FRANCHISE DISCLOSURE DOCUMENT

ONE RIVER SCHOOL FRANCHISING, LLC
a New Jersey Limited Liability Company
49 North Dean Street
Englewood, New Jersey 07631
(201) 266-5244
OneRiverSchool.com
Franchising@OneRiverSchool.com

The franchise offered is for the establishment and operation of an innovative art and design school featuring a proprietary creative education program for students of all ages, referred to as "One River School."

The total investment necessary to begin operation of a One River School franchised business ranges from $153,500 to $449,600. This includes $45,000 that must be paid to the franchisor or its affiliates. If you want the right to operate additional One River Schools and you sign our Development Rights Rider, you secure the right to additional territories by paying us a deposit of $10,000 for each additional One River School. The deposits will be applied to the Initial Franchise Fees for the additional One River Schools.

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 affiliates in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Katie Enna Hobson, 49 North Dean Street, Englewood, New Jersey 07631, (201) 266-5244.

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

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

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

Date of Issuance: March 13, 2019

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 franchise administrator listed in Exhibit A for information about the franchisor 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 FIRST BY MEDIATION, THEN BY ARBITRATION OR LITIGATION, ONLY IN NEW JERSEY. OUT OF STATE MEDIATION, ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE, ARBITRATE OR LITIGATE WITH US IN NEW JERSEY THAN IN YOUR HOME STATE.

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

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

See the following state effective date summary page for state effective dates.

ONE RIVER SCHOOL FRANCHISING, LLC

STATE EFFECTIVE DATE SUMMARY PAGE

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin.

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

State:	**Effective Date:**
California	Pending Registration
Florida	April 2, 2019
Illinois	Pending Registration
Indiana	Pending Registration
Maryland	Pending Registration
New York	Pending Registration
Rhode Island	Pending Registration
Texas	Effective
Utah	March 28, 2019
Virginia	Pending Registration
Washington	Pending Registration

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EXHIBITS

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

To simplify the language in this Disclosure Document, the words "we," "our," "us" and "One River School" refer to One River School Franchising, LLC, the franchisor of this business. "You" and "your" refer to the person who buys the franchise, whether you are a corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Disclosure Document also apply to your owners and will be noted.

The Franchisor

We were organized as a New Jersey Limited Liability Company on December 11, 2014. Our principal business address is 49 North Dean Street, Englewood, New Jersey 07631. We do business under our corporate name and the names "One River," "One River School," "One River School of Art and Design," and "One River Gallery."

We sell franchises for a unique arts-based business concept that we describe as a "new direction in art education" (a "One River School" or "School"). Our project-based learning approach creates an experience that makes learning art fun while also achieving great outcomes. Our proprietary "Art Shuffle" curriculum teaches Contemporary Art across all media and largely focuses on the practice of the world's most compelling artists of the last 50 years. Our courses use a variety of distinct programs including the following examples. "Art Focus" is a program type that works on a consistent basis by teaching just one medium, for instance, Focus on Drawing or Focus on Cartooning. Our Digital Shuffle Program teaches artmaking within a digital environment and just like Art Shuffle, it sequences through a roadmap of one-month long projects that explore a variety of software and hardware tools to create digitally developed visual art. We have many other course types that allow our Schools to teach all ages from photography and design to painting and sculpture. One River Schools do business under the trade name, One River®, and also use our other related service marks, trademarks or logos (our "Marks"). The franchise operates using our standards, methods, procedures, and specifications, called our "System."

We have been offering One River School franchises since January 2016. We are not engaged in any other businesses and have never offered franchises in any other lines of business.

Our Parents, Predecessors and Affiliates

One River School, LLC, our parent company ("Parent"), was organized in Delaware on August 6, 2015. Our Parent's principal business address is 40 Eisenhower Drive, Cresskill, New Jersey 07626. Our Parent does not currently offer and has not previously offered franchises in this or any other line of business. The Parent owns the trademarks and other proprietary information licensed to you.

We have four affiliates to disclose in this Item 1. Art Rocks, LLC ("Art Rocks") was organized in New Jersey on January 31, 2011. Art Rocks' principal business address is 40 Eisenhower Drive, Cresskill, New Jersey 07626. One River Larchmont LLC ("OR Larchmont") was organized in New York on August 14, 2017. OR Larchmont's principal business address is 2018 Boston Post Road, Larchmont, New York 10538. One River Hartsdale LLC ("OR Hartsdale") was organized in New York on August 23, 2017. OR Hartsdale's principal business address is 112 South Central Avenue, Hartsdale, New York 10530. One River Millburn LLC ("OR Millburn") was organized in New Jersey on August 16, 2017. OR Millburn's principal business address is 292 Millburn Avenue, Millburn, New Jersey 07041.

Art Rocks owns and operates two One River Schools in Englewood, New Jersey and Allendale, New Jersey, and each of OR Larchmont, OR Hartsdale and OR Millburn own and operate one One River School in Larchmont, New York, Hartsdale, New York and Millburn, New Jersey, respectively, that are similar to the business offered in this Disclosure Document (the "Company-Owned Schools"). Art Rocks has been operating the first Company-Owned School since July 2012 and second Company-Owned School since February 2017.

OR Larchmont has been operating the third Company-Owned School since January 29, 2018. OR Hartsdale has been operating the fourth Company-Owned School since March 2018. OR Millburn has been operating the fourth Company-Owned School since April 2018.

None of our affiliates currently offer, nor has previously offered, franchises in this or any other line of business.

General Description of the Market and Competition

One River Schools focus on kids and adults who have an interest in visual art education. We provide art classes for all ages and digital design classes for tweens, teens and adults. The market for art education programs is underdeveloped and we believe that our unique approach will allow us to fill a very large gap in the marketplace. You may have to compete with other art programs or schools that offer studio art education including franchised operations, community art centers, non-profits linked to museums or colleges, and independently owned companies offering similar services to students. You may also encounter competition from other One River Schools. Changes in local and national economic conditions and population density affect this industry and are generally difficult to predict. The One River School will likely experience seasonal fluctuations due to a shift in revenue that exists during the school year and the summer. You will face other business risks that could have an adverse effect on your business, including pricing policies of competitors, changes to laws or regulations, changes in supply and demand, new technologies and competition from Internet-based organizations that provide information and some related services or products. Our ability to fulfill our obligations under our Franchise Agreement depends in part on our present and future financial condition. Litigation risks also exist, including future litigation that may not be predicted.

Regulations Specific to the Industry

You must comply with all laws, rules, and regulations governing the operation of the School, and obtain permits and licenses necessary to operate the One River School. Other than laws that apply to businesses generally, we are not aware of any other laws or regulations that are specific to the industry in which One River School operates. You will be responsible for ensuring compliance with all requirements. You also will be required to comply with federal, state, and local laws applicable to businesses generally, such as employment laws and privacy laws. You should consider these laws and regulations when evaluating your purchase of a franchise.

Agents for Service of Process

Our agents for service of process are listed on Exhibit B to this Disclosure Document.

ITEM 2. BUSINESS EXPERIENCE

Founder and Chief Executive Officer: Matthew Ross

Mr. Ross has been our Founder and CEO since our formation in December 2014. In addition, Mr. Ross has been Founder and CEO of our affiliate, Art Rocks, based in Englewood, New Jersey, since January 2011.

Vice President Strategy and Development: Katie Enna Hobson

Ms. Enna Hobson has been our VP of Strategy and Development since January 2017. Prior to that, Ms. Enna Hobson served as Executive Director of Gallim Dance located in New York City, New York from August 2014 through December 2016. Prior to Gallim, Ms. Enna Hobson was Acting Director for American

Express located in New York City, New York from January 2011 through August 2014 and was responsible for strategy within the restaurant and entertainment sectors.

Vice President of Operations: Agnes Zabawa

Ms. Zabawa has been our Vice President of Operations since January 2018. Prior to that, Ms. Zabawa served as our Director of Operations from January 2015 to December 2017 and served as Assistant Director of Operations of our affiliate, Art Rocks, from June 2012 to January 2015.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Franchise Fee

You pay us a $45,000 lump sum Initial Franchise Fee when you sign your first Franchise Agreement with us.

If you sign our Development Rights Rider ("Rider") for multiple Franchise Agreements, you will also pay us, in installments, the Initial Franchise Fee of $45,000 for each additional Franchise Agreement beginning with the second Franchise Agreement. You must pay us a $10,000 deposit on the Initial Franchise Fee for each additional Franchise Agreement when you sign the Rider. You must pay us the balance of $35,000 for each additional Franchise Agreement when you sign the Franchise Agreement for that School.

Otherwise, the Initial Franchise Fee is uniform. The Initial Franchise Fee is deemed fully earned and non-refundable when you sign the Franchise Agreement or Rider in consideration of the administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the franchise rights granted to you.

If you are renewing an existing franchise, in lieu of an Initial Franchise Fee, you must pay us a nonrefundable renewal fee ("Renewal Fee") in an amount equal to 33% of the amount that, at the time of renewal, we charge as an Initial Franchise Fee for a new franchise.

ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks[1]
Royalty Fee	9% of Gross Sales	Payable monthly	You must pay your royalty fee directly to us. See definition of Gross Sales.[2] (Section 3.2)
Marketing Fund Contribution	Up to 2% of Gross Sales	Payable monthly	During the 2017 fiscal year, we created the marketing fund for our first franchisee, however, we are not currently

Type of Fee	Amount	Due Date	Remarks[1]
			requiring any new franchisees to contribute at this time but reserve the right to require all franchisees to contribute in the future. If we require all franchisees to contribute to the marketing fund, we can require that you contribute up to 2% of your Gross Sales to the fund ("Marketing Fund"). We will give you 30 days' notice before implementing the Marketing Fund. (See Item 11)
Local Advertising[3]	- A minimum of $7,500 per quarter during 1st year of operation - A minimum of $7,500 per quarter during 2nd year of operation - A minimum of 5% of Gross Sales every month beginning in 3rd year of operation	Varies	You pay directly subject to our approval. (Section 11.2) We may require your expenditures to be used in cooperative advertising. (Section 11.4) During your first year of operation, you must spend a minimum of $7,500 per quarter ($30,000 per year) on Local Advertising in addition to expenditures for grand opening advertising. During your second year of operation, you must also spend a minimum of $7,500 per quarter ($30,000 per year) on Local Advertising. Beginning in your 25th month of operations, you must spend at least 5% of the previous month's Gross Sales on Local Advertising. Further information about all advertising programs is included in Item 11.
Audit Expenses[4]	All costs and expenses associated with audit	Upon demand	Audit costs payable only if the audit shows you have not spent the minimum expenditures on local advertising or if you underreported amounts you owe us by 3% or more.

Type of Fee	Amount	Due Date	Remarks[1]
			(Section 12.7)
Late Fees[5]	1.5% per month or the highest rate allowed by the state where you are located	Upon demand	Applies to all overdue fees you owe us. (Section 3.5) Also applies to any understatement in amounts due revealed by an audit. (Section 12.7)
Renewal Fee	33% of amount we charge at the time of renewal as the Initial Franchise Fee for a new franchise	Signing of renewal franchise agreement	You must give us at least 9 months' and not more than 12 months' notice to renew and meet other renewal conditions. (Section 4.2)
Classroom supplies	2-3% of tuition revenue	As required	You must purchase art supplies from third parties for use in the classroom from third party suppliers.
Inventory of Items for Sale at School	$0 - $5,000 per year	As required	Once we implement required merchandise you must carry at your School, you must purchase and maintain an inventory of art supplies and other proprietary merchandise to sell to your students for use outside the classroom.
Computer Software and IT Fees	$350 to $700 per month	Monthly	You will pay us for customized computer software we designate and other technology associated with your One River School.
Supplier Approval[6]	All costs of evaluation	Time of evaluation	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from including testing of materials. (Section 13.1)
Insurance Policies	Amount of unpaid premiums plus our expenses in obtaining	Upon demand	Payable to us only if you fail to maintain required insurance coverage and we elect to obtain coverage for you. (Section 15.5)

Type of Fee	Amount	Due Date	Remarks[1]
	the policies		
Transfer Fee	33% of amount we charge at the time of renewal as the Initial Franchise Fee for a new franchise	At the time of transfer	Payable to us at the time of transfer. Does not apply to an assignment under Section 18.3 of the Franchise Agreement. (Section 18.2.8)
System Modifications	May vary depending on modification required	As required	If we make changes to our System, you must adapt your business to conform to the changes. Some examples of changes include new equipment, fixtures, software, or new Marks. (Section 10.2)
Relocation Assistance	Costs of providing relocation assistance	Time of assistance	If you need our assistance to relocate, you must reimburse our costs to assist you. (Section 5.9)
Customer Service, Vendor Payment, Operational Correction[7]	Costs of us assisting your students or implementing operational changes.	Upon demand	You reimburse us if we determine it is necessary for us to provide service to your customers or pay a vendor you did not pay on time (Sec. 13.9) or implement a change or improvement we recommended (Sec. 14.2) and an additional 10% for our overhead.

Type of Fee	Amount	Due Date	Remarks[1]
Substitute or New Manager Training/ Ongoing Training	Varies	Time of training	Our initial training program is covered by your franchise fee. If you have to repeat initial training, we may charge you. If you choose to send additional staff to the initial training program, we may charge you. (Sections 8.1, 8.3 and 8.4) We may require you to attend additional ongoing training programs and you must pay your costs to attend. (Section 8.5) Further information about initial training is included in Item 11.
Cost of Enforcement	All costs including attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing obligations if we prevail. (Section 22.4)
Temporary Management Assistance	Currently, $600 per day, plus our expenses	Each month that it applies	If you breach the Franchise Agreement or following the death or incapacity of an owner of the franchise, we may temporarily manage your One River School. (Sections 16.5 and 18.6.2)
Indemnification	All costs including attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the One River School. We also provide indemnification to you for any lawsuits or claims arising from your authorized use of the Marks. (Sections 6.4 and 21.3)

We may require that all fees payable to us be paid through an electronic depository transfer account, See Exhibit "I" to this Disclosure Document.

All fees noted above are uniform. No other fees or payments are to be paid to us or our affiliates, nor do we impose or collect any other fees or payments for any other third party. Unless you fail to pass the initial training, all fees are non-refundable. We can adjust upward for inflation on an annual basis, any fees or charges set as dollar amounts. Adjustments are based on increases reflected by a reasonable U.S. Government inflation exhibit.

NOTES

[1] All citation of Section numbers throughout this Disclosure Document refer to the Franchise Agreement attached as Exhibit C.

[2] "Gross Sales" means the aggregate of all revenue from the sale of services and products from all sources in connection with the One River School (whether on or off the premises of the One River School), whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (b) the value of any allowance issued or granted to any student of the One River School that is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the One River School, and (c) any rebate received by Franchisee from a manufacturer or supplier. All proceeds from the sale of coupons, gift certificates or vouchers will also be included in Gross Sales, but when these coupons, gift cards, gift certificates or vouchers are redeemed, the retail price may be credited against Gross Sales during the week in which the coupon, gift cards, gift certificate or voucher is redeemed. If sales proceeds are not recorded and reported for royalty purposes at the time a coupon, gift certificate, or voucher is sold, or if coupons, gift cards, gift certificates, or vouchers are distributed free of charge, no credit against Gross Sales is permitted upon redemption of the coupon, gift card, gift certificate, or voucher.

[3] Local advertising includes costs associated with purchasing advertisements on social media platforms, such as Facebook, but excludes the costs of establishing a social media presence (i.e. creating and developing a Facebook profile page or Twitter feed for your One River School.)

[4] Costs vary depending on many factors, including prevailing auditor's rates in your area, the business activity being audited and how well you keep your books and records. All fees for audit costs and expenses are imposed by and payable to us.

[5] Late fees begin from the date payment was due, but not received, or date of underpayment.

[6] Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.

[7] Costs vary depending on factors, including nature of the complaint, expertise needed and the time involved and/or nature of change or improvement at your School. You pay our actual costs together with an additional amount (10%) on account of our overhead.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee[1]	$45,000	Wire or Cashier's Check	At Signing of Franchise Agreement and, if applicable, Development Rights Rider	Us
Real Estate/Rent[2]	$3,500 - $18,600	As Arranged	Before Beginning Operations	Landlord
Utility Deposits[3]	$500 - $1,000	As Arranged	Before Beginning Operations	Utilities
Leasehold Improvements[4]	$26,500 - $240,000	As Arranged	Before Beginning Operations	Architect, Contractor, Suppliers
Initial Inventory and Merchandise[5]	$3,000 - $10,000	As Arranged	Before Beginning Operations	Approved Suppliers
Insurance[6]	$2,500 - $4,000	As Arranged	Before Beginning Operations	Insurance Companies
Office Equipment and Supplies[7]	$1,000 - $3,000	As Arranged	Before Beginning Operations	Suppliers
Training[8]	$2,000 - $3,000	As Arranged	During Training	Airlines, Hotels & Restaurants
Signage[9]	$8,000 - $10,000	As Arranged	Before Beginning Operations	Approved Supplier
Furniture, Fixtures & Equipment[10]	$25,000 - $30,000	As Arranged	Before Beginning Operations	Approved Supplier

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Grand Opening Advertising[11]	$25,000 - $31,500	As Arranged	60-120 Days Before Beginning Operations	Advertising Suppliers
Legal & Accounting[12]	$1,500 - $5,000	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds– For Initial 6-Month Period[13]	$10,000 - $48,000	As Arranged	As Necessary	Employees, Utilities, Lessor, Suppliers
TOTAL[14]	$153,500 - $449,600			

NOTES

[1] Franchise Fee. The Initial Franchise Fee is $45,000 and payable upon signing the Franchise Agreement or the Rider. If you sign a Rider, the Initial Franchise Fee is $45,000 for each Franchise Agreement. When you sign the Rider, you must pay us a $10,000 deposit on the Initial Franchise Fee for each additional Franchise Agreement beginning with the second Franchise Agreement. You must pay us the balance of $35,000 for each additional Franchise Agreement when you sign the Franchise Agreement for that School. These fees and refund policy are described in more detail in Item 5. We do not finance any fee.

[2] Real Estate/Rent. You must lease or otherwise provide a suitable facility for the operation of the One River School. Typically, the facility will range in size but be between 2,500 and 3,300 square feet. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot and required maintenance costs. The low estimate is based on an assumption that you will have to pay a security deposit equal to one month's rent to lease the facility and is based on the lowest monthly rent in our System. The high estimate is based on an assumption that you will have to pay a security deposit equal to 2 month's rent to lease the facility and is based on the highest monthly rent in our System. It is likely that your average monthly rent will fall within this range. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises. The estimated range of costs in this category only includes your costs to enter into a lease agreement for the facility. Estimated rental costs for 6 months are included with the category, "Additional Funds," (See Note 17 below).

[3] Utility Deposits. If you are a new customer of your local utilities, you will generally have to pay deposits to obtain services, including electric, telephone, gas and water. The amount of the deposit and whether the deposit is refundable will vary depending on the local utilities. You should contact your local utilities for more information.

[4] Leasehold Improvements. To adapt a newly acquired facility for operation of the One River School, it must be renovated. The cost of the leasehold improvements will vary depending on factors including, the size, condition and location of the facility, local wage rates and the cost of materials. The low estimate assumes that your landlord will provide a full build-out allowance. The high estimate includes architect, contractor and designer fees in addition to build-out expenditures and it could often be offset by rent abatements or other incentives that reduce other startup costs. The amounts you pay for leasehold improvements are typically non-refundable. The amounts you pay for leasehold improvements are typically

non-refundable. You should inquire about the refund policy of the architect and contractor at or before the time of hiring.

[5] Initial Inventory and Merchandise. You must purchase an initial supply of products and equipment including art supplies. These costs will vary based upon the size and location of the One River School and other related factors. We do not know if the amounts you pay for initial inventory are refundable. Elements determining whether inventory items are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

[6] Insurance. You must purchase all insurance policies required by the state in which the One River School is located. In addition, we require that you purchase the following types and amounts of insurance:

(1) "all risk" property insurance coverage at replacement cost for assets of the One River School;
(2) commercial general liability insurance with a minimum bodily injury and property damage liability coverage limit of $1,000,000 per occurrence or higher if your state law requires;
(3) business interruption insurance covering at least 9 months' loss of profits and necessary continuing expenses for interruptions caused by any occurrence;
(4) insurance coverage for contractual indemnity;
(5) small art gallery insurance;
(6) riders to the insurance policies for sexual molestation and corporal punishment;
(7) workers' compensation insurance and employer liability coverage with a minimum limit of $1,000,000; and
(8) hired and non-owned automobile liability insurance of at least $1,000,000 combined single limit per accident (if you allow employees to drive off-site to provide services).

Factors that may affect your cost of insurance include the size and location of the One River School, value of the leasehold improvements, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase. The range included constitutes a cost estimate for the first three-month period.

[7] Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors. You should inquire about the return and refund policy of the supplier at or before the time of purchase.

[8] Training. The cost of initial training is included in the franchise fee, but you are responsible for transportation and expenses for meals and lodging and you and your employees, as well as any salaries, while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. These expenses are typically non-refundable. Before making airline ticket, hotel, rental car or other reservations, you should inquire about the refund policy in the event you need to cancel any reservation.

[9] Signage. This range includes the cost of all signage used in the One River School. The signage requirements and costs will vary based upon the size and location of the One River School, local zoning requirements, landlord requirements and local wage rates for installation. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

[10] Furniture, Fixtures & Equipment. You must purchase and/or lease and install furniture, fixtures, security system, equipment and décor necessary to operate your One River School from approved suppliers. This estimate also includes the computer equipment and software for use in your One River School as described in Item 11. The amounts you pay for computer equipment and software are typically non-refundable, or if refundable, you may be subject to a "re-stocking" fee. You should inquire about the return and refund policy of the supplier at or before the time of purchasing. These purchases support both instructional and business functions. Lease options may be available in some cases.

[11] Grand Opening. You must conduct grand opening advertising prior to opening. You must spend a minimum amount of $25,000 on local advertisement and promotion of initial opening (grand opening advertising), including print, media and other advertising or promotional efforts, which you must start spending no later 120 days prior to the opening of your One River School. You may choose to spend more. See Item 11. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the One River School, time of year and student demographics in the surrounding area. The amounts you spend for grand opening advertising are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

[12] Legal & Accounting Fees and Licenses & Permits. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your One River School. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants, as well as local government regulations and permit requirements. This line item also includes the costs associated with state and local government agency fees for occupancy permits, operating licenses and construction permits. Costs may vary from the estimates based on the local requirements.

[13] Additional Funds. We recommend that you have a minimum amount of money available to cover rent for the facility and operating expenses, including employees' salaries, for the first 6 months that the One River School is open. This line item assumes that you will be the owner-operator of the School and will need to hire two full-time employees (ranging from $3,000 to $12,000 in costs) as well as enough part-time art teachers to cover approximately 15 to 20 hours of classes per week (making a range of $15 to $35 per hour), however, it is solely your responsibility to determine the number of employees you need to hire, the status of those employees and the amount you pay those employees. This figure also includes the local advertising spend for the first 6 months. The low estimate assumes enrollments pre-opening contributes to cover the operating expenses in the first 6 months of the operation of your School. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high. These expenses are typically non-refundable.

[14] Total. In compiling this chart, we relied on our and our Parent's industry knowledge and experience. The amounts shown are estimates only and may vary for many reasons, including the size and condition of your facility, the capabilities of your management team, where you locate your One River School, and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the One River School.

We do not offer direct or indirect financing to you for any items.

ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

Franchisor As Designated Supplier

Currently, we and the Parent are the sole designated suppliers of certain computer software as described in the Confidential Brand Standards Manual. Except for the computer software, you are not required to purchase any goods or services from us or our affiliate.

Accounting

We require you to use an accounting and bookkeeping system we designate. The accounting system you are currently required to use is Quickbooks or another comparable accounting software approved by us.

Purchases According to Specifications

You must comply with all of our standards and specifications relating to the purchase of all fixtures, equipment, computer equipment, security system and security cameras, inventory, signage, furniture and other products used or offered for sale at the School including purchase of a full IT platform, opening inventory of art supplies, promotional materials, finishing, furnishing, and fixtures, and art supplies for resale. Additionally, you must conduct all art exhibitions in accordance with our standards and specifications, including with respect to types of artists and artwork that you display. These standards and specifications are based on our and our Parent's experience in operating businesses of the type we are franchising and through research and testing in our and the Parent's business. We may communicate our standards and specifications directly to suppliers who wish to supply you with fixtures, equipment, inventory, furniture, and signage under specifications. We communicate our standards and specifications to you when we evaluate your proposed location for the One River School during training, before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your franchise location, and through the "Confidential Brand Standards Manual" (including periodic bulletins). We will periodically issue new standards and specifications (if any) through written notices. In addition, the following must comply with our specifications:

Site Selection and Construction

You must locate a site for the School that satisfies our site selection criteria. These criteria include high visibility locations that offer significant signage and drive-by traffic. The site should be free standing or have complementary co-tenants. The site should consist of between 2,500 and 3,300 square feet with parking and be located in upscale communities of high density populations of households with children. You must hire, at your expense, an architect or engineer to adapt our specifications and plans as needed for the construction or remodeling of your One River School and provide them to us before you provide them to the landlord and any applicable government authorities. You must obtain our consent to your initial plans and any deviation from the approved plans will require our further consent.

