking and Finance 1200 N Street, Suite 311 P.O. Box 95006 Lincoln, NE 68509
New York	North Dakota

Secretary of State 162 Washington Avenue Albany, New York 12231	Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505
Rhode Island Department of Business Regulation Securities Division 1511 Pontiac Avenue Cranston, Rhode Island 02920-4407	South Dakota Division of Securities c/o 445 E. Capitol Avenue Pierre, South Dakota 57501
Texas Statutory Document Section Secretary of State P.O. Box 12887 Austin, Texas 78711	Virginia Clerk of the State Corporation Commission First Floor 1300 East Main Street Richmond, Virginia 23219
Washington Department of Financial Institutions Securities Division 150 Israel Rd., SW Tumwater, Washington 98501	Wisconsin Department of Financial Institutions Division of Securities P.O. Box 1768 Madison, Wisconsin 53701
Delaware Agents and Corporations, Inc. 1201 Orange Street, Suite 600 One Commerce Center Wilmington, Delaware 19801 (302) 575-0877	South Carolina Maren Anderson Harvest The Garden, LLC A South Carolina Limited Liability Company 57 Windermere Boulevard Charleston, South Carolina 29407 (843) 637-4602

EXHIBIT F
EXISTING FRANCHISEES

COLORADO
Ms. Charlotte Harriman
Steamboat Springs Kids Garden
Address: 345, B, Anglers Dr.
Steamboat Springs, CO 80487
(970) 457-4466

NORTH CAROLINA
Ms. Daphne Cave
Kids Garden AVL
Asheville Market
4 S. Tunnel Road
Asheville, North Carolina 28805
(828) 417-7310

EXHIBIT G
FORMER FRANCHISEES

None.

EXHIBIT H
STATE ADDENDA AND AGREEMENT RIDERS

ADDITIONAL DISCLOSURES FOR THE FRANCHISE DISCLOSURE DOCUMENT OF KIDS GARDEN

The following are additional disclosures for the Franchise Disclosure Document of Kids Garden required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

FOR THE STATE OF CALIFORNIA

1. Item 3 of the Disclosure Document is supplemented by the following language:

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

2. Item 17 of the Disclosure Document is supplemented by the following language:

   California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

   The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

   The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the agreement. This provision may not be enforceable under California law.

   The Franchise Agreement requires you to waive your right to a trial by jury. This provision may not be enforceable under California law.

The California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

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 of competitive brands that we control.

3. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT.

4. OUR WEBSITE (www.kidsplaygarden.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

FOR THE STATE OF ILLINOIS

The State Cover Page and Item 17 of this disclosure document are amended by adding the following:

1. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois, except that the Franchise Agreement may provide for arbitration outside Illinois. In addition, Illinois law will govern the Franchise Agreement.

2. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning nonrenewal and termination of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.

3. Any release of claims or acknowledgments of fact contained in the Franchise Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act will be void and are deleted with respect to claims under the Act.

4. Section 41 of the Illinois Franchise Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.

FOR THE STATE OF MARYLAND

1. Item 17, under the Summary column of parts (c) and (m), is amended to include the following paragraph:

> A general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17, under the Summary column of part (h), is amended to include the following sentence:

> A provision in the Franchise Agreement that provides for termination on your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

3. Item 17, under the Summary column of part (v), is modified to include the words "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

4. Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

FOR THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(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 SUB-FRANCHISOR;

(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;

As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

FOR THE STATE OF MINNESOTA

1. The following is added to Item 17 of the Disclosure Document:

Under Minnesota law and except in certain specified cases, we must give you 90 days' notice of termination with 60 days to cure. We also must give you at least 180 days' notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

To the extent that any condition, stipulation or provision contained in the Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the non-waiver provision of the Minnesota Franchises Law.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Specifically, we cannot require you to consent to us obtaining injunctive relief, however, we may seek such relief through the court system.