Advertising and Promotional Materials

All your advertising and promotions must conform to our standards and requirements. We must approve all advertising and promotional plans and materials before you use them. You must submit any unapproved plans and materials to us, and we will use reasonable efforts to approve or disapprove them within 5 days after we receive them. You must not use the plans or materials until we have approved them, and must promptly discontinue using any advertising or promotional plans or materials, whether or not we have previously approved them, if we notify you to do so.

Insurance

You must obtain and maintain insurance policies protecting you and us and various related parties against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the One River School. These policies must be written by a responsible insurance carrier or carriers rated "A-VI" or better as indicated in the latest issue of A.M. Best's Key Rating Guide and which are licensed in the state in which you will operate. At a minimum, you must carry "all risk" property insurance coverage at replacement cost for assets of the One River School; workers' compensation insurance and employer liability coverage with a minimum limit of $1,000,000 or higher if your state law requires; commercial general liability insurance with a minimum bodily injury and property damage liability coverage of $1,000,000 per occurrence or higher if your state law requires; business interruption insurance covering at least 9 months' loss of profits and necessary continuing expenses for interruptions caused by any occurrence; hired and non-owned automobile liability insurance of at least $1,000,000 combined single limit per accident (if you allow employees to provide services off-site); and insurance coverage for contractual indemnity. It is also highly recommended that you purchase a "small art gallery" insurance plan that covers liability on consigned artwork and work in transit with minimum coverage of $50,000 that covers both loss and damage. We have the right to designate a sole approved supplier of such insurance policies.

Approved Suppliers

In addition to the above, if we have approved suppliers (including brokers, manufacturers, distributors and other sources) for any services, inventory, fixtures, furnishings, equipment, or other items, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate the ability to meet our then-current standards and specifications for inventory, fixtures, furnishings, equipment and other items used or offered for sale at the One River Schools and who possess adequate quality controls and the capacity to supply your needs promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may change the number of approved suppliers at any time, including designating ourselves, an affiliate, or a third party as the exclusive source for any particular item. We may profit from your purchases from approved suppliers, and we and/or our affiliates may receive payments, fees, commissions or reimbursements from such suppliers in respect of your purchases and leases. Currently, neither we nor our affiliates are approved suppliers of inventory items, but we may, in our sole discretion, require supplies and items to be purchased exclusively from us or our affiliates or from approved suppliers or distributors, and you will pay the then-current price in effect for those items.

Currently, we have sole approved suppliers for art supplies, key computer equipment and accessories, and equipment and technology. You must enter into direct purchase relationships with each of these suppliers. We may negotiate corporate discount programs for the benefit of franchisees that you must participate in.

Except for any products, supplies or materials for which we designate a single source approved supplier, if you wish to purchase, lease or use any products, services, inventory or other items from an unapproved supplier, you or your supplier must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial compatibility, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If we revoke our approval of any supplier, you must promptly discontinue use of that supplier. You must reimburse us for the costs that we incur in the supplier approval process. We are not required to approve any particular supplier, and we are not required to notify you of our approval or disapproval within any specified period of time. However, we will use our good faith efforts to notify you of our decision within 30 days after we receive your request for approval and all requested back-up information, but the time period will depend upon the cooperation we receive from the supplier in responding to our questions. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers.

Except for the Parent, which is owned in part by our Chief Executive Officer, none of our officers owns an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers, of the One River School System. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers to our System.

Purchasing Arrangements

Your obligations to purchase or lease goods, services, supplies, fixtures, equipment, inventory, and computer hardware and software from us or our designee, from suppliers we approve, or under our specifications are all considered "required purchases." We describe these obligations in detail in the preceding sections of this Item 8. We estimate that your total initial required purchases and leases will be about 95% of the cost of your purchases or leases in establishing your One River School. We estimate your required purchases and leases for the operation of the School will be 95% or more of your annual purchases or leases.

During our last fiscal year ending December 31, 2018, we, One River School Franchising, LLC as the franchisor entity, derived $9,760.00 in revenue as a result of franchisee required purchases, which is 4.77% of our total revenue of $204,502.00. We and the Parent may derive revenue or other material consideration based on franchisees' required purchases and leases of various products and equipment from us, the Parent, and other approved suppliers.

We may negotiate purchase arrangements (including price terms) for the purchase of certain items with suppliers for the benefit of franchisees. In doing so, we will seek to promote the overall interests of our franchise system and our interests as the franchisor. We or our affiliates may receive rebates based on franchisee purchases of up to 15% from approved or designated sources. During the last fiscal year ending December 31, 2018, our Parent derived $1,309.00 in rebates from franchisee art supply purchases. We currently have purchase arrangements for the following items: art supplies, key computer equipment and accessories, and equipment and technology.

As of the date of this disclosure document, there are no purchasing or distribution cooperatives.

We do not provide material benefits to you based upon your use of designated or approved sources or your purchase of particular products and services. However, a franchisee that does not use such sources will be in breach of the Franchise Agreement.

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 the Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Section 5, and Section 6 of Rider	Items 11 and 12
b.	Pre-opening purchases/leases	Sections 5, 12 and 15	Items 7 and 8
c.	Site development and other pre-opening requirements	Sections 5 and 8	Items 7, 8 and 11
d.	Initial and ongoing training	Section 8	Items 6, 7 and 11
e.	Opening	Sections 5, 8 and 11, and Section 7 of Rider	Item 11
f.	Fees	Sections 3, 8, 10, 11, 12, 13, 15, 17, 18 and 22, and Section 5 of Rider	Items 5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	Sections 5, 6, 7, 9, 10 and 13	Items 8, 14 and 16
h.	Trademarks and proprietary information	Sections 5, 6, 7, 9 and 10	Items 13 and 14
i.	Restrictions on products/services offered	Sections 5, 6, 10 and 13	Items 8 and 16
j.	Warranty and customer service requirements	Section 13	Item 16
k.	Territorial development and sales quotas	Section 2 of Rider	Not Applicable
l.	Ongoing product/service purchases	Section 13	Items 8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 5, 10 and 13	Item 6
n.	Insurance	Section 15	Items 6, 7 and 8
o.	Advertising	Sections 2 and 11	Items 6, 7 and 11
p.	Indemnification	Section 21	Item 6
q.	Owner's participation/management/ staffing	Section 13	Item 15
r.	Records and reports	Section 12	Item 11
s.	Inspections and audits	Sections 6 and 12	Items 6, 11 and 13

	Obligation	Section in the Franchise Agreement	Disclosure Document Item
t.	Transfer	Section 18 and Exhibits 1 and 5, and Section 9 of Rider	Items 6 and 17
u.	Renewal	Section 4 and Exhibits 1 and 5	Item 17
v.	Post-termination obligations	Section 17 and Exhibits 3 and 5	Item 17
w.	Non-competition covenants	Sections 7 and 17 and Exhibits 2 and 5	Item 17
x.	Dispute resolution	Section 23 and Exhibit 5	Item 17
y.	Continuous operation and best efforts	Sections 5.8, 13.10 and 13.15	Not Applicable
z.	Customer service and vendor payments	Section 13.9	Item 7

ITEM 10. FINANCING

Neither we nor any agent or affiliate of ours offers direct or indirect financing to you or guarantees any note, lease, or obligation of yours.

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

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

A. Pre-Opening Obligations. Before you open your One River School, we will:

1. Review a proposed site for the One River School if you have a potential site for the One River School. We may consent to the site after we have evaluated it. If you do not have a proposed site, we will designate a geographic area in which you must locate the One River School and we will furnish you with our general site selection criteria. You are solely responsible for locating and obtaining a site that meets our standards and criteria and that is acceptable to us. (Sections 2.3 and 5.1) We do not typically own any premises which we then lease to franchisees.

The general site selection and evaluation criteria or factors that we consider in approving your site includes the condition of the premises, demographics of the surrounding area, proximity to other One River Schools, proximity to competitive businesses, lease requirements, traffic patterns, visibility, signage, vehicular and pedestrian access, proximity to major roads, available parking and overall suitability. We will provide you with written notice of our approval or disapproval of any proposed site within a reasonable time (usually 30 days) after receiving all requested information. If we cannot agree with you on a suitable site for the One River School within 60 days after you sign the Franchise Agreement, we may terminate the Franchise Agreement. (Sections 5.1, 5.2 and 5.3). Additional site selection criteria are provided in Item 8.

2. Provide you with specifications for remodeling and equipping the approved location along with a list of required supplies, equipment and improvements that you must purchase and install. (Section 5.4)

3. Provide an initial training program. This training is described in detail later in this Item. (Section 8.1)

4. Provide to you on-site assistance and guidance to assist you with any questions you may have in operating the One River School. (Section 8.2)

Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is between 90 and 180 days (3 to 6 months). Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and delays in tenant improvements and installation of equipment and fixtures. You must open your One River School and be operational within 180 days after signing the Franchise Agreement. (Sections 5.4 and 5.7)

B. Continuing Obligations. After the opening of the One River School, we will:

1. Periodically advise you and offer general guidance to you by telephone, e-mail, facsimile, newsletters, and other methods. Our guidance is based on our and our Parent's knowledge and experience. We offer you advice and guidance on a variety of business matters, including operational methods, marketing process, sales and enrollment processes, customer service, educational and curriculum policies, accounting procedures, authorized services or products and marketing and sales strategies. (Section 14.1)

2. Make periodic visits to the One River School, as we deem necessary in our discretion, to provide you with consultation, assistance and guidance in various aspects of the operation and management of the One River School. We may prepare written reports suggesting changes or improvements in the operations of the One River School and detailing deficiencies that become evident as a result of a visit. If we prepare a report, we may provide you with a copy. (Section 14.2)

3. Make available to you operations assistance and ongoing training as we think necessary. (Sections 8.2 and 8.5) Ongoing training programs are described later in this Item and in Item 6.

4. Approve forms of advertising materials you will use for local advertising, grand opening advertising and cooperative advertising. (Section 11.2) Our advertising programs are described later in this Item.

5. At our option, specify the prices of the products and services offered and sold by you. (Section 11.8)

C. Advertising and Promotion

1. You must spend a minimum amount of $25,000 on pre-opening/coming soon local advertisement and promotion that includes your initial opening events (grand opening advertising), including print, media and other advertising or promotional efforts, which you must begin spending no later than 120 days prior to the opening of your One River School. We will provide you with guidance for conducting pre-opening/grand opening advertising, and we will review, and approve or disapprove, the materials you use in your grand opening advertising. (Section 11.1)

2. During your first year of operation, you must spend a minimum of $7,500 per quarter ($30,000 per year) on advertising, promotions and public relations in the local area surrounding the One River School in addition to expenditures for grand opening advertising. During your second year of operation, you must also spend a minimum of $7,500 per quarter ($30,000 per year) on advertising, promotions and public relations in the local area surrounding the One River School. Beginning in your 25th month of operations and every month after, you must spend at least 5% of the previous month's Gross Sales on advertising, promotions and public relations in the local area surrounding the One River School. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines and we will review, and approve or disapprove, your advertisements. We are not required to spend any funds on advertising your One River School in your local area. (Section 11.2)

3. To assist in our regional and national advertising we may require all franchisees to contribute to a System-wide Marketing Fund. If we require all franchisees to contribute to a System-wide Marketing Fund, you must contribute to it. (Section 11.3). We have the right to require you to contribute to the Marketing Fund up to 2% of your Gross Sales. We will give you 30 days' notice before requiring payments to the Marketing Fund. When created, we will administer the Marketing Fund as follows:

(a) We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the marketing fund. We do not have advertising council of franchisees that advises us on advertising and marketing.

(b) We may use your contributions to meet or reimburse us for any cost of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We will maintain your contributions in a separate account from our funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the Marketing Fund.

(c) We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the Marketing Fund before we use current contributions. We intend for the Marketing Fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the Marketing Fund until all contributions and earnings have been used for advertising and promotional purposes or we have returned your *pro rata* share.

(d) All One River Schools owned by the Parent or us are not required to make similar contributions to the Marketing Fund.

(e) We will have an accounting of the Marketing Fund prepared each year and we will provide you with a copy if you request it. The Marketing Fund annual statement is not audited, but we may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the Marketing Fund's expense.

(f) The Marketing Fund is not a trust and we assume no fiduciary duty in administering the Marketing Fund.

During the 2018 fiscal year, we spent the Marketing Fund as follows: 51% of contributions on public relations, and 49% of contributions on video content development for camps and promotional items. No portion of the Marketing Fund was or will be used for advertising that is principally a solicitation for the sale of franchises. However, a portion of the Marketing Fund may be spent on the development and maintenance of our Website, which may contain information relating to franchise opportunities for a One River School. Please note that we are not currently requiring any new franchisees to contribute to the Marketing Fund but reserve the right to do so in the future.

4. Although we are not obligated to do so, we may create a cooperative advertising program for the benefit of all Schools located in a particular region. We have the right to collect and designate all or a portion of the local advertising for cooperative advertising. If we create a cooperative advertising fund, we will determine the geographic territory and market areas for each cooperative advertising program. You must participate in any cooperative advertising program established in your region. However, if cooperative advertising is implemented in a particular region, we may establish an advertising council for franchises in that region to self-administer the program. If we establish a cooperative advertising program or programs with or without an advertising council, there are no limits on our right to change, dissolve or merge these program(s) and/or council(s) at any time. (Section 11.4)

5. Your telephone number must be easily accessible through a basic online search engine and main social media platforms (i.e. Facebook and Twitter). You are required to operate the designated social media sites that we have identified for local marketing purposes based upon the standards that we have created. We will create and deploy your social media sites and provide management access for you and your management team. You must place local business listings together with other franchises operating within the distribution area of the directories. You must establish local online listings based upon the specific guidelines that we have established with Google, Google Places, YELP, YELP Places, and other designated websites in the manner that we direct, and, if requested by us, you must promptly provide us with login access to assist in the maintenance of all local web listings. (Section 11.6) For further information about your costs, see Item 6.

6. You are restricted from establishing a presence on, or marketing using, the Internet without our consent. We have an Internet website at the uniform resource locator www.OneRiverSchool.com that provides information about the System and about One River Schools. We will include at the One River School website an interior section that will allow for local customization of your One River School. When we include this information on the One River School website, you will be required to prepare the content and update it according to the best practices and standards that we create. All information must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, the One River School website. (Section 11.5)

7. You must be a member of at least one association or organization to locally promote your One River School as described in the Confidential Brand Standards Manual at the association/organization's most current rate, and an annual renewal fee at its most current rate. (Section 13.5)

8. You must participate in all advertising and sales promotion programs that we may authorize or develop for One River Schools. (Section 11.7)

9. You must participate in, and comply with the requirements of, any gift card, gift certificate, customer loyalty or retention, discount or promotion program we implement for all or part of the

One River School franchise system and sign the forms and take other action we require for you to participate in these programs. (Section 11.7)

D. Computer System

You must purchase and use any hardware and software programs we designate. (Section 12.5) Presently, we require you to purchase the following hardware and software:

HARDWARE
12-15 Mac Minis, 3-4 iPads, and 12-15 XP Tablets, 3 MacBook Airs, 1 MacBook PRO, 3-4 Apple TV's plus other peripherals
SOFTWARE
Infusionsoft, WooCommerce, Quickbooks, Google, Dropbox and other supporting software

The approximate cost of the hardware and software can cost up to $35,000, however, we have negotiated a deal with Apple that allows you to lease certain of the equipment. If you are approved to lease the equipment, your costs may be lower. This cost is included in the "Computer Equipment & Software" category in Your Estimated Initial Investment chart in Item 7. The initial cost includes the purchase of the hardware and software.

You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for computer systems. There are no limits on our rights to do so, except as disclosed in Item 16. We are not responsible for any maintenance, repairs, updates and upgrades to your computer system. We have the right to independently access all information you collect or compile at any time without first notifying you, and there are no contractual limitations on our right to access your information. In general, student contact information (such as name, phone number, email address and birthday), student purchase history, and other sales reports are generated and stored in the computer system. (Sections 10.2, 12.5, and 12.7)

E. Confidential Brand Standards Manual

After you sign the Franchise Agreement, we will provide you with access to a copy of our Confidential Brand Standards Manual either in electronic or paper form. A copy of the table of contents of the Manuals is attached as Exhibit D. We consider the contents of the Confidential Brand Standards Manual to be proprietary, and you must treat them as confidential.

F. Training

We provide an initial training program that covers material aspects of the operation of the One River School to you or your "Operating Principal" and up to 2 of your employees, which consists of 6 days in-person training in Englewood, NJ and approximately 8 hours of on-line training modules and on-site assistance. The topics covered are listed in the chart below. This training is offered on a quarterly basis in Englewood, New Jersey or another location we designate. You or your Operating Principal and the primary employees listed below must attend and complete the initial training program to our satisfaction approximately 4 weeks but not more than 16 weeks before the opening of the One River School. Your primary employees must include your Director of School for the One River School (which may be the same person as the Operating Principal) and the "Primary Educator" (which will either be the Director of Education or the Assistant Director of Education in the event that person will report to the Director of School and is accountable for the educational component). We will not provide any assistance in hiring decisions for your employees or managers. We expect that your attendees will advance through the training program at different rates depending on a variety of factors including background and experience. The time frames provided in the chart are an estimate of the time it will take to complete training. We do not charge a tuition fee for initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees (and any salaries for employees you send to the training). These costs are estimated in Item 7. If you replace your Operating Principal through an approved transfer or your Director of School or Primary Educator, your new Director of School or Primary Educator (as applicable) must attend our training program and complete the program to our satisfaction prior to assuming the new role. You may be charged fees for additional training. Our current fees for additional training are described in Item 6. You are responsible for training your own employees and other management personnel. This initial training is in addition to the on-site opening assistance we provide to you. Your One River School must at all times be under the day-to-day supervision of a Director of School, and general supervision of an Operating Principal, who each has satisfactorily completed our training program. (Section 8)

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Overview	1	.2	Englewood, New Jersey or your School
The Brand Standards Manual	1	.2	Englewood, New Jersey or your School
The Franchise Agreement	1	.2	Englewood, New Jersey or your School
Responsibilities of a Franchisee	1	.2	Englewood, New Jersey or your School
Pre-Opening obligations	2	.2	Englewood, New Jersey or your School
Business registration	0	.2	Englewood, New Jersey or your School
Site selection and lease negotiations	0	.3	Englewood, New Jersey or your School
Insurance and banking	0	.2	Englewood, New Jersey or your School
Reporting requirements and maintenance	1	.3	Englewood, New Jersey or your School
Setting up the business	0	.5	Englewood, New Jersey or your School
Hiring your staff and personnel practices and policy	2	1	Englewood, New Jersey or your School
Marketing	2	1	Englewood, New Jersey or your School
Education and Teaching Methodology	4	4	Englewood, New Jersey or your School

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Record keeping and accounting	1	.5	Englewood, New Jersey or your School
Hospitality & Customer service	3	2	Englewood, New Jersey or your School
Review	1	1	Englewood, New Jersey or your School
Computer & software training	3	2	Englewood, New Jersey or your School
Job and staff training	5	3	Englewood, New Jersey or your School
Safety Training	2	0	Englewood, New Jersey or your School
Studio and supply ordering, storage and maintenance	1	0	Englewood, New Jersey or your School
Review	1	0	Englewood, New Jersey or your School
Sales Training	4	3	Englewood, New Jersey or your School
Health, sanitation and licensing requirements	0	.1	Englewood, New Jersey or your School
Total Hours	36	20.1	

Matt Ross, Agnes Zabawa and/or Katie Enna Hobson will provide training. Mr. Ross is our Founder and CEO. He has over 13 years of advisory experience in these areas. Ms. Zabawa has helped to build all the core processes at One River School over the last 6 years. Ms. Enna Hobson will review key elements of our program and help establish guidelines for the ongoing execution of our program and has over 8 years of experience in these areas. Our additional trainers typically have at least 6 months of hands-on engagement at One River School. If circumstances require, a substitute trainer may provide training to you. We may periodically name additional trainers if the training schedule requires it. There are no limits on our right to assign a substitute to provide training.

The training will include the following instruction materials: Confidential Brand Standards Manual, software procedure manual, overhead presentations, video, interactive role-play, teacher lectures, and other various educational materials. The dates and location of the training will be communicated to you in the Confidential Brand Standards Manual.

Periodically, you, your managers or employees must attend refresher-training programs to be conducted in Englewood, New Jersey or other locations we think beneficial. Attendance at these programs will be at your expense. You do not have to attend more than 1 of these programs in any calendar year and these programs will not exceed 3 days during any calendar year. (Section 8.5.1) We may also offer virtual training as part of the refresher-training.

ITEM 12. TERRITORY

You will receive an exclusive territory. We will designate a geographic area for your School (the "Designated Area") which will be described and depicted in a map attached to the Franchise Agreement. The Designated Area generally will be defined by and exist within a set geographic area and boundaries. Although the size of your Designated Area may vary based on population density and other factors, our goal is to separate One River School locations by no less than 15 minutes of driving time, however, we will create a custom geography map for your School based on our data points for appropriate needs for each location. You will operate your One River School within, and limit all direct marketing, advertising, and business activities to, the Designated Area. Within 30 days of obtaining the lease to your One River School, you will be required to sign the Designated Area Addendum attached to the Franchise Agreement.

We will not establish other franchised or company-owned Schools in your Designated Area so long as you are in compliance with the terms and conditions of your Franchise Agreement. Exclusivity of the Designated Area is not dependent upon you achieving any sales volumes, market penetration or any other contingency. We reserve the right in your Designated Area to establish alternate channels of distribution for the sale of any services and products which we may create in the future under the Marks, or any other marks, including Internet sales, catalog sales, delivery of services at a student's home or place of business, or at a school or community center, telemarketing, or other direct marketing sales. We also reserve the right in your Designated Area to communicate with students of the One River School via any form of communication and for any reason. These activities may compete with your One River School. If we acquire, or are acquired by, another system that operates businesses or offers franchises that are the same as or similar to One River Schools which are located within the Designated Area, we have the right to establish, acquire, operate or license business concepts under the newly acquired merged system or trademarks, regardless of their proximity to your Designated Area or the actual or threatened impact on your One River School franchise. We will not compensate you for any sales made in your area through an alternative channel of distribution. You may not directly market to or solicit students outside your Designated Area but you may enroll a student who lives outside your Designated Area. Unless you are advertising cooperatively with another franchisee, you may not advertise outside your Designated Area using any channel of advertising (such as the Internet, catalog sales, telemarketing or other direct marketing) or in any media primarily circulated outside of your Designated Area without our prior written consent.

You will operate the franchise from one location that we approve. You must receive our written permission before relocating. If you can no longer use the location due to circumstances beyond your control, including unreasonable lease terms or destruction of the premises, you may be allowed to relocate. If you attempt to sell your One River School or transfer your interest from the One River School to a third party, we may exercise our right of first refusal. You do not receive the right to acquire additional franchises within your Designated Area. You must meet our qualifications for new franchisees to qualify for an additional franchise location. There are no minimum sales quotas. As described in detail in Item 11, if we request, you must combine advertising with other franchises that are located in the market targeted by the advertising.

ITEM 13. TRADEMARKS

You will receive the right to operate your School under the name "One River®," which is the primary Mark used to identify our System. The One River® Mark is registered on the Principal Register of the United States Patent and Trademark Office ("PTO") as follows:

Mark	Registration Number	Registration Date	Goods/Services
ONE RIVER	4,859,204	11/24/2015	Class 41: Educational services, namely, conducting classes, seminars, conferences, workshops in the field of art and distribution of educational materials in connection therewith; entertainment services, namely, art exhibitions; providing a website featuring entertainment information in the field(s) of art; information on education

The registration for One River® has not been renewed because it has not come up for renewal. All required affidavits have been filed.

You may also use other current or future Marks to operate your One River School that we designate in writing, including the logo on the front of this Disclosure Document. Our Parent has obtained or applied for registration of the following trademarks with the PTO:

Mark	Registration/ Serial Number	Registration/ Application Date	Goods/Services
ART SHUFFLE	4959551	5/17/2016	Class 41: Educational services, namely, conducting classes, seminars, conferences and workshops in the field of art and distribution of educational materials in connection therewith
ART FOCUS	4959544	5/17/2016	Class 41: Educational services, namely, conducting classes, seminars, conferences and workshops in the field of art and distribution of educational materials in connection therewith; entertainment services, namely, art exhibitions
DIGITAL DESIGN SHUFFLE	87673364	11/6/2017	Class 41: Educational services, namely, conducting classes, seminars, conferences, workshops in the field of art and distribution of educational materials in connection therewith; entertainment services, namely, art exhibitions; providing a website featuring entertainment information in the field(s) or art; information on education.
PHOTO SHUFFLE	87673349	11/6/2017	Class 41: Educational services, namely, conducting classes, seminars, conferences, workshops in the field of art and distribution of educational materials in connection therewith; entertainment services, namely, art exhibitions; providing a website featuring entertainment information in the field(s) or art; information on education.
TRANSFORMING ART EDUCATION	5635995	12/25/2018	Class 41: Educational services, namely, conducting classes, seminars, conferences, workshops in the field of art and distribution of educational materials in connection therewith; entertainment services, namely, art exhibitions; providing a website featuring entertainment information in the field(s) or art; information on education.
ART SESSIONS	88280453	1/29/2019	Class 41: Educational services, namely, conducting classes, seminars, conferences and workshops in the field of art and distribution of educational materials in connection therewith.

We have a license agreement with the Parent to use and sublicense the use of the primary Mark. The license agreement entered into in 2015 is of perpetual duration. The license agreement may be terminated if we are insolvent, if a trustee or receiver is appointed to administer our business, if we make an assignment for the benefit of creditors, if we wind-up or sell our business, if our business is attached, seized or levied upon, if we are no longer affiliated with One River School or if we breach any of our duties or obligations under the license agreement. A termination of the license agreement will not affect any existing franchise agreement; only our ability to enter into new franchise agreements.

Currently, we know of no effective material determinations of the PTO, trademark trial and appeal board, the trademark administrator of any state or any court of any pending infringement, opposition or cancellation; or pending material litigation involving the Marks. We know of no infringing or prior superior uses that could materially affect the use of the Marks in any state in which the One River School is to be located.

Other than the above, there are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You do not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your School. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the One River School. You cannot use a name or Mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized services or products or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We will take the action we think appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

While we are not required to defend you against a claim arising from your use of our Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, signs, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your One River School for the new or modified Marks. Upon written notice from us, you must conform your One River School to changes in the Marks and other

System modifications. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the PTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not advertise on the Internet using, or establish, create or operate an Internet site or website using any domain name containing, the word "One River School" or any variation of "One River School" or any other mark owned by our affiliate or us without our prior written consent.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any right in, or to, any patents or registered copyrights that are material to the franchise. We do not have any pending patent applications.

We developed certain trade secrets and other confidential information, including a proprietary curriculum, methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a One River School. We will provide our trade secrets and other confidential information to you during training, in the Confidential Brand Standards Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your One River School. You may use the trade secrets and other confidential information as long as you are in compliance with the Franchise Agreement. You may only divulge trade secrets and other confidential information to employees who must have access to it to operate the One River School. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce the agreements.

All ideas, concepts, techniques or materials concerning the One River School and/or the System, including but not limited to the existing student list, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Confidential Brand Standards Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement. Further information about termination of the Franchise Agreement following a default is included in Item 17.

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

You agree to appoint an individual that owns at least 51% of the equity and voting interests of the legal entity which owns the School, who (i) will be responsible for the School and all decisions, (ii) shall be granted the authority to bind you in any dealings with us and our affiliates, and (iii) shall direct any action necessary to ensure compliance with the Franchise Agreement and any other agreements relating to the School (the "Operating Principal"). Additionally, the One River School must always be under the direct, full-time, day-to-day supervision of a Director of School (which can also be the Operating Principal). If you are an individual, you must be the Operating Principal of the franchise. If you are a corporation or other business entity, you will select a Director of School and Operating Principal for the franchise. Your Operating Principal, Director of School and Primary Educator must attend and satisfactorily complete our initial training program before opening the One River School. You must keep us informed at all times of the identity of your Director of School and Primary Educator. If you must replace the Director of School or Primary Educator, your replacement must attend and satisfactorily complete our initial training program. The Operating Principal must own at least 51% of any franchisee entity. The Director of School and Primary Educator do not need to own any interest in any franchisee entity.

As described in Item 14, certain individuals associated with your One River School, including your owners (and members of their immediate families and households), officers, directors, partners, and your managers, executives, employees, and staff may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a corporation or other business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Unlimited Guaranty and Assumption of Obligations attached to the Franchise Agreement. Spouses of owners are not required to sign the Unlimited Guaranty and Assumption of Obligations.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the services and products we specify including classes, lessons, artwork and art supplies. You must offer the services and products in accordance with our standards and specifications, including standards for artists and artwork. With respect to art exhibitions, you must submit your exhibition schedule on our prescribed form at least 120 days prior to that opening date for our approval. You may not sell any services or products that we have not authorized and you must discontinue offering any services or products that we may disapprove. You may not install or use, or permit the use of, at your One River School any vending machines, amusement devices, jukeboxes, video machines or other similar devices without first securing our advance written approval. We may take action, including terminating your One River School, if you purchase or sell unapproved services or products or make purchases from unapproved suppliers. We may periodically change required or authorized services or products.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors as we determine, including test marketing, your qualifications, and regional or local differences.

Unless the student initiates contact with you, you may not provide goods or services to a student who resides outside of your Designated Area. (See Item 12) Otherwise, we do not place restrictions on you with respect to who may be a student of your One River School.

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 agreement attached to this Disclosure Document.

Provision	Section in Franchise or Other Agreement	Summary
a. Length of franchise term	Section 4.1; Section 7 of Rider	The initial term is 10 years.
b. Renewal or extension of the term	Section 4.2	Up to 2 consecutive 10-year periods.
c. Requirements for franchisee to renew or extend	Section 4.2	Your renewal right permits you to remain as a franchisee after the initial term of your Franchise Agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this Disclosure Document. Other conditions include: having fully complied with the provisions of the Franchise Agreement; having the right to maintain possession of the approved location or an approved substitute location for the term of the renewal; having made capital expenditures as necessary to maintain uniformity with the System; having satisfied all monetary obligations owed to us; not being in default of any provision of the Franchise Agreement or any other agreement with us; having given timely written notice of your intent to renew; complying with current training and certification requirements; paying a renewal fee and signing a general release in a form the same as or similar to the General Release attached to the Franchise Agreement.
d. Termination by franchisee	Section 16.1	You may terminate the Franchise Agreement if you are in compliance with it and we materially breach it and we fail to begin to cure our breach within 30 days of receiving your written notice.

Provision	Section in Franchise or Other Agreement	Summary
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 16.2; Section 8 of Rider	We may terminate the Franchise Agreement only if you default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
g. "Cause" defined-curable defaults	Section 16.2	If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Confidential Brand Standards Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults below that require cure in a shorter time and non-curable defaults in (h) below. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement, if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
h. "Cause" defined-non-curable defaults	Section 16.2; Section 8 of Rider	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely select an approved site for or establish, equip and begin operations of the One River School; fail to have your Operating Principal, Director of School or Primary Educator satisfactorily complete training; fail to furnish evidence that you have satisfied all applicable licensing laws and regulations; fail to comply with good business practices; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or arrested and charged with any crime or offense likely to affect the reputation of either party or the One River School; after notice to cure, fail to refrain from activities, behavior or

Provision	Section in Franchise or Other Agreement	Summary
		conduct likely to adversely affect the reputation of either party or the One River School; use the Confidential Brand Standards Manual, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-competition agreements; abandon the One River School for 10 or more consecutive days; surrender or transfer control of the One River School in an unauthorized manner; fail to maintain the One River School under the supervision of a Director of School and Operating Principal following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 month period to submit reports or records or to pay any fees due us or any affiliate; violate, on 2 or more occasions, any health, safety or other laws or operate the One River School in a manner creating a health or safety hazard to students, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; repeatedly breach the Franchise Agreement or comply with specifications; or default under any other agreement with us (or an affiliate) so that we (or the affiliate) have the right to terminate the agreement.

Provision	Section in Franchise or Other Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Section 17.1	If the Franchise Agreement is terminated or not renewed, you must: stop operating the One River School; stop using any trade secrets, confidential information, the System and the Marks; if requested, assign your interest in the franchise location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Confidential Brand Standards Manual, trade secrets and all other confidential information; immediately deliver to us all student information, student data, class enrollment information, and related correspondence; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j. Assignment of contract by franchisor	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by franchisee-definition	Section 18.2	"Transfer" includes transfer of an interest in the franchise, the Franchise Agreement, the approved location, the One River School's assets.

Provision	Section in Franchise or Other Agreement	Summary
l. Franchisor's approval of transfer by franchisee	Section 18.2; Section 9 of Rider	You may not transfer your interest in any of the items listed in (k) above without our prior written consent. Under the Rider, your development rights are not assignable at all.
m. Conditions for franchisor's approval of transfer	Section 18.2	We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee signed a general release in a form the same as or similar to the General Release attached to the Franchise Agreement; the prospective transferee meets our business and financial standards; the financial and other terms of transfer are reasonable and not overly burdensome on the transferee; the transferee does not and will not operate too many locations in our judgment; the transferee and all persons owning any interest in the transferee sign the then-current Franchise Agreement; you provide us a copy of all contracts and agreements related to the transfer; 18.2.10; the transferee has paid us a nonrefundable transfer fee in an amount equal to thirty-three percent (33%) of the amount that we then charges as an Initial Franchise Fee for a new franchise; the transferee or the owners of transferee agreed to be personally bound by all provisions of the Franchise Agreement; you agreed to guarantee performance by the transferee; you guarantee the transferee will maintain or grow sales and revenues; the transferee obtained all necessary consents and approvals of third parties; you or all of your equity owners signed a non-competition agreement in a form the same as or similar to the Nondisclosure and Non-Competition attached to the Franchise Agreement; the transferee agrees to furnish evidence that it has obtained any required state and local certifications and licenses and has complied with all state and local licensing laws and regulations; the transferee agreed that its Operating Principal and Director of School will complete the initial training program before assuming management of the One River School; and the transferee obtained all necessary insurance.

Provision	Section in Franchise or Other Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's One River School	Section 19	We may match an offer for your One River School or an ownership interest you propose to sell.
o. Franchisor's option to purchase franchisee's One River School	Section 17.4	During the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the One River School for fair market value.
p. Death or disability of franchisee	Section 18.6	Following the death or incapacity of an owner of the One River School or the death or incapacity of any holder of a legal or beneficial interest in the One River School, including the Operating Principal, your or his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the One River School within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Section 7.3	You, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff and employees are prohibited from: attempting to divert any business or student of the One River School to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.2	For 2 years after the termination, expiration, or transfer of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff are prohibited from: owning or working for a competitive business operating within 30 miles of the franchise location or within the area of primary responsibility (whichever is greater), or within 30 miles of any other One River School; or soliciting or influencing any of our students to compete with us or terminate their relationship with us.

Provision	Section in Franchise or Other Agreement	Summary
s. Modification of the agreement	Sections 9.2, 22.7 and 22.8	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Confidential Brand Standards Manual without your consent.
t. Integration/merger clause	Section 22.7	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 23.7	Except for claims relating to the Marks, confidential information, trade secrets and covenants not to compete, and subject to state law, all disputes must be arbitrated within 20 miles of Englewood, New Jersey. The Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Franchise Agreement Sections 23.4, 23.5, and 23.6. We recommend that you carefully review all of these provisions, and the entire contract, with a lawyer.
v. Choice of forum	Section 23.2	Subject to state law, any litigation must be pursued in courts located in Bergen County, New Jersey.
w. Choice of law	Section 23.1	Subject to state law, New Jersey law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States and except for the provisions relating to non-competition, which are governed by local law where the breach occurs.

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

Background

This Item sets forth certain historical sales and inquiry information for our three affiliate-owned Schools (each, a "Representative Affiliate-Owned School") and one franchisee-owned School ("Franchised School") that were open and operating for the entirety of the period of time from February 1, 2018 through January 31, 2019 (the "Measurement Period"). For purposes of this Item 19, the Representative Affiliate-Owned Schools and Franchised School shall be collectively referred to as the "Representative Schools" and individually referred to as a "Representative School". We have excluded three franchised Schools and two affiliate-owned Schools open as of December 31, 2018, because each School was not open for the entire Measurement Period.

This Item sets forth gross sales information and inquiry information for the Representative Schools during the Measurement Period. All Representative Affiliate-Owned Schools are substantially similar to the franchise offered under this Disclosure Document except that the Representative Affiliate-Owned Schools were not limited by any territorial advertising restriction. The Representative Affiliate-Owned Schools are all between 18 miles to 30 miles from New York City, New York. Additionally, the material financial and operational characteristics that make the Representative Affiliate-Owned Schools different from franchisee-owned Schools is that the Representative Affiliate-Owned Schools are not required to pay royalty fees to us.

The information for this Item is derived from the financial statements submitted by the Representative Affiliate-Owned Schools and the Franchised School and from our software system. Written substantiation of the data used in preparing this information will be made available upon reasonable request.

Importantly, the success of your School will depend largely upon your individual abilities and your market, and the financial results of your School are likely to differ, perhaps materially, from the results summarized in this Item. We believe that the following financial data has been compiled using generally accepted accounting principles but we have not audited the data.

The financial performance information contained in this Item includes gross sales information and inquiry information for the Representative Schools during the Measurement Period.

GROSS SALES AND INQUIRY INFORMATION DURING MEASUREMENT PERIOD

	Month Opened	Gross Sales[1]	Number of Inquiries[2]
Representative Affiliate-Owned School #1	Sept. 2012	$817,952	1,429
Representative Affiliate-Owned School #2	Feb. 2017	$635,951	1,410

Franchised School #1	Apr. 2017	$423,035	1,561
Representative Affiliate-Owned School #3	Jan. 2018	$460,852	1,392

Notes:

1. "Gross Sales" is defined as all sales, less discounts, earned by each Representative School including tuition from classes and summer camps, art sales, merchandise sales and all other sales.

2. An "Inquiry" is when a potential customer either (a) fills out an online form from our website and requests additional information about a Representative School; or (b) calls or visits a Representative School and asks for more information about the classes. In each circumstance, the potential customer's contact information is input into our centralized system, which is where we derived this data.

3. Sales and expenses may vary. In particular, the income and expenses of your business will be directly affected by many factors, such as: (a) geographic location; (b) advertising effectiveness based on market saturation; (c) whether you operate the business personally or hire a manager; (d) employee salaries and benefits (life and health insurance, etc.) and how you structure the employee pay rates and client bill rates; (e) insurance costs; (f) ability to generate clients; (g) customer loyalty; and (h) employment conditions in the market. Many factors, including location of your School, management capabilities, local market conditions, and other factors, are unique to each School and may significantly impact the financial performance of your School.

4. We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. We suggest strongly that you consult your financial advisor or personal accountant concerning the preparation of your financial projections and federal, including any applicable taxes that you may incur in operating a School. This limited amount of information cannot substitute for thorough research on your part and careful evaluation of this franchise opportunity with professional and legal advisors.

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

6. Other than as outlined above, One River School Franchising, LLC does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the One River School Franchising, LLC's management by contacting Matthew Ross at 49 North Dean Street, Englewood, New Jersey 07631, (201) 266-5244, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1 Systemwide Outlet Summary For years 2016 to 2018				
Outlet Type	**Year**	**Outlets at the Start of the Year**	**Outlets at the End of the Year**	**Net Change**
Franchised	2016	0	0	0
	2017	0	1	+1
	2018	1	4	+3
Company-Owned	2016	1	1	0
	2017	1	2	+1
	2018	2	5	+3
Total Outlets	2016	1	1	0
	2017	1	3	+2
	2018	3	9	+6

Table No. 2 Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For years 2016 to 2018		
State	**Year**	**Number of Transfers**
All States	2016	0
	2017	0
	2018	0
Totals	2016	0
	2017	0
	2018	0

Table No. 3 Status of Franchised Outlets For years 2016 to 2018								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Terminations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations – Other Reasons**	**Outlets at End of the Year**
Texas	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Illinois	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	2	0	0	0	0	2
Oregon	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Totals	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	3	0	0	0	0	4

Table No. 4 Status of Company-Owned Outlets For years 2016 to 2018							
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Outlets Reacquired From Franchisee**	**Outlets Closed**	**Outlets Sold to Franchisee**	**Outlets at End of the Year**
New Jersey	2016	1	0	0	0	0	1
	2017	1	1	0	0	0	2
	2018	2	1	0	0	0	3
New York	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	2	0	0	0	2
Totals	2016	1	0	0	0	0	1
	2017	1	1	0	0	0	2
	2018	2	3	0	0	0	5

Table No. 5 Projected Openings As Of December 31, 2018			
State	**Franchise Agreements Signed But Outlets Not Yet Opened**	**Projected New Franchised Outlets In The Next Fiscal Year**	**Projected New Company-Owned Outlets in the Next Fiscal Year**
Connecticut	0	0	1
New Jersey	1	2	1
New York	1	1	1
Oregon	0	1	0
Totals	2	4	3

The names, addresses and telephone numbers of all of our Schools, including our franchisees and their Schools, as of December 31, 2018 are attached as Exhibit F.

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a Franchise Agreement terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or who has left the system during the most recently completed fiscal year, or has not communicated with us within 10 weeks of date of disclosure document is listed on Exhibit G.

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

As of December 31, 2018, we have no current or former franchisees who have signed agreements during the last three fiscal years restricting their ability to speak openly to you about their experience with the One River School franchise system.

As of the date of this Disclosure Document, no independent trademark-specific franchisee organizations have asked to be included in this disclosure document and there are no franchisee organizations sponsored or endorsed by us.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit E are our audited financial statements as of December 31, 2018, December 31, 2017, and December 31, 2016. Our fiscal year end is December 31 of each year.

ITEM 22. CONTRACTS

Attached to this disclosure document are the following contracts and their attachments:

1. Franchise Agreement (with exhibits) (Exhibit C)
2. Development Rights Rider (with exhibits)

ITEM 23. RECEIPTS

Our copy and your copy of the Disclosure Document Receipts are located on the last two (2) pages of this Disclosure Document as Exhibit K.

EXHIBIT A

TO THE DISCLOSURE DOCUMENT
LIST OF STATE ADMINISTRATORS

The following is a list of state administrators responsible for registration and review of franchises for these states. We may register in one or more of these states.

CALIFORNIA
Department of Business Oversight
320 West 4th Street
Suite 750
Los Angeles, California 90013
(866) 275-2677

HAWAII
Securities Examiner
Department of Commerce & Consumer Affairs
Business Registration Division
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
1024 Capital Center Drive
Frankfort, Kentucky 40601

MARYLAND
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN
Michigan Department of Attorney General
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913

MINNESOTA
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198

NEBRASKA
Nebraska Department of Banking and Finance
Bureau of Securities
1526 K Street, Suite 300
PO Box 95006
Lincoln, Nebraska 68508

NEW YORK
Bureau of Investor Protection and Securities
New York State Department of Law
120 Broadway, 23rd Floor
New York, New York 10271

NORTH DAKOTA
Office of Securities Commissioner
Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505

RHODE ISLAND
Director of Department of Business Regulation
Department of Business Regulation
Securities Division
John O. Pastore Center, Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920

SOUTH DAKOTA
Department of Labor and Regulation
Division of Securities
124 S. Euclid Avenue, Suite 104
Pierre, South Dakota 57501

TEXAS
Statutory Documents Section
Secretary of State
P.O. Box 13550
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
Department of Financial Institutions
Division of Securities
201 W. Washington Avenue, Suite 300
Madison, Wisconsin 53703

EXHIBIT B
TO THE DISCLOSURE DOCUMENT

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

The following state agencies are designated as our agent for service of process in accordance with the applicable state laws. We may register in one or more of these states.

CALIFORNIA
Commissioner of Business Oversight
Department of Business Oversight
320 West 4th Street
Suite 750
Los Angeles, California 90013
(866) 275-2677

HAWAII
Commissioner of Securities of the State of Hawaii
Department of Commerce & Consumer Affairs
Business Registration Division
335 Merchant Street
Honolulu, Hawaii 96813

ILLINOIS
Attorney General of the State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA
Secretary of State
302 West Washington, Room E-111
Indianapolis, Indiana 46204

KENTUCKY
Commonwealth of Kentucky
Office of the Attorney General
Consumer Protection Division
1024 Capital Center Drive
Frankfort, Kentucky 40601

MARYLAND
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN
Michigan Department of Attorney General
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913

MINNESOTA
Commissioner of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198

NEBRASKA
Nebraska Department of Banking and Finance
Bureau of Securities
1526 K Street, Suite 300
PO Box 95006
Lincoln, Nebraska 68508

NEW YORK
Secretary of State
One Commerce Plaza
99 Washington Ave
Albany, New York 12231-0001

NORTH DAKOTA
Securities Commissioner
Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505

RHODE ISLAND
Director of Business Regulation
Department of Business Regulation
John O. Pastore Center, Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920

SOUTH DAKOTA
Director of the Department of Labor and Regulation
Division of Securities
124 S. Euclid Avenue, Suite 104
Pierre, South Dakota 57501

TEXAS
Statutory Documents Section
Secretary of State
P.O. Box 13550
Austin, Texas 78711

VIRGINIA
Clerk of the State Corporation Commission
1st Floor
1300 East Main Street
Richmond, Virginia 23219

WASHINGTON
Director of the Department of Financial Institutions
Securities Division
150 Israel Rd SW
Tumwater Washington 98501

WISCONSIN
Administrator
Division of Securities
Department of Financial Institutions
201 W. Washington Avenue, Suite 300
Madison, Wisconsin 53703

EXHIBIT C
TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

ONE RIVER SCHOOL

FRANCHISE AGREEMENT

TABLE OF CONTENTS

EXHIBITS

ONE RIVER SCHOOL FRANCHISING, LLC

FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") made this ___ day of ________, 201__, is by and between One River School Franchising, LLC, a New Jersey limited liability company, having its principal place of business at 49 North Dean Street, Englewood, NJ 07631 ("Franchisor," "We," or "Us"), and ________________________________, an individual/partnership/corporation/limited liability company established in the State of ________________ whose principal address is __________ ________________________________ ("Franchisee" or "You").

WITNESSETH:

WHEREAS, Franchisor and its Affiliate have developed, and are in the process of further developing, a System identified by the "One River" Mark relating to the establishment and operation of an innovative art and design school featuring a proprietary creative education program for students of all ages, referred to as "One River School;" and

WHEREAS, in addition to the service mark "One River" and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising, and promotion; a distinctive art education program and curriculum; the sale of art supplies; training in art gallery management; customer service and development techniques; distinctive interior and exterior design, layout, and décor; other strategies, techniques, and Trade Secrets and other Confidential Information; and the Confidential Brand Standards Manual; and

WHEREAS, Franchisor is licensed by an affiliated company to use and grant licenses to use the One River Mark and other intellectual property associated with the System and Franchisor grants to qualified persons and business entities the right to own and operate a One River School using the System and the Marks; and

WHEREAS, Franchisee desires to operate a One River School, has applied for the Franchise, and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations, and service, and the necessity of operating the One River School in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

"Affiliate" means any business entity that controls, is controlled by, or is under common control with Franchisor;

"Approved Location" means the site for the operation of the One River School selected by Franchisee and approved in writing by Franchisor;

"Approved Supplier(s)" has the meaning given to such term in Section 13.1;

"Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) art education and/or digital media education the same as or similar to those provided by One River Schools or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate, or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

"Confidential Information" means technical and non-technical information used in or related to One River Schools and not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified or labeled as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

"Confidential Brand Standards Manual" means the One River School Confidential Brand Standards Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified, or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration, and managers' manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda, and other publications prepared by, or on behalf of, Franchisor;

"Cooperative Advertising" means the combined advertising program of two (2) or more franchisees established within a common market that Franchisor may require for One River Schools within a particular region;

"Designated Area" has the meaning given to such term in Sections 2.5 and 2.6;

"Director of School" means the individual designated by Franchisee as having primary responsibility for managing the day-to-day affairs of the One River School. If Franchisee is a legal business entity (such as a corporation, limited liability company or other legal business entity), Franchisor may, in its sole discretion, require that the Director of School hold a legal and equitable interest in, or a beneficial interest in, Franchisee, and if Franchisee is an individual and not a business entity, Franchisor may, in its sole discretion, require that the Director of School is Franchisee;

"Effective Date" means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term;

"Electronic Depository Transfer Account" means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

"Franchise" means the right granted to Franchisee by Franchisor to use the System and the Marks;

"Franchise Fee" has the meaning given to such term in Section 3.1;

"Franchisor Indemnitees" has the meaning given to such term in Section 21.3;

"GAAP" means the generally accepted accounting principles, standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of the financial statements;

"Grand Opening Advertising" has the meaning given to such term in Section 11.1;

"Gross Sales" means the aggregate of all revenue from the sale of services and products from all sources in connection with the One River School (whether on or off the premises of the One River School), whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (b) the value of any allowance issued or granted to any student of the One River School that is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the One River School, and (c) any rebate received by Franchisee from a manufacturer or supplier. All proceeds from the sale of coupons, gift certificates or vouchers will also be included in Gross Sales, but when these coupons, gift cards, gift certificates or vouchers are redeemed, the retail price may be credited against Gross Sales during the week in which the coupon, gift cards, gift certificate or voucher is redeemed. If sales proceeds are not recorded and reported for royalty purposes at the time a coupon, gift certificate, or voucher is sold, or if coupons, gift cards, gift certificates, or vouchers are distributed free of charge, no credit against Gross Sales is permitted upon redemption of the coupon, gift card, gift certificate, or voucher.