Minn. Rule 2860.4400J prohibits us from requiring you to assent to a general release. To the extent that the Agreement requires you to sign a general release as a condition of renewal or transfer, the Agreement will be considered amended to the extent necessary to comply with Minnesota law.

Minn. Stat. §604.113 sets a cap of $30 on fees to be paid to us if any check, draft, electronic or otherwise, is returned for insufficient funds.

FOR THE STATE OF NEW YORK

1. Item3, "Litigation" is hereby amended by deleting the last paragraph in that Item and replacing it with the following language:

> "Except as described in this Item:
>
> Neither franchisor, its predecessor, a person identified in Item 2 above, or an affiliate offering franchises under the franchisor's principal trademark has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations, pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operation.
>
> Neither franchisor, its predecessor, a person identified in Item 2 above, or an affiliate offering franchises under the franchisor's principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application of registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.
>
> Neither franchisor, its predecessor, a person identified in Item 2 above, or an affiliate offering franchises under the franchisor's principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a

public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent."

2. Item 4, "Bankruptcy", is hereby deleted in its entirety and the following language substituted in lieu thereof:

"Neither franchisor, its affiliates, its predecessor, officers or general partner have during the 10-year period immediately before the date of the offering circular: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code, during or within 1 year after the officer or general partner of the franchisor, held this position in the company or partnership."

3. Item 15, "Obligation to Participate in the Actual Operation of the Franchised Business", is supplemented by the following language that will be deemed an integral part thereof:

"If you are a corporation, partnership or other business entity, we do not require your manager to have an equity interest in your Franchised Business."

4. Item17, "Renewal, Termination, Transfer and Dispute Resolution", is supplemented, under the categories entitled "Termination by Franchisee", "Assignment of Contract by Franchisor" and "Choice of Law" respectively, by the following language that will be deemed an integral part thereof:

In Item 17, section d., *Termination by Franchisee* - Notwithstanding any rights you may have in the Franchise Agreement permitting you to terminate the Agreement, the franchisee may also have additional rights to terminate the Franchise Agreement on any grounds available by law.

In Item 17, section j., *Assignment of Contract by Franchisor* - However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

In Item17, section w., *Choice of Law* - The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.

FOR THE STATE OF NORTH DAKOTA

1. Item17(v) of this disclosure document is amended to reflect that the jury trial waiver provisions in the Franchise Agreement are deleted in their entirety.

FOR THE STATE OF RHODE ISLAND

The following language will apply to Disclosure Documents issued in Rhode Island and be attached by addendum to Agreements issued in the state of Rhode Island:

If any of the provisions of this disclosure document (Risk Factor 1., Cover Page, and Item 17w) are inconsistent with §19-28.1-14 of the Rhode Island Franchise Investment Act, which states that a provision in an Agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of another state are void with respect to a claim otherwise enforceable under this Act, then said Rhode Island law will apply.

FOR THE STATE OF VIRGINIA

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17 of the Franchise Disclosure Document for use in the Commonwealth of Virginia is amended as follows:

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 ground 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.

Any securities offered or sold by the franchisee as part of the Kids Garden Center must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

FOR THE STATE OF WASHINGTON

The state of Washington has a statute, RCW19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such a s right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

EXHIBIT I
REPRESENTATIONS AND ACKNOWLEDGMENTS

REPRESENTATION AND ACKNOWLEDGEMENT STATEMENT

The purpose of this Statement is to demonstrate to Harvest The Garden, LLC ("Franchisor") that the person(s) signing below ("I," "me" or "my"), whether acting individually or on behalf of any legal entity established to acquire the franchise rights ("Franchisee"), (a) fully understand that the purchase of a KIDS GARDEN CENTER franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor's Franchise Disclosure Document and Exhibits (collectively, the "FDD") in deciding to purchase the franchise. You cannot sign or date this Statement the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee. For any "No" responses, please provide a detailed explanation on a separate piece of paper. One is provided on the last page of this Acknowledgement.