"Gross Sales Reports" has the meaning given to such term in Section 12.2;

"Incapacity" means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the One River School on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency, or other limitation;

"Internet" means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

"Local Advertising" has the meaning given to such term in Section 11.2;

"**Marketing Fund"** has the meaning given to such term in Section 11.3;

"Marketing Fund Contribution" has the meaning given to such term in Section 11.3;

"Marks" means the service marks "One River®," "Art Shuffle," "Art Focus," and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings, and other commercial symbols, which are owned by Franchisor and/or are owned by an Affiliate and licensed to Franchisor, or otherwise licensed to Franchisor, as Franchisor may designate to be used in connection with One River Schools;

"Operating Principal" means a person that owns at least fifty one percent (51%) of the equity and voting interests of the legal entity which owns the One River School and at least a fifty one percent (51%) right to the One River School's profits as the operating principal, who (i) will be responsible for the One River School and all decisions related thereto, (ii) shall be granted the authority to bind Franchisee in any dealings with Franchisor and its affiliates, and (iii) shall direct any action necessary to ensure compliance with this Agreement and any other agreements relating to One River School.

"Royalty Fee" has the meaning given to such term in Section 3.2;

"**Site Evaluation Fee**" has the meaning given to such term in Section 3.8;

"System" means the uniform standards, methods, procedures, products, services, techniques, and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn, or otherwise revised by Franchisor for the operation of One River Schools; and

"Trade Secrets" means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in One River Schools that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. GRANT OF FRANCHISE; APPROVED LOCATION; DESIGNATED AREA

2.1 Grant

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) One River School using the System and Marks.

2.2 Approved Location

The street address (or detailed description of the premises) of the Approved Location is attached as Exhibit 2.

2.3 Approved Location Not Determined

If the Approved Location of the One River School is not determined as of the Effective Date, then the geographic area in which the One River School is to be located shall be within the geographic area described in Section 2.6 below ("Designated Area"). Franchisee shall select and submit possible sites within the Designated Area for Franchisor's evaluation in accordance with Section 5.1. Franchisor shall have the right to require Franchisee to use the services of a real estate broker who is an Approved Supplier to assist in locating possible sites. When the Approved Location is determined, its address shall be inserted into Section 2.2, and Section 2.2 shall be initialed and dated by Franchisee and Franchisor. The failure to insert such address into Exhibit 2, shall not automatically affect the enforceability of this Agreement.

2.4 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

2.5 Designated Area

Franchisee shall receive a territory called the "Designated Area" to be mutually agreed upon by Franchisor and Franchisee and depicted in the map in Section 2.6 below. Franchisee will operate the One River School within the Designated Area and shall limit all direct marketing, advertising, and business activities within such area, as stated in Section 2.8. As long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, Franchisor shall not limit or alter the boundaries of Franchisee's Designated Area and shall not locate another school in the Designated Area under the Marks. Franchisee's rights in the Designated Area are subject to Franchisor's rights articulated in Section 2.7.

2.6 Map and Description of Designated Area

The Designated Area shall be defined by and exist within the following geographic area and boundaries: ____

____

____

______ Within 30 days of obtaining the lease to your One River School, you will be required to sign the Designated Area Addendum, attached hereto as Exhibit 6. The map of the Designated Area is attached as part of Exhibit 6.

2.7 Franchisor's Rights

Franchisee acknowledges that Franchisor expressly retains all rights and discretion with respect to the Marks and System, including, without limitation, the right to:

2.7.1 establish, own, or operate, and license others to establish, own, or operate, One River Schools outside of the Designated Area as Franchisor deems appropriate;

2.7.2 establish, own, or operate, and license others to establish, own, or operate, other businesses under other systems using other trademarks at locations inside and outside of the Designated Area as Franchisor deems appropriate;

2.7.3 purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the One River School (and/or acquire franchise, license, and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Designated Area. If Franchisor purchases or acquires franchises or licenses, Franchisor may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and such franchisee(s) or licensee(s). If Franchisor purchases or acquires such businesses within the Designated Area which are not franchised or licensed, Franchisor may, in its sole discretion, offer to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a One River School;

2.7.4 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises, and/or licenses Competitive Businesses within the Designated Area;

2.7.5 provide the services and sell the products authorized for One River Schools using the Marks or other trademarks, service marks, and commercial symbols through any alternate channel of distribution inside and outside the Designated Area (including delivery of services and/or products at a student's home or place of business, or at a school or community center) on such terms and conditions as Franchisor deems appropriate;

2.7.6 communicate with students of the One River School via any form of communication and for any reason; and

2.7.7 engage in any activities not expressly forbidden by this Agreement.

2.8 Marketing and Solicitation Restrictions

Franchisee shall not directly market to or solicit students whose principal residence or school (or principal business office, if the customer is a business entity) is within the Designated Area of another franchisee. Except as part of Cooperative Advertising implemented pursuant to Section 11.4, Franchisee shall not advertise in any media whose primary circulation is within the

Designated Area of another franchisee. Franchisor shall make reasonable efforts to enforce these restrictions with regard to Franchisee and any other One River Schools, but under no circumstances shall Franchisor be required to engage in litigation or similar actions with regard to these restrictions.

3. FEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor, as defined under the Data Sheet attached hereto as Exhibit 2, in the amount of $45,000. The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Sections 5.2, 5.5, and 8.3. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting, and other professional fees.

3.2 Monthly Royalty Fee

For so long as this Agreement shall be in effect, Franchisee shall pay to Franchisor without offset, credit, or deduction of any nature, a monthly fee ("Royalty Fee") equal to nine percent (9%) of Gross Sales by the fifth (5^{th}) day of each month for the month just ended. Each monthly Royalty Fee shall accompany a Gross Sales Report, as required by Section 12.2, for the same period. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.4, such reports shall instead be submitted to Franchisor via facsimile transmission, e-mail, or intranet system.

3.3 Taxes

3.3.1 Franchisee shall promptly pay when due all taxes, duties, and/or fees levied or assessed (including, without limitation, gross receipts taxes, franchise taxes, sales taxes, withholding taxes, value added taxes, and/or any similar taxes or fees) and all accounts and other indebtedness of every kind incurred by Franchisee under this Franchise Agreement (collectively, "Taxes"). In the event of any bona fide dispute as to Franchisee's liability for Taxes, Franchisee may contest the validity or the amount of such Taxes in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against this Franchise Agreement, the One River School, and/or Approved Location (or any improvements thereon).

3.3.2 All payments made by Franchisee to Franchisor under this Franchise Agreement shall be paid in U.S. dollars and shall be grossed-up and paid by Franchisee to Franchisor without any retention, deduction, credit, and/or offset for any Taxes – except any deduction and/or credit expressly permitted under the definition of Gross Sales in Section 1 above. Franchisee shall, at its sole cost, pay directly to the appropriate taxing authority any and all Taxes on any amounts paid by Franchisee under this Franchise Agreement or otherwise imposed on Franchisor by any taxing authority in the Territory.

3.3.3 It is the parties' intention that all payments by Franchisee to Franchisor hereunder shall be grossed-up (and without any retention, deduction, credit, and/or offset) for any Taxes in order for Franchisor to receive the entire Franchise Fee, Royalty Fee, Marketing Fund Contribution, and/or other amounts due to Franchisor under this Franchise Agreement without any retention, deduction, credit, and/or offset for any Taxes (except any deduction and/or credit expressly permitted under the definition of Gross Sales in Section 1. above).

3.3.4 Any Taxes imposed upon or with respect to this Franchise Agreement or any materials, supplies, or specifications acquired by or provided to Franchisee pursuant to or in connection with this Franchise Agreement shall be paid by Franchisee.

3.3.5 In the event Franchisor is required under applicable law or otherwise elects (all as determined by Franchisor in its sole discretion) to pay any Taxes to the appropriate taxing authority(ies) in the Designated Area arising out of this Franchise Agreement, then Franchisee shall immediately pay to Franchisor an amount equal to any amount(s) so paid by Franchisor to such taxing authority(ies).

3.4 Electronic Transfer

Franchisor has the right to require all Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor, and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Account. At Franchisor's request, Franchisee shall open and maintain an Electronic Depository Transfer Account, and shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Every month, Franchisee shall make monthly deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's written consent.

3.5 Late Fees

All Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor, and other amounts that are not received by Franchisor within five (5) days after the due date, shall incur late fees at the rate of one and one-half percent (1.5%) per month (or the highest rate allowed by the law of the state where Franchisee is located) from the date payment is due to the date payment is received by Franchisor. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions, or any other amounts due Franchisor, including reasonable accounting and legal fees. This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee. Any acceptance by Franchisor of any payments, by or on behalf of Franchisee, after the due date or any commitment by Franchisor to delay receipt of funds owed shall not in any way limit, diminish or otherwise affect the rights of Franchisor hereunder.

3.6 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from Franchisor, or any other amount owed to Franchisor in any proportion or priority.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Section 16.

4.2 Successor Terms

Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with Franchisor. Franchisee's right to a successor franchise is limited to two (2) successive terms of ten (10) years each, such that the total potential term of the Franchise with all renewals shall not exceed thirty (30) years. To qualify for a successor franchise, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 Franchisee has, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

4.2.2 Franchisee has access to and, for the duration of the term of the successor franchise, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards;

4.2.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the One River School reflects Franchisor's then-current standards and specifications;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.5 Franchisee is not in default of any material provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.6 Franchisee has given written notice of its intent to operate a successor franchise to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement;

4.2.7 Franchisee has executed Franchisor's then-current form of franchise agreement (or has executed other documents at Franchisor's election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Marketing Fund Contribution; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee;

4.2.8 Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training and certification requirements;

4.2.9 Franchisee shall pay to Franchisor a renewal fee in an amount equal to thirty-three percent (33%) of the amount that, at the time of renewal, Franchisor charges as an initial franchise fee for a new franchise; and

4.2.10 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the One River School is located.

5. APPROVED LOCATION

5.1 Selection of Site

Franchisee is responsible for finding and obtaining a suitable site at which to develop and operate the One River School. If an Approved Location for the One River School has not been determined as of the Effective Date, Franchisee shall promptly select a site for the One River School and shall notify Franchisor of such selection. Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (usually ten (10) days) of receiving notice of the site from Franchisee. If Franchisor approves of such selection, the site shall be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select and notify Franchisor of new sites until Franchisor approves a site for the One River School. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including, without limitation, visibility, signage, the condition of the premises, demographics of the surrounding area, proximity to other One River Schools, proximity to Competitive Businesses, lease requirements, traffic patterns, vehicular and pedestrian access, proximity to major roads, available parking, and overall suitability. Franchisee shall not locate the One River School on a selected site without the prior written approval of Franchisor. ***Franchisor does not represent that it, or any of its Affiliates, owners, employees, or agents, have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the One River School will be profitable or successful at the Approved Location. Franchisee is solely responsible for identifying the Approved Location. Franchisor shall have no liability for the failure of the One River School based, directly or indirectly, upon Franchisor's assistance or approval hereunder.***

5.2 Failure to Select Site

Should Franchisee fail to select a site for the One River School, which meets with Franchisor's approval within sixty (60) days after the Effective Date, Franchisor has the right to terminate this Agreement.

5.3 Lease of Approved Location

In the event that Franchisee plans to enter into any type of lease for the One River School premises, Franchisee and its landlord must sign the Lease Addendum attached hereto as Exhibit 8. We recommend that you submit the Lease Addendum to the landlord at the beginning of your lease review and negotiation, although the terms of the Lease Addendum may not be negotiated without our prior approval. If the landlord requires Franchisor to negotiate the Lease Addendum, we reserve the right to charge you a fee, which will not exceed our actual costs associated with the negotiation. You must provide us a copy of the executed lease and Lease Addendum within five (5) days of its execution. We have no responsibility for the lease; it is your sole responsibility to evaluate, negotiate, and enter into the lease for the One River School premises.

You must execute, and provide us an executed copy of your lease (including an executed copy of the Lease Addendum) or the purchase agreement for the selected and approved site for your One River School within 365 days from the date of execution of this Agreement. If you fail to select your site (you and we agree on a site and you execute a lease or purchase agreement for the site) within 60 days after the date of execution of this Agreement, we will have the right to terminate this Agreement, as stated in Section 5.2.

5.4 Development of Approved Location

Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of a One River School, including specifications for the exterior and interior design and layout, fixtures, equipment, décor, and signs. Such specifications are subject to alteration as Franchisor deems necessary. Franchisor shall not be liable for failure of the One River School based, directly or indirectly, upon the specifications provided to Franchisee by Franchisor hereunder. Franchisee shall cause the Approved Location to be developed, equipped, and improved in accordance with specifications within one hundred twenty (120) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

5.4.1 employ an approved competent licensed architect, engineer, or general contractor to prepare, for Franchisor's approval, preliminary specifications for improvement of the Approved Location adapted from the specifications furnished by Franchisor;

5.4.2 obtain all zoning classifications and clearances which may be required by state and local laws, ordinances or regulations, and submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications;

5.4.3 obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the One River School and certify in writing and provide evidence to Franchisor that all such permits and licenses have been obtained;

5.4.4 employ a qualified, licensed general contractor approved by Franchisor to complete construction of all required improvements to the Approved Location;

5.4.5 purchase any supplies or inventory necessary for the operation of the One River School;

5.4.6 purchase or lease and install all equipment, signs, educational tools, furniture and fixtures, including any computer equipment and surveillance camera system required by Franchisor for the operation of the One River School; and

5.4.7 establish broadband or high-speed Internet access and obtain at least two (2) dedicated telephone lines solely dedicated to the One River School.

5.5 Failure to Develop Approved Location

Should Franchisee fail to develop the Approved Location for the One River School within one hundred eighty (180) days after the Effective Date, Franchisor has the right to terminate this Agreement.

5.6 Opening

5.6.1 Before opening the One River School and commencing business, Franchisee must:

5.6.1.1 fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 5;

5.6.1.2 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.6.1.3 complete initial training to the satisfaction of Franchisor;

5.6.1.4 furnish Franchisor with evidence that it has fully complied with all state and local licensing laws and regulations as may be applicable;

5.6.1.5 if Franchisee is a business entity, Franchisee has caused each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

5.6.1.6 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's sole determination that Franchisee is ready to open and satisfactorily prepared to operate in accordance with the terms of this Agreement; and

5.6.1.7 pay in full all amounts due to Franchisor.

5.6.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the One River School within one hundred eighty (180) days after the Effective Date. Time is of the essence.

5.7 Failure to Open

Should Franchisee fail to commence operations of the Approved Location for the One River School within one hundred eighty (180) days after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.7, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the One River School and shall not be construed as nor considered to be a penalty. Franchisor's retention of the Franchise Fee (or any part thereof) hereunder, shall be in addition to any other rights of the Franchisor at law or in equity.

5.8 Use of Approved Location

After opening, Franchisee shall continuously operate the One River School at the Approved Location, always using Franchisee's best efforts to deliver quality service and maintain and grow the business, all according to the System. Franchisee shall not use the Approved Location for any purpose other than for the operation of a One River School in full compliance with this Agreement and the Confidential Brand Standards Manual, unless approved in writing by Franchisor.

5.9 Relocation

Unless otherwise provided herein, Franchisee shall not relocate the One River School without the prior written consent of Franchisor, which may not be unreasonably withheld. If the lease for the Approved Location expires or terminates through no fault of Franchisee or if the One River School's premises is destroyed, condemned, or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may allow Franchisee to relocate the One River School. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.7. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including, but not limited to, legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement shall terminate as provided in Section 16.2.1.1. Franchisor shall have no liability for failure of the One River School based, directly or indirectly, upon Franchisor's approval of location hereunder.

6. PROPRIETARY MARKS

6.1 Ownership

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive, and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications, and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. As between Franchisor and Franchisee, any goodwill created by Franchisee's use of the Marks and operation of a One River School shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title, or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a One River School. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the One River School is an "Independently Owned and Operated One River School" owned by Franchisee.

6.3 Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take such action as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

6.4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has complied with the provisions of Section 6.3 and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5 Discontinuance of Use

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the One River School, Franchisor and its designees have the right to enter and inspect the One River School and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, products, supplies, reports, forms and documents, and related data to ensure that Franchisee is operating the One River School in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies, or other items to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the One River School and to interview and survey (whether in person or by mail) students and employees and to photograph or videotape the operations.

6.7 Franchisor's Sole Right to Domain Name

Franchisee shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "One River" or any variation thereof without Franchisor's written approval. Franchisor is the sole owner of all right, title, and interest in and to such domain names as Franchisor shall designate in the Confidential Brand Standards Manual.

7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION

7.1 Confidentiality of Trade Secrets and Other Confidential Information

Franchisee acknowledges that Franchisor shall disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Confidential Brand Standards Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the One River School and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee and all holders of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and all officers, directors, executives, managers, and members of the professional staff of Franchisee, and all employees and independent contractors of Franchisee who have access to Trade Secrets or other Confidential Information: (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. Franchisee shall enforce this Section as to its employees, independent contractors, agents, and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

7.2 Additional Developments

All ideas, concepts, techniques, or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, including but not limited to the existing student list, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee hereby agrees to assign to Franchisor all right, title, and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among One River School franchisees if owners of One River Schools and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager, or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company, or other business entity, shall:

7.3.1 Divert or attempt to divert any business or student of the One River School to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

7.3.2 Own an interest in, manage, operate, or perform services for any Competitive Business which is located within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor has used, sought registration of, or registered the Marks or similar marks, or operates or licenses others to operate a business under the Marks or similar marks.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households) including the Operating Principal, and any officer, director, executive, manager, or member of the professional staff, and all employees and independent contractors of Franchisee who have access to Trade Secrets or other Confidential Information, to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 3, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System, and the Marks, and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable, or otherwise unenforceable.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor shall make an initial training program available to Franchisee (if an individual) or Franchisee's Operating Principal (if an entity), the Director of School (which can be the Operating Principal), and the "Primary Educator" (which will either be the Director of Education or the Assistant Director of Education in the event that person will report to the Director of School and is accountable for the educational component). Approximately four (4) weeks but not more than sixteen (16) weeks prior to the opening of the One River School, the Operating Principal, the Director of School and the Primary Educator must attend and successfully complete, to Franchisor's satisfaction, an initial training program pertaining to the operation and administration of the One River School including, but not limited to, sales and marketing methods; financial controls; maintenance of quality standards; educational process; curriculum execution; customer service techniques; record keeping; and reporting procedures and other operational issues. Franchisor shall conduct the initial training program at its headquarters or at another designated location. Franchisor shall not charge tuition or similar fees for initial training; however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses, and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

8.2 Opening Assistance

In conjunction with the beginning of operation of the One River School, Franchisor shall make available to Franchisee, at Franchisor's expense, one (1) of Franchisor's representatives, experienced in the System, for the purpose of familiarizing Franchisee's staff with One River School techniques and for the purpose of providing general assistance and guidance in connection with the opening of the One River School. If Franchisee requests additional assistance with respect to the opening or continued operation of the One River School, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3 Failure to Complete Initial Training Program

If Franchisor determines that the Operating Principal, Director of School or Primary Educator is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If Franchisee is a business entity and the Director of School and/or Primary Educator fail to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager/director (as applicable) and such substitute manager/director (as applicable) must complete the initial training to Franchisor's satisfaction prior to assuming their role. Franchisee will be required to pay Franchisor's then-current rates for additional training, if any, for providing the substitute manager/director (as applicable) an initial training program. If Franchisee fails to pass the initial training, Franchisor will refund the initial fee less any commission and broker fees incurred, and cancel the franchise agreement.

8.4 New Operating Principal, Director of School or Primary Educator

After beginning operations, should Franchisee name a new Director of School or Primary Educator, or name a new Operating Principal through an approved transfer, Franchisee must notify Franchisor of the identity of such new person and that new person must complete the initial training program to Franchisor's satisfaction within thirty (30) days of being named. The new Operating Principal, Director of School or Primary Educator (as applicable) may attend the initial training program without charge, provided that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager or director changes are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board, and employees' salaries incurred in connection with the new Operating Principal's, Director of School's or Primary Educator's (as applicable) attendance at such training.

8.5 Ongoing Training

From time to time, Franchisor may provide and if it does, has the right to require that the Operating Principal, Director of School and Primary Educator attend ongoing training programs or seminars during the term of this Agreement. Franchisee may be required to pay additional training fees as part of the ongoing training, whether to Franchisor or a third-party. Franchisor shall not require the Operating Principal, Director of School or Primary Educator to attend more than one (1) session each in any calendar year that requires over four hundred (400) miles of travel. Franchisee shall be responsible for all travel costs, room and board, and employees' salaries incurred in connection with the Operating Principal's, Director of School's and/or Primary Educator's attendance at such training.

9. CONFIDENTIAL BRAND STANDARDS MANUAL

9.1 Access to Confidential Brand Standards Manual

While this Agreement is in effect, Franchisor shall provide Franchisee with access to one (1) copy of the Confidential Brand Standards Manual or grant Franchisee access to an electronic copy of the Confidential Brand Standards Manual. Franchisee shall conduct the One River School in strict accordance with the provisions set forth in the Confidential Brand Standards Manual. The Confidential Brand Standards Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Confidential Brand Standards Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement.

9.2 Revisions

Franchisor has the right to add to or otherwise modify the Confidential Brand Standards Manual from time to time to reflect changes in the specifications, standards, operating procedures, and rules prescribed by Franchisor. Franchisor may make additions or modifications without prior notice to Franchisee. Franchisee shall immediately, on notice, adopt any such changes and ensure that Franchisee's copy of the Confidential Brand Standards Manual is up-to-date at all times. If a dispute as to contents of the Confidential Brand Standards Manual arises, the terms of a master copy maintained by Franchisor shall be controlling. These required standards exist to protect Franchisor's interests in the overall One River School System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee.

9.3 Confidentiality

The Confidential Brand Standards Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Confidential Brand Standards Manual is available at the Approved Location in a current and up-to-date manner. If the Confidential Brand Standards Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Confidential Brand Standards Manual in a secure manner at the Approved Location; if the Confidential Brand Standards Manual is in electronic form, Franchisee shall maintain the Confidential Brand Standards Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Confidential Brand Standards Manual, access to the Confidential Brand Standards Manual or any key, combination or passwords needed for access to the Confidential Brand Standards Manual. Franchisee shall not disclose, duplicate, or otherwise use any portion of the Confidential Brand Standards Manual in an unauthorized manner. Franchisee must provide signed nondisclosure and non-compete agreements on a quarterly basis to Franchisor.

10. FRANCHISE SYSTEM

10.1 Uniformity

Franchisee shall strictly comply, and shall cause the One River School and its employees to strictly comply, with all requirements, specifications, standards, operating procedures, and rules set forth in this Agreement, the Confidential Brand Standards Manual, or other communications supplied to Franchisee by Franchisor.

10.2 Modification of the System

Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and new or modified products, services, educational standards and processes, computer hardware, software, equipment, inventory, supplies, signs, or sales and marketing techniques. Franchisee shall implement any such changes in, or additions to, the System upon notice from Franchisor. Franchisee shall make such expenditures as such changes, additions, or modifications in the System may reasonably require. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance required in Section 13.2.

Franchisee shall make any and all improvements or modifications required by law, regulation, agency decision, or court order.

10.3 Variance

Franchisor has the right to vary standards, specifications, or other requirements for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices, or any other condition or circumstances that Franchisor deems relevant to the operation of any particular One River School or the business interests or convenience of Franchisor. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance.

11. ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1 Grand Opening Advertising

During the period beginning no later than one hundred twenty days (120) days before the opening of the One River School, Franchisee shall spend a minimum of $25,000 on pre-opening/coming soon local advertisement and promotion that includes the initial opening events ("Grand Opening Advertising"). Prior to their use, all materials to be used in Grand Opening Advertising must be approved by Franchisor through the process set forth in Section 11.2.2. Grand Opening Advertising expenditures shall be in addition to Local Advertising expenditures and Marketing Fund Contributions.

11.2 Local Advertising

11.2.1 Franchisee shall continuously promote the One River School. During Franchisee's first year of operation, in addition to required expenditures for Grand Opening Advertising, Franchisee shall spend at least $7,500 per quarter ($30,000 per year) on advertising, promotions, and public relations within the immediate locality surrounding the One River School ("Local Advertising"). During Franchisee's second year of operation, Franchisee shall spend at least $7,500 per quarter ($30,000 per year) on Local Advertising. Beginning in the twenty-fifth (25th) month of operation, and every month thereafter, Franchisee shall spend at least five percent (5%) of the previous month's Gross Sales on Local Advertising. All expenditures shall be made directly by Franchisee, subject to the prior approval and direction of Franchisor. Franchisor shall provide general guidelines to Franchisee for conducting Local Advertising. Within thirty (30) days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding month.

11.2.2 Franchisee shall comply with all advertising and promotional guidelines promulgated by Franchisor. Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, television ads, radio ads, Facebook and social media ads, ad copy, coupons, flyers, scripts, and direct mail. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within five (5) days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials by the end of such five (5) day period, such materials shall be deemed to have received the required approval. Franchisee shall not use any marketing or promotional material prior to receiving approval by Franchisor.

11.3 Marketing Fund

Franchisor reserves the right to require all franchisees to contribute to a System-wide marketing, advertising, and promotion fund to assist in Franchisor's regional and national advertising ("Marketing Fund"). If done so, Franchisee shall be required to contribute monthly to the Marketing Fund in an amount specified by Franchisor up to two percent (2%) of Gross Sales ("Marketing Fund Contribution"). Franchisor shall provide Franchisee with thirty (30) days' notice before requiring Franchisee's participation in the Marketing Fund. Franchisor may adjust the amount of the Marketing Fund Contribution from time to time, in its sole discretion, by providing Franchisee with thirty (30) days' notice before changing Marketing Fund Contribution requirements. When required, Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.2. When established, the Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

11.3.1 Franchisor shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund. The program(s) may be local, regional, or System-wide. Franchisor does not warrant the success or effectiveness of any particular marketing program. Franchisor shall have no liability to Franchisee based, directly or indirectly, upon any particular marketing program.

11.3.2 Franchisee's Marketing Fund Contributions may be used to meet the costs of, or to reimburse Franchisor for its costs of, producing, maintaining, administering, and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund.

11.3.3 Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

11.3.4 Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Marketing Fund Contributions made in the aggregate by each franchisee.

11.3.5 Each One River School operated by Franchisor or an Affiliate is not required to make Marketing Fund Contributions at the same rate as One River School franchisees.

11.3.6 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor retains the right to have the Marketing Fund reviewed or audited and reported on, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

11.3.7 Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

11.4 Cooperative Advertising

Franchisor has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of One River Schools located within a particular region. Franchisor has the right to collect and designate all or a portion of the Local Advertising to payments or contributions to Franchisor for the funding of a Cooperative Advertising program. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor has the right to establish an advertising council to self-administer the Cooperative Advertising program. Franchisee shall participate in the council according to the council's rules and procedures and Franchisee shall abide by the council's decisions. Should Franchisor establish a Cooperative Advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time. Failure of any franchisee to participate in any Cooperative Advertising Program shall not excuse Franchisee from its obligations hereunder to participate in the Cooperative Advertising Program and compliance with its terms as set forth in this Agreement.

11.5 Internet Advertising

Franchisee may not establish a presence on, or market using, the Internet in connection with the One River School without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the uniform resource locator www.OneRiverSchool.com that provides information about the System and the services and products that Franchisor and its franchisees provide. Franchisor will include at its website an interior section for local customization of information about Franchisee's One River School. Franchisor has the right to require Franchisee to prepare all or a portion of the content of the interior section and update it according to Franchisor's best practices and standards, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to advertise or use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to approve any linking to, or other use of, Franchisor's website.

11.6 Social Media Advertising

Franchisee must list the pertinent contact information (including, but not limited to, telephone number(s), address, and website) for the One River School and advertise the One River School in such a way that would be easily accessible through a basic online search engine or approved social media platform (including, but not limited to, Facebook, Twitter, Yelp, and Google). Franchisee must, according to standards Franchisor has created, operate on social media platforms Franchisor has identified for local marketing. Franchisor shall establish Franchisee's social media sites and provide Franchisee and its management with access to the social media platforms. At Franchisor's request, Franchisee shall promptly provide Franchisor with login access to assist in the maintenance of all such social media platforms and online listings. Expenditures associated with the establishment and development of social media platforms are in addition to Franchisee's Local Advertising obligations.

11.7 Promotional Programs

Franchisee shall implement, participate in, and comply with the requirements of, any gift card, gift certificate, coupon, customer loyalty or retention, discount, or other promotional program Franchisor implements for all or part of the One River School System and shall sign the forms and take the other actions that Franchisor requires for Franchisee to participate in such programs and pay all costs and fees related thereto. In addition to the programs described in the preceding sentence, Franchisor may, from time to time, in its sole discretion, develop and administer advertising and sales promotion programs designed to promote all or some One River Schools operating under the System or particular services or other particularities. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor. The standards and specifications established by Franchisor for such programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas, and advertising agencies, shall be final and binding upon Franchisee.

11.8 Pricing

Franchisor has the right to specify the prices of the products and services offered and sold by Franchisee. Franchisor also has the right to determine the minimum prices and maximum prices of the products and services offered and sold by Franchisee. Franchisee must strictly adhere to the lawful prices established by Franchisor for the sale of products and services. Franchisor retains the right to modify such prices from time-to-time in its sole discretion.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete, and accurate books, records, and accounts in accordance with the standard accounting system prescribed by Franchisor in the Confidential Brand Standards Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for five (5) years thereafter, all books and records related to the One River School including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

12.2 Gross Sales Reports

Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor via the Internet and a signed and verified statement of Gross Sales ("Gross Sales Report") each month in a form that Franchisor approves or provides in the Confidential Brand Standards Manual. The Gross Sales Report for the preceding month must be provided to Franchisor by the close of business on the fifth day of each month, as provided in Section 3.2.

12.3 Financial Statements

Franchisee shall supply to Franchisor on or before the fifteenth (15th) day of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within sixty (60) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. All such financial statements shall be prepared in accordance with GAAP applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Confidential Brand Standards Manual or otherwise in writing.

12.4 Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may request from time to time or as specified in the Confidential Brand Standards Manual. Franchisor shall have the right to release financial and operational information relating to the One River School to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 Computer System

Franchisee shall install and maintain the computer hardware and software (including, without limitation, point-of-sale hardware and software) Franchisor requires for the operation of the School and shall follow the procedures related thereto that Franchisor specifies in the Confidential Brand Standards Manuals or otherwise in writing. Among other things, Franchisor may require that Franchisee install and maintain systems that permit Franchisor to access and retrieve electronically any information stored in Franchisee's computer systems, including, without limitation, information concerning School's Gross Sales, at the times and in the manner that Franchisor may specify from time to time. Franchisor also may require Franchisee to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System. All information contained in and collected by any such computer program (including, but not limited to, information pertaining to students of the School) shall be the sole and exclusive property of Franchisor.

12.6 Surveillance Camera System

Franchisee must purchase and install a surveillance camera system consisting of cameras and other equipment in accordance with Franchisor's specifications and shall upgrade such system in accordance with Franchisor's requirements. Franchisor and Franchisee have a right to have full access to the surveillance system to conduct real time surveillance of the One River School, the system data, and all related information by means of remote access or in person access.

12.7 Right to Access and Inspect

Franchisor or its designee has the right at all times to access, examine, inspect, copy and audit the books, records and tax returns of Franchisee. This includes but is not limited to Franchisee being obligated to, and Franchisee shall, provide Franchisor with unrestricted access to Franchisee's books and records online, also including full login access to Franchisee's data with QuickBooks online and any other online bookkeeping, recordkeeping, accounting system Franchisor designates. If any audit or other inspection reveals that any payments to Franchisor were underpaid (or underreported and therefore underpaid), then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located). If the audit or any other inspection reveals that Franchisee has not spent the minimum required amounts on Grand Opening Advertising or Local Advertising, or if the inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit or inspection, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12.8 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the One River School including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services, and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on developing schools at suitable locations and offering high quality services and products to its students. Accordingly, Franchisor will furnish to the Franchisee from time-to-time lists of approved supplies or approved suppliers. Franchisee must only use approved products, services, inventory, equipment, fixtures, furnishings, signs, advertising materials, trademarked items and novelties, and other items or services (collectively, "Approved Supplies") in connection with the design, construction, and operation of the One River School as set forth in the Approved Supplies and approved suppliers ("Approved Suppliers") lists, as Franchisor may amend from time-to-time. Although Franchisor does not do so for every item, it has the right to approve the manufacturer, distributor, and/or supplier of Approved Supplies. Franchisee acknowledges and agrees that certain Approved Supplies may be available from only one Approved Supplier source, and that Franchisor or its affiliates may be the sole approved source. Franchisee will pay the then-current price in effect for any approved products and supplies purchased from Franchisor or its affiliates. All inventory, products, materials, and other items and supplies used in the operation of the One River School that are not included in the Approved Supplies or Approved Suppliers lists must conform to the specifications and standards Franchisor establishes from time to time. ALTHOUGH APPROVED OR DESIGNATED BY THE FRANCHISOR, THE FRANCHISOR AND ITS AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO SERVICES, PRODUCTS, EQUIPMENT (INCLUDING, WITHOUT LIMITATION, ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS. IN ADDITION, WE DISCLAIM ANY LIABILITY ARISING OUT OF OR IN CONNECTION WITH THE SERVICES RENDERED OR PRODUCTS FURNISHED BY ANY SUPPLIER APPROVED OR DESIGNATED BY THE FRANCHISOR. THE FRANCHISOR'S APPROVAL OR CONSENT TO ANY SERVICES, GOODS, SUPPLIERS, OR ANY OTHER INDIVIDUAL, ENTITY OR ANY ITEM SHALL NOT CREATE ANY LIABILITY TO THE FRANCHISOR.

13.1.2 Except for any products, supplies, or materials for which Franchisor designates a single source Approved Supplier, if Franchisee wish to purchase products, supplies, materials, or equipment from suppliers not approved by Franchisor, Franchisee must submit to Franchisor a written request to approve the proposed supplier, together with any background documents or evidence Franchisor may require. Franchisor will have the right to require Franchisee to obtain permission from the supplier to allow Franchisor's representatives to inspect the supplier's facilities and that Franchisee deliver samples from the supplier for evaluation and testing to Franchisor or to an independent testing facility that Franchisor designates. Franchisor may charge Franchisee an evaluation fee to conduct its evaluation and testing. Franchisor will, within thirty (30) days after its receipt of Franchisee's evaluation request, notify Franchisee in writing of its approval or disapproval of the proposed supplier. Franchisor may revoke its approval of particular products, equipment, or suppliers when it determines that such products, equipment, or suppliers no longer meet its standards. Upon receipt of the revocation of approval, Franchisee must cease to use or sell any disapproved products and cease to purchase form any disapproved supplier.

13.1.3 Franchisor shall provide Franchisee, in the Confidential Brand Standards Manual or other written or electronic form, a list of specifications and, if required, a list of Approved Suppliers for some or all services, supplies, signs, surveillance cameras, equipment, and other approved or specified items and services, and Franchisor may from time to time issue revisions to such list. Franchisor is not required to designate any Approved Supplier for any particular item(s) or service(s) and could designate only one (1) Approved Supplier for particular item(s) and/or service(s). Franchisor may designate itself or an Affiliate as an Approved Supplier or the sole Approved Supplier for any item(s) or service(s). If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate.

13.1.4 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time-to-time its approval of any items, services, or suppliers. Franchisor may revoke its approval of any item, service, or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.1.5 Franchisor has the right to designate certain services and products, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing, and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain services or products not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same services or products.

13.1.6 Franchisor has the right to retain volume rebates, markups, and other benefits from suppliers or in connection with the furnishing of supplies. Franchisee shall have no entitlement to or interest in any such benefits.

13.2 <u>Appearance and Condition of the One River School</u>

Franchisee shall maintain and refresh the One River School and the Approved Location in a "like-new" condition and in accordance with the Franchisor's requirements established periodically, and shall repair or replace equipment, fixtures, supplies, inventory, and signage as necessary to comply with the health and safety standards and specifications of Franchisor and Franchisee's lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2.

13.3 <u>Ownership and Management</u>

The One River School shall, at all times, be under the direct supervision of Franchisee or its Operating Principal. The Director of School shall devote sufficient efforts to the management of the day-to-day operation of the One River School, but not less than thirty-five (35) hours per week, excluding vacation, sick leave, and similar absences. Franchisee and the Operating Principal shall perform the obligations under this Agreement faithfully and honestly and continue to exert its best efforts to promote and enhance the One River School and the System for the full term of this Agreement. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Director of School and Operating Principal. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

13.4 Days of Operation

Franchisee shall keep the One River School open for business during the hours and days specified in the Confidential Brand Standards Manual.

13.5 Contributions and Donations

Franchisee is permitted to make contributions or donations of items, services, or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic, or other type of organization (or to any individual on behalf of any organization). In order to protect Franchisor's Marks and goodwill, Franchisor may prohibit any such contributions or donations in its sole and absolute discretion.

13.6 Licenses, Permits, and Laws

Franchisee shall secure and maintain in force all required licenses, permits, and certificates necessary for the operation of the One River School and shall operate the One River School in full compliance with all applicable laws, ordinances, and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the One River School. Franchisee shall be solely responsible for investigating and complying with all applicable laws, ordinances, and regulations with regard to the operation of the One River School.

13.7 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the One River School, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the One River School, not more than five (5) days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.8 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Franchisee further acknowledges that poor customer service, poor vendor relations, unfair dealing, or unethical conduct is harmful to the goodwill associated with the Marks and the System. Therefore, Franchisee shall maintain high standards of quality and service in the operation of the One River School. Franchisee shall at all times give prompt, courteous, and efficient service to students of the One River School. The One River School shall in all dealings with students, vendors, and the general public, adhere to the highest standards of honesty, fair dealing, and ethical conduct. If Franchisor deems that its goodwill is negatively affected because Franchisee did not fairly handle a student complaint, Franchisor has the right to intervene and satisfy the student. If Franchisor deems that its goodwill is negatively affected because Franchisee has not paid a vendor on time, Franchisor has the right to pay the vendor and/or debit from Franchisee's bank account sufficient funds to pay the vendor and cause the vendor to be paid. Upon Franchisee's violation of this Section, Franchisor may terminate this Agreement pursuant to Section 16.2.1.4. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a student and/or paying a vendor pursuant to this Section plus 10% of Franchisor's cost on account of overhead.

13.9 Personnel

Franchisee shall maintain competent and conscientious personnel to operate the One River School in accordance with this Agreement and the Confidential Brand Standards Manual. Franchisee is solely responsible for all hiring, firing, and other employment decisions relating to the personnel who operate the One River School, and Franchisee is solely responsible for determining whether such personnel are Franchisee's employees or independent contractors. Franchisee shall train or cause the training of all personnel as and when required by prudent business practices, System standards, or this Agreement. Franchisee shall ensure that all managers operating the One River School have undergone a reasonable background check prior to hiring them. Franchisee shall ensure that all teachers providing services at the One River School are licensed in accordance with state and local requirements, as well as any and all One River School requirements. Franchisee shall continuously ensure that its teachers maintain at all times, current and in good standing, any and all licenses and certifications as may be required by the state and locality of the One River School as well as the training requirements of One River School. At Franchisor's request, Franchisee shall provide Franchisor with documentation verifying Franchisee's performance of its continuing obligation under this Section and/or documentation that the teachers of the One River School have continuously met any and all such licensing and certification requirement and maintained the same. All costs associated with Franchisee's performance of its obligations under this Section shall be the sole responsibility of Franchisee.

13.10 Uniforms and Dress Code

Franchisee shall abide by any uniform or dress code requirements stated in the Confidential Brand Standards Manual or otherwise. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.11 Vending Machines

Franchisee shall not install or use, or permit the use of, at the One River School any vending machines, amusement devices, jukeboxes, video machines or other similar devices without first securing Franchisor's advance written approval, which will not be unreasonably withheld.

13.12 Credit Cards

Franchisee shall, at its expense, lease or purchase the necessary equipment and/or software and shall have arrangements in place with Visa, MasterCard, American Express and such other credit card issuers as Franchisor may designate, from time to time, to enable the One River School to accept such methods of payment from its customers.

13.13 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor. Franchisee will be given a designated "@OneRiverSchool.com" email address provided by the Franchisor, or such other e-mail address as Franchisor may determine.

13.14 Best Efforts

Franchisee shall devote full time and use Franchisee's best efforts to promote and increase the sales and recognition of services and products offered through the One River School. Franchisee shall require all of Franchisee's employees, managers, officers, agents, and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

13.15 Mystery Shopping and Customer Surveys

To facilitate candid assessments, Franchisor shall have the right, at its own cost and expense, to arrange mystery or secret shopper students, who may use fictitious identities in purchasing Franchisee's services and products sold at the One River School, as frequently as four (4) times per year. Franchisor shall also have the right to survey students of the One River School and to utilize similar methods of assessing student satisfaction.

14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

14.1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems, and offer general guidance to Franchisee by telephone, e-mail, facsimile, newsletters, and other methods with respect to planning, marketing, opening, and operating the One River School. Franchisor shall not charge for this service; however, Franchisor retains the right to charge a fee for this service should Franchisee be deemed by Franchisor to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for services and products that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its Affiliate in operating a One River School and an analysis of costs and prices charged for competitive services and products.

14.2 Periodic Visits

Franchisor or Franchisor's representative shall have the right to make visits periodically or other frequencies determined by Franchisor, which may be announced or unannounced, to the One River School for the purposes of consultation, assistance, and guidance with respect to various aspects of the operation and management of the One River School. Franchisor and Franchisor's representatives who visit the One River School may prepare written reports detailing problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the One River School. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements required by Franchisor, within thirty (30) days or other time specified by Franchisor, with time being of the essence. If Franchisee fails to implement any required change or improvement within the required time, then Franchisor shall have the right to take steps to do so. Franchisee shall reimburse any costs incurred by Franchisor to do so, plus ten percent (10%) of such cost on account of Franchisor's overhead.

15. INSURANCE

15.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure by the Effective Date, and maintain in full force and effect during the term of this Agreement, all insurance policies required by the state in which the One River School is located. In addition, Franchisee shall procure by the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. These policies must be written by a responsible insurance carrier or carriers rated "A-VI" or better as indicated in the latest issue of A.M. Best's Key Rating Guide and which are licensed in the state in which you will operate. Franchisor has the right to designate a sole Approved Supplier of such insurance policies. In addition to any other insurance that may be required by applicable law, or by lender or lessor or as recommended by Franchisee's insurance agent, at a minimum, Franchisee shall procure the following policies:

15.1.1 "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the One River School. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

15.1.2 commercial general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the premises and operation of the One River School, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS ($1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law, and TWO MILLION DOLLARS ($2,000,000.00) aggregate per policy year. The following minimum sub-limits must be met: ONE MILLION DOLLARS ($1,000,000.00) for personal and advertising injury; TWO MILLION DOLLARS ($2,000,000.00) for products/completed operations aggregate expenses; THREE HUNDRED THOUSAND ($300,000.00) for damage to rented premises; and TEN THOUSAND ($10,000.00) for medical expenses. Franchisee must also obtain riders for sexual molestation and corporal punishment. Franchisee must add Franchisor and its successors or assigns as additional insured, the cost of which will be paid by Franchisee.

15.1.3 business interruption insurance covering at least nine (9) months' loss of profits and necessary continuing expenses for interruptions caused by any occurrence covered by the insurance referred to in Sections 15.1.1 and 15.1.2 above and Franchisee's Royalty Fees and Marketing Fund Contributions calculated on the basis of the Gross Sales used as the basis for calculation of the business interruption insurance award. Such business interruption insurance shall be written on an all risks form, either as an endorsement to the policies described in Sections 15.1.1 and 15.1.2 above or on a separate policy;

15.1.4 hired and non-owned automobile liability insurance of at least ONE MILLION DOLLARS ($1,000,000.00) combined single limit per accident (if Franchisee is permitted to provide services off-site). Franchisee must add Franchisor and its successors or assigns as additional insured, the cost of which will be paid by Franchisee;

15.1.5 employment practices liability ("EPL") insurance with minimum limit of ONE MILLION DOLLARS ($1,000,000.00). Coverage must include a third party endorsement. Franchisee must add Franchisor and its successors and assigns as additional insured, the cost of which will be paid by Franchisee;

15.1.6 workers' compensation insurance as required by applicable law;

15.1.7 umbrella liability insurance with a minimum limit of ONE MILLION DOLLARS ($1,000,000.00) to extend over general liability, hired/non-owned automobile, employers liability and employment practices liability insurance;

15.1.8 "small art gallery" policy with a minimum limit of FIFTY THOUSAND DOLLARS ($50,000.00) that covers both loss and damage;

15.1.9 insurance policy and required coverage level deductibles shall not exceed FIVE THOUSAND DOLLARS ($5,000.00); and

15.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances, at Franchisee's expense.

15.3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide, or be approved by Franchisor in writing, prior to placement of coverage. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.

15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.3. Franchisee shall timely deliver to Franchisor certificates of insurance and copies of the complete policies together with any and all endorsements and amendments and all other portions thereof, showing compliance with the foregoing requirements, each of which must contain a statement by the insurer that the policy will not be cancelled or materially altered without at least ten (10) days prior written notice to Franchisor. In order to monitor claims activity on a national level, and to most effectively assess program exposures, Franchisee is required to collect loss history statements (i.e. loss runs) from carrier and remit to Franchisor at any time upon request from Franchisor.

15.5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

If Franchisee is in full compliance with all terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

16.2 Termination by Franchisor

16.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1.1 fails to timely select an approved site for or establish, equip, and commence operations of the One River School pursuant to Section 5;

16.2.1.2 fails to have its Operating Principal, Director of School or Primary Educator satisfactorily complete any training program pursuant to Section 8;

16.2.1.3 fails to furnish Franchisor with evidence that Franchisee has satisfied all applicable licensing laws and regulations, pursuant to Section 5.6.1.4;

16.2.1.4 fails to comply with good business practices pursuant to Section 13.9;

16.2.1.5 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

16.2.1.6 is convicted of or pleads no contest to a felony or is arrested and charged with any crime or offense that, in the sole discretion of Franchisor, is likely to adversely affect the reputation of Franchisor, Franchisee, or the One River School;

16.2.1.7 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee, or the One River School;

16.2.1.8 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Confidential Brand Standards Manual, Trade Secrets, or any other Confidential Information pursuant to Sections 7 and 9;

16.2.1.9 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff, and all employees of Franchisee, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 3, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 if requested by Franchisor;

16.2.1.10 abandons, fails, or refuses to actively operate the One River School for ten (10) or more consecutive days (unless the One River School has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the One River School following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

16.2.1.11 surrenders or transfers control of the operation of the One River School without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

16.2.1.12 fails to maintain the One River School under the primary supervision of a Director of School and Operating Principal during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 18.6;

16.2.1.13 submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information, or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.2.1.14 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

16.2.1.15 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

16.2.1.16 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.1.17 violates, on two (2) or more occasions, any health or safety law, ordinance or regulation, or operates the One River School in a manner that presents a health or safety hazard to its students, employees, or the public;

16.2.1.18 engages in any activity exclusively reserved to Franchisor;

16.2.1.19 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

16.2.1.20 repeatedly breaches this Agreement and/or repeatedly fails to comply with mandatory specifications, student service standards, or operating procedures prescribed in the Confidential Brand Standards Manual, whether or not previous breaches or failures are cured; or

16.2.1.21 defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

16.2.2 Except as otherwise provided in Section 16.2.1, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

16.2.2.1 within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor;

16.2.2.2 within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement; or

16.2.2.3 within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Confidential Brand Standards Manual or otherwise prescribed in writing.

16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16.4 Right of Franchisor to Discontinue Services to Franchisee

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

16.5 Right of Franchisor to Operate One River School

Following the delivery of a notice of default pursuant to Section 16.2.2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the One River School until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Confidential Brand Standards Manual from time to time, currently equal to SIX HUNDRED DOLLARS ($600.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the One River School.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

17.1.1 immediately cease to operate the One River School and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

17.1.2 cease to use the Trade Secrets, Confidential Information, the System, and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

17.1.3 upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due. Franchisor has the right, but not the duty, to purchase all business assets of the One River School at a price equal to fair market value, less any goodwill associated with the assets;

17.1.4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "One River®" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

17.1.5 pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as result of any early termination of this Agreement, and any other amounts due to Franchisor or any Affiliate;

17.1.6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.7 immediately return to Franchisor the Confidential Brand Standards Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements, and any and all other materials provided by Franchisor to Franchisee relating to the operation of the One River School (all of which are acknowledged to be Franchisor's property);

17.1.8 immediately deliver to Franchisor all student information, customer data, class enrollment information, and related correspondence;

17.1.9 assign all telephone listings and numbers for the One River School to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified, or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

17.1.10 comply with all other applicable provisions of this Agreement.

17.2 Post-Term Covenant Not to Compete

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1.1 to protect the Trade Secrets and other Confidential Information of Franchisor;

17.2.1.2 to induce Franchisor to grant a Franchise to Franchisee; and

17.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Director of School.

17.2.2 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration, termination, or transfer of this Agreement, regardless of the cause of the expiration, termination, or transfer of this Agreement, the franchise, or Franchisee, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company, or other business entity:

17.2.2.1 own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within a thirty (30) mile radius of the Approved Location or within the Designated Area (whichever is greater), or (b) within a thirty (30) mile radius of the location of any other One River School in existence at the time of expiration, termination, or transfer; or

17.2.2.2 solicit or otherwise attempt to induce or influence any customer of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

17.2.3 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 3.