In that regard, respond as completely and truthfully as possible by writing your initials in the correct box to the following questions:

Question	Yes	No
1.Please provide the following dates:		
a. The date of your first face-to-face meeting with any person to discuss the possible purchase of a KIDS GARDEN CENTER: ______________, 20___.		
b. The date on which you received this Franchise Disclosure Document ("FDD"): ______________, 20___.		
c. The date when you received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda, if any, and all other documents, to be signed later: ______________, 20___.		
d. The date on which you signed the Franchise Agreement ______________, 20___.		
2. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
3. Did you receive the Franchise Agreement and each related agreement, containing all material terms, at least 7 calendar days before signing any binding agreement with us or an affiliate?		
4. Do you understand all of the information contained in the Franchise Agreement, and each Addendum and related agreement provided to you?		
5. Have you received and personally reviewed the Franchise Disclosure Document we provided?		

6. Did you receive the Franchise Disclosure Document at least 14 calendar days before signing the Franchise Agreement or any related agreement, or before paying any funds to us or an affiliate?		
7. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?		
8. Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?		
9. Have you discussed the benefits and risks of establishing and operating a KIDS GARDEN CENTER with an attorney, accountant, or other professional advisor?		
10. . Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor?		
11. Do you acknowledge and understand that no parent or affiliate of ours promises to back us financially or otherwise guarantees our performance or commits to perform post-sale obligations for us?		
12. Have you discussed the benefits and risks of developing and operating a KIDS GARDEN CENTER franchise with an existing KIDS GARDEN CENTER franchisee?		
13. Do you understand the risks of developing and operating a KIDS GARDEN CENTER franchise?		
14. Do you understand the success and failure of your franchise will depend in large part upon your skills, abilities, and efforts and those of the persons you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms, and the marketplace?		
15. Do you understand that there are no promises, representations (other than in the FDD), agreements, "side deals," or other arrangements, written or oral, that are not in the Franchise Agreement?		
16. Do you understand we have not granted you any territorial rights, other than the right to your Territory as indicated in the Franchise Agreement?		
17. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through other, in the production, distribution, and sale of products and services under the KIDS GARDEN CENTER name or other mark, at any location or by any method of distribution, without regard to the location of other KIDS GARDEN CENTER franchises and these other KIDS GARDEN CENTER franchises or methods of distribution may compete with your unit and adversely affect its sales?		
18. Do you understand that, except where prohibited by the laws of your state, all disputes or claims you may have arising out of or relating to the Franchise Agreement must be litigated in South Carolina, if not resolved informally or by mediation?		
19. Do you understand that you and your manager must satisfactorily complete the initial training course before we will allow the KIDS GARDEN CENTER to open?		

20. Is it true that no employee or other person speaking out our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?		
21. Is it true no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earning, the likelihood of success, the amount of money you earn, or the total amount of revenue a KIDS GARDEN CENTER franchise will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?		
22. Have you entered into any binding agreement with the Franchisor concerning the purchase of the KIDS GARDEN CENTER before today?		
23. Have you paid any money to the Franchisor concerning the purchase of the KIDS GARDEN CENTER before today?		
24. Do you understand that the Franchise Agreement contains the entire agreement between us and you concerning the franchise for a KIDS GARDEN CENTER meaning any prior oral or written statements not set out in the Franchise Agreement will not be binding?		
25. Do you acknowledge and understand that the Franchise Agreement and related agreement are not effective until signed by us?		

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International laws. As part of the express consideration for the purpose of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;

2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;

3. the U.S. State Department's Debarred List or Non-proliferation Sanctions; or

4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisors were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

I UNDERSTAND THAT MY RESPONSES ARE IMPORTANT TO THE FRANCHISOR AND THAT THEY WILL RELY ON THEM. BY SIGNING THIS STATEMENT, I AM REPRESENTING THAT I HAVE CONSIDERED EACH QUESTION CAREFULLY AND TRUTHFULLY RESPONDED.