17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy, or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake, or deception, or that is likely to dilute the significance, reputation or any other aspect or attribute of the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 7, 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the One River School including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value. If the parties cannot agree on the fair market value of the assets within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by three (3) appraisers. Each party shall select one (1) appraiser, and those two (2) appraisers shall select a third appraiser. The average of the determinations of the three (3) appraisers shall be binding. In the event of an appraisal, each party shall bear its own legal and other costs and shall divide the appraisal fees equally. The purchase price shall be paid in cash; provided, that Franchisor shall have the right to set off from the purchase price (i) all fees due from Franchisee for any appraisal conducted hereunder, (ii) all amounts due from Franchisee to Franchisor or any of its Affiliates, and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees and costs). Closing of the purchase and sale of the assets described above shall occur not later than thirty (30) days after the purchase price is determined, unless the parties mutually agree to designate another date. At closing, Franchisee shall deliver to Franchisor, in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all necessary documents, instruments, or third party consents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

17.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration, termination, or transfer of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration, termination, or transfer and until satisfied or by their nature expire.

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

18.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the One River School, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon Franchisor's satisfaction that Franchisee has satisfied the following requirements:

18.2.1 Franchisee has complied with the requirements set forth in Section 19;

18.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the One River School, are fully paid and satisfied;

18.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

18.2.4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the One River School;

18.2.5 the financial and other terms and conditions of transfer are, in Franchisor's judgment, reasonable for the nature of the transaction, and not overly burdensome on the transferee with regard to the transferee's ability and or future operation of the One River School;

18.2.6 the transferee does not and will not, in Franchisor's judgment, be responsible for operating so many locations as to raise questions, in Franchisor's judgment, of the transferee's ability to operate such locations;

18.2.7 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

18.2.8 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

18.2.9 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise, including an executed Non-Solicitation and Non-Competition Agreement by and among Franchisee and transferee;

18.2.10 the transferee has paid to Franchisor a nonrefundable transfer fee in an amount equal to thirty-three percent (33%) of the amount that Franchisor then charges as an initial franchise fee for a new franchise;

18.2.11 the transferee, and all holders of a legal or beneficial interest in the transferee, have agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by Franchisor;

18.2.12 Franchisee has agreed to be bound to the obligations of the new franchise agreement, guarantee the full performance thereof by the transferee, and guarantee that the transferee will achieve sales and revenue at least equal to or greater than the level of sales and revenue achieved by Franchisee;

18.2.13 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state, and local laws, rules, ordinances, and requirements applicable to the transfer have been complied with or satisfied;

18.2.14 the transferee, its Operating Principal, Director of School and Primary Educator have completed Franchisor's initial training program to its sole satisfaction;

18.2.15 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form satisfactory to Franchisor and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7 and 17;

18.2.16 the transferee agrees to furnish evidence that it has obtained any required state and local certifications and licenses and has complied with all state and local licensing laws and regulations;

18.2.17 the transferee has obtained all necessary types of insurance as described in Section 15.1; and

18.2.18 Franchisee's staff, including the manager and all key employees, has agreed to be bound by a Nondisclosure and Non-Solicitation Agreement, in a form that is satisfactory to Franchisor.

18.3 <u>Transfer to a Controlled Entity</u>

18.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax, or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.3.1.1 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the One River School;

18.3.1.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.1.3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2.10;

18.3.1.4 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the One River School. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

18.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

18.3.1.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

18.3.1.7 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

18.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the One River School, shall not release transferor or transferee nor constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.4 Franchisor's Disclosure to Transferee

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the One River School, or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the One River School by an intended transferee identified by Franchisee.

18.5 For-Sale Advertising

Franchisee shall not, without prior written consent of Franchisor, place in, on, or upon the location of the One River School, or in any communication media, any form of advertising relating to the sale or lease of the One River School or the rights granted hereunder.

18.6 Transfer by Death or Incapacity

18.6.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), including the Operating Principal, the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the One River School or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section 18.6; provided, however, that Section 18.2.10 of this Agreement (requiring the payment of a transfer fee) shall not apply to such transfers. During such one hundred eighty (180) day period, the One

River School must remain at all times under the primary management of a Director of School who otherwise meets Franchisor's management qualifications.

18.6.2 Following such a death or Incapacity of such person as described in this Section 18.6, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the One River School until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor may charge a management fee as stated in the Confidential Brand Standards Manual from time to time, currently equal to SIX HUNDRED DOLLARS ($600.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the One River School.

19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to Section 18.6) the One River School (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2 Franchisor's Right to Purchase

Unless the proposed sale or transfer is to a member of the immediate family of a holder of a legal or beneficial interest in Franchisee, Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

19.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

19.4 Sales of Transfers to Family Excepted

If Franchisee, or any of its owners, proposes to sell or otherwise transfer the One River School (or any of its assets outside of the normal course of business), any ownership interest in Franchisee, or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of Section 19 shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve Franchisee from full compliance with the terms and conditions of Section 18.2 prior to a sale or transfer to family pursuant to this Section.

20. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 5 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

21. RELATIONSHIP AND INDEMNIFICATION

21.1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant, or independent contractor of Franchisor for any purpose whatsoever. Franchisee's employees and independent contractors are not employees or independent contractors of Franchisor. Franchisor and Franchisee are not joint employers. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the One River School operating the One River School pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery, or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, or any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the One River School. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

21.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee, or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

21.3 Indemnification

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the One River School; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors, or omissions committed or incurred in connection with the One River School, including any negligent or intentional acts; or (f) infringement, violation, or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section 21.3 shall expressly survive the expiration, termination, or transfer of this Agreement.

21.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation, or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation, or proceeding. In order to protect persons, property, Franchisor's reputation, or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation, or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7, and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction, or a permanent injunction) against any such breach, whether actual or contemplated. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 22.3. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

One River School Franchising, LLC
Attn: Chief Operating Officer
49 North Dean Street
Englewood, NJ 07631

22.4 Cost of Enforcement or Defense

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding.

22.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit 4, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request for approval.

22.7 Entire Agreement

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements; provided, however, that nothing in this or any related agreement shall disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or Franchisee's representative, subject to any agreed-upon changes to the contract terms and conditions described in that Franchise Disclosure Document and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement). Franchisee acknowledges that Franchisee is entering into this Agreement as a result of its own independent investigation of the One River School and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

22.8 Severability and Modification

22.8.1 Except as noted below, each paragraph, part, term, and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

22.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

22.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

22.11 Timing

Time is of the essence. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

22.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees, Marketing Fund Contributions, or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

22.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14 Third-Party Beneficiaries

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.15 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

22.16 Inflation Adjustment

Franchisor shall have the right to adjust upward for inflation on an annual basis, any fees or charges set, provided for or described in this Agreement or otherwise as a dollar amount or fixed amount. Any such adjustment shall be based on increases reflected by a reasonable inflation index published by the U.S. Government.

23. DISPUTE RESOLUTION

23.1 Choice of Law

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey (without reference to its conflict of laws principles); provided, however, that any law regulating the offer or sale of franchises, business opportunities, or similar interests, or governing the relationship between Franchisor and Franchisee, will apply if its jurisdictional requirements are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

23.2 Consent to Jurisdiction

Any action brought by either party, except those claims required to be submitted to arbitration, shall only be brought in the appropriate state court located in or serving Bergen County, New Jersey. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

23.3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

23.4 Limitations of Claims

Any claim concerning the One River School or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

23.5 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fees.

23.6 Waiver of Jury Trial

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

23.7 Dispute Resolution Process

Franchisee and Franchisor agree that the following provisions apply with respect to dispute resolution:

23.7.1 Before Franchisee or Franchisor can initiate arbitration or litigation in connection with a dispute arising under this Agreement, the parties agree to meet in person for at least two hours at Franchisor's headquarters in an attempt to resolve the dispute. The meeting will be on an individual basis between Franchisee and the Chief Executive Officer of One River School Franchising, LLC and must take place within two weeks of a party's request for the meeting, and each party must pay its own costs and expenses with respect to the meeting. If a party refuses to participate in this meeting, the refusing party must pay $5,000 to the other party.

23.7.2 If the parties are unable to resolve the dispute under 23.7.1 above, the parties must then meet to mediate the dispute. The mediation will be held in the city in which the Franchisor's headquarters are located at the time of mediation. The parties must agree upon a single mediator to mediate the dispute within sixty (60) days after a written demand for mediation is made. If the parties are unable to agree upon a single mediator to mediate the dispute, each party will select a mediator and the two mediators will select a third mediator who will mediate the dispute. Any such mediation will be non-binding.

23.7.3 Except for controversies or claims relating to the ownership of any and all intellectual property rights, including, but not limited to, the Marks, copyrights or the unauthorized use or disclosure of Franchisor's Confidential Information, covenants against competition and other claims for injunctive relief and except as precluded by applicable law, if the parties are unable to resolve the dispute through mediation (as outlined in Section 23.7.2 above), the parties will be subject to arbitration. The controversy or claim shall be submitted to binding arbitration conducted before and in accordance with the Commercial Rules of the American Arbitration Association ("AAA"), by one (1) arbitrator selected by Franchisor and Franchisee. Judgment upon any award rendered may be entered in any court having jurisdiction thereof. Except to the extent prohibited by applicable law, (a) the proceedings shall be held within twenty (20) miles of Englewood, New Jersey; (b) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Franchisee and Franchisor, and not in any representative capacity, and shall not be consolidated with claims asserted by or against any other Franchisee; (c) subject to the exceptions in Section 23.5, Franchisor and Franchisee waive to the fullest extent permitted by law, and the arbitrator shall have no power or authority to grant punitive, exemplary, treble or other forms of multiple or consequential damages as part of its award; and (d) in any arbitration proceeding hereunder, each party shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Notwithstanding subsection (b) or anything to the contrary herein, if any court or arbitrator determines that all or any part of subsection (b) is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 23.7.3, then Franchisor and Franchisee 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 this Agreement (excluding this Section 23.7.3). In no event may the material provisions of this Agreement including, but not limited to the method of operation, authorized product or service sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at any arbitration hearing. The arbitrator may not consider any settlement discussions or offers that may have been made by Franchisor or Franchisee. The substantive law applied in such arbitration shall be as provided in Section 23.1 above. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The parties shall initially share equally the arbitrator's fees and costs. If either party fails to timely pay its share of the fees and costs, the arbitrator shall enter a default against the non-paying party on the claims and defenses in the matter, provided, that Franchisor reserves the right, but has no obligation, to advance Franchisee's 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 Franchisor's right to seek the recovery of those costs in accordance with this Section 23.7.3. The arbitral decision, whether by default or after hearing, shall be binding and conclusive on the parties. The prevailing party shall be entitled to an award against the non-prevailing party reimbursing the arbitrator's fees and costs it advanced and for payment of attorneys' fees and costs. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed.

Franchisee acknowledges that it has read the terms of this binding dispute resolution process and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

24. ACKNOWLEDGMENTS

24.1 Receipt of this Agreement and the Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read, and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received, at least fourteen (14) calendar-days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising.

24.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

24.3 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete, and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness, and accuracy of such information.

24.4 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a One River School involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

24.5 No Guarantee of Success

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits, or likelihood of success of the One River School. Franchisee represents and acknowledges that there have been no representations by Franchisor's officers, directors, employees, or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement.

24.6 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

ONE RIVER SCHOOL FRANCHISING, LLC:

By:______________________________

Name:____________________________

Title:_____________________________

Date:_____________________________

FRANCHISEE:________________________
(type/print name)

By:______________________________

Name:____________________________

Title:_____________________________

[or, if an individual]

Signed:___________________________

Name printed:______________________

Date:_____________________________

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

GENERAL RELEASE

THIS GENERAL RELEASE is made and given on this ____ day of ____________, 20____ by ____, ("RELEASOR") an individual/corporation/ limited liability company/partnership with a principal address of ______, ____ in consideration of:

__________ the execution by One River School Franchising, LLC, a New Jersey limited liability company ("RELEASEE"), of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise") granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the "Franchise Agreement") between RELEASOR and RELEASEE; or

__________ RELEASEE'S consent to RELEASOR'S assignment of its rights and duties under the Franchise Agreement and/or to RELEASOR'S assumption of rights and duties under the Franchise Agreement; or

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, but excluding claims based on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative in connection with the offer of the Franchise Agreement, subject to agreed-upon changes to the contract terms described in that Franchise Disclosure Document and reflected in the Franchise Agreement (including any riders or addenda signed at the same time as the Franchise Agreement).

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR:____________________________________
(type/print name)

By:____

Name:____

Title:____
(or, if an individual)

Signed:_______________________________________

Name printed:____________________________________

ACKNOWLEDGMENT

STATE OF ___________)
) ss.
COUNTY OF ___________)

On ______________, 2018, before me, ___________________________________, a notary public, personally appeared ____________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _________ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

____
[Signature of Notary Public] *[Seal]*

EXHIBIT 2 TO THE FRANCHISE AGREEMENT

DATA SHEET

Data Sheet

1. **Franchisee:** ______________________
____
____
____

2. **Owner.** You represent and warrant to us that the following person or entity, and only the following person or entity, will be your Owner(s):

Name	Home Address	Percentage of Ownership

3. **Approved Location.** As stated in section 2.2 of the Franchise Agreement, the Authorized Location is: ______________________

4. **Effective Date:** ______________

YOU:

By: ______________________
Title: ______________________

WE: One River School Franchising, LLC

By: ______________________
Title: ______________________

EXHIBIT 3 TO THE FRANCHISE AGREEMENT

NONDISCLOSURE AND NON-COMPETITION AGREEMENT

Directions: Each Franchisee owner (and members of their immediate families or households), officer, director, executive, manager, member of the professional staff, and all employees and independent contractors who have access to Franchisor Trade Secrets and/or Confidential Information, shall complete and sign one copy of this Nondisclosure and Non-Competition Agreement and the Franchisee shall return it to the Franchisor.

<table>
<tr><td>Print your name</td><td colspan="2"></td></tr>
<tr><td rowspan="3">Your address (street, town, state, ZIP)</td><td colspan="2">Street</td></tr>
<tr><td colspan="2">Town</td></tr>
<tr><td>State</td><td>ZIP</td></tr>
<tr><td>Your phone number (with area code)</td><td colspan="2">(   )</td></tr>
<tr><td>Name of Franchisee</td><td colspan="2"></td></tr>
<tr><td>City and state in which One River School is located</td><td>City</td><td>State</td></tr>
<tr><td>Identify the position you hold or will hold with Franchisee</td><td colspan="2"></td></tr>
</table>

In consideration of your position with the above franchisee (the "Franchisee"), you, the undersigned, hereby acknowledge and agree that:

1. **Nondisclosure Agreement.** Your Franchisee operates a franchised One River School (the "Franchised Business") under a franchise agreement with One River School Franchising, LLC (the "Franchisor"). During the term of your relationship with Franchisee and for all time thereafter, you agree not to communicate, divulge, or use for the benefit of any person or entity (such as a partnership, association, limited liability company, corporation, or other entity) any confidential information, knowledge, or know-how concerning the training you receive and the methods of operation of the Franchised Business that may be communicated to you by virtue of your affiliation with Franchisee. Any and all information, knowledge, know-how, techniques, and other data that the Franchisor designates as confidential shall be deemed confidential for purposes of this Nondisclosure and Non-competition Agreement (the "Agreement").

2. **Non-Competition Agreement.** You agree you will receive certain valuable information about the Franchisor's system of operation (the "System"), and that this information would not have been given to you without your execution of this Agreement. You covenant that while you are affiliated with Franchisee and for a continuous uninterrupted period of two years beginning

when your affiliation with Franchisee ends, you shall not in any way (directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity): (a) divert or attempt to divert any present or prospective business or customer of any One River School to any competitor, by direct or indirect inducement or otherwise; or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Franchisor's marks or its System; or (b) own, maintain, operate, engage in, act as a consultant for, or have any interest in, any retail business which: (i) is the same as, or substantially similar to, a One River School; or (ii) offer to sell or sell any services, product, or other item which is the same as, or substantially similar to, any of the services, product, or other items offered by a One River School where the sale of such services, product, or other item constitutes fifty percent (50%) or more of the gross sales of such retail business.

Exceptions to the restrictions in this Paragraph 2. After your termination of affiliation with Franchisee, the restrictions in this Paragraph 2 apply only to such a business located within thirty (30) miles of any One River School. The Franchisor has the right, but not the obligation, at any time, to reduce the scope of any covenant in Paragraph 2 or any portion of any covenant in Paragraph 2, without your consent, effective immediately upon receipt by you of written notice; and you shall comply immediately with any covenant as so modified, which shall be fully enforceable without regard to any other provision of Paragraph 2.

3. **Third-party beneficiary.** The Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely or jointly with your Franchisee at the Franchisor's sole discretion. Any violation of this Agreement will cause the Franchisor and Franchisee irreparable harm, and, therefore, the Franchisor or Franchisee, or both, may apply for the issuance of an injunction preventing you from violating this Agreement in addition to any other remedies it or they may have hereunder, at law or in equity.

I have read and understand this Nondisclosure and Non-competition Agreement. I agree to be bound by this Nondisclosure and Non-competition Agreement. I have a copy of this Nondisclosure and Non-competition Agreement.

This Agreement shall be construed under the laws of the state in which the One River School is located. Except as provided in Paragraph 2 above, the only way this Agreement can be changed is in a writing signed by the Franchisor, Franchisee, and you.

ACKNOWLEDGED BY YOU:
By:_______________________________
Name:_____________________________
Date:______________________________

EXHIBIT 4 TO THE FRANCHISE AGREEMENT

UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS UNLIMITED 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 dated ___________ herewith ("Agreement") by One River School Franchising, LLC ("Franchisor"), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that ________________________________ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 6, 7 and 17 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee 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 shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

<u>Successors and Assigns; Death of Guarantor</u>. This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's

estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation, and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New Jersey (without giving effect to principles of conflicts of law).

Guarantor hereby irrevocably consents and submits to the non-exclusive jurisdiction of the Courts of the State of New Jersey and the United States District Court located in or serving Bergen County, New Jersey and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Guaranty or any of the other Franchising Agreements or in any way connected with or related or incidental to the dealings of Guarantor and Franchisor in respect of this Guaranty or any of the other Franchising Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that any dispute arising out of the relationship between Guarantor or Franchisee and Franchisor or the conduct of any such persons in connection with this Guaranty, the other Franchising Agreements or otherwise shall be heard only in the courts described above (except that Franchisor shall have the right to bring any action or proceeding against Guarantor or his or her property in the courts of any other jurisdiction which Franchisor deems necessary or appropriate in order to realize on any collateral at any time granted by Franchisee or Guarantor to Franchisor or to otherwise enforce its rights against Guarantor or his or her property).

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

PERSONAL GUARANTOR	**PERSONAL GUARANTOR**
______________________________	______________________________
Personally and Individually (Printed Name)	Personally and Individually (Printed Name)
______________________________	______________________________
Personally and Individually (Signature)	Personally and Individually (Signature)
HOME ADDRESS	HOME ADDRESS
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
TELEPHONE NO.:________________	TELEPHONE NO.:________________
PERCENTAGE OF OWNERSHIP IN FRANCHISEE: _____%	PERCENTAGE OF OWNERSHIP IN FRANCHISEE: _____%

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS

____
____
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS

____
____
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS

____
____
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

____
Personally and Individually (Printed Name)

____
Personally and Individually (Signature)

HOME ADDRESS

____
____
____
____

TELEPHONE NO.:__________________
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

EXHIBIT 5 TO THE FRANCHISE AGREEMENT

HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE; OFFICERS; DIRECTORS; OPERATING PRINCIPAL

Holders of Legal or Beneficial Interest:

Name:______________________________
Position/Title:______________________
Home Address:______________________
____
____
Telephone No.:______________________
E-mail address:______________________
Percentage of ownership:_________%

Name:______________________________
Position/Title:______________________
Home Address:______________________
____
____
Telephone No.:______________________
E-mail address:______________________
Percentage of ownership:_________%

Name:______________________________
Position/Title:______________________
Home Address:______________________
____
____
Telephone No.:______________________
E-mail address:______________________
Percentage of ownership:_________%

Name:______________________________
Position/Title:______________________
Home Address:______________________
____
____
Telephone No.:______________________
E-mail address:______________________
Percentage of ownership:_________%

Name:______________________________
Position/Title:______________________
Home Address:______________________
____
____
Telephone No.:______________________
E-mail address:______________________
Percentage of ownership:_________%

Name:______________________________
Position/Title:______________________
Home Address:______________________
____
____
Telephone No.:______________________
E-mail address:______________________
Percentage of ownership:_________%

Officers and Directors:

Name:______________________________
Position/Title:______________________
Home Address:______________________
____
____
Telephone No.:______________________
E-mail address:______________________

Name:______________________________
Position/Title:______________________
Home Address:______________________
____
____
Telephone No.:______________________
E-mail address:______________________

Name:__________________________	Name:__________________________
Position/Title:______________________	Position/Title:______________________
Home Address:______________________	Home Address:______________________
________________________________	________________________________
________________________________	________________________________
Telephone No.:______________________	Telephone No.:______________________
E-mail address:_____________________	E-mail address:_____________________

EXHIBIT 6 TO THE FRANCHISE AGREEMENT

DESIGNATED AREA ADDENDUM

Designated Area. As stated in sections 2.5 and 2.6 of the Franchise Agreement, the Designated Area under this Agreement shall mean:

____

____

____

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____

____

____

____

Map. The map of the Designated Area is attached hereto.

FRANCHISEE:	FRANCHISOR:
________________________________	One River School Franchising, LLC
By:_____________________________	By:_____________________________
Title:___________________________	Title:___________________________
By:_____________________________	
Title:___________________________	

EXHIBIT 7 TO THE FRANCHISE AGREEMENT

STATE AMENDMENTS TO FRANCHISE AGREEMENT

AMENDMENT TO THE FRANCHISE AGREEMENT OF
ONE RIVER SCHOOL FRANCHISING, LLC
FOR THE STATE OF CALIFORNIA

The One River School Franchising, LLC Franchise Agreement between ________________("Franchisee" or "You") and One River School Franchising, LLC ("Franchisor") dated ___________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

CALIFORNIA LAW MODIFICATIONS

The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- The California Franchise Relations Act provides rights to Franchisee concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 4.2 and 16.

- Section 16.2.1.14, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

- Section 17.2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.

- Section 23.7 requires binding arbitration. The arbitration will occur within 20 miles of Englewood, New Jersey with the costs being borne by the non-prevailing party.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ________________, 20___.

FRANCHISOR:

One River School Franchising, LLC

a New Jersey limited liability company

By: ________________________________

Name: ______________________________

Title: _______________________________

FRANCHISEE:

____

By: ________________________________

Name: ______________________________

Title: _______________________________

AMENDMENT TO THE FRANCHISE AGREEMENT OF ONE RIVER SCHOOL FRANCHISING, LLC
<u>FOR THE STATE OF ILLINOIS</u>

The following information applies to franchises and franchisees subject to the Illinois Franchise Disclosure Act of 1987:

<u>Governing Law</u>:

For Illinois franchisees, Illinois law governs the franchise agreement. The conditions under which the franchise can be terminated and rights upon nonrenewal may be affected by Illinois law. Any provision in a franchise agreement that designates exclusive jurisdiction or venue in a forum outside of Illinois is void.

<u>Releases and/or Waivers</u>:

Any releases and/or waivers that we request you to sign must conform with Section 41, Waivers Void, of the Illinois Franchise Disclosure Act of 1987 which states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code."

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ________________, 20___.

[Signatures appear on the following page.]

FRANCHISOR:

One River School Franchising, LLC

a New Jersey limited liability company

By: ______________________________

Name: ______________________________

Title: ______________________________

FRANCHISEE:

____

By: ______________________________

Name: ______________________________

Title: ______________________________

AMENDMENT TO THE FRANCHISE AGREEMENT OF ONE RIVER SCHOOL FRANCHISING, LLC
<u>FOR THE STATE OF MARYLAND</u>

The One River School Franchising, LLC Franchise Agreement between ________________ ("Franchisee" or "You") and One River School Franchising, LLC ("Franchisor") dated ____________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. Sections 4.2.10 and 18.2.3 of the Franchise Agreement, under the heading "Successor Terms" and "Transfer by Franchisee to a Third Party" shall be amended by adding the following:

> The general release required as a condition of assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 16.2.1.14 of the Franchise Agreement, under the heading "Default and Termination", shall be amended by adding the following:

> The provision in the franchise agreements which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

3. Section 23 of the Franchise Agreement, entitled "Dispute Resolution", shall be amended by adding the following new section 23.8:

> 23.8 Notwithstanding the above, Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section 23.4 of the Franchise Agreement, entitled "Limitations of Claims" shall be amended by adding the following at the end of the section:

> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

5. Section 24 of the Franchise Agreement entitled "Acknowledgments", shall be amended by adding the following new section 24.7:

> 24.7 All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Each provision of this Amendment to the Franchise Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ________________, 20___.