[SIGNATURE PAGE FOLLOWS]

FRANCHISEE: **INDIVIDUAL(S)** **(Sign here if you are taking the franchise as an individual)** _____________________________ **(SIGNATURE)**	**FRANCHISEE:** **CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP** **(Sign here if you are taking the franchise as a legal entity)** _____________________________ **(SIGNATURE)** **Legal Entity: ________________**

Name: ____________________ **Date:** ______________________	**By:** ________________________ **Title:** _______________________

EXHIBIT J
GENERAL RELEASE

SAMPLE GENERAL RELEASE

HARVEST THE GARDEN, LLC

GRANT OF FRANCHISOR CONSENT AND [FRANCHISEE] RELEASE

Harvest The Garden, LLC ("we," "us" or "our") and the undersigned [franchisee], ____ ("you" or "your") currently are parties to a certain franchise agreement (the "Franchise Agreement") dated _____________________________, 20____. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation]

____
____
____
____
____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and if applicable, your owners) give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principles, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, "Claims") that you and any of the other Releasing Parties now has, ever had, or, but for this limitation, (1) arising out of or related to the Harvest The Garden Parties' obligations under the Franchise or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Harvest The Garden Parties. You, on your own behalf, and on behalf of the other Releasing Parties, further covenant not to sue any of the Harvest The Garden Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signature below, your owners, likewise grant to us the release and covenant not to sue provided above.

If the franchise is located in Maryland or if you are 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.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the date stated below.

FRANCHISOR: **HARVEST THE GARDEN, LLC, a South Carolina limited liability company** ___________________________ **By: Maren Anderson** **Its: President**	**FRANCHISEE:** __________________________ **By:** **Its/An:**

EXHIBIT K
RECEIPTS

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

If Harvest The Garden, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Harvest The Garden, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

The agents listed in Exhibit E are authorized to receive service of process for Harvest The Garden, LLC.

The following is the name, principal business address and telephone number of each franchise seller offering this franchise:

Name: Harvest The Garden, LLC, c/o Maren Anderson
Address: 57 Windermere Boulevard
Charleston, South Carolina 29407
Phone: (843) 637-4602
Issuance Date: July 10, 2023 (See State Cover Page for state effective dates.)

I have received a Disclosure Document dated ______________, that included the following Exhibits:

Exhibits

Exhibit A	Financial Statements
Exhibit B	Table of Contents of Manuals
Exhibit C	Franchise Agreement

Exhibit A to Franchise Agreement	Listing of Ownership Interests
Exhibit B to Franchise Agreement	Addendum to Lease
Exhibit C to Franchise Agreement	Collateral Assignment of Telephone Numbers, Telephone Listings and Internet Addresses
Exhibit D to Franchise Agreement	Personal Guaranty and Assumptions of Obligations
Exhibit E to Franchise Agreement	Location and Territory
Exhibit F to Franchise Agreement	Non-Disclosure Agreement and Non-Competition
Exhibit G to Franchise Agreement	ACH Authorization
Exhibit H to Franchise Agreement	Promissory Note

Exhibit D	State Administrators
Exhibit E	Agents for Service of Process
Exhibit F	Existing Franchisees
Exhibit G	Former Franchisees
Exhibit H	State Addenda and Agreement Riders
Exhibit I	Representations and Acknowledgements
Exhibit J	General Release
Exhibit K	Receipts

Date: ______________________

Prospective Franchisee

By: ______________________

Name: ______________________

Individually and on behalf of the following entity:

Company Name: ______________________

Title: ______________________

RETAIN THIS COPY FOR YOUR FILES

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Exhibit K	Receipts

Date: ______________________

Prospective Franchisee

By: ______________________

Name: ______________________

Individually and on behalf of the following entity:

Company Name: ______________________

Title: ______________________

RETURN THIS COPY TO US