FRANCHISOR:

One River School Franchising, LLC

a New Jersey limited liability company

By: ________________________________

Name: ______________________________

Title: ______________________________

FRANCHISEE:

____

By: ________________________________

Name: ______________________________

Title: ______________________________

AMENDMENT TO THE FRANCHISE AGREEMENT OF ONE RIVER SCHOOL FRANCHISING, LLC
FOR THE STATE OF NEW YORK

The One River School Franchising, LLC Franchise Agreement between ________________ ("Franchisee" or "You") and One River School Franchising, LLC ("Franchisor") dated ____________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. Section 4.2.10 of the Agreement, under the heading "Successor Terms," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

> 4.2.10 Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, shareholders, managers, members, partners, owners, employees, and agents (in their corporate and individual capacities); provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

2. Section 16.1 of the Agreement, under the heading "Termination by Franchisee," shall be supplemented with the following:

> The Franchisee may terminate this Agreement on any grounds available by law.

3. Section 18.1 of the Agreement, under the heading "Transfer by Franchisor," shall be supplemented by the following language, which shall be considered an integral part of the Agreement:

> 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 this Agreement.

4. Section 18.2.3 of the Agreement, under the heading "Transfer by Franchisee to a Third Party," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

> 18.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including,

> without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that all rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

5. Section 23.1 of the Agreement, under the heading "Choice of Law," shall be supplemented by the following provisions:

> ; provided, however, the foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

6. Each provision of this Amendment to the Franchise Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ________________, 20___.

[Signatures appear on the following page.]

FRANCHISOR:

One River School Franchising, LLC

a New Jersey limited liability company

By: ______________________________

Name: ______________________________

Title: ______________________________

FRANCHISEE:

____

By: ______________________________

Name: ______________________________

Title: ______________________________

Notice of Cancellation

(FOR OHIO FRANCHISEES ONLY)

________________________(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to One River School Franchising, LLC at 49 North Dean Street, Englewood, NJ 07631, not later than midnight of (enter date).

I hereby cancel this transaction.

______ ____________________

(Date) (Purchaser's signature)

AMENDMENT TO THE FRANCHISE AGREEMENT OF ONE RIVER SCHOOL FRANCHISING, LLC
<u>FOR THE STATE OF WASHINGTON</u>

The One River School Franchising, LLC Franchise Agreement between ________________("Franchisee" or "You") and One River School Franchising, LLC ("Franchisor") dated ___________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. Due to Franchisor's lack of operating history, the collection of the initial franchise fee will be deferred until Franchisor has fulfilled its initial pre-opening obligations and Franchisee is open for business.

2. The state of Washington has a statute, RCW 19.100.180 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.

3. 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.

4. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

5. 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 as a right to a jury trial may not be enforceable.

6. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ________________, 20___.

FRANCHISOR:

One River School Franchising, LLC

a New Jersey limited liability company

By: ________________________________

Name:______________________________

Title:_______________________________

FRANCHISEE:

____

By: ________________________________

Name:______________________________

Title:______________________________

EXHIBIT 8 TO FRANCHISE AGREEMENT

LEASE ADDENDUM

Addendum to Lease

This Addendum to Lease ("Addendum"), dated _____________, 20__, is entered into between ___________________ ("Landlord") and ___________________ ("Tenant").

RECITALS

The parties have entered into a Lease Agreement, dated ________, 20__ (the "Lease), pertaining to the premises located at ____________________________ (the "Premises").

The Landlord acknowledges that Tenant intends to operate a One River School ("School") from the Premises pursuant to Tenant's Franchise Agreement with One River School Franchising, LLC ("Franchisor") dated _________________ (the "Franchise Agreement"), whereby Tenant will utilize the One River School name and the One River Marks as Franchisor may designate in the operation of the School at the Premises.

Landlord further acknowledges that Franchisor has approved Tenant's request to locate its School on the Premises that is the subject of the Lease, provided that the conditions and agreements set forth in this Addendum are made a part of the Lease.

AGREEMENTS

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Lease as follows:

1. Remodeling and Decor. Landlord agrees that Tenant has the right to remodel, equip, paint and decorate the interior of the Premises and to display such Marks and signs on the interior and exterior of the Premises as Tenant is reasonably required to do pursuant to the Franchise Agreement and any renewal Franchise Agreement under which Tenant may operate a School on the Premises. Any remodel of the building and/or its signs shall be subject to Landlord's prior and reasonable approval.

2. Assignment By Tenant.

(a) Tenant does not have the right to sublease or assign the Lease to any third party without Landlord's and Franchisor's written approval.

(b) So long as Tenant is in good standing under the Lease, Tenant has the right to assign all of its right, title and interest in the Lease to Franchisor or its affiliates during the term of the Lease, including any extensions or renewals, without first obtaining Landlord's consent. No assignment will be effective, however, until Franchisor or its designated affiliate gives Landlord written notice of its acceptance of the assignment. Franchisor will be responsible for the Lease obligations incurred after the effective date of the assignment.

(c) If Franchisor elects to assume the Lease, Franchisor shall not be required to begin paying rent until Landlord delivers possession of the Premises to the Franchisor. At any time until the Landlord delivers possession of the Premises, Franchisor shall have the right to rescind the election to assume by written notice to Landlord.

3. Default and Notices to Franchisor.

(a) Landlord shall send Franchisor copies of all notices of default under the Lease at the same time it provides Tenant with such notice. If Tenant fails to cure any defaults within the period specified in the Lease, Landlord shall promptly give Franchisor written notice thereof, specifying the defaults that Tenant has failed to cure. Franchisor has the right to unilaterally assume the Lease if Tenant fails to cure. Franchisor shall have fifteen (15) days from the date Franchisor receives such notice to exercise, by written notice to Landlord and Tenant, its right for Franchisor or its affiliate designee ("Franchisor Entity"), to assume the Lease. Franchisor shall have an additional 30 days from the expiration of Tenant's cure period in which to cure the default or violation.

(b) If Franchisor elects to assume the Lease, the Franchisor Entity shall not be required to cure defaults and/or to begin paying rent until Landlord delivers possession of the Premises to the Franchisor Entity. At any time until Landlord delivers possession of the Premises, Franchisor shall have the right to rescind the election to assume by written notice to Landlord.

4. Termination of Franchise Agreement; Expiration or Non-Renewal of Lease.

(a) If the Franchise Agreement is terminated for any reason during the term of the Lease or any renewal or extension thereof, and if Franchisor desires to assume the Lease, Franchisor shall promptly give Landlord written notice thereof. Within thirty (30) days after receipt of such notice, Landlord shall give Franchisor written notice specifying any defaults of Tenant under the Lease. If Franchisor elects to assume the Lease, Franchisor must cure said defaults consistent with paragraph 3 above.

(b) If the Lease contains term renewal or extension right(s) and if Tenant allows the term to expire without exercising said right(s), Landlord shall give Franchisor written notice thereof, and a Franchisor Entity shall have the option, for thirty (30) days after receipt of said notice, to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If a Franchisor Entity elects to exercise such right(s), it shall so notify Landlord in writing, whereupon Landlord and the Franchisor Entity shall promptly execute and deliver an agreement whereby the Franchisor Entity assumes the Lease, effective at the commencement of the extension or renewal term.

5. Access to Premises Following Expiration or Termination of Lease. Upon the expiration or termination of the Lease, Landlord will cooperate with and assist Franchisor in gaining possession of the Premises and, if the Franchisor Entity does not elect to assume the Lease for the Premises consistent with subparagraphs 3(a) or 4(b) above, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any

liability to Landlord except for any damages caused by Franchisor's willful misconduct or gross negligence, to remove all signs and all other items identifying the Premises as a One River School and to make such other modifications (such as repainting) as are reasonably necessary to protect the One River Marks and System, and to distinguish the Premises from a One River School. In the event Franchisor exercises its option to purchase assets of Tenant, Landlord must permit Franchisor to remove all such assets being purchased by Franchisor.

6. Assumption and Subsequent Assignment By Franchisor. If Franchisor elects to assume the Lease under paragraph 2, or unilaterally assumes the Lease as provided for in paragraphs 3 or 4, Landlord and Tenant agree that:

(a) Tenant will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption. Further, Tenant shall be and remain liable to Landlord for all of its obligations under the Lease, notwithstanding any assignment or assumption of the Lease by Franchisor. Franchisor shall be entitled to recover from Tenant all amounts it pays to Landlord to cure Tenant's defaults under the Lease, including interest and reasonable collection costs.

(b) Franchisor, upon taking possession of the Premises, shall cure any default specified by Landlord within the timeframes noted herein and shall execute and deliver to Landlord its assumption of Tenant's rights and obligations under the Lease. Franchisor shall pay, perform and be bound by all the duties and obligations of the Lease applicable to Tenant, except that the Franchisor may elect not to assume or be bound by the terms of any Amendment to the Lease executed by Tenant without obtaining Franchisor's prior written approval, which shall not be unreasonably withheld or delayed.

(c) At or after the time Franchisor assumes Tenant's interests under the Lease, the Franchisor may, at any time, assign such interests or sublet the Premises to a One River School franchisee. Any such assignment shall be subject to the prior written consent of the Landlord, which Landlord shall not unreasonably withhold as it relates to a creditworthy franchisee who otherwise meets Franchisor's then-current standards and requirements for franchisees and agrees to operate the One River School pursuant to a Franchise Agreement with Franchisor. Upon receipt by Landlord of an assumption agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of Tenant to be performed under the Lease, the Franchisor shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgement of such release by Landlord.

7. Access to Premises During Lease. As provided in the Franchise Agreement, Franchisor shall have the right to access the Premises during continuance of the Lease to ensure compliance by Tenant with its obligations under the Franchise Agreement.

8. Additional Provisions.

(a) Landlord hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Tenant plans to operate its business and the Tenant would not lease the Premises without this Addendum.

(b) Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and the Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum to Lease with full understanding that it creates no duties, obligations, or liability of or against Franchisor or any affiliate of Franchisor, unless and until the Lease is assigned to, and accepted in writing by, Franchisor.

(c) All notices to Franchisor required by this Addendum must be in writing and sent by registered or certified mail, postage prepaid, to the following address:

If intended for us, addressed to:

Chief Executive Officer
One River School Franchising, LLC
'49 North Dean Street
Englewood, NJ 07631

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

9. Sales Information. If requested by Franchisor, Landlord will provide Franchisor with whatever information Landlord has regarding Tenant's sales or other information obtained or received relating to the operation of the One River School.

10. Conflicts. In the event of a conflict between the terms of the Lease and the terms set forth in this Addendum, the terms set forth herein shall govern. In the event of a conflict between notices provided to Landlord by Tenant and Franchisor, the notices of Franchisor shall prevail.

11. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Franchisor, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party.

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of ________________________, _______.

LANDLORD: ________________________________

By:______________________________

Print Name:________________________

Title:____________________________

FRANCHISEE: ________________________________

By:______________________________

Print Name:________________________

Title:____________________________

EXHIBIT 9 TO THE FRANCHISE AGREEMENT

ACKNOWLEDGMENT ADDENDUM TO ONE RIVER SCHOOL FRANCHISE AGREEMENT

As you know, you and we are entering into a Franchise Agreement for the operation of a One River School franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations

1. Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Check one: (__) Yes (__) No. If no, please comment: ______________________________

2. Have you studied and reviewed carefully our Disclosure Document and Franchise Agreement? Check one: ( ) Yes ( ) No. If no, please comment: ______________________________

3. Did you understand all the information contained in both the Disclosure Document and Franchise Agreement? Check one (__) Yes (__) No. If no, please comment: ______________________________

4. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document? Check one: (__) No (__) Yes. If yes, please state in detail the oral, written or visual claim or representation: ______________________________

5. Did any employee or other person speaking on behalf of One River School Franchising, LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, earnings, income or profit levels at any One River School location or business, or the likelihood of success at your franchised business? Check one: (__) No (__) Yes. Did any employee or other person speaking on behalf of One River School Franchising, LLC make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document. Check one: (__) No (__) Yes. If yes, please comment: ______________________________

7. Do you understand that that the franchise granted is for the right to operate the Business in the Designated Area, as stated in Section 2.5, and that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, outside of your Designated Area using any trademarks and other forms business using different marks both inside and outside your Designated Area using any

trademarks, as described in Section 2.7? Check one: (__) Yes (__) No. If no, please comment: ____

8. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the Business, meaning that any prior oral or written statements not set out in the Franchise Agreement or the Disclosure Document will not be binding? Check one: (__) Yes (__) No. If no, please comment: __________
____

9. Do you understand that the success or failure of your Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for products and services under the One River trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Business may change? Check one (__) Yes (__) No. If no, please comment: ______________________________________

10. Do you understand that you are bound by the non-compete covenants (both in term and post term) listed in Section 7 and 17 and that an injunction is an appropriate remedy to protect the interests of the One River School system if you violate the covenant(s)? Further, do you understand that the non-compete covenants is defined broadly in Sections 7 and 17, such that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default, and termination of the Franchise Agreement? Check one (__) Yes (__) No. If no, please comment: _____
____

11. On the receipt page of the Disclosure Document you identified ___________________________ as the franchise seller(s) involved in this franchise sales process. Are the franchise seller(s) identified above the only franchise seller(s) involved with this transaction? Check one (__) Yes (__) No. If no, please identify any additional franchise sellers involved with this transaction: __________________________

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

[Signatures appear on the following page.]

<u>NOTE</u>: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed:______________________________

Print Name:___________________________

Date:________________________________

Signed:______________________________

Print Name:___________________________

Date:________________________________

Signed:______________________________

Print Name:___________________________

Date:________________________________

APPROVED ON BEHALF OF ONE RIVER SCHOOL FRANCHISING, LLC

By:__________________________________

Title:________________________________

Date:________________________________

EXHIBIT D
TO THE DISCLOSURE DOCUMENT

TABLE OF CONTENTS OF CONFIDENTIAL BRAND STANDARDS MANUAL

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EXHIBIT H
TO THE DISCLOSURE DOCUMENT

STATE ADDENDA TO THE DISCLOSURE DOCUMENT

ADDENDUM TO ONE RIVER SCHOOL FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Disclosure Document/and or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

A. Item 3 of the Franchise Disclosure Document is supplemented by the following language:

Neither we nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a et seq., suspending or expelling such persons from membership in such association or exchange.

B. Item 6 of the Franchise Disclosure Document is supplemented by the following language:

The highest interest rate allowed in California is 10% annually.

C. Item 17 of the Franchise Disclosure Document is supplemented by the following language:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

b. 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.).

c. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

d. The franchise agreement requires binding arbitration. The arbitration will occur within 20 miles of Englewood, New Jersey, with the costs being borne by the non-prevailing party.

2. **OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.**

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. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

5. Corporations Code 31512 provides that: "Any conditions, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void." The franchise agreement requires a shortened status of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

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

ADDENDUM TO ONE RIVER SCHOOL FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
<u>FOR THE STATE OF ILLINOIS</u>

The following information applies to franchises and franchisees subject to the Illinois Franchise Disclosure Act of 1987. The Item number corresponds to those in the main body.

<u>Item 17</u>
For Illinois franchisees, Illinois law governs the franchise agreement. The conditions under which the franchise can be terminated and rights upon nonrenewal may be affected by Illinois law. Any provision in a franchise agreement that designates exclusive jurisdiction or venue in a forum outside of Illinois is void.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

ADDENDUM TO ONE RIVER SCHOOL FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN., BUS. REG. §§14-201 to 14-233 (2004 Repl. Vol. & Supp. 2006), the Franchise Disclosure Document for One River School Franchising, LLC ("we," "us," or "our") for use in the Maryland shall be amended as follows:

1. Items 17(c) and 17(m), under the headings, "Requirements for franchisee to renew or extend" and "Conditions for franchisor's approval of transfer" shall be supplemented by adding the following language at the end of each Item:

> The general release required as a condition of approval will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17(f), under the heading entitled "Termination by franchisor with cause" for the Franchise Agreement, shall be supplemented by adding the following language at the end of the Item:

> The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

3. Items 17(u), under the headings entitled "Dispute resolution by arbitration or mediation" for the Franchise Agreement shall be supplemented by adding the following language at the end of the Item:

> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

4. Items 17(v) and 17(w), under the headings entitled "Choice of forum" and "Choice of law" for the Franchise Agreement shall be supplemented by adding the following language at the end of each Item:

> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO ONE RIVER SCHOOL FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE COMMONWEALTH OF VIRGINIA

In recognition of the requirements contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for One River School Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17 h.:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a Franchise Agreement without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

ADDENDUM TO ONE RIVER SCHOOL FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

Item 5, Additional Disclosure

Due to Franchisor's lack of operating history, the collection of the initial franchise fee will be deferred until Franchisor has fulfilled its initial pre-opening obligations and Franchisee is open for business.

Item 17, Additional Disclosure:

The state of Washington has a statute, RCW 19.100.180 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 as a 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
TO THE DISCLOSURE DOCUMENT

ELECTRONIC FUNDS TRANSFER AUTHORIZATION

ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO

PAYEE: ONE RIVER SCHOOL FRANCHISING, LLC

BANK NAME	ACCOUNT #	ABA#	FEIN
____________________	_____________	_____________	_____________

The undersigned Depositor authorizes, requests and instructs the Depository to honor and charge to the designated account specified herein, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the named Payee (that is, One River School Franchising, LLC). Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. This may include but is not limited to payment of royalties, advertising fund contributions, interest, indemnification and defense reimbursements, attorney fees and any and all other costs, charges and amounts of any and every nature, which Payee requests payment of from time to time.

If a debit is not honored, whether with or without cause, intentionally or inadvertently, Depository shall have no liability whatsoever. This authorization shall continue in force until Depository and Payee have each received at least thirty (30) days prior written notification from Depositor of its termination.

Depositor agrees with respect to any action taken pursuant to this authorization that Depositor shall:

(1) indemnify and hold Depository harmless from any loss Depository may suffer from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) indemnify Payee and Depository for any loss arising in the event any such debit shall be dishonored, whether with or without cause, intentionally or inadvertently.

(3) defend at Depositor's own cost and expense any action which may be brought by any person because of action taken by the Depository or Payee pursuant to this request, authorization and instruction, or in any manner arising by reason of Depository's or Payee's participation therein.

Name of Depository:____

Name of Depositor:____

Designated Bank Acct.:____

(Please attach one voided check for this account.)

School Location:____

School #:____

For information call:____

Address:____

Phone #:____

Fax #:____

____
Name of Franchisee/Depositor (please print)

By: ____ Date: ____________________
Signature and Title of Authorized Representative

EXHIBIT J
TO THE DISCLOSURE DOCUMENT

DEVELOPMENT RIGHTS RIDER

DEVELOPMENT RIGHTS RIDER

1. **Background**. This Development Rights Rider (the "Rider") is made between One River School Franchising, LLC ("we," "us," or "our") and ______________________________ ______________________________ ("you" or "your"). This Rider is attached to, and intended to be a part of, the Franchise Agreement that we and you have signed concurrently with signing this Rider for the development and operation of a specific One River School (the "Franchise Agreement"). We and you are signing this Rider because you want the right to develop additional One River School (besides the School covered by the Franchise Agreement) within a certain geographic area over a certain period of time, and we are willing to grant you those development rights if you comply with this Rider. Capitalized terms not defined in this Rider have the meaning ascribed to them in the Franchise Agreement.

2. **Grant of Development Rights**. Subject to your strict compliance with this Rider, we grant you the right to develop a total of [ ] [( )] One River School (including the One River School covered by the Franchise Agreement), according to the mandatory development schedule described in Schedule A to this Rider (the "Schedule"), within the following geographic area (the "Territory"):

____

____

____

If you (and, to the extent applicable, your affiliated entities, as described in Section 3 below) are fully complying with all of your obligations under this Rider, the Franchise Agreement, and all other franchise agreements then in effect between us and you (and, to the extent applicable, your affiliated entities) for the development and operation of One River School, then during this Rider's term only, we (and our affiliates) will not, except in the situations described below, establish or grant to others the right to establish One River School the physical premises of which are located within the Territory.

You acknowledge and agree that we and our affiliates (and any business that acquires our assets or ownership interests) have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within the Territory, including, without limitation, those which we reserve in the Franchise Agreement. After this Rider expires or is terminated, regardless of the reason for termination, we and our affiliates (and any business that acquires our assets or ownership interests) have the right, without any restrictions whatsoever, to (a) establish, and grant to others the right to establish, One River School the physical premises of which are located within the Territory and (b) continue to engage, and grant to others the right to engage, in any other activities that we (and they) desire within the Territory.

YOU ACKNOWLEDGE AND AGREE THAT TIME IS OF THE ESSENCE UNDER THIS RIDER AND THAT YOUR RIGHTS UNDER THIS RIDER ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF YOU DO NOT COMPLY STRICTLY WITH THE DEVELOPMENT OBLIGATIONS PROVIDED IN THE SCHEDULE. WE MAY ENFORCE THIS RIDER STRICTLY.

3. **Development Obligations**. To maintain your rights under this Rider, you must sign franchise agreements for, and then construct, develop, and have open and operating within the Territory, the agreed-upon number of One River School by the dates specified in the Schedule. If your owners establish a new legal entity to operate one or more of the One River School to be developed pursuant to this Rider and that new legal entity's ownership is completely identical to your ownership, that legal entity automatically will be considered an "approved affiliated entity" without further action. However, if

the new legal entity's ownership is not completely identical to your ownership, you first must seek our approval to allow that new entity to operate the proposed One River School.

You (and/or your approved affiliated entity) will operate each One River School under a separate franchise agreement with us. The franchise agreement (and related documents, including Guaranty and Assumption of Obligations) that you and your owners (or your affiliated entity and its owners) must sign for each School developed pursuant to this Rider will be our then current form of franchise agreement (and related documents, including Guaranty and Assumption of Obligations), any or all of the terms of which may differ substantially from any or all of the terms contained in the Franchise Agreement, although the Initial Franchise Fee for that first Franchise Agreement shall be one lump sum payment of Forty-Five Thousand Dollars ($45,000). Despite any contrary provision contained in the newly-signed franchise agreements, your additional One River School within the Territory must be open and operating by the dates specified in the Schedule. To retain your rights under this Rider, each One River School opened pursuant to this Rider must operate continuously throughout this Rider's term in substantial compliance with its franchise agreement.

4. **Subfranchising and Sublicensing Rights**. This Rider does not give you any right to franchise, license, subfranchise, or sublicense others to operate One River School. Only you (and/or approved affiliated entities) may construct, develop, open, and operate One River School pursuant to this Rider. This Rider also does not give you (or your affiliated entities) any independent right to use the One River trademark or our other trademarks and commercial symbols. The right to use our trademarks and commercial symbols is granted only under a franchise agreement signed directly with us. This Rider only grants you potential development rights if you comply with its terms.

5. **Development Fee**. As consideration for the development rights we grant you in this Rider, you must pay us, at the same time you sign this Rider, a total of ______________________________ ( ) (the "Development Fee"), which equals (a) the Forty-Five Thousand Dollar ($45,000) Initial Franchise Fee due under the first Franchise Agreement, plus (b) a deposit of Ten Thousand Dollars ($10,000) on the Initial Franchise Fee for each additional One River School you agree to construct, develop, and operate under the Schedule starting with the second Franchise Agreement. You must pay us the balance on the Initial Franchise Fee of Thirty-Five Thousand Dollars ($35,000) when you sign each Franchise Agreement starting with the second Franchise Agreement. The Development Fee is consideration for the rights we are granting you in this Rider and for reserving the Territory for you to the exclusion of others (except as provided in this Rider), is fully earned by us when we and you sign this Rider, and is not refundable under any circumstances, even if you do not comply or attempt to comply with the Schedule and we then terminate this Rider for that reason. The Development Fee is not refundable despite any provision contained in the Franchise Agreement or any other franchise agreement. However, when you (or your approved affiliated entity) sign a franchise agreement for your second and any subsequent One River Schools to be developed within the Territory, we will apply Ten Thousand Dollars ($10,000) of the Development Fee toward the Forty-Five Thousand Dollar ($45,000) Initial Franchise Fee due for those One River Schools.

6. **Grant of Franchises**. You must submit to us a separate application for each One River School you wish to develop in the Territory. You agree to give us all information and materials we request to assess each proposed School site. We will not conduct site selection activities for you. In granting you the development rights under this Rider, we are relying on your knowledge of the real estate market in the Territory and your ability to locate and access sites. We will not unreasonably withhold acceptance of any proposed site if that site meets our then current site criteria. However, we have the absolute right not to accept any site not meeting these criteria. We agree to use reasonable efforts to review and accept (or not accept) sites you propose within thirty (30) days after we receive all requested information and materials.

If we accept the proposed site, you agree, within the time period we specify (but no later than the date specified in the Schedule), to sign a separate franchise agreement (and related documents) for that School and to pay us the remaining portion of the Initial Franchise Fee due. If you fail to do so, or cannot obtain lawful possession of the proposed site, we may withdraw our acceptance of the proposed site. After you and your owners (or your affiliated entity and its owners) sign the franchise agreement (and related documents, including Guaranty and Assumption of Obligations), its terms and conditions will control your construction, development, and operation of the One River School (except that the required opening date and the non-refundability of the portion of the Initial Franchise Fee included in the Development Fee are governed exclusively by this Rider, as provided in Sections 3 and 5 above).

In addition to our rights with respect to proposed School sites, we may delay your development of additional One River School within the Territory for the time period we deem best if we believe, when you submit your application, that you are not yet operationally, managerially, or otherwise prepared, due to the particular amount of time that has elapsed since you developed and opened your most recent One River School, to develop, open, and/or operate the additional One River School in substantial compliance with our standards and specifications. We may delay additional development for the time period we deem best as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the Schedule (unless we are willing to extend the Schedule proportionately to account for the delay).

7. **Term**. This Rider's term begins on the date we and you sign it and ends on the date when (a) the final One River School to be developed under the Schedule has been opened (or, if earlier, must have opened), or (b) this Rider otherwise is terminated.

8. **Termination**. We may at any time terminate this Rider and your right under this Rider to develop One River School within the Territory, such termination to be effective upon delivery to you of written notice of termination:

(a) if you fail to satisfy either your development obligations under the Schedule or any other obligation under this Rider, which defaults you have no right to cure; or

(b) if the Franchise Agreement is terminated by us in compliance with its terms or by you for any (or no) reason; or

(c) if any other franchise agreement between us and you (or your affiliated entity) for a One River School is terminated by us in compliance with its terms or by you for any (or no) reason, even if that other franchise agreement was not signed pursuant to your rights under this Rider; or

(d) if we have delivered a formal written notice of default to you under the Franchise Agreement, whether or not you cure that default and whether or not we subsequently terminate the Franchise Agreement; or

(e) if we have delivered a formal written notice of default to you (or your affiliated entity) under any other franchise agreement between us and you (or your affiliated entity) for a One River School(even if that other franchise agreement was not signed pursuant to your rights under this Rider), whether or not you (or your affiliated entity) cure that default and whether or not we subsequently terminate the other franchise agreement. A termination of this Rider is not deemed to be the termination of any franchise rights (even though this Rider is attached to the Franchise Agreement) because this Rider grants you no separate franchise rights. Franchise rights arise only under franchise agreements signed directly with us. A termination of this Rider does not affect any franchise rights granted under any then-effective individual franchise agreements.

9. **Assignment**. Your development rights under this Rider are not assignable at all. This means that we will not under any circumstances allow the development rights to be transferred. A transfer of the development rights would be deemed to occur (and would be prohibited) if there is an assignment of the Franchise Agreement, a transfer of a controlling ownership interest in you, a transfer of this Rider separate and apart from the Franchise Agreement, or any other event attempting to assign the development rights. An assignment of only a non-controlling ownership interest in you is permitted (and would not be deemed to be a transfer of your development rights) to the extent permitted by the terms and conditions of the Franchise Agreement.

10. **Rider to Control**. Except as provided in this Rider, the Franchise Agreement remains in full force and effect as originally written. If there is any inconsistency between the Franchise Agreement and this Rider, the terms of this Rider will control.

Dated this _____ day of ___________, 20__.

ONE RIVER SCHOOL FRANCHISING, LLC	FRANCHISEE
	______________________________ [Name]
By:______________________________	
Title:__________________________	
Date:__________________________	By:______________________________
	Date:

SCHEDULE A
TO DEVELOPMENT RIGHTS RIDER

You agree to develop and open [ ] [( )] One River Schools in the Territory, including the School covered by the Franchise Agreement, according to the following Schedule:

School Number	Franchise Agreement To Be Executed By (Date)	School To Be Opened By (Date)	Minimum Cumulative Number of New One River Schools to Be Open and Operating in Territory No Later Than the Opening Date (in previous column)
	Signed concurrently with this Rider		

ONE RIVER SCHOOL FRANCHISING, LLC

By:______________________________

Title:___________________________

Date:___________________________

FRANCHISEE

____
[Name]

By:______________________________

Date:

EXHIBIT K
TO THE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT

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 One River School Franchising, LLC offers you a franchise, it must provide this disclosure document to you fourteen (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, or sooner if required by applicable state law. Applicable state law in: (a) New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship; (b) Michigan requires that we give you this Disclosure Document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If One River School Franchising, 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 any applicable state agency (as listed in ***Exhibit A*** to this disclosure document).

Exhibit B contains a list of our agents for service of process.

The name, principal business address, and telephone number of the franchise sellers offering the franchise is:

Matthew Ross
49 North Dean Street
Englewood, New Jersey 07631
(201) 266-5244

Katie Enna Hobson
49 North Dean Street
Englewood, New Jersey 07631
(201) 266-5244

Date of Issuance: March 13, 2019.

I have received a Franchise Disclosure Document with an issuance date of March 13, 2019. (See the state effective date summary page for state effective dates.) The disclosure document included the following Exhibits and Attachments:

A. List of State Administrators
B. List of State Agents for Service of Process
C. Franchise Agreement, including attachments and state-specific amendments
D. Table of Contents to the Confidential Operations Manual
E. Financial Statements
F. List of One River Schools
G. List of Franchisees that Have Left the System
H. State Addenda to Disclosure Document
I. Electronic Funds Transfer Authorization
J. Development Rights Rider
K. Receipts

Dated:______________

____
Individually and as an Officer of the company designated below or of the company to be formed and designated below on formation

____
Printed Name
of______________________________
(a______________________________Corporation)
(a______________________________Partnership)
(a______________________________Limited Liability Company)

[Sign and keep this copy]

RECEIPT

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 One River School Franchising, LLC offers you a franchise, it must provide this disclosure document to you fourteen (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, or sooner if required by applicable state law. Applicable state law in: (a) New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship; (b) Michigan requires that we give you this Disclosure Document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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K. Receipts

Dated:____________

____
Individually and as an Officer of the company designated below or of the company to be formed and designated below on formation

____
Printed Name
of____________________________________
(a____________________________Corporation)
(a____________________________Partnership)
(a____________________________Limited Liability Company)

[Sign and return this page to us]

Username: FROF\DMcCarthy

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4. A trial court may not apply a township's curative amendment to a request for site-specific relief after a successful validity challenge where the amendment was adopted after the validity challenge was filed. Fernley v. Bd. of Supervisors of Schuylkill Twp. 502 A.2d 585, 589 (Pa. 1985).

5. Site-specific relief principles

6. Health safety and welfare principles

I. Facts

A. Haverford I

By way of brief background, Haverford I began when Bartkowski Investment Group ("BIG") filed a substantive validity challenge with the ZHB on February 19, 2009, as to 6 locations within the Township, 2 of which were later withdrawn. In re Bartkowski Inv. Group, Inc., 106 A.3d 230, 232 (Pa. Commw. Ct. 2014). At the ZHB Hearing, BIG submitted testimony and plans related to the 4 remaining locations. The ZHB issued an oral decision denying the request for site-specific relief and later issued a written decision containing 226 findings of fact and 29 conclusions of law. *Id.* at 234. The ZHB concluded that, though the Zoning Ordinance prohibited "billboards," it did not prohibit all non-accessory outdoor advertising signs and, therefore, BIG did not meet its burden of establishing that all non-accessory outdoor advertising signs were prohibited. *Id.* Alternatively, the ZHB held that, even if the Zoning Ordinance improperly excluded billboards, the Township demonstrated that health and safety concerns supported the prohibition. *Id.* BIG appealed the ZHB's decision to the Delaware County Court of Common Pleas.

The Court of Common Pleas, by decision dated December 23, 2013, issued an opinion in which it acknowledged that the Zoning Ordinance effectively excluded billboards of the size and configuration requested by BIG. *Id.* at 236. The court, however, found that the proposed billboards were not suitable for the proposed sites and, therefore, it affirmed the ZHB to the extent that the billboards were not suitable for the proposed sites. *Id.* BIG then appealed to the Commonwealth Court.

The Commonwealth Court, by decision dated December 8, 2014, held that the Zoning Ordinance unconstitutionally prohibited billboards within the Township. Relying on a prior decision of the Pennsylvania Supreme Court, the court reaffirmed that, because billboards are a lawful use and are "not objectionable per se, a blanket prohibition on billboards without justification cannot pass constitutional muster." *Id.* at 239 (citing Twp. of Exeter v. Zoning Hearing Bd. of Exeter Twp., 962 A.2d 653 (Pa. 2009). The court explained that, where a zoning ordinance fails to permit a particular lawful use throughout a municipality, the defending municipality must present evidence to support the ban of the use throughout the municipality and not simply rely upon evidence demonstrating only that health, safety, and welfare concerns support the prohibition on a particular site where an applicant proposes a use. *Id.* at 240. The court found that the evidence that the ZHB relied on related only to the appropriate site-specific relief, and did not justify the Township's municipality-wide exclusion of billboards. *Id.* at 243. The Township also failed to prove a substantial relationship between the exclusion of billboards and the public health, safety or welfare. *Id.*

The Commonwealth Court remanded the case to the Court of Common Pleas for the determination of the appropriate site-specific relief. The court held that a successful challenger to a

MEMORANDUM

TO: Robert W. Gundlach, Jr.
Clair E. Wischusen

FROM: Daniel McCarthy

DATE: March 19, 2019

RE: **Catalyst - Haverford II Litigation Background and Strategy**

Rob and Clair,

You have asked us to determine the best course of action for handling the upcoming land use appeal proceedings related to the denial of our substantive validity challenge to the Haverford Township ("Township") Zoning Ordinance ("Zoning Ordinance") before the Delaware County Court of Common Pleas ("Haverford II") given the following factors:

1. We, as the applicant, did not introduce plans or any other materials related to site-specific relief at the ZHB hearings, and asked the ZHB not to consider site-specific relief at all, because former counsel took the position that submitting plans and seeking site-specific relief were not necessary prior to succeeding on the substantive validity challenge.

2. Following the Commonwealth Court's determination in the related case of Appeal of Bartkowski Investment Group, Inc., 106 A.3d 230 (Pa. Commw. Ct. 2014) that the Township's Zoning Ordinance was invalid because it completely excluded billboards, ("Haverford I"), the Township Zoning Hearing Board ("ZHB") denied the substantive validity challenge.

3. The Commonwealth Court, in several unrelated cases, including Appeal of Chester County Outdoor, LLC, 167 A.3d 280 (Pa. Commw. Ct. 2017), held that:

    A. Following a successful validity challenge, the applicant is first required to submit its request for site-specific relief to the ZHB for consideration and determination prior to seeking site-specific relief from the trial court. 167 A.3d at 290.

        i. This is the case because a trial court does not have jurisdiction to review plans or applications that have never been submitted to the appropriate authority for consideration. East Pikeland Twp. I, 123 A.3d at 810; Penn Twp., slip op. at 4.

4. A trial court may not apply a township's curative amendment to a request for site-specific relief after a successful validity challenge where the amendment was adopted after the validity challenge was filed. Fernley v. Bd. of Supervisors of Schuylkill Twp. 502 A.2d 585, 589 (Pa. 1985).

5. Site-specific relief principles

6. Health safety and welfare principles

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By way of brief background, Haverford I began when Bartkowski Investment Group ("BIG") filed a substantive validity challenge with the ZHB on February 19, 2009, as to 6 locations within the Township, 2 of which were later withdrawn. In re Bartkowski Inv. Group, Inc., 106 A.3d 230, 232 (Pa. Commw. Ct. 2014). At the ZHB Hearing, BIG submitted testimony and plans related to the 4 remaining locations. The ZHB issued an oral decision denying the request for site-specific relief and later issued a written decision containing 226 findings of fact and 29 conclusions of law. *Id.* at 234. The ZHB concluded that, though the Zoning Ordinance prohibited "billboards," it did not prohibit all non-accessory outdoor advertising signs and, therefore, BIG did not meet its burden of establishing that all non-accessory outdoor advertising signs were prohibited. *Id.* Alternatively, the ZHB held that, even if the Zoning Ordinance improperly excluded billboards, the Township demonstrated that health and safety concerns supported the prohibition. *Id.* BIG appealed the ZHB's decision to the Delaware County Court of Common Pleas.

The Court of Common Pleas, by decision dated December 23, 2013, issued an opinion in which it acknowledged that the Zoning Ordinance effectively excluded billboards of the size and configuration requested by BIG. *Id.* at 236. The court, however, found that the proposed billboards were not suitable for the proposed sites and, therefore, it affirmed the ZHB to the extent that the billboards were not suitable for the proposed sites. *Id.* BIG then appealed to the Commonwealth Court.

The Commonwealth Court, by decision dated December 8, 2014, held that the Zoning Ordinance unconstitutionally prohibited billboards within the Township. Relying on a prior decision of the Pennsylvania Supreme Court, the court reaffirmed that, because billboards are a lawful use and are "not objectionable per se, a blanket prohibition on billboards without justification cannot pass constitutional muster." *Id.* at 239 (citing Twp. of Exeter v. Zoning Hearing Bd. of Exeter Twp., 962 A.2d 653 (Pa. 2009). The court explained that, where a zoning ordinance fails to permit a particular lawful use throughout a municipality, the defending municipality must present evidence to support the ban of the use throughout the municipality and not simply rely upon evidence demonstrating only that health, safety, and welfare concerns support the prohibition on a particular site where an applicant proposes a use. *Id.* at 240. The court found that the evidence that the ZHB relied on related only to the appropriate site-specific relief, and did not justify the Township's municipality-wide exclusion of billboards. *Id.* at 243. The Township also failed to prove a substantial relationship between the exclusion of billboards and the public health, safety or welfare. *Id.*

The Commonwealth Court remanded the case to the Court of Common Pleas for the determination of the appropriate site-specific relief. The court held that a successful challenger to a zoning ordinance must be granted the relief requested, unless the government unit proves that the proposed use will be injurious to public health, safety, and welfare. *Id.* at 246. Pursuant to Section 1006-A of the MPC, the trial court has broad discretion fashion appropriate relief to the successful challenger, owing no deference to the administrative findings of the zoning hearing board. *Id.* at 248. The court may approve all or parts of the proposal and the challenger is not automatically entitled to full approval. *Id.* (citing Piper Group, Inc. v. Bedminster Twp. Bd. of Supervisors, 30 A.3d 1083 (Pa. 2011)). The evidence gathered by the local agency may inform a trial court's decision, but the trial court may also conduct a hearing to receive additional evidence, retain experts, consider alternative sites and configurations, or refer tome matters to the appropriate governing body for further proceedings, but the trial court always retains jurisdiction and oversees the process. *Id.* The paramount concern is to seek to provide the successful challenger with some measure of relief. *Id.* at 249. The paramount concern is limited by legitimate health, safety, and welfare concerns and, in some cases, the reasonable standards set forth in the applicable zoning and land use provisions.. *Id.*

The Commonwealth Court further held that, where a zoning hearing board rejects a substantive validity challenge under the MPC and the challenger prevails in its land use appeal from the adverse decision, the trial court, and not the zoning hearing board, must consider the appropriateness of site-specific relief. *Id.* "In essence, there is a bifurcated process." *Id.* The decision as to substantive validity proceeds under the deferential appellate standard of review, but if the trial court concludes that the ordinance is unconstitutional, the trial court must proceed under Section 1006-A of the MPC. The zoning hearing board, though not required to do so, had evaluated and decided on BIG's request for site-specific relief. The Commonwealth Court, therefore, agreed with the trial court that there was ample evidence in the record to reject relief as to all elements of the BIG's proposed billboards. *Id.* at 250. The court remanded to the trial court for determination of whether relief less than or alternative to the original approval that BIG requested would be appropriate. *Id.*

One more important note regarding Haverford I is that the court mentioned the Pennsylvania Supreme Court's decision in Piper Group, Inc. v. Bedminster Twp. Bd. of Supervisors, 30 A.3d 1083 (Pa. 2011), in which the court implied that a challenger may waive its right to judicial relief pursuant to Section 1006-A of the MPC if the challenger does not request relief expressly. *Id.* at 247.

By ordinance dated June 9, 2015, the Township amended the Zoning Ordinance to attempt to remedy the invalidity

B. Haverford II

On September [ ], 2013, Delaware County Outdoor ("DCO") filed a substantive validity challenge as to two sites located in the Township (collectively, the "Sites"):

i. 1200 West Chester Pike

ii. 510-534 West Chester Pike

DCO specifically argued in its opening statement it was not seeking site-specific relief, but only seeking to demonstrate that the Zoning Ordinance unlawfully excluded billboards on its face. (NT 11/21/13, p. 6). As such, DCO argued, the ZHB only consider the appropriate site-specific relief after finding the Zoning Ordinance invalid. NT 11/21/13, pp. 6-7). Because it believed that the issue was not before the ZHB, DCO did not present any plans or proposals related to the billboards it sought to construct at the Sites.

Despite DCO's objections, the ZHB received all testimony by Township witnesses and all related reports evaluating the appropriateness of the Sites for billboards of the same dimensions as those proposed in Haverford I. DCO's prior counsel requested all such testimony be stricken as irrelevant and lacking any factual basis, but the ZHB elected to hear it all and ultimately overruled the objection on November 20, 2014. In summary, every single Township witness testified that nowhere in the Township would be appropriate for a billboard.

At the March 20, 2014, hearing, the Township Manager and Zoning Officer presented testimony in which she assumed that the sign dimensions would be identical to Haverford I. She then testified that the scale and magnitude of the billboards were incompatible with the Sites because the Sites are adjacent to residential property and also that the proposed billboards were not appropriate anywhere in the Township. (NT 3/20/14, pp. 17-18). She noted the zoning classifications of the Sites and testified that the proposed billboards would not be permitted in the relevant zoning districts. (NT 3/20/14, p. 7). DCO's former counsel then elicited testimony on cross-examination to the effect that the billboards could be any size or configuration, as no plans had actually been submitted. (NT 3/20/14, p. 9).

The Township also presented testimony of the Township Engineer, David Penoni. Mr. Penoni testified that he reviewed testimony and reports from Haverford I and that he prepared his reports and provided his testimony for for Haverford II using the dimensions proposed in Haverford I. (NT 3/20/14, pp. 41-42). He evaluated several health and safety factors related to the proposed billboards with respect to the Sites, including threat of collapse, wind load and driver distraction for each Site. (NT 3/20/14 pp. 45-62). As to driver distraction specifically, Mr. Penoni relied on the Watchel report prepared for Haverford I. Mr. Penoni concluded that billboards of the order of magnitude and size proposed in Haverford I would be detrimental to health and safety. As detailed above [see my memo on health, safety and welfare] these are key factors in a court's evaluation of health, safety and welfare and factor heavily into its determination of site-specific relief.

The Township then presented the testimony of Thomas Comitta, who was accepted as an expert in planning, town planning and landscape architecture. Mr. Comitta testified that, since no plans were submitted, he assumed that the dimensions of the signs would be the same as Haverford I. NT 6/19/14, pp. 33-34. He testified that he reviewed the plans attached to his report, which include renderings of what the Sites would look like with the billboards proposed in Haverford I on them. (NT 6/19/14, pp. 40-69). Mr. Comitta concluded that the proposed billboards were not appropriate given the provisions of the Zoning Ordinance and the comprehensive plan. (NT 6/19/14, p. 61). This falls under the category of generally applicable ordinances, which is also a major component of site-specific relief. Mr. Comitta then further testified that the billboards would have a negative effect on aesthetics of the surrounding area, as they would visually intrude into the residential zoning district. (NT 6/19/14, p. 76). Finally, Mr. Comitta testified that a billboard would create an adverse visual impact on the integrity of nearby historical structures settings. ((NT 6/19/14, p. 13).

Finally, the Township presented testimony from its Deputy Police Chief, John Viola, who was accepted as an expert in public safety. (NT 6/19/14, p. 18). Mr. Viola provided testimony as to the number of accidents on West Chester pike,, that the distraction created by the billboards could be deadly and that the proposed billboards would be a target for vandalism and other undesirable behavior. (NT 6/19/14, p. 29.).

The ZHB never voted at any of the hearings to grant or deny DCO's substantive validity challenge. By letter dated May 8, 2015, the Township notified DCO that it denied the substantive validity challenge on the grounds that, though the Zoning Ordinance prohibited billboards, the prohibition constituted a regulation of outdoor advertising as a whole. (ZHB 5/8/15 Decision). Further, even if billboards are considered a use separate and distinct form outdoor advertising as a whole, the Township met its burden of establishing that the exclusion of billboards is justified due to the substantial relationship between the exclusion and the health, safety, and welfare of the residents of the Township. Though the ZHB's letter stated that it would issue detailed findings of fact and conclusions of law, the ZHB never issued findings of fact or conclusions of law as required by Section 908(9) of the MPC where the application is contested or denied. 53 P.S. § 10908(9).

DCO filed a Notice of Land Use Appeal with respect to Haverford I on June 4, 2015 in the Delaware Court of Common Pleas. In its Notice of Appeal, DCO averred the following:

> 20. DCO's Challenge did not include or attach any plans, nor did DCO request the ZHB grant any judicial or site-specific relief to permit the installation of billboards on the DCO Properties.
>
> 21. DCO provided no testimony regarding the size, high, type, location or configuration of billboards proposed for either of the DCO Properties, nor was it required to do so.
>
> 22. The only issue before the [ZHB] was whether or not the Zoning Ordinance unconstitutionally prohibited billboards.

Notice of Appeal, p. 5. DCO raised five bases for its appeal:

A. The ZHB erred in concluding that the total exclusion of billboards from the Township is not the exclusion of a legitimate use;

B. The ZHB erred in concluding that the Township's provision for other, significantly smaller forms of advertising signs satisfy its obligation to provide for billboards;

C. The ZHB erred in concluding that the evidence in the record justifies the total exclusion of billboards from the Township;

D. The ZHB's asserted justifications for excluding all billboards within the Township are insufficient as a matter of law

E. The ZHB erred as a matter of law and abused its discretion when it ignored the binding decision of the Commonwealth Court in [Haverford I], wherein the Commonwealth Court already declared the provisions of the Zoning Ordinance at issue to be invalid and unconstitutional.

II. Legal Issues

A. Is the Township prevented from applying its curative amendment to DCO's substantive validity challenge in Haverford II in light of the outcome in Haverford I?

Answer: Yes. Pursuant to Fernley v. Bd. of Supervisors of Schuylkill Twp. 502 A.2d 585, 589 (Pa. 1985), the trial court is not permitted to apply a curative amendment to a request for site-specific relief where the curative amendment was adopted after the challenger filed its substantive validity challenge. Here, DCO filed the substantive validity challenge at issue in Haverford II with the ZHB in September of 2013. The Township did not adopt its curative amendment until June of 2015. As such, the trial court may not apply the curative amendment in Haverford II and the Township may not argue that it applies. Therefore, pursuant to relevant non-procedural law, DCO will be successful as to its substantive validity challenge.

B. Did the ZHB determine, in spite of DCO's objections, that DCO was not entitled to site-specific relief?

Answer: Not clear. The ZHB did not issue a formal written opinion and the letter makes no mention of site-specific relief. However, in light of Appeal of Chester County Outdoor, LLC, in order to raise any issue related to site-specific relief on appeal, the argument will have to be made that the ZHB did consider DCO's entitlement to site-specific relief. The argument will be based on the fact that the ZHB heard testimony, reviewed reports and even saw plans depicting the Sites with the billboards previously proposed in Haverford I. As such, the issue of site-specific relief was before the ZHB and the ZHB never rendered a decision on the issue. The argument could be made that the ZHB is deemed to have denied the request for site-specific relief pursuant to Section 916.1(6) of the MPC, which requires that the zoning hearing board render its decision within 45 days of the close of the last hearing, and Section 916.1(7) of the MPC, which provides that, if the zoning hearing board fails to act on a landowner's request within 45 days, the request is deemed denied. This is a difficult argument because DCO never requested site-specific relief and, in fact, DCO argued repeatedly that it was not seeking site-specific relief. Therefore, there are arguments on both sides. However, the fact that no decision was rendered on this issue and that DCO repeatedly argued that it was not seeking site-specific relief may convince the court that the issue was not decided by the ZHB.

C. If the trial court determines that site-specific relief was decided by the ZHB and is an issue on appeal, will DCO permitted to rely on the Haverford I plans or present new plans?

Answer: Not clear, but likely yes as to the Haverford I plans. DCO should not be prevented from referring to the plans and reports prepared and relied upon by the Township's witnesses because those documents were before the ZHB and are already in the record. Therefore, it cannot be said that the plans or applications have never been submitted to the appropriate authority for review. Further, Section 1006-A of the MPC provides that, where a development or use described by the landowner "through plans and other materials submitted to the...agency...whose action or failure to act is in question on the appeal, it may order the described development or use approved." The ZHB reviewed the Haverford I plans extensively with respect to the Sites. The plans were originally prepared by DCO in Haverford I and were ultimately submitted to the ZHB in Haverford II. All information that the ZHB would need to decide on site-specific relief were before it and are in the record on appeal. As such, the trial court does have jurisdiction to consider the Haverford I plans in fashioning site-specific relief. Further, because the court is empowered by Section 1006-A of the MPC to consider relief that is less than or alternative to the proposed relief, DCO may ask the court to consider alternative plans as additional evidence, but the court is not required to consider such additional evidence.

7. Recommendations

A. Argue that site-specific relief was at issue before the ZHB and that the Haverford I plans were before the ZHB – those plans should be allowed as additional evidence here, if not already in evidence as part of the record before the ZHB – because site-specific relief is at issue, we should be able to introduce new plans as an alternative in the event that the Haverford I plans are rejected.

B.

DM:

cc: