# FRANCHISE DISCLOSURE DOCUMENT

# Safari Kid®

Safari Kid Franchising, LLC
a California Limited Liability Company
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(510) 386-7777
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The franchisee will operate a Safari Kid learning center business. As of the date of this Disclosure Document, the estimated initial investment to open a Safari Kid learning center franchise is $207,100 to $1,174,000. This includes initial franchise fees of $100,000 payable to us. The estimated initial investment to enter into a Development Agreement to open multiple Safari Kid locations ranges from $287,100 to $1,254,000 (calculated based on two locations). This includes an initial franchise fee of $180,000 payable to us. Consult Items 5 through 7 of this Disclosure Document for further detail.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Arihant Jain at 34899 Newark Blvd., Newark, CA 94560, (408) 390-9475 or franchisesales@safarikidca.com.

The terms of your contract will govern your franchise relationship. Don't rely on the 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.

Issuance Date: April 10, 2022

## How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits J and K. |
| **How much will I need to invest?** | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| **Does the franchisor have the financial ability to provide support to my business?** | Item 21 or Exhibit A includes financial statements. Review these statements carefully. |
| **Is the franchise system stable, growing, or shrinking?** | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| **Will my business be the only Safari Kid learning center in my area?** | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| **Does the franchisor have a troubled legal history?** | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| **What's it like to be a Safari Kid franchisee?** | Item 20 or Exhibits J and K lists current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

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

To simplify the language in this Disclosure Document, "Safari Kid" or "We" or "Our" means Safari Kid Franchising, LLC, the franchisor. "You" or "Your" means the person who buys the franchise. "Safari Kid Mark" or "Mark" means the service mark you use in operating the franchise.

### Organizational History

Safari Kid is a California Limited Liability Company formed on November 14, 2006. We do business under our corporate name and as Safari Kid or Safari Kid USA (our website is safarikidusa.com). Our principal business address is 34899 Newark Blvd., Newark, California. Our authorized agent for service of process in California is Deepak Mudakavi, 34899 Newark Blvd., Newark, CA 94560.

We have no parents or affiliates that offer franchises or other services to any franchisee.

We have five affiliates which operate, or will soon operate, Safari Kid learning centers like the ones described in this FDD. These are: (1) Safari Kid, Inc., whose principal business address is 34899 Newark Blvd., Newark, California; (2) Salient Path Inc., whose principal business address is 1402 Dempsey Rd., Milpitas, CA 95035; (3) STEAM KIDS LLC whose principal place of business is 156 Cambridge St., Unit 10, Burlington, MA 01803; (4) Live for Ed LLC, whose principal place of business is 542 Junction Ave., Livermore, CA 94551; and (5) Salient Path Texas LLC, whose principal place of business is 1227 W. McDermott Dr., Allen, TX 75013.

### Prior Business Experience

As a franchise corporation, we have not directly operated a Safari Kid learning center. Since 2005, our California affiliate Safari Kid, Inc. has operated (and continues to operate) a business similar to the type of franchise we offer. In fact, the California affiliate's business was used as the prototype for developing the franchises we currently offer. Neither Safari Kid nor any of our affiliates have ever offered franchises in any other lines of business.

### Our Business

We grant franchises (referred to in this Disclosure Document as a "Safari Kid franchise") for the right to establish and operate a young children's learning center under our proprietary Safari Kid Mark. In operating your franchise, you must follow our standards, specifications and operating procedures. We are engaged in no other business. A franchise for the operation of a Safari Kid franchise within a defined territory is granted under the terms of our standard form Franchise Agreement found following Item 23 of this Disclosure Document.

### Description of A Safari Kid Franchise

A Safari Kid Franchise is a learning center for children as young as 18 months and, at your option, you can also offer infant care. Students 18 months and older are enrolled into one of four progressive learning levels that teach reading, writing and motor skills using our proprietary curriculums, references and interactive media. Level 1 is designed for toddlers as early as 18 months. It is basic introduction to letters, phonics, numbers, shapes, colors and motor skill developments. At this level our students are learning nursery rhymes and songs using interactive/hands on tools. Once the students have completed Level 1, they progress to Level 2 where they focus on reading, logical thinking, basic math and writing. Levels 3 and 4 are advanced levels where children are introduced to Geography, Science, History, Moral Studies, Computer basics. These levels also help the child become proficient in advanced reading, language arts and advanced math. To promote confidence students are also exposed to public speaking,

singing, dancing, Arts and Crafts and hosts Talent shows and Monthly Presentations. A Safari Kid franchise also offers after school programs as well as summer and winter learning camps.

During the COVID-19 pandemic, Safari Kid learning centers have also offered online, virtual classes for children ages 2 – 5 with a preschool curriculum. These are conducted with a live teacher. You will be permitted to offer these classes if pandemic conditions continue to make this a desirable offering when you open for business. We expect to phase out this service once public health conditions make it safe to return to pre-pandemic conditions, since we do not believe that there will be permanent demand for this service.

**Market, Regulatory & Competitive Factors**

The services offered by a Safari Kid franchise appeal to parents with young children who are interested in giving their offspring a solid foundation in early education not offered by most learning centers or preschools. By stressing an academic approach for young children, most of whom are pre-schoolers, and offering a unique program and curriculum, we find ourselves in a niche that does not currently have a lot of competition.

Our market is developing. Although there are many child day care centers, there are fewer learning centers for young children that provide substantial enrichment programs like language, reading, art and music. Demand is strong for learning centers offering these high levels of academics and education. The market does not appear to be seasonal.

You will be subject to local, county and state licensing regulations for the operation of businesses in general and this type of business in particular. Certain states may require specific certification with instructional duties. In addition, your Safari Kid learning center may be considered a "school," "heritage school," or "child care center" under applicable zoning codes that would entail additional requirements such as separate bathrooms for boys and girls, an outdoor play area, water fountains, special exit doors equipped with panic bars and accommodations for disabled persons. You may be regulated by a state or local Department of Education, Department of Social Services, or similar agencies.

You should consult with governmental agencies and your lawyer about any special requirements that may apply to you or your Safari Kid learning center. You are responsible for complying with all applicable laws and regulations regardless of any general information or guidance we may provide. Most states have specific laws requiring you to obtain a license to operate a childcare business in the state. Often, these laws also govern the ratio of staff to enrolled children, size of your facility and other requirements. Many states have websites regarding the specific process and requirements for obtaining a license to operate a childcare business in that state. We have put that information for many states into our state specific addenda at Exhibit L. In addition, in response to the COVID-19 pandemic, many public health entities have imposed specific requirements or restrictions on the operations of childcare facilities, including limitations on the number of enrolled children and on individual teachers' interactions with multiple groups of children. Although many of those requirements have been relaxed as of the date of this Disclosure Document, you should review the applicable public health rules and restrictions on childcare facilities in your area.

You will compete with other learning centers and preschools. Preschools offer full day programs/day care facilities for children which differ from our model. Although these preschools offer similar programs to ours, their curriculums are not as advanced as our System.

## ITEM 2
## BUSINESS EXPERIENCE

Chief Executive Manager & Member: Deepak Mudakavi

Since November of 2006, Mr. Mudakavi has been a Member and Chief Executive Manager of Safari Kid Franchising, LLC in Newark, CA. Since January 2005, he has also been an owner and operator of Safari Kid, Inc. in Newark, CA.

President, Member, Director of Training: Director Shahdokth Mudakavi

Since November of 2006, Ms. Mudakavi has been a Member and the Director of Training and a Director of Safari Kid Franchising, LLC in Newark, CA. Since January of 2005 she has also been the founder and President of Safari Kid, Inc. in Newark, CA. She and Deepak Mudakavi are married.

Chief Revenue Officer: Arihant Jain

Arihant Jain has served as Chief Revenue Officer (CRO) for franchise development at Safari Kid since January, 2020. As the CRO, he works with our partners and internal teams to develop go-to market strategy. Before joining Safari Kid, Arihant worked from October 2016 to March 2018 as the Vice President of professional service, support, training and enablement for Reltio, Inc. in Redwood City, California. Prior to Reltio, from October 2011 to September 2015, he worked as Global Head of Sales & Service – CDN for Tata Communications Ltd. in Burlingame, California.

## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4
## BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

## ITEM 5
## INITIAL FEES

We charge $70,000 as a Franchise Fee, plus $30,000 as a Pre-Opening Services fee.

All fees are uniform and are payable as lump sums.

The Pre-Opening Services Fee covers the services described in Item 11.

**Development Agreement**

If we award you the right to develop more than one unit within a given Development Area, you must sign a Development Agreement and pay us a one-time Development Fee upon execution of your Development Agreement. Your Development Fee will depend on the number of Franchised Businesses we grant you the right to open within the development Area, and is calculated as follows:

| Number of Units | Franchise Fee Per Unit | Pre-Opening Services Fee Per Unit | Fee Per Unit | Total Franchise Fees Due |
|---|---|---|---|---|
| 2 | $60,000 | $30,000 | $90,000 | $180,000 |
| 3 | $50,000 | $25,000 | $75,000 | $225,000 |
| 4 | $50,000 | $25,000 | $75,000 | $300,000 |
| 5 | $45,000 | $20,000 | $65,000 | $325,000 |
| 6 | $45,000 | $20,000 | $65,000 | $390,000 |
| 7 | $45,000 | $20,000 | $65,000 | $455,000 |
| 8 | $45,000 | $20,000 | $65,000 | $520,000 |
| 9 | $45,000 | $20,000 | $65,000 | $585,000 |
| 10 | $40,000 | $20,000 | $60,000 | $600,000 |

You will be required to enter into our then-current form of franchise agreement for each Franchised Business you wish to open under your Development Agreement, but you will not be required to pay any additional Initial Franchise Fee at the time you execute each of these franchise agreements. If you enter into a Development Agreement, you must execute our current form of Franchise Agreement for the first location we grant you the right to open within your Development Area concurrently with the Development Agreement.

**No Refunds**

All fees described in this Item 5 are deemed fully earned upon payment and are not refundable under any circumstances. These fees are calculated and applied uniformly to all franchisees this year.

## ITEM 6
## OTHER FEES

| FEE NAME | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Royalty[1] | 7% of Gross Sales | By the 5th of each month for the preceding month's Sales | See Section 4.02 of the Franchise Agreement ("Agreement") |
| Brand Development Fund | Up to 1.5% (max) of Gross Sales | By the 5th of each month for the preceding month's sale | See Section 4.04 of Agreement |
| Local Advertising | $6,000 per quarter | Within each calendar quarter | This is an amount you will spend on your own, although we have a right to collect it from you, together with a Management Fee assessment for our having to administer your advertising obligations, if you cannot prove that you are spending it on advertising and promotion |
| New Manager Training Fee | Then-current training fee - currently $50 per hour | At start of training | Only required if you hire a manager to replace you or buy a second or further franchise. The total cost of training will depend on whether you have provided any training to your manager. See Sections 4.06 and 5.02 of Agreement |

| FEE NAME | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Teacher Training Fee | Then-current training fee - currently $25 per hour | At start of training | All teachers must be trained by us. The training will include all the training hours labeled Teacher Training in Item 11. See Sections 4.06 and 5.02 of Agreement |
| Materials Fee | $30 + shipping & handling per child for which you are licensed | Prior to training | This fee pays for books and other materials used for each child in your learning center. We provide books and materials based on how many children you are licensed to care for. If your license covers 100 children at your learning center, your fee will be $3,000 + shipping and handling. |
| Technology Fee | $250/month | Monthly | This fee pays to support technology systems |
| Late Payment Charge | Payment due plus 10% APR on the overdue amount | On receipt of past-due invoice | See Section 4.06 of the Agreement |
| Indemnification | Our actual costs, including our legal fees and any damages we are required to pay, if we are sued as a result of your conduct for which you are required to indemnify us. | On receipt of invoice | Only payable if a third party brings a claim against us and you are responsible under the Franchise Agreement. See Section 4.12 of the Agreement |
| Insurance | Varies | On demand | Only payable to us if you fail to obtain required insurance and we decide to buy insurance on your behalf. See Section 4.13 of Agreement |
| Auditing Expenses | Cost of our professional C.P.A. fees and expenses of our employees | On receipt of invoice | Only payable if an audit discloses more than a 5% understatement of gross sales. See Section 4.15 of the Agreement |
| Transfer Fee | If you transfer, you must pay the Pre-Opening Services fee set forth in Item 5 of our most recent Franchise Disclosure Document for the incoming franchisee to obtain training.<br><br>If transferring today, you would pay $30,000. | At least 30 days before transfer | Payable if you sell your franchise. See Section 7.01 of Agreement |

| FEE NAME | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| Transfer Fee (under Development Agreement) | $30,000 | At least 30 days before transfer | Payable if you sell your development rights under the Development Agreement. |
| Management Fee | Based on actual hours spent in managing the business and based on prevailing salary of incumbent manager plus travel/lodging expenses | Weekly, from ongoing sales | Only payable if you are disabled or pass on and someone is needed to run the business temporarily See Section 7.02 of the Agreement |
| Consulting Fees | Then-current fee schedule (currently $75 per hour per person) | On receipt of invoice | Only if you request additional support or on-site assistance. See Sec. 5.02 of the Agreement |
| Broker Commission | Then-current fee charged by the broker we are working with (currently $30,000 for 1 unit $10,000 for each additional unit) | Upon use | Only if using services of one of our brokers to list your business or to sell to one of their leads. |
| Technology Fees | $150 per month | By the 5th of each month for the preceding month's Sales | We collect a Technology Fee to help facilitate certain technology we provide as part of the System components at any given time, as well as help defray or cover the costs associated with such technology,<br><br>which may include but is not limited to, the costs incurred in connection with establishing and maintaining an intranet, extranet, online portal, website, online advertising tools, mobile application and/or any other technology for use in connection with the Franchised Business.<br><br>This amount is subject to increase upon written notice from us, whether due to an increase in the applicable supplier pricing and/or other reason. |
| Relocation Fee | $10,000 | Upon submission of a proposal to relocate | You will not be permitted to relocate your center without our prior written approval, which may be withheld in our discretion. We reserve the right to assess a relocation fee of $10,000 at the time you submit the proposed location for your relocated center. Generally, we do not approve |

| FEE NAME | AMOUNT | DUE DATE | REMARKS |
|---|---|---|---|
| | | | requests to relocate your school after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement.<br><br>If we approve your relocation request, we retain the right to approve your new site location in the same manner and under the same terms that are applied to your initial site selection. |

General Notes:

This table shows fees that are (or under certain circumstances, may be) payable to us. These fees are uniformly imposed. We collect all these fees, if the circumstances arise to trigger the fees. Unless otherwise stated, all fees are imposed by and are payable to us and none of the fees are refundable. There will be other fees you need to pay others to operate your business. These are described in Item 7.

For all fees due to us, we may require that you pay by direct or electronic deposit.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| TYPE OF EXPENDITURE | AMOUNT | METHOD OF PAYMENT | WHEN DUE [1] | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|
| Franchise Fee | $70,000 | Lump sum | Date franchise agreement signed | Safari Kid |
| Pre-Opening Services Fee | $30,000 | Lump sum | Date franchise agreement signed | Safari Kid |
| Materials Fee | $900 to $4,500 | Lump sum | Prior to training | Safari Kid |
| Training Program Travel Expenses[1] | $3,900 – $9,500 | As incurred | As incurred | Restaurants, Motel |
| Leased Real Estate[2] | $7,500 – $45,000 | As incurred | Upon signing lease | Landlord |
| Equipment | $5,000 - $10,000 | Lump sum | Before opening | Suppliers |

| TYPE OF EXPENDITURE | AMOUNT | METHOD OF PAYMENT | WHEN DUE [1] | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|
| Furniture | $5,000–$80,000 | Lump sum | Before opening | Suppliers |
| Build Out of Learning Center [3] | $30,000 - $800,000 | As incurred | Before opening | Contractors |
| Business Permits & Licenses | $200 - $6,000 | As incurred | As incurred | Government Agencies/Architects |
| Liability Insurance (for 6 months) | $1,000 -$2,000 | Lump sum | As incurred | Vendors |
| Signage[6] | $5,000 - $10,000 | Lump sum | As incurred | Printer, Sign Company |
| Initial Advertising[4] | $15,000 | As incurred | As incurred | Media |
| Print, Design, Marketing | $2,600 – $9,000 | As incurred | As incurred | Printer, Designer |
| Website Addition | $500 – $1,000 | As incurred | Date construction begins | Safari Kid |
| Security System | $1,000 – $10,000 | As incurred | As incurred | Vendor, Contractor |
| Accounting & Legal Expenses | $2,000 - $7,000 | As incurred | As incurred | Accountant, Attorney |
| Additional Funds[5] | $27,500 - $65,000 | As incurred | As incurred | Various |
| **TOTAL** | $207,100 to $1,174,000 | | | |

**Notes to Initial Investment Table**

You must directly pay (or provide independent financing for) all initial investment expenditures listed in this Item 7 to begin operations of your Safari Kid learning center franchise. We do not offer any financing (see Item 10). None of the investment expenditures are refundable unless you make independent arrangements with sellers or suppliers about whether, and under what conditions, payments may be refundable. Some costs and expenses will vary due to a disparity of prices, availability, and other factors. The cost of each item can and should be independently checked by you within your local area. The figures provided in this table are estimates based on our Affiliates' experience starting the current locations operated by Safari Kid, Inc.

(1) This estimate is per person, per day. Range assumes motel room at $150 to $ 300 per night; meals $50 to $200 per day. We will train you and one other person for up to seventeen (17) days for a Standard Model. If travelling from the Virginia, the airline ticket range included per person is $500 to $1000.

(2) This assumes first and last month's rental prepayment ranging between $1.50 and $4.50 per square foot for approximately 5,000 to 10,000 square feet in a commercial or retail zoned area. You may also include additional costs towards NNN expenses which vary for each property.

(3) The costs for build-out of a Safari Kid learning center will be directly related to licensing requirements as defined by your state. The State Addenda exhibit to this Disclosure Document may have more information about specific licensing requirements, to the extent we know about them, in your state. Some of the major items that will affect cost include a fenced outdoor play area, minimum indoor space of 35 square feet per child, outdoor space requirement of 75 square feet per child (in some instances you may be able to obtain an exemption reducing this to 25 square feet per child), one toilet and one sink for every 15 children, and one staff restroom.

Heritage Schools are exempt from California state licensing requirements and these costs mainly involve city requirements in relation to occupancy types, Conditional Use Permits, building of additional restrooms and other facility development expenses.

(4) We require you to spend $15,000 on initial advertising. You may spend this money on flyer distribution, newspaper or radio advertisements, internet marketing or grand opening advertising at your Safari Kid learning center.

(5) This estimates your initial startup expenses for the first 3 months of operations based on our Affiliates' experience, adjusted for current pricing levels, in operating a similar business as discussed in Item 1 under "Prior Business Experience." This is only an estimate, and we cannot guarantee you will not have additional expenses, such as personal expenses, that exceed our estimates. Revenues and costs can vary due to many factors. Some of these factors include your ability to operate per our recommended business and teaching methods, management and marketing skills, aggregate demand, competition, prevailing wages, location and other variables. Working capital requirements will vary. Our estimate does not include any estimate for royalties, advertising fees, interest or other financing costs. The estimate assumes you will hire and pay two part-time teachers and does not include your salary. You should review all initial investment figures carefully with a competent financial business advisor.

(6) We require every franchisee to put up a permanent illuminated sign within one month of the opening of the business. This should be done by a licensed contractor and with all necessary permits and approvals, including from the landlord, city and/or county.

**YOUR ESTIMATED INITIAL INVESTMENT**

**For an Area Developer**

| TYPE OF EXPENDITURE | AMOUNT | METHOD OF PAYMENT | WHEN DUE [1] | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|
| Franchise Fee(1) | $120,000 | Lump sum | On signing the Development Agreement | Safari Kid |

| TYPE OF EXPENDITURE | AMOUNT | METHOD OF PAYMENT | WHEN DUE [1] | TO WHOM PAYMENT IS TO BE MADE |
|---|---|---|---|---|
| Pre-Opening Services Fee[(1)] | $60,000 | Lump sum | Date franchise agreement signed | Safari Kid |
| All other expenses listed in prior table[(2)] | $107,100 - $1,074,000 | As described above | As described above | Various |
| **TOTAL** | $287,100 - $1,254,000 | | | |

(1) This is calculated based on your purchase of two Safari Kid units.

(2) These are the fees you will incur in building out the first Safari Kid location. You will incur these fees again, as explained further in the prior table, for each additional unit you agree to develop.

## ITEM 8
## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Required Purchases**

We require you to purchase certain books and curricula from us. You will purchase these materials prior to opening and then on an ongoing basis as needed.

We require you to purchase or acquire furniture, certain supplemental criteria items, and specific software including child care management software (currently Procare), child care CRM software (currently ChildCareCRM), and HR management software from our list of required and approved vendors.

**Required and Approved Suppliers**

We are the only approved supplier for the books and curricula we sell to you. Neither we nor any person in Item 2 has an interest in any of the third party suppliers from whom we require you buy computer systems and software.

**Approval of Alternate Suppliers**

If you would like to propose an alternate supplier, you must send us a written notice identifying the item(s) you would like to purchase and the alternate supplier. If we are willing to consider the alternate supplier you have suggested, we will request more information about the supplier. The additional information we request may include a sample of that supplier's products (at your cost) and additional information about the supplier's business reputation, delivery performance, ability to supply products in the quantities required, purchasing terms, and other information. We will consider the information you provide and give you a response within 30 days.

**Revenue from Franchisee Purchases**

We sell books and curricula to franchisees and corporate centers, but in 2021 we derived no revenue from this. The cost of equipment and materials purchased in accordance with our specifications will represent

an estimated 5-10% of your total purchases in establishing your learning center and about 10-20% of your total purchases made during the year for operation of your learning center.

**Cooperatives**

We do not have any purchasing or distribution cooperatives.

**Negotiated Prices**

We do not have any negotiated purchase arrangements, but we reserve the right to negotiate pricing in the future and we will make franchisees aware of new purchasing arrangements and terms by updating our Operations Manual.

**Material benefits**

We do not provide any material benefits to you if you buy from sources we approve.

Our specifications and requirements are contained in our confidential Manuals, which are provided to you and may be updated occasionally. Future supplements, improvements or changes to our business system may require you to add or eliminate previously authorized learning center services or products used in your business.

## 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 in this disclosure document.**

| | OBLIGATION | SECTION(S) OF FRANCHISE AGREEMENT ("FA") / Area Development Agreement ("ADA") | ITEM(S) IN DISCLOSURE DOCUMENT |
|---|---|---|---|
| a. | Site selection & acquisition/lease | FA - Section 4.03<br>ADA – Section 6.1(a) | 7, 11 |
| b. | Pre-opening purchases or leases | FA - Section 4.03 | 7, 8 |
| c. | Site development & other pre-opening requirements | FA - Sections 4.03<br>ADA – Section 6.1(a) | 7, 11 |
| d. | Initial & ongoing training | FA - Sections 4.07, 5.01, 5.02 | 6, 7, 11, 15 |
| e. | Opening | FA - Sections 4.03, 4.07 | 11 |
| f. | Fees | FA - Sections 4.01, 4.02, 4.04, 4.05, 4.06, 4.07, 4.09, 4.11, 4.12, 4.13, 4.14, 4.16, 5.02, 6.03, 7.01, 7.02<br>ADA – Section 5.1(a); Exhibit C | 5, 6, 7, 8, 11, 17 |
| g. | Compliance with standards and policies/operating manual | FA - Section 1.02, 1.03, 2.01, 4.06, 4.08, 4.09, 4.15, 4.16, 6.02, 7.01, 7.03, 7.04, 7.05 | 1, 6, 8, 11, 12, 14, 15, 16, 17 |
| h. | Trademark and proprietary information | FA - Sections 1.02, 1.03, 2.01, 2.02, 4.04, 4.06, 4.07, 4.08, 4.09, 6.02, 6.03, 8.01, 8.09 | 1, 6, 8, 13, 14, 17 |
| i. | Restrictions on products or services offered | FA - Sections 1.03, 2.02, 4.04, 4.07, 4.08, 4.09, 4.10, 4.17, 6.02 | 6, 8, 16 |
| j. | Warranty and customer service requirements | None | None |

| | OBLIGATION | SECTION(S) OF FRANCHISE AGREEMENT ("FA") / Area Development Agreement ("ADA") | ITEM(S) IN DISCLOSURE DOCUMENT |
|---|---|---|---|
| k. | Territorial development and sales quotas | FA - Sections 4.07<br>ADA – Section 2.1; Exhibit A | 1, 5, 11, 12, 17 |
| l. | Ongoing product or service purchases | FA – none | 6, 8 |
| m. | Maintenance, appearance and remodeling requirements | FA - Sections 1.03, 2.01, 4.06 | 1, 6, 7, 8, 17 |
| n. | Insurance | FA - Sections 4.13 | 6, 7 |
| o. | Advertising | FA - Sections 4.04, 6.02, 6.03 | 6, 7, 17 |
| p. | Indemnification | FA - Sections 4.14<br>ADA – Section 12.2 | 6 |
| q. | Owner's participation/ management/staffing | FA - Sections 4.06, 7.01, 7.02, 7.04 | 6, 11, 15, 17 |
| r. | Records/reports | FA - Sections 2.03, 4.04, 4.07, 4.08, 4.09, 4.14, 4.16, 4.17, 6.02, 7.01, 7.03, 7.04, 7.06 | 6, 7, 8, 9, 17 |
| s. | Inspections/audits | FA - Sections 4.07, 4.16, 4.17 | 6, 8 |
| t. | Transfer | FA - Sections 7.01 - 7.06, 8.08<br>ADA – Section 7.3 | 6, 17 |
| u. | Renewal | FA - Sections 2.03<br>ADA – Section 4.02 | 17 |
| v. | Post termination obligations | FA - Sections 6.03<br>ADA – Section 9.3 | 17 |
| w. | Noncompetition covenants | FA - Sections 4.07, 6.03<br>ADA – Section 8.1 | 17 |
| x. | Dispute resolution | FA - Sections 8.05, 8.07, 8.09, 8.10 | 17 |
| y. | System improvements | FA - Sections 4.09 | 6, 16 |

## ITEM 10
## FINANCING

We do not offer, direct or indirect financing arrangements. We do not guarantee notes, leases or any other obligations you may incur.

We do not receive any payments for placing or referring Franchisees to lending sources for financing.

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

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

### Preopening Assistance and Services
### ("Section" refers to section(s) of the Franchise Agreement)

Before you open your business, we will provide the following assistance:

1. Designated Territory.

Grant and define your designated territory. (Section 2.01, Exhibit 1).

2. Site Advice and Approval. Provide information about site characteristics, proximity factors, lease provisions and a list of recommended realtors. (Section 5.01(d)). If you need an introduction to a real estate agent with experience in this type of business, we will introduce you to one or help you locate one if we do not already know one in your area. We will visit sites you have identified and provide advice regarding the suitability of your options. We have the right of final approval over any site you select, and you cannot sign a lease without our approval. The franchise is granted for a single, specific location. (Section 2.01) Unless we agree otherwise, you must select your site within one hundred eighty days of the date you sign the Franchise Agreement. (Section 4.03) If you cannot identify a location within the time period required, we have the right to terminate your franchise agreement; your initial fees are not refundable.

3. Zoning and Licensing Support. Provide you information, guidance and resources regarding the zoning and licensing processes. We cannot guarantee that our assistance will result in you obtaining the permits or licenses you are seeking, but we will give you the benefit of the years of experience that our management has.

4. Lease. Review your lease and provide guidance. We recommend that every franchisee hire a lawyer to review their lease agreements. We do not offer legal advice, but we will review the lease to the best of our ability and point out issues that we are aware may help or harm your interests based on our management's experience. This review does not replace a lawyer's review.

5. Start-Up Guide. Provide a Start-Up Guide containing a prioritized list of activities and steps for you to take to get your business ready to open. (Section 5.01(f)). We will provide specifications for your build-out and recommendations regarding vendors for furniture, equipment, décor, signage and supplies, but it is your responsibility to order and install items, as necessary.

6. Books and Curricula. Provide printed books and curricula material for use in your learning center. (Section 4.01(c) and 4.02(h)).

7. Training Program. Train you and one other person (Manager or Director) at our corporate headquarters located in Newark, California and/or Union City, California. Training will occur in two sessions and will last up to 17 days total, depending on your aptitude and background (Section 5.01(a)). The goal of the training program is to familiarize you with all facets of operating the business. Training is mandatory for everyone and you must satisfactorily complete all segments of training before starting business operations. Determination of whether you satisfactorily complete training rests solely with us (Section 4.01(c)). The training program is given so you complete it about thirty days before the intended opening of your business. Your travel and living expenses while attending the training program are your responsibility. Attendance at additional training programs given through Franchisee Conventions (discussed below) or if a new person assumes management of your franchise (discussed below) is also required. In training you, we use the services and draw upon the expertise of our operating personnel who have primary responsibility and experience for training in the areas of marketing, administrative, technical and other management functions. Our Director of Training is Ms. Shahdokth Mudakavi. Instructional materials include a course curriculum and excerpts from our confidential Start-Up Guide, Operations Manual and Policy Manual. Training covers the topics listed in the table below.

**First Session**

**Pre-requisite: Review Startup, Operations and Policy Manuals. Attend state licensing orientation.**

| Subject | Hours of Classroom Training | Hours of Training On-the-Job | Location[1] |
|---|---|---|---|
| Introduction | 0.5 | 0 | Union City, CA |
| Start-up Manual Review | 1 | 0 | Union City, CA |
| Preschool Observation | 0 | 2 | Union City, CA and Newark, CA |
| Environment | 1 | 0 | Union City, CA |
| Culture, Philosophy, Methods & Principles | 2 | 0 | Union City, CA |
| After School Observation | 0 | 1 | Newark, CA |
| Administration/Operations/ Parent Relations | 3 | 0 | Newark, CA |
| Sales and Marketing | 2 | 0 | Union City, CA |
| Site Visit | 0 | 5 | Franchisee sites in Bay Area, CA |
| Safari Kid Booklet System | 1.5 | 0 | Union City, CA |
| Finance/Website/Child Care Mgmt. software | 1 | 0 | Union City, CA |
| Site Location & Development | 1 | 0 | Union City, CA |
| TOTAL | 13 | 8 | |

**Second Session**

| Subject | Hours of Classroom Training | Hours of Training On-the-Job | Location[1] |
|---|---|---|---|
| Introduction | 1 | 0 | Newark, CA |
| The Safari Kid Method | 1 | 0 | Newark, CA |

| Subject | Hours of Classroom Training | Hours of Training On-the-Job | Location[1] |
|---|---|---|---|
| Level 1 Teaching | 4 | 8 | Newark, CA |
| Level 2 Teaching | 8 | 8 | Newark, CA |
| Level 3 and Level 4 Teaching | 8 | 8 | Newark, CA |
| Safari Kid Preschool extra-curricular Classes | 2 | 2 | Newark, CA |
| Safari Kid After School Program | 4 | 20 | Newark, CA |
| Safari Kid Summer Program | 2 | 0 | Newark, CA |
| Safari Kid Spring Break and Winter Break Program | 1 | 0 | Newark, CA |
| Safari Kid After School extra-curricular activities | 3 | 4 | Newark, CA |
| Health & Safety | 1 | 0 | Newark, CA |
| Marketing/Public Relations | 4 | 0 | Newark, CA |
| Staffing & Human Resources | 1 | 0 | Newark, CA |
| Business Management & Finance | 2 | 0 | Newark, CA |
| Licensing Application | 4 | 0 | |
| TOTAL | 47 | 50 | |

Note 1 to Training Tables: During the pandemic, we provided many, but not all, of these sessions in a virtual meeting format instead of in person. Where you and we agree that virtual training is acceptable, we intend to continue to offer virtual training as an alternative, but you should anticipate that you will need to attend at least a portion of our training in person at the locations specified.

8. Marketing Support. Provide you with marketing ideas and our marketing guidelines. We announce your Grand Opening on the Safari Kid main website, and we create a site specific page on our Safari Kid website for your franchise.

9. Grand Opening Support. Assist you with planning and attend your Grand Opening.

10. Confidential Operating Manuals. Loan to you one complete copy each of our confidential Start-Up Guide, Operations Manual and Policy Manual containing, among other things, specifications,

instructions and requirements about authorized services, suppliers, standards and operating procedures. These manuals always remain our property and we may change any manual occasionally to reflect changes in our business system. You must treat the manuals and all information in them as confidential. You must keep all manuals current and follow new or changed provisions. The master copy of each manual maintained at our principal office is controlling in the event of a dispute about the contents of any manual (Section 4.07(a), Section 5.01(b)). The Table of Contents of our operations and policy manuals as of the date of this Disclosure Document, with the number of pages devoted to each subject and total number of pages in each manual is attached as Exhibit C.

11. Initial Forms. Provide you with copies of reporting and other operating forms as detailed in our manuals (Section 5.01(c)).

**Assistance, Support and Services During Operations**
**("Section" refers to section(s) of the Franchise Agreement)**

After your business begins operations, we will provide:

1. Start Up Assistance. Assist you via remote support for a period of up to eleven days at up to two hours per day to aid in learning operations and to assist in establishing standard operating procedures, as requested by you. (Section 5.02(a))

2. Consultation. Provide continuing support by having representatives at our corporate office available to answer questions arising in the day-to-day operation of your business. (Section 5.02(b))

3. Franchisee Conventions. Sponsor annual seminars, which may be conducted virtually, for updates on new management techniques, industry trends and other topics of interest. Although there is no separate charge for these seminars it is your responsibility to pay all travel, living and other expenses incurred by you in attending these seminars, as well as your share of renting any conference room, etc. if the convention or seminar is in person rather than virtual. Attendance at seminars is mandatory. (Section 5.02(c))

4. Updating. Distribute periodic supplements and amendments to our confidential Operations Manual and Policy Manual as well as other information of general interest to all members of the franchise network. (Section 5.02(d))

5. Manager/Director Training. Provide training (in accordance with our then-current Manager/Director Training Fee Schedule) if a new person becomes an approved manager of your franchise or you buy second or further franchises. If you elect to train the manager or director (with our approval), then only abbreviated training by us is required and a lesser fee will apply. We will assess if the manager/director is trained as per our standards and may accordingly need for the new manager/director to attend a full training of up to a maximum of 97 hours, or an abbreviated training up to a maximum of 15 hours. (Section 5.02(e))

6. Brand Development Fund; Advertising. The Brand Development Fund entails your paying 1.5% of your monthly Gross Sales (see Item 6). We have no obligation to spend any specific amount on advertising in the area or territory where you operate your franchise. We do have direct responsibility for administration of the Fund and use payments to direct, supervise and develop advertising and marketing programs. The franchise agreement and Policy Manual are currently the only governing documents of the Fund and these documents are given to all franchisees. An accounting of the operation of the Fund will be prepared annually and made available to any requesting franchisee.

During the last fiscal year of the Fund (ending on December 31, 2021), the Fund did not spend any money on marketing.

We have the sole right and discretion to change, dissolve or merge one or more Funds. If surplus money is in a Fund at the end of the reporting period, this surplus will be credited towards future Fund marketing efforts. As of the date of this Disclosure Document, no brand development funds have been used for soliciting the sale of franchises. No sums paid into the Fund can be used to defray any of our general operating expenses, except for reasonable administrative costs and overhead we may incur in activities reasonably related to the administration or direction of the Fund. Media coverage (with the exception of the world wide web) is currently local in scope, expanding to regional and national coverage as events permit. The source of advertising will be a combination of in-house advertising prepared by us and outside advertising agencies. In addition, the development, maintenance, and revamping of www.safarikidusa.com, together with search engine optimization marketing, will be a part of the Fund.

We have no obligation to spend any amount on advertising in your area or territory. In terms of your general advertising, any media may be used and we permit you to use your own advertising as long as it meets our written standards and requirements, and was previously approved by us (Section 4.04, Section 5.02(f)). See also Items 6, 8 and 9 above.

7. Additional Consulting. If you request, we will provide additional support or on-site consulting services in accordance with our then-current consulting fee schedule. (Section 5.02(g))

8. Monthly Curriculums. We will provide monthly curriculum updates as needed . (Section 5.02(h))

9. Protection of Mark. Take all steps reasonably necessary to preserve and protect the ownership and validity of our service mark, and to permit other franchisees to use the mark only in accordance with our standards and specifications. (Section 5.03)

**Advertising Program**

We administer the national advertising fund program. This fund is not audited. All franchisees and our company-owned units are required to contribute to this at the same percentage rate. In 2020, in response to the COVID-19 pandemic, we suspended collection of marketing fees and collected no revenue and spent no money on marketing. We will resume collection of the marketing fund shortly.

In 2021, due to the pandemic, we agreed to defer collection of most franchisees' contributions to the national advertising fund. We collected only $2,595 and did not spend any of this money, rolling all of it forward to 2022. No part of the national advertising fund is spent on advertising the sale of franchises.

We do not currently have a franchisee advertising council. We do not have any advertising cooperatives.

**Computer System, Software Programs and Internet Connection**

We require you to use a computer system in your business (Section 4.15). You can use any computer system, as long as it meets our minimum standards for processor speed, RAM and hard drive capacity, has an IBM compatible operating system (currently Windows 10) that is upgraded periodically to reflect the current operating system specified in our Manuals, has high-speed internet connectivity (DSL or Broadband) and certain business productivity tools.

In addition, we require you to use a Child Care Management System we designate. You will need to acquire required hardware which will consist of an approved IOS or Android tablet. Typically you will need multiple tablets: one for the lobby and one for each classroom.

We require you to use the following software programs and capabilities (some of these may come bundled with your laptop or desktop computer):

- High-speed Internet connectivity (DSL or Broadband) including wireless connectivity;
- Microsoft Office Suite: (includes by MS Word, Excel, Outlook) for word processing, spreadsheets and email communications;
- Acrobat Reader (this program can be downloaded for free) for reading files that are in portable document format (.PDF);
- Browser: Internet Explorer/Mozilla Firefox/Google Chrome/Safari;
- Accounting Software: Quickbooks Pro or comparable software;
- Procare, used for electronic sign in and sign out of children and related functionality to ensure security; and
- ChildcareCRM to digitally record children's progress in our programs and allows parents to access some of this information through an app.

**Other Hardware Components**

You will also need to purchase the following hardware, if you do not already own it:

- Printer/fax machine/scanner in black & white or color (we recommend an all-in-one machine);
- If you purchase black & white printer instead of a color printer, you will also need a deskjet color printer;
- A projector with a computer interface;
- A wireless router and network interface cards; and
- At least four approved tablets, plus key cards for all children and staff in your business

We estimate the cost of acquiring these computer system elements is about $7,000 - $10,000. Your payment of the Technology Fee should cover the cost for annual software subscription costs for the software programs we require.

We have the right to inspect your books, records, data and financial statements, and this right includes access to the software programs used to compile this information. (Section 4.15)

**Updating Requirements and Our Access**

In general, you will update or upgrade the various programs used on your computer, just as any computer user does. There is no contractual limit on the frequency or cost of this updating process, but it is usually a nominal expense, which we estimate to be less than $500 per year. (Section 4.15)

One of the software programs we require will cost $800 - $1,200 in annual fees. Key cards will cost about $2 per card, and you will need to buy one per enrolled child and each staff person.

We might also ask you to implement other software or hardware related to system improvements to better manage children and staff records. If we do, you may be required to pay a monthly or annual fee for the software or hardware we will require.

We have the right to independently access the systems and information you use in your Safari Kid business, without prior notice to you. There are no contractual restrictions on our right to access the data you store and use on your business systems.

**Estimated Opening Time**

We estimate the typical length of time between the signing of the Franchise Agreement and the opening of your franchise to be approximately one year. Factors affecting this time include time to schedule, attend and successfully complete our training program, finding an appropriate site, lease negotiations, time to comply with various permit and licensing requirements, time for delivery and installation of equipment and furniture items as well as interviewing and hiring teachers. Unless we agree otherwise, you must commence business operations within 545 days of the date you sign the Franchise Agreement. We require you to put up signage within thirty (30) days of opening the business. (Section 4.03).

**First Session (Held after you attend state licensing orientation, but soon after signing the Franchise Agreement)**

| Subject | Hours of Classroom Training | Hours of Training On-the-Job | Location |
|---|---|---|---|
| Introduction | 0.5 | 0 | Union City, CA |
| Start-up Manual Review | 1 | 0 | Union City, CA |
| Preschool Observation | 0 | 2 | Union City, CA and Newark, CA |
| Environment | 1 | 0 | Union City, CA |
| Culture, Philosophy, Methods & Principles | 2 | 0 | Union City, CA |
| After School Observation | 0 | 1 | Newark, CA |
| Administration/Operations/ Parent Relations | 3 | 0 | Newark, CA |
| Sales and Marketing | 2 | 0 | Union City, CA |
| Site Visit | 0 | 5 | Franchisee sites in Bay Area, CA |
| Safari Kid Booklet System | 1.5 | 0 | Union City, CA |

| Subject | Hours of Classroom Training | Hours of Training On-the-Job | Location |
|---|---|---|---|
| Finance/Website/Child Care Mgmt. software | 1 | 0 | Union City, CA |
| Site Location & Development | 1 | 0 | Union City, CA |
| TOTAL | 13 | 8 | |

**Second Session (Held shortly before your Grand Opening)**

| Subject | Hours of Classroom Training | Hours of Training On-the-Job | Location[1] |
|---|---|---|---|
| Introduction | 1 | 0 | Newark, CA |
| The Safari Kid Method | 1 | 0 | Newark, CA |
| Level 1 Teaching | 4 | 8 | Newark, CA |
| Level 2 Teaching | 8 | 8 | Newark, CA |
| Level 3 and Level 4 Teaching | 8 | 8 | Newark, CA |
| Safari Kid Preschool extra-curricular Classes | 2 | 2 | Newark, CA |
| Safari Kid After School Program | 4 | 20 | Newark, CA |
| Safari Kid Summer Program | 2 | 0 | Newark, CA |
| Safari Kid Spring Break and Winter Break Program | 1 | 0 | Newark, CA |
| Safari Kid After School extra-curricular activities | 3 | 4 | Newark, CA |
| Health & Safety | 1 | 0 | Newark, CA |
| Marketing/Public Relations | 4 | 0 | Newark, CA |
| Staffing & Human Resources | 1 | 0 | Newark, CA |

| Subject | Hours of Classroom Training | Hours of Training On-the-Job | Location[1] |
|---|---|---|---|
| Business Management & Finance | 2 | 0 | Newark, CA |
| Licensing Application | 4 | 0 | |
| TOTAL | 47 | 50 | |

These estimated hours cover the dynamics of operating a Safari Kid learning center and includes the subjects described. Because many of the subjects are taught in both a classroom setting as well applied on-the-job during actual learning classes with children, it is difficult to estimate the breakdown between hours of classroom versus hours of on-the-job. Another factor complicating this estimate is your background and proficiency in various subject areas.

The training program for new franchisees is scheduled on an as-needed basis. Training is provided by a combination of the founders of Safari Kid and teachers and employees who have worked at Safari Kid. All current trainers have at least 12 years of experience in the field which they teach in training and at least one year with Safari Kid.

During your training program you will have access to elements of our curriculum which are considered intellectual property and you must agree not to distribute, share, publish or use this information outside of your franchise.

The cost of training for you and one other person is included in the initial fees you pay to us. You are responsible for all of your travel and lodging expenses to attend training. If you bring an employee with you to training, you are responsible for paying that employee's wages in addition to their travel and living expenses during training.

The franchise owner must complete initial training. You are permitted to bring one other person with you who will work in the business. You must complete the training program to our satisfaction at least two months prior to opening your business. If you do not complete training to our satisfaction, you will be required to repeat training before you may open your business.

In addition to initial training, we also provide manager and teacher training. If your manager does not attend the initial training with you, we will assess your manager's background and knowledge regarding childcare. Depending on your manager's level of knowledge and experience, we will customize a training program at our manager training fee of $50 per hour, up to a maximum of 97 hours ($4,850). You will be responsible for paying these fees to us, in addition to paying your manager's wages and any travel or living expenses. You are also required to have us train at least one of your teachers. Teacher training lasts approximately 32 hours and costs $25 per hour ($800). Once we have trained you and one of your teachers, with our prior permission you may train your additional teachers.

## ITEM 12
## TERRITORY

You are given an exclusive area, usually defined by street boundaries, highways, counties, political subdivisions or other means on a map. This mapped area is called your "Designated Territory" or "Territory" in the franchise agreement. It is specified and attached as Exhibit 1 before you sign the

franchise agreement. Once the signing takes place, you are responsible for determining and selecting the exact location of your franchise within this area.

Your Designated Territory will contain at least 12,000 households. The size will depend on (a) the population density and other demographics of the area, (b) any existing territorial rights granted in connection with existing Safari Kid learning centers, and (c) whether your location is considered part of a major metropolitan area, other downtown area or similar situated central business district that has a large "working population" during relevant operating hours for surrounding businesses.

Except as described below, we will not ourselves operate (including in other channels of distribution) or license others to operate, a similar or competitive business under our service mark within your Territory. You are not restricted from advertising outside your Territory using advertising we have approved, except that all franchisees are prohibited from actively advertising or marketing in another franchisee's territory without the prior written agreement with that franchisee. However, all franchisees are free to accept children into their program regardless of where those children live or attend school. There may be children who reside in your Territory who attend a Safari Kid learning center outside of your Territory. You will not receive any compensation if a child who lives in your Territory enrolls in another Safari Kid learning center for any reason.

Where you can demonstrate that your Territory will support the opening of another Safari Kid learning center without significantly harming the attendance at your existing learning center(s), we may grant you the right to open another Safari Kid learning center within the same Territory. The initial fee is fully payable for any second or subsequent locations within your Territory as described in Item 5.

You will not be permitted to relocate your Safari Kid learning center without our prior written approval, which may be withheld in our discretion. You will be assessed a relocation fee of $10,000 at the time you submit the proposed location for your relocated learning center. Generally, we do not approve requests to relocate your learning center after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement. If we approve your relocation request, we retain the right to approve your new site location in the same manner and under the same terms that are applied to your first site selection.

**Development Agreement**

If you enter into a Development Agreement to develop multiple Learning Centers, we will grant you a larger development territory within which you will have the right to develop the number of Learning Centers you and we agree that you will develop. During the term of your Development Agreement, this territory will be exclusive and we will not put our own Learning Centers or allow any other franchisee to establish a Learning Center within this development territory. At the end of the term of your Development Agreement, which may be met either by your development of the last of the Learning Centers under that agreement, by the expiration of the time we gave you to develop those Learning Centers, or by earlier termination of the Development Agreement for cause, your rights in the development territory will end and you will retain only the exclusive rights we have given you for each individual Learning Center.

**Loss of Territorial Rights**

If an event happens that gives us the right to terminate your franchise agreement, we have the right to terminate your rights in your Designated Territory, even if we do not terminate right to operate your learning center. If this happens, we may operate, or grant another franchisee the right to operate, a Safari Kid learning center franchise in what was previously your Territory.

**No Franchises of Similar Businesses Under Different Marks**

We (including our Affiliate) have not established, nor do we have any presently formulated plans or policies to establish, other franchises or company-owned outlets or another channel of distribution selling similar services or products under a different service mark.

## ITEM 13
## TRADEMARKS

During the term of the Franchise Agreement, we grant you a license to use the service mark "SAFARI KID," (referred to in this Item as the "Mark"). Our affiliate Safari Kid, Inc., owns a federal registration on the Principal Registry of the United States Patent & Trademark Office for this Mark; it is Registration Number 6,557,624. It has licensed the Mark to us pursuant to a perpetual license agreement which is only terminable if we material breach the terms of the agreement and do not cure our breach within 30 days.

Your continuing ability to use the Mark depends on following all applicable standards, specifications and operating procedures as set forth in our Franchise Agreement and our confidential Operations Manual and Policy Manual.

Our right to use the Mark and to license you to use it is subject to a Trademark Consent and Coexistence Agreement ("Coexistence Agreement") between our California affiliate, Safari Kid, Inc., and Safari Learning Company, a California corporation. Safari Learning Company is the owner of the federally registered trademark SAFARI LEARNING (Registration No. 3,414,302). Safari Learning Company operates a single pre-school in Sonora, California. Under the Coexistence Agreement, Safari Learning Company and our Affiliate agreed that Safari Learning Company could continue using its SAFARI LEARNING trademark and our Affiliate could continue using the SAFARI KID trademark throughout the United States, as long as each company takes reasonable measures to make sure the two businesses are not confused by the public. This means that you cannot represent that your franchised business is in any way related to the SAFARI LEARNING system and you must follow our advertising restrictions carefully. If you become aware of any confusion between the two companies among any of your customers, you must tell those customers that Safari Kid is not related to the Safari Learning Company, provide the customers with the contact information for the Safari Learning Company, available at www.safarilearning.com, and let us know immediately.

We are not aware of other entities with any superior prior rights or infringing uses that might materially affect your use of our principal trademark in the states where we are offering franchises as of the date of this FDD. We encourage you to bring any business with a similar name to our attention if you are aware of it.

Our right to license others to use the above Mark comes from an exclusive license agreement between our Affiliate, Safari Kid, Inc., and us. This agreement has a term of 10 years and, unless canceled or modified, may be renewed by us for additional terms of 10 years each. The agreement can be modified only if both parties agree in writing. The agreement can be canceled only if we engage in or permit acts that reflect unfavorably on the reputation and goodwill of the Mark. Even if the license agreement were canceled, this would not adversely affect any rights you have to use the Mark under your franchise agreement.

You must notify us if you discover any unauthorized use of the Mark (or a colorable imitation of them), or if litigation involving the Mark is started or threatened. Although the franchise agreement requires us to take all steps reasonably necessary to preserve and protect the ownership and validity of the Mark, we are not specifically obligated to protect any rights you have to use the Mark or to protect or indemnify you against claims of infringement or unfair competition, or in any administrative or judicial proceeding involving the Mark, nor are we obligated to participate in your defense of such a claim. We are not obligated to pay any damages assessed against you or pay your expenses. We have the right to control

any litigation or administrative proceeding involving the Mark. You have no specific rights under the Franchise Agreement if we require you to modify or discontinue use of the Mark as a result of a proceeding or settlement.

## ITEM 14
## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

### Patents

No patents are material to the franchise.

### Copyrights

We have not registered any copyrights material to the franchise with the U.S. Copyright Office as of the effective date of this disclosure. We do claim copyright protection and trade secret protection (discussed below) for our confidential Operations Manual and Policy Manual, as well as Start-Up Guide and curriculum and intellectual property.

### Proprietary Trade Secrets

The franchise agreement describes, and our Operations Manual, Policy Manual and Start-Up Guide contain, proprietary and trade secret know-how developed by us and licensed to you. This proprietary information is referred to below as our "System." Under the terms of the franchise agreement: (i) you do not acquire any interest in our System, other than the right to use it in the operation of your franchise during the term of your agreement; (ii) you agree not to use our System in any business or capacity other than the development and operation of your franchise; (iii) you agree to treat the Operations Manual, Policy Manual and Start-Up Guide, including updates, in confidence as trade secrets; (iv) you agree not to make any unauthorized copies of any Manual or any other confidential information supplied by us and (v) you agree to take specific steps to maintain the confidentiality of our System during and after the term of your franchise. We are not aware of any infringing uses that would materially affect your use of our proprietary materials.

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

Unless we agree otherwise in writing, you must personally participate (on a full-time basis) in the direct operation of the franchise business. This is required under the terms of your franchise agreement, and we definitely recommend it as well. If we permit you to open multiple locations, you must personally participate in the direct operation of the businesses and must have approved managers for each location.

Any manager(s) hired by you must first be approved by us and trained. They must successfully complete our training program - see Item 6 above under "New Manager Training." If you (with our approval) train the manager, then only abbreviated training by us is necessary and a lesser fee applies. We will assess if the manager is trained as per our standards and may accordingly need for the new manager to attend a full training of up to a maximum of 97 hours for a Standard model learning center, or an abbreviated training up to a maximum of 15 hours. If we must assume all training responsibilities, then the full manager training fee applies. We also require that any manager employed by you enter into a written confidentiality agreement to protect the confidentiality of proprietary Safari Kid information. We do not require that your manager(s) have an ownership interest in your franchise.

## ITEM 16
## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must (1) offer and sell only those learning center programs and curriculums that we have approved for sale in writing; (2) offer and sell all types of learning center programs and curriculums we specify; (3) refrain from any deviation from our standards and specifications without our prior written consent; (4) bring your learning center into compliance with any new and different standards or specifications that we may develop within a reasonable time (which may be as little as 30 days and will never be longer than one year) from when we provide written notice to you of the new standards or specifications; and (5) discontinue offering and selling any learning center programs and curriculums which we may, in our discretion, disapprove in writing at any time. There are no contractual limits on our right to make changes or improvements to services (or products) offered as part of our system. All learning center programs and curriculums must meet our then-current standards and specifications, as specified in our Manuals or otherwise in writing.

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

### THE FRANCHISE RELATIONSHIP

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

| | PROVISION | SECTION IN THE FRANCHISE OR OTHER AGREEMENT | SUMMARY |
|---|---|---|---|
| a. | Length of the Franchise Term | FA 2.03(a)<br><br>ADA 4.1 | 15 years from date of opening each franchise<br><br>The Area Development Agreement's term will be based on the time period required for you to open the number of Learning Centers you agree to develop. |
| b. | Renewal or extension of term | FA 2.03(b)<br><br>ADA 4.2 | Successive 15-year renewal options<br><br>The Area Development Agreement is not renewable. |
| c. | Requirements for you to renew or extend | FA 2.03(b) (i)-(v) | The term of this Agreement may be extended for additional term of ten years each without the initial franchise fee (see FA for terms). You will be required to sign a new franchise agreement containing our then-current franchise agreement terms. |
| d. | Termination by you | FA 6.01 | Only if we default and do not remedy within 30 days of written notice. If you leave the system early, you must pay us liquidated damages. |

| | PROVISION | SECTION IN THE FRANCHISE OR OTHER AGREEMENT | SUMMARY |
|---|---|---|---|
| e. | Termination by us without cause | None | We can only terminate you for cause |
| f. | Termination by us with cause | FA 6.02<br>ADA 9.1 – 9.2 | Subject to "g" and "h" only if you default and do not remedy the default |
| g. | "Cause" defined-curable defaults | FA 6.02(f), (g) | Subject to "h" below, you have 30 days (only 5 days in the case of late fees) to cure all defaults after notice from us |
| h. | "Cause" defined – non-curable defaults | FA 6.02(a) - (f) | Non-curable defaults: criminal conviction, mark abuse, 3 repeated defaults in 6 months, etc. |
| i. | Your obligations on termination or nonrenewal | FA 6.03<br>ADA 9.3(a) | You must stop using our System and Mark, pay creditors, return our Manuals, assign your lease, offer us asset purchase rights, transfer phone no's, follow non-disclosure, competition & good-will covenants (see also "r" below), stop using our Website, and (if applicable under "d" above) pay us additional amounts owed |
| j. | Assignment of contract by us | FA 7.06 | No restrictions on our right to assign |
| k. | "Transfer" by you - defined | FA 7.01 - 7.05<br>ADA 7.3 | Includes transfers of franchise agreement, assets, ownership changes, death and permanent disability |
| l. | Our approval of transfer by you | FA 7.01<br>ADA 7.3(b) | Our written consent is required, will not be unreasonably withheld as long as certain conditions are satisfied (see "m.") |
| m. | Conditions for our approval of transfer | FA 7.01(a) - (g) and 7.03<br>ADA 7.3(b) | We are given a right of 1st refusal (see "n." below), new person/entity meets our standards, you are in good standing, the transfer fee is paid, new persons signs franchise contract and successfully completes our training program, release signed by you, and we approve the terms of your sale |
| n. | Our right of first refusal to acquire your franchise | FA 7.03<br>ADA 7.4 | We have 30 days to match any offer for your business; for transfers of more than 50%, we have a right of first refusal to buy 100% of the interest |

| | PROVISION | SECTION IN THE FRANCHISE OR OTHER AGREEMENT | SUMMARY |
|---|---|---|---|
| o. | Franchisor's right of first refusal to acquire franchisee's business | FA 6.03(c) | In most cases involving termination of your agreement, we have a 30 day option to assume your real estate lease, buy ;the physical assets, inventory, etc. |
| p. | Your death or disability | FA 7.02 | Interest must be transferred within 120 days to an approved third party. We have the right to manage during interim period if business is not run properly |
| q. | Non-competition covenants during term of franchise | FA 4.07(e)<br><br>ADA 8.1 | No involvement in any competitive business |
| r. | Noncompetition covenants after franchise is terminated or expires | FA 6.03(h)<br><br>ADA 9.3 | No involvement in any competitive business for 2 years within 5 miles of the Territory (same restrictions apply after transfer) |
| s. | Modification of Agreement | FA 8.02, 4.07(a) | Must be in writing signed by both parties. Changes to operations/ policy manuals do not change status/rights under the franchise agreement |
| t. | Integration/merger | FA 12.9<br><br>ADA 12.9 | Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the franchise agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document. |
| u. | Dispute resolution by arbitration/mediation | FA 8.05, 8.07 | Subject to our remedies at law and in equity, all disputes are settled by binding arbitration in our home state |
| v. | Choice of forum | FA 8.07<br>ADA 11.1 | Litigation generally must be in our home state, currently in Newark, CA |
| w. | Choice of law | FA 8.07 | The law of our home state (currently California) applies, except for service mark issues where federal law may apply |

| | PROVISION | SECTION IN THE FRANCHISE OR OTHER AGREEMENT | SUMMARY |
|---|---|---|---|
| x. | Limitation of claims | FA 8.05, 8.08 | Claims must be made within 1 year from occurrence or 90 days from discovery of facts. Claims arising under a termination by us must be made within 20 days of the termination date |
| y. | Waiver of punitive damages | FA 8.09 | Both we and you waive right to collect punitive damages |

[1] FA means Franchise Agreement; ADA means Area Development Agreement.

[2] This column is a summary only. Read entire section(s) of Franchise Agreement and Area Development Agreement for a complete understanding. Letter references in this column (like see "m." below) mean one of the "a" through "y" provisions in the first column.

## ITEM 18
## PUBLIC FIGURES

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

## ITEM 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Deepak Mudakavi at 34899 Newark Blvd., Newark, CA 94560 and at (510) 739 1511, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20
## OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**
**Systemwide Outlet Summary**
**For Years of 2019 - 2021**

| Outlet Type | Year | Outlets at Start of Year | Outlets at End of Year | Net Change |
|---|---|---|---|---|
| Franchised | 2019 | 16 | 17 | +1 |
| | 2020 | 17 | 20 | +3 |
| | 2021 | 20 | 20 | 0 |
| Company-Owned | 2019 | 10 | 10 | 0 |
| | 2020 | 10 | 8 | -2 |
| | 2021 | 8 | 8 | 0 |
| Total Outlets | 2019 | 26 | 27 | +1 |
| | 2020 | 27 | 28 | +1 |
| | 2021 | 28 | 28 | 0 |

**Table No. 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For the Fiscal Years of 2019 - 2021**

| State | Year | Number of Transfers |
|---|---|---|
| CA | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |
| Total | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |

**Table No. 3**
**Status of Franchised Outlets**
**For the Fiscal Years of 2019 - 2021**

| State | Year | Outlets at Start of the Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations For Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| CA | 2019 | 16 | 2 | 0 | 0 | 0 | 1 | 17 |
| | 2020 | 17 | 3 | 0 | 0 | 0 | 0 | 20 |
| | 2021 | 20 | 0 | 0 | 0 | 0 | 1 | 19 |
| OR | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Totals | 2019 | 16 | 2 | 0 | 0 | 0 | 1 | 17 |
| | 2020 | 17 | 3 | 0 | 0 | 0 | 0 | 20 |
| | 2021 | 20 | 1 | 0 | 0 | 0 | 1 | 20 |

A list of all active franchised outlets as of December 31, 2021, is attached to the Disclosure Document as Exhibit J. A list of all franchisees who have left the system as of December 31, 2021 is attached as Exhibit K.

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

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

No franchisee organizations specific to Safari Kid have asked to be included in this Disclosure Document.

**Table No. 4**
**Status of Company-Owned Outlets**
**For Years 2019 - 2021**

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| CA | 2019 | 8 | 0 | 0 | 0 | 0 | 8 |
| | 2020 | 8 | 0 | 0 | 2 | 0 | 6 |
| | 2021 | 6 | 0 | 0 | 0 | 0 | 6 |
| MA | 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| TX | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| VA | 2019 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 1 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 2019 | 10 | 0 | 0 | 0 | 0 | 10 |
| | 2020 | 10 | 1 | 0 | 3 | 0 | 8 |
| | 2021 | 8 | 0 | 0 | 0 | 0 | 8 |

We do not directly own any outlets. However, our Affiliate owns and operates a Safari Kid learning center, and our owners are partners in four other Safari Kid learning centers. All those outlets are included in this table.

**Table No. 5**
**Projected New Franchised Outlets As of December 31, 2021**

| STATE | FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED AS OF DECEMBER 31, 2021 | PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR | PROJECTED COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR |
|---|---|---|---|
| CA | 1 | 1 | 0 |
| OR | 0 | 1 | 0 |
| TX | 0 | 1 | 0 |
| WA | 1 | 1 | 0 |
| Total | 1 | 4 | 0 |

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

A list of all active franchised outlets as of December 31, 2021, is attached to the Disclosure Document as Exhibit J. A list of all franchisees who have left the system within the last 12 months as of December 31, 2021 is attached as Exhibit K.

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

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

## ITEM 21
## FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit A is our audited financial statements for the periods ended December 31, 2019, December 31, 2020 and December 31, 2021.

Our fiscal year end is December 31.

## ITEM 22
## CONTRACTS

Attached to this Disclosure Document as Exhibit B is one copy of the Franchise Agreement. You will also be required to sign an Owner's Guaranty and Assumption of Franchisee's Obligations (Exhibit H), an Electronic Debit Authorization to permit us to draw fees from your bank (Exhibit I) and, if you are married, your spouse must sign a Spousal Consent (Exhibit G).

If we agree to have you develop multiple locations, you will sign an Area Development Agreement (Exhibit B-2).

If you transfer or sell all or any part of your interest in the franchised business, you will be required to sign a General Release (Exhibit F).

## ITEM 23
## RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit M. Please sign and date one copy and return it to us. Retain the other copy for your records.

**EXHIBIT A**

**FINANCIAL STATEMENTS**

Safari Kid

QUALITY · RESEARCH-RICH · PROGRESSIVE

# SAFARI KID FRANCHISING, LLC

(a California Limited liability company)

DECEMBER 31, 2021

AUDITED

FINANCIAL STATEMENTS

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

---

CPA Auditor, Inc.

Professional Accountancy Corporation

# SAFARI KID FRANCHISING, LLC

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CPA Auditor, Inc. | 505 Montgomery Street, 10th floor, San Francisco, CA 94111,
650-290-2941, abhi@cpaauditor.com, www.cpaauditor.com

# INDEPENDENT AUDITOR'S REPORT

To the Members of
Safari Kid Franchising, LLC
34899 Newark Blvd,
Newark, California 94560

## Opinion

We have audited the financial statements of Safari Kid Franchising, LLC, (a California Limited Liability Company) which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, change in member's equity, and cash flows for the years then ended, and the related notes to the financial statement.

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

## Basis for Opinion

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

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Safari Kid Franchising, LLC's ability to continue as a going concern within one year from the date the financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive

to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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

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

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

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

Cpa Auditor, Inc.

San Francisco, California
April 10, 2022

Safari Kid Franchising, LLC
Balance Sheets
December 31, 2021 and 2020

| ASSETS | 2021 | 2020 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 965,389 | $ 141,116 |
| Accounts receivable | 670,727 | 352,800 |
| Total Current Assets | 1,636,116 | 493,916 |
| **Non Current Assets** | | |
| **Property and Equipment** | | |
| Vehicle | 109,300 | 109,300 |
| Leasehold improvements | 20,960 | 20,960 |
| | 130,260 | 130,260 |
| Less: Accumulated depreciation and amortization | (90,183) | (68,323) |
| | 40,077 | 61,937 |
| **Other Assets** | | |
| Loan receivable from stockholders | 150,000 | - |
| Note receivable from related affiliate | 90,000 | - |
| Total Other Assets | 240,000 | - |
| **Total Assets** | **$ 1,916,192** | **$ 555,853** |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and accrued expense payable | $ 10,713 | $ 13,844 |
| Advertising, marketing network reserve | 97,223 | 2,184 |
| Deferred franchise revenue, current portion | 33,500 | 10,000 |
| Umpqua line of credit | 90,000 | 90,000 |
| PPP loan | 68,651 | 66,600 |
| Vehicle loan payable, current portion | 19,385 | 17,387 |
| Income tax payable | 1,747 | - |
| Total Current Liabilities | 321,219 | 200,015 |
| **Non Current Liabilities** | | |
| Deferred franchise revenue, net of current portion | 268,000 | 90,000 |
| SBA EIDL loan | 1,220,796 | 256,500 |
| Vehicle loan payable, net of current portion | 34,263 | 52,177 |
| Total Non Current Liabilities | 1,523,059 | 398,677 |
| **Total Liabilities** | 1,844,278 | 598,692 |
| **Members' Equity** | | |
| Members' Equity | 71,914 | (42,839) |
| **Total Liabilities and Members' Equity** | **$ 1,916,192** | **$ 555,853** |

See accompanying independent auditors' report and notes to financial statements

Safari Kid Franchising, LLC
Statements of Operations
Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Revenue** | | |
| Royalty revenue | $ 453,802 | $ 284,839 |
| Marketing and network revenue | 97,243 | 5,520 |
| Franchise fees | 33,500 | 10,000 |
| Total revenue | 584,545 | 300,359 |
| **Expenses** | | |
| Salaries and wages | 276,716 | 271,786 |
| Advertising and marketing | 97,243 | 5,520 |
| Consulting fees | 71,263 | 27,500 |
| Legal fees | 34,087 | 23,088 |
| Depreciation and amortization | 21,860 | 21,860 |
| Payroll taxes | 21,113 | 22,758 |
| Office supplies | 2,458 | - |
| Auto travel expense | 1,846 | 1,083 |
| Bank charges | 102 | 475 |
| Provision for bad debts | - | 189,970 |
| Total expense | 526,688 | 564,040 |
| **Income (loss) from operation** | 57,857 | (263,681) |
| **Other Income (Expense)** | | |
| EIDL grant income | 15,000 | 7,000 |
| PPP loan forgiveness | 66,600 | - |
| Interest expense, line of credit and vehicle | (22,957) | (13,308) |
| **Total Other Income (Expense)** | 58,643 | (6,308) |
| **Income (loss) before income taxes** | 116,500 | (269,989) |
| Provision for income taxes | 1,747 | 2,750 |
| **Net income (loss)** | $ 114,752 | $ (272,739) |

See accompanying independent auditors' report and notes to financial statements

Safari Kid Franchising, LLC
Statement of Change in Member's Equity
Years Ended December 31, 2021 and 2020

| | Members' Contributions | Retained Earnings | Members' Equity |
|---|---|---|---|
| **Balance, December 31, 2019** | **$ 46,000** | **$ 233,900** | **$ 279,900** |
| Members' distributions | - | (50,000) | (50,000) |
| Net loss | - | (272,739) | (272,739) |
| **Balance, December 31, 2020** | **$ 46,000** | **$ (88,839)** | **$ (42,839)** |
| Net income | - | 114,752 | 114,752 |
| **Balance, December 31, 2021** | **$ 46,000** | **$ 25,913** | **$ 71,914** |

Safari Kid Franchising, LLC
Statement of Cash Flows
Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Net income (loss) | $ 114,752 | $ (272,739) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 21,860 | 21,860 |
| PPP loan forgiven | (66,600) | - |
| Change in assets and liabilities: | | |
| Accounts receivable | (317,926) | 144,164 |
| Accounts payable | (3,130) | (78,902) |
| Advertising, marketing network reserve | 97,223 | - |
| Payroll taxes payable | (2,184) | (883) |
| Deferred franchise revenue | 201,500 | (92,089) |
| Income tax payable | 1,747 | - |
| **Net Cash Provided by (Used in) Operating Activities** | 47,242 | (278,589) |
| **Cash Flows From Financing Activities** | | |
| Note receivable from related affiliate, payment | (90,000) | - |
| Loan receivable from stockholders | (150,000) | - |
| PPP 2nd loan, received | 68,651 | 66,600 |
| Vehicle loan payable, payment | (15,916) | (17,387) |
| EIDL loan, received | 964,296 | 256,500 |
| Members distributions | - | (50,000) |
| Umpqua line of credit | - | 90,000 |
| **Net Cash Provided by Financing Activities** | 777,031 | 345,713 |
| **Net change in cash and cash equivalents** | 824,273 | 67,124 |
| Cash and cash equivalents, beginning of year | 141,116 | 73,992 |
| **Cash and cash equivalents, end of year** | $ 965,389 | $ 141,116 |
| **Supplemental cash-flow information** | | |
| Income tax paid during the year | $ 800 | $ 6,050 |
| Interest paid during the year | $ 7,374 | $ 6,893 |

See accompanying independent auditors' report and notes to financial statements

## 1. Summary of Significant Accounting Policies

**Description of Operations** -- Safari kid Franchising, LLC ("Safari Kid Franchising ") was organized in California on November 14, 2006. Safari Kid Franchising is engaged in selling franchises specializes in teaching children as young as 18 months old using interactive tools and hands on activities to stimulate the child's mind and focus on the three main disciplines reading, writing, math and logical thinking. These franchises will operate under the name "Safari Kid" throughout the United States and Canada. The principal efforts at Safari Kid Franchising revolve around building the brand.

Under contractual agreement, Safari Kid Franchising is obligated to lend the right to franchisees to use the Safari Kid Franchising trade name, and system, and provide initial set up and training. Safari Kid Franchising franchisees are required to pay a one-time franchise fee to obtain the right to license Safari Kid Franchising trade name, and the system developed by Safari Kid Franchising for ten (10) years with the right to renew. On an ongoing basis, franchisees are required to pay monthly royalty fee based on franchisee’s monthly gross revenue. Franchisees are also required to make monthly contribution to a marketing fund which is managed by Safari Kid Franchising.

Safari Kid Franchising revenue stream is depending on existing and new franchisees, and is subject to the change of economic conditions, and sensitive to economic cycles.

As of December 31, 2021, Safari Kid Franchising had total of twenty-eight franchisee (28) locations of which eight (8) locations are related affiliated locations.

**Basis of Accounting** -- Safari Kid Franchising prepares the financial statements using accrual basis of accounting in conformity with the generally accepted accounting principles in the United States of America and uses cash method for preparing the tax return. The expenses are recorded when the benefits and services are received.

**Estimates Included in the Financial Statements** -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Safari Kid Franchising is subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the education environment, competition, litigation, legislation and regulations. Safari Kid Franchising regularly evaluates their estimates and assumptions using historical experience and expectations about the future. Safari Kid Franchising adjusts their estimates and assumptions when facts and circumstances indicate the need for change.

Cash and Cash Equivalents -- Cash consists of interest and non-interest-bearing accounts with one financial institution. Safari Kid Franchising considers all highly liquid investments with original maturity of three months or less from the date of purchased, to be cash equivalents. The carrying value of cash equivalents approximates fair value.

Accounts Receivable -- Account receivable is stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts using the allowance method. Management has provided $0 and $189,970 provision for bad debts for the years ended December 31, 2021 and 2020, respectively, as management believes that substantially all the remaining accounts receivable will be collectible after the year-end.

Property and Equipment -- Property and equipment cost is stated at cost. For financial reporting purposes, depreciation and amortization is provided on the straight-line method by annual charges to income calculated to allocate the cost over their estimated useful lives. For income tax purposes, the Modified Cost Recovery System (MACRS) is used to calculate deductible depreciation and amortization.

| Type of property | Life |
|---|---|
| Vehicle | 5 Years |
| Leasehold improvements | 7 Years |

Depreciation and Amortization expenses were $21,860 and $21,860 during the years ended December 31, 2021 and 2020, respectively.

Expenditures for maintenance and repairs which are not for the permanent improvement, betterment or restoring property are charged directly to appropriate operating accounts at the time the expense is incurred. Expenditures determined to represent additions and improvements are capitalized if the amount is greater than $1,000.

Accounts and Accrued Expense Payable -- Accounts and accrued expense payable are recorded when goods or benefits are received. The carrying amounts of accounts payable in the balance sheet approximates its fair value.

Deferred Franchise Revenue -- Deferred franchise revenue of $301,500 represents the franchise fees received in 2019, 2020 and 2021 as advance from four (4) franchise location. Deferred revenue of $301,500 will be allocated revenue over a period of 10 years.

Revenue Recognition -- On January 1, 2018, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), ASC 606 significantly affects Safari Kid Franchising in areas including the accounting for franchise fees and the accounting for revenues.

On January 1, 2019, the Company adopted new accounting standard, as amended, regarding revenue from contracts with customers using the modified retrospective approach. This standard provides guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The adoption of this standard did not have a material impact on the Safari Kid Franchising's financial position and results of operations.

Safari Kid Franchising recognized the franchise contract to franchisee as a distinct series of performance obligations and essentially is a license that allows the franchisee to use the Safari Kid Franchising's intellectual property. Intellectual property includes pre-opening services, marketing services and use of the Safari Kid Franchising's systems.

Franchise Fees -- Safari Kid Franchising recognize and record franchise fee revenues over the expected life of the franchise agreement, i.e., 10 years.

Tuition Fees Revenue -- Revenue from tuition services is recognized ratably as services are delivered. Revenues are received beginning of the month.

Royalty and Marketing and Network Revenue -- All the franchises shall pay to Safari Kid Franchising a monthly royalty of 7% and network marketing revenue of 1.5% of gross revenue. Revenues are recognized when earned.

Safari Kid Franchising doesn't charge any franchise, royalty and network fees to related affiliates.

Advertising and Marketing -- Advertising and marketing costs are expensed as incurred. Safari Kid Franchising is committed to spending 1.5% of gross revenue after discounts on advertising, marketing and promotions.

During the year 2021, Safari Kid Franchising paid $20 for advertising and marketing expense and recorded advertising, marketing network reserve of $97,223 as a liability. The carrying amount of advertising, marketing network reserve of $97,233 as December 31, 2021 is approximates its fair value.

Fair Value of Financial Instrument -- The carrying amounts of financial instruments including cash, accounts receivable, accounts payable, deferred franchise revenue, advertising, marketing network reserve, PPP loan payable, and vehicle loan payable approximate fair value as of December 31, 2021, because of the relatively short maturity of these instruments.

New Accounting Pronouncements -- In February 2016, the Financial Accounting Standards Board issued a new accounting pronouncement that requires lessees to record assets and liabilities on the balance sheet for lease-related rights and obligations and disclose key information about certain leasing arrangements. This new standard

establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU assets and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as financing or operating, with classification affecting the pattern of expense recognition in the statement of operations. Safari Kid Franchising will adopt the standard, including the related amendments, effective beginning after December 15, 2021, using the modified retrospective approach, applying the provisions of the new standard on its effective date. Management is currently evaluating the potential impact that the adoption of this standard will have on Safari Kid Franchising's financial position, results of operations, and related disclosures.

2. Income Taxes -- Safari Kid Franchising and its members elected to be taxed under the provision of limited liability Company of the Internal Revenue Code. Under those provisions, Safari Kid Franchising does not pay federal income taxes on Safari Kid Franchising taxable income. Instead, the members are liable for individual federal income taxes and have consented to include in their respective income tax returns. Accordingly, no provision has been made for federal income taxes. Safari Kid Franchising files its state tax in the state of California.

Safari Kid Franchising files its income tax returns in the U.S. Federal and California jurisdictions. None of the Safari Kid Franchising's tax returns have been examined by the taxing authorities, nor has the Safari Kid Franchising been notified of any pending examinations.

At December 31, 2021, Safari Kid Franchising did not have any tax benefit disallowed under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") FASB ASC 740, Income Taxes and no amounts have been recognized for potential interests and penalties. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with the tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax position not meeting the "more likely than not" test, no tax benefit is recorded.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Safari Kid Franchising has temporary differences which are immaterial. Thus, Safari Kid Franchising determines it impractical to recognize such in the financial statements.

Safari Kid Franchising, file Federal and State of California income tax returns. Safari Kid Franchising recognize interest and penalties related to income tax matters, if any, in income tax expense.

3. Concentration of credit risk -- Financial instruments that potentially subject Safari Kid Franchising to concentrations of credit risk consist principally of deposits greater than $250,000 for interest bearing accounts with each financial institution that is a member of Federal Deposit Insurance Corporation ("FDIC"), and security deposits greater than $500,000 ($250,000 on cash) with each financial institution that is a member of Securities Investor Protection Corporation ("SIPC").

Safari Kid Franchising has cash balances on deposit at December 31, 2021 that exceeded the balance insured by the FDIC in the amount of $708,911. Safari Kid Franchising performs an ongoing evaluation of the commercial bank to limit its concentration of credit risk exposure.

Concentration of Revenue -- During the year 2021, $341,915 or 58% of the Safari Kid Franchising revenue were from four franchisee locations. Accounts receivables from these four franchisee locations were $341,915 or 51% of accounts receivable balance as of December 31, 2021.

4. Transactions with Related Affiliate -- Transactions that occurred between Safari Kid Franchising and related affiliate during the 2021 are as follows:

Safari Kid Franchising sells franchises under a license transferred from Safari Kid, Inc which is 100% owned by the members of Safari Kid Franchising, LLC. This gives Safari Kid Franchising, LLC the exclusive rights to sell franchises across the United States of America.

Safari Kid Franchising conducts its operations from the land and building at 34899 Newark Blvd, Suite Newark, California. Safari Kid Franchising doesn't pay any monthly rent. This office belongs to Safari Kid, Inc which is 100% owned by the members of Safari Kid Franchising, LLC.

As of December 31, 2021, eight (8) locations were owned by the related affiliates (Safari Kid, Inc and stockholders).

Safari Kid Franchising doesn't charge any franchise, royalty and network marketing fees to related affiliates.

On December 9, 2021, Safari Kid Franchising issued a loan of $150,000 to stockholders. See footnote 10 below for the detail.

During the year 2021, Safari Kid Franchising issued a loan of $90,000 to related affiliates (Safari Kids, Inc.). See footnote 11 below for the detail.

## 5. Contingencies, Risks and Uncertainties

In the normal course of business, Safari Kid Franchising may periodically be subject to various claims and lawsuits. However, there is currently no legal action pending against Safari Kid Franchising, nor, to our knowledge, any such proceedings contemplated.

Safari Kid Franchising is subject to current city, state, federal, Department of Social Service Child Care and education regulations. Any changes in these regulations could materially affect the Safari Kid Franchising's operations.

Safari Kid Franchising are concentrated in an industry which is characterized by significant competition, licensing and evolving regulatory requirements and industry standards. The success of Safari Kid Franchising depends on management's ability to keep the license active. Any significant delays in these requirements could have a material adverse effect on Safari Kid Franchising's business and operating results.

## 6. Umpqua Working Capital Line of Credit

In February 2020, Safari Kid Franchising signed a working capital line of credit from Umpqua bank. The working capital line of credit bears base interest of 6.05%, the maturity date of the line is December 31, 2022. As of December 31, 2021, the note

payable balance was $90,000. The interest paid on this line of credit for 2021 was $5,531. As per the working capital line of credit agreement Safari Kid Franchising is required to maintain some covenants. Management believes that they are in compliance with all covenants as of December 31, 2021. The working capital line of credit is secured by accounts receivables and assets.

## 7. Vehicle Loan Payable

On September 29, 2018, Safari Kid Franchising purchased a vehicle and entered in a loan agreement with Tesla Motors Inc financial services. Safari Kid Franchising have to make a seventy-two (72) monthly payment of $1,604 beginning November 2018 and maturing in October 2024. The interest rate related to the lease obligation is 2.99%.

| | Amount |
|---|---|
| Vehicle loan payable | $ 53,648 |
| Less: Current portion | (19,385) |
| Long term vehicle loan payable | $ 34,263 |

Future minimum payments under the primary terms of the loan are as follows:

| Year Ending December 31, | Amount |
|---|---|
| 2022 | $ 19,385 |
| 2023 | 18,457 |
| 2024 | 15,807 |
| | $ 53,648 |

## 8. Paycheck Protection Program (PPP) Loan

Safari Kid Franchising received PPP loan, as established by the CARES Act amounting to $68,651 on February 16, 2021. The Management strongly feels that the amount of PPP loan along with interest due will be forgiven as the Company meets all the conditions of forgiveness.

## 9. Small Business Administration (SBA) Economic Injury Disaster (EIDL) Loan

Safari Kid Franchising received Small Business Administration (SBA) Economic Injury Disaster (EIDL) Loan, amounting to $1,220,796 which includes loan balance of $1,198,800 and accrued interest of $21,996 as of December 31, 2021 repayable in 30 years, the first loan and interest payment is due starting January 2023. Provision for accrued Interest has been made @ 3.75% p.a. on the SBA loan amounting to $21,996.

## 10. Loan Receivable from Stockholders

On December 9, 2021, Safari Kid Franchising issued a loan of $150,000 to stockholders. The loan is issued at an interest rate of 0% and loan is receivable on or before December 9, 2023. The outstanding balance of loan receivable from stockholders are $150,000 and $0 as of December 31, 2021 and 2020, respectively.

## 11. Note Receivable from Related Affiliates

During the year 2021, Safari Kid Franchising issued a loan of $90,000 to related affiliates (Safari Kids, Inc.). The loan is issued at an interest rate of 0% and note is receivable on or before December 31, 2023. The outstanding balance of note receivable from related affiliates are $90,000 and $0 as of December 31, 2021 and 2020, respectively.

## 12. Subsequent Events

Management has evaluated subsequent events through April 10, 2022 the date which the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with the accounting principles generally accepted in the United States of America. Safari Kid Franchising has determined that there are no unrecognized subsequent events that require additional disclosures.

Safari Kid

QUALITY · RESEARCH-RICH · PROGRESSIVE

# SAFARI KID FRANCHISING, LLC

(a California Limited liability company)

DECEMBER 31, 2020

AUDITED

FINANCIAL STATEMENTS

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

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CPA Auditor, Inc.

Professional Accountancy Corporation

# SAFARI KID FRANCHISING, LLC

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CPA Auditor, Inc. | 505 Montgomery Street, 10th floor, San Francisco, CA 94111,
650-290-2941, abhi@cpaauditor.com, www.cpaauditor.com

# INDEPENDENT AUDITOR'S REPORT

To the Members of
Safari Kid Franchising, LLC
34899 Newark Blvd,
Newark, California 94560

We have audited the accompanying financial statements of Safari Kid Franchising, LLC, (a California Limited Liability Company), which comprise the balance sheet as of December 31, 2020, and the related statement of operations, change in member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safari Kid Franchising, LLC, as of December 31, 2020 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cpa Auditor, Inc.

San Francisco, California
April 20, 2021

Safari Kid Franchising, LLC
Balance Sheet
December 31, 2020

| ASSETS | | |
|---|---|---|
| | | 2020 |
| **Current Assets** | | |
| Cash and cash equivalents | $ | 141,116 |
| Accounts receivable, net of allowance for doubtful accounts of $189,970 | | 352,800 |
| Total Current Assets | | 493,916 |
| **Non Current Assets** | | |
| **Property and Equipment** | | |
| Vehicle | | 109,300 |
| Leasehold improvements | | 20,960 |
| | | 130,260 |
| Less: Accumulated depreciation and amortization | | (68,323) |
| | | 61,937 |
| **Total Assets** | **$** | **555,853** |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and accrued expense payable | | 13,844 |
| Payroll taxes payable | | 2,184 |
| Deferred franchise revenue, current portion | | 10,000 |
| Umpqua line of credit | | 90,000 |
| PPP loan | | 66,600 |
| Vehicle loan payable, current portion | | 17,387 |
| Total Current Liabilities | | 200,015 |
| **Non Current Liabilities** | | |
| Deferred franchise revenue, net of current portion | | 90,000 |
| SBA EIDL loan | | 256,500 |
| Vehicle loan payable, net of current portion | | 52,177 |
| Total Non Current Liabilities | | 398,677 |
| **Total Liabilities** | | 598,692 |
| **Members' Equity** | | |
| Members' Equity | | (42,839) |
| **Total Liabilities and Members' Equity** | **$** | **555,853** |

See accompanying independent auditors' report and notes to financial statements

Safari Kid Franchising, LLC
Statement of Operations
Year Ended December 31, 2020

| | 2020 |
|---|---|
| **Revenue** | |
| Franchise, royalty and network revenue | $ 300,359 |
| Total revenue | 300,359 |
| **Expenses** | |
| Salaries and wages | 271,786 |
| Provision for bad debts | 189,970 |
| Consulting fees | 27,500 |
| Legal fees | 23,088 |
| Payroll taxes | 22,758 |
| Depreciation and amortization | 21,860 |
| Advertising and marketing | 5,520 |
| Auto travel expense | 1,083 |
| Bank charges | 475 |
| Total expense | 564,040 |
| **Loss from operation** | (263,681) |
| **Other Income (Expense)** | |
| EIDL grant income | 7,000 |
| Interest expense | (13,308) |
| Total other expense | (6,308) |
| **Loss before income taxes** | (269,989) |
| Provision for income taxes | 2,750 |
| **Net Loss** | **$ (272,739)** |
| Members' equity, beginning of year | 279,899 |
| Members distributions | (50,000) |
| **Members' equity, end of year** | **$ (42,839)** |

See accompanying independent auditors' report and notes to financial statements

Safari Kid Franchising, LLC
Statement of Change in Member's Equity
Year Ended December 31, 2020

| | Members' Contributions | Accumulated Deficits | Members' Equity |
|---|---|---|---|
| Balance, December 31, 2019 | $ 46,000 | $ 233,899 | $ 279,899 |
| Members' distributions | - | (50,000) | (50,000) |
| Net loss | - | (272,739) | (272,739) |
| **Balance, December 31, 2020** | **$ 46,000** | **$ (88,839)** | **$ (42,839)** |

See accompanying independent auditors' report and notes to financial statements

Safari Kid Franchising, LLC
Statement of Cash Flows
Year Ended December 31, 2020

| | 2020 |
|---|---|
| **Cash Flows From Operating Activities** | |
| Net loss | $ (272,739) |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 21,860 |
| Change in assets and liabilities: | |
| Accounts receivable | 144,163 |
| Accounts payable | (78,902) |
| Payroll taxes payable | (883) |
| Deferred franchise revenue | (92,089) |
| **Net Cash Provided by Operating Activities** | (278,590) |
| **Cash Flows From Financing Activities** | |
| Umpqua line of credit | 90,000 |
| PPP loan | 66,600 |
| Vehicle loan payable | (17,387) |
| EIDL loan | 256,500 |
| Members distributions | (50,000) |
| **Net Cash Used In Financing Activities** | 345,713 |
| **Net change in cash and cash equivalents** | 67,124 |
| Cash and cash equivalents, beginning of year | 73,992 |
| **Cash and cash equivalents, end of year** | **$ 141,116** |
| **Supplemental cash-flow information** | |
| Income tax paid during the year | **$ 6,050** |
| Interest paid during the year | **$ 6,893** |

See accompanying independent auditors' report and notes to financial statements

## 1. Summary of Significant Accounting Policies

**Description of Operations** -- Safari kid Franchising, LLC ("Safari Kid Franchising ") was organized in California on November 14, 2006. Safari Kid Franchising is engaged in selling franchises specializes in teaching children as young as 18 months old using interactive tools and hands on activities to stimulate the child's mind and focus on the three main disciplines reading, writing, math and logical thinking. These franchises will operate under the name "Safari Kid" throughout the United States and Canada. The principal efforts at Safari Kid Franchising revolve around building the brand.

Under contractual agreement, Safari Kid Franchising is obligated to lend the right to franchisees to use the Safari Kid Franchising trade name, and system, and provide initial set up and training. Safari Kid Franchising franchisees are required to pay a one-time franchise fee to obtain the right to license Safari Kid Franchising trade name, and the system developed by Safari Kid Franchising for ten (10) years with the right to renew. On an ongoing basis, franchisees are required to pay monthly royalty fee based on franchisee’s monthly gross revenue. Franchisees are also required to make monthly contribution to a marketing fund which is managed by Safari Kid Franchising.

Safari Kid Franchising revenue stream is depending on existing and new franchisees, and is subject to the change of economic conditions, and sensitive to economic cycles.

As of December 31, 2020, Safari Kid Franchising had total of twenty-seven franchisee (27) locations of which ten (10) locations are related affiliated locations.

**Basis of Accounting** -- Safari Kid Franchising prepares the financial statements using accrual basis of accounting in conformity with the generally accepted accounting principles in the United States of America and uses cash method for preparing the tax return. The expenses are recorded when the benefits and services are received.

**Estimates Included in the Financial Statements** -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Safari Kid Franchising is subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the education environment, competition, litigation, legislation and regulations. Safari Kid Franchising regularly evaluates their estimates and assumptions using historical experience and expectations about the future. Safari Kid Franchising adjusts their estimates and assumptions when facts and circumstances indicate the need for change.

**Cash and Cash Equivalents** -- Cash consists of interest and non-interest-bearing accounts with one financial institution. Safari Kid Franchising considers all highly liquid investments with original maturity of three months or less from the date of purchased, to be cash equivalents. The carrying value of cash equivalents approximates fair value.

**Accounts Receivable --** Account receivable is stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts using the allowance method. Management has provided $189,970 provision for bad debts for the year ended December 31, 2020. No additional allowances for doubtful accounts were recorded as management believes that substantially all the remaining accounts receivable will be collectible after the year-end.

**Property and Equipment** -- Property and equipment cost is stated at cost. For financial reporting purposes, depreciation and amortization is provided on the straight-line method by annual charges to income calculated to allocate the cost over their estimated useful lives. For income tax purposes, the Modified Cost Recovery System (MACRS) is used to calculate deductible depreciation and amortization.

| Type of property | Life |
|---|---|
| Vehicle | 5 Years |
| Leasehold improvements | 7 Years |

Depreciation and Amortization expenses were $21,860 during the year ended December 31, 2020.

Expenditures for maintenance and repairs which are not for the permanent improvement, betterment or restoring property are charged directly to appropriate

operating accounts at the time the expense is incurred. Expenditures determined to represent additions and improvements are capitalized if the amount is greater than $1,000.

**Accounts and Accrued Expense Payable --** Accounts and accrued expense payable are recorded when goods or benefits are received. The carrying amounts of accounts payable in the balance sheet approximates its fair value.

**Deferred Franchise Revenue** -- Deferred franchise revenue of $100,000 represents the franchise fees received in 2019 as advance from one (1) franchise location. Deferred revenue of $100,000 will be allocated revenue over a period of next to 10 years once the location is in operation.

**Revenue Recognition** -- On January 1, 2018, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), ASC 606 significantly affects Safari Kid Franchising in areas including the accounting for franchise fees and the accounting for revenues.

On January 1, 2019, the Company adopted new accounting standard, as amended, regarding revenue from contracts with customers using the modified retrospective approach. This standard provides guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The adoption of this standard did not have a material impact on the Safari Kid Franchising's financial position and results of operations.

Safari Kid Franchising recognized the franchise contract to franchisee as a distinct series of performance obligations and essentially is a license that allows the franchisee to use the Safari Kid Franchising's intellectual property. Intellectual property includes pre-opening services, marketing services and use of the Safari Kid Franchising's systems.

**Franchise Fees** -- Safari Kid Franchising recognize and record franchise fee revenues over the expected life of the franchise agreement, i.e., 10 years.

**Tuition Fees Revenue** -- Revenue from tuition services is recognized ratably as services are delivered. Revenues are received beginning of the month.

**Franchise, Royalty and Network Revenue** -- All the franchises shall pay to Safari Kid Franchising a monthly royalty of 7% and network marketing revenue of 1.5% of gross sales. Revenues are recognized when earned.

Safari Kid Franchising doesn't charge any franchise, royalty and network fees to related affiliates.

**Advertising and Marketing** -- Advertising and marketing costs are expensed as incurred. Production costs are expensed at the first communication of the advertisements while communication expenses are incurred each time the advertisement is communicated. The advertising expenses were $5,520 for the year ended December 31, 2020.

**Fair Value of Financial Instrument** -- The carrying amounts of financial instruments including cash, accounts receivable, accounts payable, payroll taxes payable, deferred franchise revenue, and vehicle loan payable approximate fair value as of December 31, 2020, because of the relatively short maturity of these instruments.

**New Accounting Pronouncements --** In February 2016, the Financial Accounting Standards Board issued a new accounting pronouncement that requires lessees to record assets and liabilities on the balance sheet for lease-related rights and obligations and disclose key information about certain leasing arrangements. This new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU assets and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as financing or operating, with classification affecting the pattern of expense recognition in the statement of operations. Safari Kid Franchising will adopt the standard, including the related amendments, effective beginning after December 15, 2021, using the modified retrospective approach, applying the provisions

of the new standard on its effective date. Management is currently evaluating the potential impact that the adoption of this standard will have on Safari Kid Franchising's financial position, results of operations, and related disclosures.

**2. Income Taxes** -- Safari Kid Franchising and its members elected to be taxed under the provision of limited liability Company of the Internal Revenue Code. Under those provisions, Safari Kid Franchising does not pay federal income taxes on Safari Kid Franchising taxable income. Instead, the members are liable for individual federal income taxes and have consented to include in their respective income tax returns. Accordingly, no provision has been made for federal income taxes. Safari Kid Franchising files its state tax in the state of California.

Safari Kid Franchising files its income tax returns in the U.S. Federal and California jurisdictions. None of the Safari Kid Franchising's tax returns have been examined by the taxing authorities, nor has the Safari Kid Franchising been notified of any pending examinations.

At December 31, 2020, Safari Kid Franchising did not have any tax benefit disallowed under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") FASB ASC 740, Income Taxes and no amounts have been recognized for potential interests and penalties. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with the tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax position not meeting the "more likely than not" test, no tax benefit is recorded.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Safari Kid Franchising has temporary differences which are immaterial. Thus, Safari Kid Franchising determines it impractical to recognize such in the financial statements.

Safari Kid Franchising, file Federal and State of California income tax returns. Safari Kid Franchising recognize interest and penalties related to income tax matters, if any, in income tax expense.

**3. Concentration of credit risk** -- Financial instruments that potentially subject Safari Kid Franchising to concentrations of credit risk consist principally of deposits greater than $250,000 for interest bearing accounts with each financial institution that is a member of Federal Deposit Insurance Corporation ("FDIC"), and security deposits greater than $500,000 ($250,000 on cash) with each financial institution that is a member of Securities Investor Protection Corporation ("SIPC").

Safari Kid Franchising has no interest and non-interest-bearing cash balances on deposit at December 31, 2020 that exceeded the balance insured by the FDIC. Safari Kid Franchising performs an ongoing evaluation of the commercial bank to limit its concentration of credit risk exposure.

**Concentration of Revenue** -- During the year 2020, $171,391 or 57% of the Safari Kid Franchising revenue were from six franchisee locations. Accounts receivables from these six franchisee locations were $108,032 or 57% of accounts receivable balance as of December 31, 2020.

**4. Transactions with Related Affiliate** -- Transactions that occurred between Safari Kid Franchising and related affiliate during the 2020 are as follows:

Safari Kid Franchising sells franchises under a license transferred from Safari Kid, Inc which is 100% owned by the members of Safari Kid Franchising, LLC. This gives Safari Kid Franchising, LLC the exclusive rights to sell franchises across the United States of America.

Safari Kid Franchising conducts its operations from the land and building at 34899 Newark Blvd, Suite Newark, California. Safari Kid Franchising doesn't pay any monthly rent. This office belongs to Safari Kid, Inc which is 100% owned by the members of Safari Kid Franchising, LLC.

As of December 31, 2020, ten (10) locations were owned by the related affiliates (Safari Kid, Inc and stockholders).

Safari Kid Franchising doesn't charge any franchise, royalty and network fees to related affiliates.

## 5. Contingencies, Risks and Uncertainties

In the normal course of business, Safari Kid Franchising may periodically be subject to various claims and lawsuits. However, there is currently no legal action pending against Safari Kid Franchising, nor, to our knowledge, any such proceedings contemplated.

Safari Kid Franchising is subject to current city, state, federal, Department of Social Service Child Care and education regulations. Any changes in these regulations could materially affect the Safari Kid Franchising's operations.

Safari Kid Franchising are concentrated in an industry which is characterized by significant competition, licensing and evolving regulatory requirements and industry standards. The success of Safari Kid Franchising depends on management's ability to keep the license active. Any significant delays in these requirements could have a material adverse effect on Safari Kid Franchising's business and operating results.

## 6. Umpqua Working Capital Line of Credit

In February and March 2020, Safari Kid Franchising borrowed from Umpqua working capital line of credit of $50,000 and $40,000, total of $90,000. The working capital line of credit bears base interest of 6.05%, as of December 31, 2020, the maturity date of the line is December 31, 2021. The interest paid on this line of credit for 2020 was $4,538. As per the working capital line of credit agreement Safari Kid Franchising is required to maintain some covenants. Management believes that they are in compliance with all covenants as of December 31, 2020. The working capital line of credit is secured by accounts receivables and assets.

## 7. Vehicle Loan Payable

On September 29, 2018, Safari Kid Franchising purchased a vehicle and entered in a loan agreement with Tesla Motors Inc financial services. Safari Kid Franchising have to make a seventy-two (72) monthly payment of $1,604 beginning November 2018 and maturing in October 2024. The interest rate related to the lease obligation is 2.99%.

| | Amount |
|---|---|
| Vehicle loan payable | $ 69,564 |
| Less: Current portion | 16,875 |
| Long term vehicle loan payable | $ 52,689 |

Future minimum payments under the primary terms of the loan are as follows:

| Year Ending December 31, | Amount |
|---|---|
| 2021 | $ 17,387 |
| 2022 | 17,914 |
| 2023 | 18,457 |
| 2024 | 15,807 |
| | $ 69,564 |

## 8. Paycheck Protection Program (PPP) Loan

Safari Kid Franchising received PPP loan, as established by the CARES Act amounting to $66,600 on April 13, 2020. The Management strongly feels that the amount of PPP loan along with interest due will be forgiven as the organization meets all the conditions of forgiveness.

## 9. Small Business Administration (SBA) Economic Injury Disaster (EIDL) Loan

Safari Kid Franchising received Small Business Administration (SBA) Economic Injury Disaster (EIDL) Loan, amounting to $ 256,500 on April 24, 2020 repayable in 30 years, the first loan and interest payment is due starting April 2022. Provision for accrued Interest has been made @ 3.75% p.a. on the SBA loan amounting to $6,415.

## 10. Subsequent Events

Management has evaluated subsequent events through April 20, 2021 the date which the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with the accounting principles generally accepted in the United States of America. Safari Kid Franchising has determined that there are no unrecognized subsequent events that require additional disclosures.

Safari Kid

QUALITY · RESEARCH-RICH · PROGRESSIVE

# SAFARI KID FRANCHISING, LLC

(a California Limited liability company)

DECEMBER 31, 2019

AUDITED

FINANCIAL STATEMENTS

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

---

CPA Auditor, Inc.

Professional Accountancy Corporation

# SAFARI KID FRANCHISING, LLC

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CPA Auditor, Inc. | 505 Montgomery Street, 10th floor, San Francisco, CA 94111,
650-290-2941, abhi@cpaauditor.com, www.cpaauditor.com

# INDEPENDENT AUDITOR'S REPORT

To the Members of
Safari Kid Franchising, LLC
34899 Newark Blvd,
Newark, California 94560

We have audited the accompanying financial statements of Safari Kid Franchising, LLC, (a California Limited Liability Company), which comprise the balance sheet as of December 31, 2019, and the related statement of operations, change in member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safari Kid Franchising, LLC, as of December 31, 2019 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cpa Auditor, Inc.

San Francisco, California
August 17, 2020

Safari Kid Franchising, LLC
Balance Sheet
December 31, 2019

| ASSETS | | 2019 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ | 73,992 |
| Accounts receivable | | 496,963 |
| Total Current Assets | | 570,955 |
| **Non Current Assets** | | |
| **Property and Equipment** | | |
| Vehicle | | 109,300 |
| Leasehold improvements | | 20,960 |
| | | 130,260 |
| Less: Accumulated depreciation and amortization | | (46,463) |
| | | 83,797 |
| **Total Assets** | $ | 654,752 |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | | 93,258 |
| Payroll taxes payable | | 3,067 |
| Deferred franchise revenue, current portion | | 21,500 |
| Vehicle loan payable, current portion | | 16,875 |
| Total Current Liabilities | | 134,700 |
| **Non Current Liabilities** | | |
| Deferred franchise revenue, net of current portion | | 170,589 |
| Vehicle loan payable, net of current portion | | 69,564 |
| Total Non Current Liabilities | | 240,153 |
| **Total Liabilities** | | 374,853 |
| **Members' Equity** | | |
| Members' Equity | | 279,899 |
| **Total Liabilities and Members' Equity** | $ | 654,752 |

See accompanying independent auditors' report and notes to financial statements

Safari Kid Franchising, LLC
Statement of Operations
Year Ended December 31, 2019

| | 2019 |
|---|---|
| **Revenue** | |
| Franchise royalty revenue | $ 727,742 |
| Franchise network revenue | 125,683 |
| Franchise fees | 17,040 |
| Other revenue including sale of books | 15,190 |
| Total revenue | 885,655 |
| **Expenses** | |
| Salaries and wages | 299,553 |
| Advertising and marketing | 74,700 |
| Depreciation and amortization | 24,356 |
| Payroll taxes | 24,209 |
| Legal fees | 10,419 |
| Bank charges | 1,025 |
| Auto travel expense | 825 |
| Total expense | 435,087 |
| **Income from operation** | 450,568 |
| **Other Income (Expense)** | |
| Interest income, related affiliate | 2,018 |
| Interest expense, vehicle | (2,355) |
| Total Other Income (Expense) | (336) |
| **Income before income taxes** | 450,904 |
| Provision for income taxes | 3,784 |
| **Net Income** | $ 447,120 |
| Members' equity, beginning of year | 116,979 |
| Members distributions | (284,200) |
| **Members' equity, end of year** | $ 279,899 |

See accompanying independent auditors' report and notes to financial statements

Safari Kid Franchising, LLC
Statement of Change in Member's Equity
Year Ended December 31, 2019

| | Members' Contributions | Accumulated Deficits | Members' Equity |
|---|---|---|---|
| Balance, December 31, 2018 | $ 46,000 | $ 70,979 | $ 116,979 |
| Members' distributions | - | (284,200) | (284,200) |
| Net income | - | 447,120 | 447,120 |
| **Balance, December 31, 2019** | **$ 46,000** | **$ 233,899** | **$ 279,899** |

See accompanying independent auditors' report and notes to financial statements

Safari Kid Franchising, LLC
Statement of Cash Flows
Year Ended December 31, 2019

| | 2019 |
|---|---|
| **Cash Flows From Operating Activities** | |
| Net income | $ 447,120 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 24,356 |
| Change in assets and liabilities: | |
| Accounts receivable | (456,564) |
| Accounts payable | 87,240 |
| Payroll taxes payable | (13,375) |
| Deferred franchise revenue | 82,960 |
| **Net Cash Provided by Operating Activities** | 171,737 |
| **Cash Flows From Financing Activities** | |
| Vehicle loan payable | (16,379) |
| Note receivable from related affiliate | 67,281 |
| Members distributions | (284,200) |
| **Net Cash Used In Financing Activities** | (233,298) |
| **Net change in cash and cash equivalents** | (61,560) |
| Cash and cash equivalents, beginning of year | 135,552 |
| **Cash and cash equivalents, end of year** | $ 73,992 |
| **Supplemental cash-flow information** | |
| Income tax paid during the year | $ 3,300 |
| Interest paid during the year | $ 2,355 |

See accompanying independent auditors' report and notes to financial statements

## 1. Summary of Significant Accounting Policies

**Description of Operations** -- Safari kid Franchising, LLC ("Safari Kid Franchising ") was organized in California on November 14, 2006. Safari Kid Franchising is engaged in selling franchises specializes in teaching children as 24 months old using interactive tools and hands on activities to stimulate the child's mind and focus on the three main disciplines reading, writing, math and logical thinking. These franchises will operate under the name "Safari Kid" throughout the United States and Canada. The principal efforts at Safari Kid Franchising revolve around building the brand.

Under contractual agreement, Safari Kid Franchising is obligated to lend the right to franchisees to use the Safari Kid Franchising trade name, and system, and provide initial set up and training. Safari Kid Franchising franchisees are required to pay a one-time franchise fee to obtain the right to license Safari Kid Franchising trade name, and the system developed by Safari Kid Franchising for ten (10) years with the right to renew. On an ongoing basis, franchisees are required to pay monthly royalty fee based on franchisee's monthly gross revenue. Franchisees are also required to make monthly contribution to a marketing fund which is managed by Safari Kid Franchising.

Safari Kid Franchising revenue stream is depending on existing and new franchisees, and is subject to the change of economic conditions, and sensitive to economic cycles.

As of December 31, 2019, Safari Kid Franchising had total of twenty-seven franchisee (27) locations of which ten (10) locations are related affiliated locations.

**Basis of Accounting** -- Safari Kid Franchising prepares the financial statements using accrual basis of accounting in conformity with the generally accepted accounting principles in the United States of America and uses cash method for preparing the tax return. The expenses are recorded when the benefits and services are received.

**Estimates Included in the Financial Statements** -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Safari Kid Franchising is subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the education environment, competition, litigation, legislation and regulations. Safari Kid Franchising regularly evaluates their estimates and assumptions using historical experience and expectations about the future. Safari Kid Franchising adjusts their estimates and assumptions when facts and circumstances indicate the need for change.

Cash and Cash Equivalents -- Cash consists of interest and non-interest-bearing accounts with one financial institution. Safari Kid Franchising considers all highly liquid investments with original maturity of three months or less from the date of purchased, to be cash equivalents. The carrying value of cash equivalents approximates fair value

Accounts Receivable -- Accounts receivable is stated at the amount management expects to collect from balances outstanding at year end. No doubtful accounts were recorded as all the remaining accounts receivable are collected after the year end.

Property and Equipment -- Property and equipment cost is stated at cost. For financial reporting purposes, depreciation and amortization is provided on the straight-line method by annual charges to income calculated to allocate the cost over their estimated useful lives. For income tax purposes, the Modified Cost Recovery System (MACRS) is used to calculate deductible depreciation and amortization.

| Type of property | Life |
|---|---|
| Vehicle | 5 Years |
| Leasehold improvements | 7 Years |

Depreciation and Amortization expenses were $24,356 during the year ended December 31, 2019.

Expenditures for maintenance and repairs which are not for the permanent improvement, betterment or restoring property are charged directly to appropriate

operating accounts at the time the expense is incurred. Expenditures determined to represent additions and improvements are capitalized if the amount is greater than $1,000.

Accounts Payable -- Accounts payables are recorded when goods or benefits are received. The carrying amount of accounts payable in the balance sheet approximates its fair value.

Deferred Franchise Revenue -- Deferred franchise revenue of $192,089 represents the franchise fees received in advance from four (4) franchise locations. Deferred revenue of $192,089 will be allocated revenue over a period of next to 8 to 9 remaining years.

Revenue Recognition -- On January 1, 2018, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), ASC 606 significantly affects Safari Kid Franchising in areas including the accounting for franchise fees and the accounting for revenues.

On January 1, 2019, the Company adopted new accounting standard, as amended, regarding revenue from contracts with customers using the modified retrospective approach. This standard provides guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The adoption of this standard did not have a material impact on the Safari Kid Franchising's financial position and results of operations.

Safari Kid Franchising recognized the franchise contract to franchisee as a distinct series of performance obligations and essentially is a license that allows the franchisee to use the Safari Kid Franchising's intellectual property. Intellectual property includes pre-opening services, marketing services and use of the Safari Kid Franchising's systems.

Franchise Fees -- Safari Kid Franchising recognize and record franchise fee revenues over the expected life of the franchise agreement, i.e. 10 years. During the year 2019, Safari Kid Franchising received $100,000 as deferred franchise revenue for the one (1)

new franchise location. During the year 2019, Safari Kid Franchising recorded $17,040 as franchise fees revenue and deferred franchise revenue in liability of $192,089.

Tuition Fees Revenue -- Revenue from tuition services is recognized ratably as services are delivered. Revenues are received beginning of the month.

Franchise, Royalty and Network Revenue -- All the franchises shall pay to Safari Kid Franchising a monthly royalty of 7% and network marketing revenue of 1.5% of gross sales. Revenues are recognized when earned.

Franchise, royalty and network revenue includes related affiliate (Safari Kid, Inc) revenue of $41,925, Safari Kid is owned by the members of Safari Kid Franchising.

Advertising and Marketing -- Advertising and marketing costs are expensed as incurred. Production costs are expensed at the first communication of the advertisements while communication expenses are incurred each time the advertisement is communicated. The advertising expenses were $74,700 for the year ended December 31, 2019.

Fair Value of Financial Instrument -- The carrying amounts of financial instruments including cash, accounts receivable, accounts payable, payroll taxes payable, deferred franchise revenue, and vehicle loan payable approximate fair value as of December 31, 2019, because of the relatively short maturity of these instruments.

New Accounting Pronouncements -- In February 2016, the Financial Accounting Standards Board issued a new accounting pronouncement that requires lessees to record assets and liabilities on the balance sheet for lease-related rights and obligations and disclose key information about certain leasing arrangements. This new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU assets and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as financing or operating, with classification affecting the pattern of expense recognition in the statement of operations. Safari Kid Franchising will adopt the standard, including the related amendments, effective beginning after

December 15, 2021, using the modified retrospective approach, applying the provisions of the new standard on its effective date. Management is currently evaluating the potential impact that the adoption of this standard will have on Safari Kid Franchising's financial position, results of operations, and related disclosures.

2. Income Taxes -- Safari Kid Franchising and its members elected to be taxed under the provision of limited liability Company of the Internal Revenue Code. Under those provisions, Safari Kid Franchising does not pay federal income taxes on Safari Kid Franchising taxable income. Instead, the members are liable for individual federal income taxes and have consented to include in their respective income tax returns. Accordingly, no provision has been made for federal income taxes. Safari Kid Franchising files its state tax in the state of California.

Safari Kid Franchising files its income tax returns in the U.S. Federal and California jurisdictions. None of the Safari Kid Franchising's tax returns have been examined by the taxing authorities, nor has the Safari Kid Franchising been notified of any pending examinations.

At December 31, 2019, Safari Kid Franchising did not have any tax benefit disallowed under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") FASB ASC 740, Income Taxes and no amounts have been recognized for potential interests and penalties. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with the tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax position not meeting the "more likely than not" test, no tax benefit is recorded.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Safari Kid Franchising has temporary differences which are immaterial. Thus, Safari Kid Franchising determines it impractical to recognize

such in the financial statements.

Safari Kid Franchising, file Federal and State of California income tax returns. Safari Kid Franchising recognize interest and penalties related to income tax matters, if any, in income tax expense.

3. Concentration of credit risk -- Financial instruments that potentially subject Safari Kid Franchising to concentrations of credit risk consist principally of deposits greater than $250,000 for interest bearing accounts with each financial institution that is a member of Federal Deposit Insurance Corporation ("FDIC"), and security deposits greater than $500,000 ($250,000 on cash) with each financial institution that is a member of Securities Investor Protection Corporation ("SIPC").

Safari Kid Franchising has no interest and non-interest-bearing cash balances on deposit at December 31, 2019 that exceeded the balance insured by the FDIC. Safari Kid Franchising performs an ongoing evaluation of the commercial bank to limit its concentration of credit risk exposure.

Concentration of Revenue -- During the year 2019, $599,684 or 68% of the Safari Kid Franchising revenue were from sixteen franchisee locations. Accounts receivables from these sixteen franchisee locations were $363,327 or 73% of accounts receivable balance as of December 31, 2019.

4. Transactions with Related Affiliate -- Transactions that occurred between Safari Kid Franchising and related affiliate during the 2019 are as follows:

Safari Kid Franchising sells franchises under a license transferred from Safari Kid, Inc which is 100% owned by the members of Safari Kid Franchising, LLC. This gives Safari Kid Franchising, LLC the exclusive rights to sell franchises across the United States of America.

Safari Kid Franchising conducts its operations from the land and building at 34899 Newark Blvd, Suite Newark, California. Safari Kid Franchising doesn't pay any monthly

rent. This office belongs to Safari Kid, Inc which is 100% owned by the members of Safari Kid Franchising, LLC.

In April 2012, Safari Kid Franchising issued a long-term unsecured note receivable of $89,462 to Safari Kid, Inc which is 100% owned by the members of Safari Kid Franchising, LLC. In August 2019, Safari Kid Franchising received the note in full including interest.

As of December 31, 2019, ten (10) locations were owned by the related affiliates (Safari Kid, Inc). Franchise, royalty and network revenue includes related affiliate revenue of $41,925, Safari Kid Inc is owned by the members of Safari Kid Franchising.

## 5. Contingencies, Risks and Uncertainties

In the normal course of business, Safari Kid Franchising may periodically be subject to various claims and lawsuits. However, there is currently no legal action pending against Safari Kid Franchising, nor, to our knowledge, any such proceedings contemplated.

Safari Kid Franchising is subject to current city, state, federal, Department of Social Service Child Care and education regulations. Any changes in these regulations could materially affect the Safari Kid Franchising's operations.

Safari Kid Franchising are concentrated in an industry which is characterized by significant competition, licensing and evolving regulatory requirements and industry standards. The success of Safari Kid Franchising depends on management’s ability to keep the license active. Any significant delays in these requirements could have a material adverse effect on Safari Kid Franchising’s business and operating results.

## 6. Vehicle Loan Payable

On September 29, 2018, Safari Kid Franchising purchased a vehicle and entered in a

loan agreement with Tesla Motors Inc financial services. Safari Kid Franchising have to make a seventy-two (72) monthly payment of $1,604 beginning November 2018 and maturing in October 2024. The interest rate related to the lease obligation is 2.99%.

| | Amount |
|---|---|
| Vehicle loan payable | $ 86,439 |
| Less: Current portion | 16,875 |
| Long term vehicle loan payable | $ 69,564 |

Future minimum payments under the primary terms of the loan are as follows:

| Year Ending December 31, | Amount |
|---|---|
| 2020 | $ 16,875 |
| 2021 | 17,387 |
| 2022 | 17,914 |
| 2023 | 18,457 |
| 2024 | 15,807 |
| | $ 86,439 |

## 7. Subsequent Events

Management has evaluated subsequent events through August 17, 2020 the date which the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with the accounting principles generally accepted in the United States of America. Safari Kid Franchising has determined that there are no unrecognized subsequent events that require additional disclosures.

**EXHIBIT B-1**

**FRANCHISE AGREEMENT**

# SAFARI KID FRANCHISE AGREEMENT

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# SAFARI KID FRANCHISE AGREEMENT

THIS AGREEMENT between Safari Kid Franchising, LLC, a California Limited Liability Company, hereinafter referred to as "Franchisor", and _____, a _____ hereinafter referred to as "Franchisee", is made on the basis of the following understandings and recitals and in consideration of the following promises, and the parties hereto, intending to be legally bound, agree as follows:

## ARTICLE 1. RECITALS

### 1.01 The Safari Kid Business System.

As the result of the expenditure of time, effort and money in research and development, Franchisor has developed and has the right to license a method and system (hereinafter referred to as the "Safari Kid System" or "System") for the development and operation of a learning center (which business is herein referred to as an "Safari Kid Business" or "Business"). Franchisor is in the process of developing a network (hereinafter referred to as the "Safari Kid Network" or "Network") of franchises to use the System on a mutually cooperative and interrelated basis.

### 1.02 Proprietary Marks.

Franchisor grants franchises to be operated under the proprietary service mark "Safari Kid" (herein referred to as the "Mark"). Franchisor continues to develop, use and control the Mark so that consumer recognition thereof will continue, and Franchisee agrees to represent the System's high standards of service, quality and appearance.

### 1.03 Operating Standards.

Franchisee acknowledges reading this Agreement and Franchisor's Uniform Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonable and necessary to maintain Franchisor's high standards of service, quality and appearance, as well as the consistency of these standards by all franchises within the Network, in order to protect and preserve the goodwill of the Marks. Franchisee therefore agrees to operate the Business as an integral part of the Franchisor's Network and System as they may be changed, approved and developed from time to time, and in this operation adhere to the uniform standards, procedures and policies set forth below.

### 1.04 Franchisee Desires A License.

Franchisee desires to establish a Business under the System, within the territory hereinafter set forth, and to use in connection therewith the Franchisor's Mark and System, and provide learning center curriculums, progressive levels, interactive media, references, after school programs, summer and winter learning camps and other services and products authorized for the Business, as an integral part of the Franchisor's Network, and to derive the benefits of Franchisor's reputation, advice, experience, guidance and know-how.

### 1.05 Granting of Franchises.

Franchisor grants to franchisees, for considerations, the right to conduct a business utilizing the Franchisor's System, as part of the Franchisor's Network, offering learning center services and products approved by Franchisor, and utilizing its formats, methods, specifications, standards, operating procedures, guidance and Mark.

### 1.06 Investigation of Franchise.

Franchisee acknowledges having investigated Franchisor and the competitive market thereof and recognizes that the business contemplated by this Agreement involves business risks which make the success of the venture subject to many variables, including, but not limited to, the business abilities, skills and efforts of Franchisee.

### 1.07 No Earnings Claims; No Misrepresentations.

Franchisor expressly disclaims the making of, and Franchisee acknowledges not having received or relied upon any warranty or guaranty, express or implied, oral or written, regarding the potential sales, profits or success of the business contemplated by this Agreement. Franchisee further acknowledges not having received any representation by Franchisor or its officers, employees or agents that is contrary to the information contained in Franchisor's Franchise Disclosure Document or the terms herein, and further represents to Franchisor, as an inducement to its entry into this Agreement, that Franchisee has made no misrepresentations in obtaining this franchise.

### 1.08 Receipt of Disclosure Document; Completed Contract.

Franchisee acknowledges having reviewed the Franchisor's Franchise Disclosure Document and all Exhibits attached thereto for at least ten (10) business days prior to the signing of any contract with Franchisor or the payment of any money or other consideration relating to the franchise herein. Franchisee further acknowledges having received a separate copy of this Agreement in completed form (i.e. in form for signing with no blanks or open terms, excepting only signatures) at least five (5) business days prior to signing this Agreement with Franchisor or paying any money or other consideration relating to the franchise herein.

## ARTICLE 2. GRANT OF FRANCHISE

### 2.01 Grant of Franchise; Territory

(a) Grant of Franchise. Subject to and upon all of the terms and conditions set forth in this Agreement, Franchisor grants to Franchisee the right and license, and Franchisee undertakes the obligation to establish and operate a learning center Business under the System and the Mark as Franchisor directs, and to use the Mark in connection with the various learning center services utilized in the operation of the Business from a single specific location (herein referred to as the "Premises") which is located within the area described in Exhibit 1 attached hereto and made a part hereof.

(b) Territory; Loss of Rights. Subject to the following exceptions in Section 2.01(c), Franchisor will not, while this Agreement is in effect, operate, nor will it grant others a license to operate a Business under its System at any location within the specific area (herein referred to as the "Designated Territory" or "Territory") as set forth in Exhibit 1 to this Agreement.

(c) Loss of Rights in Territory. Notwithstanding Section 2.01(a) above, upon the occurrence of the following, Franchisor may itself operate, or grant a license to another franchisee to operate a Business within the Territory:

(i) In the event that Franchisee targets advertisements into the territory belonging to another franchisee in the Franchisor's System; or

(ii) upon the occurrence of any event or events as the result of which Franchisor has the right to terminate this Agreement, as provided in Article 5 below.

Upon the occurrence of such event, Franchisor may, whether or not it elects to exercise its right of termination, operate or grant to another franchisee or franchisees the right and license to operate, a Business under the System and Mark at another location within the Territory, and this action by Franchisor shall not affect any other rights and obligations hereunder unless and until Franchisor exercises its right of termination as provided in Article 5.

(d) Multiple Learning Centers in Single Territory. In the event that this Business is not Franchisee's first within this System, if Franchisee concludes that the territory granted to its existing Learning Center could support another Learning Center, Franchisee may request permission from Franchisor to establish the Business within an existing Territory held by Franchisee. Franchisor has discretion to either approve or deny this request. Unless approved in writing, the request shall be deemed denied.. Where Franchisor has approved the request, Franchisee understands and acknowledges the following:

(i) Franchisor may terminate Franchisee's rights in the Territory under Section 2.01(c) for a breach by any one of the franchised locations controlled by Franchisee in that Territory; and

(ii) In the event that Franchisee transfers its interest in less than all of the Safari Kid Businesses it owns within a single Territory, Franchisee understands that it must

agree to divide its Territory so that the transferee receives its own territory, as described in Section 7.01(h).

**2.02 Further Rights & Privileges.**

Subject to and upon all of the terms and conditions set forth in this Agreement, Franchisor further grants to Franchisee the following rights and privileges:

(a) Marks. Use of the Mark as Franchisor directs, but only within the Territory and only in connection with authorized learning center services including curriculums, interactive media, after school programs, summer and winter learning camps and other services, products and supplies authorized by Franchisor;

(b) System. Use of the Franchisor's System, which term as herein used refers to the System as presently existing and as it may be developed, changed and improved during the term of this Agreement, in marketing and providing approved learning center services and generally in conducting and operating the Business;

**2.03 Term and Renewal**

(a) Term. This Agreement and the appointment of Franchisee hereunder shall commence on the date this Agreement is executed and, unless previously terminated as herein provided, shall expire on the 15th anniversary of the date on which your Business begins operating.

(b) Renewal Options. The term of this Agreement and the appointment hereunder may be extended for additional term of fifteen years each, exercisable by written notice from Franchisee to Franchisor, within 180 days prior to the expiration of the initial term; provided that at the end of the initial term:

(i) Franchisee is not at the time of the exercise or at the commencement of the extension term, in default of the performance of any of Franchisee's obligations hereunder; and

(ii) All monetary obligations owned by Franchisee to Franchisor have been fully satisfied prior to the commencement of the extension term; and

(iii) At the option of Franchisor, Franchisee shall execute Franchisor's then-current form of Franchise Agreement which shall waive any initial franchise fees and provide for the same royalty and other fees required by this Agreement; and

(iv) At the option of Franchisor, except to the extent limited by applicable law, Franchisee executes a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, and its officers, directors, agents and employees, arising out of or relating to this Agreement.

## ARTICLE 3. FRANCHISE MODEL

### 3.01 Franchise Model

Franchisee understands and acknowledges that its Learning Center is required to comply with local laws applicable to infant care, daycare, preschool, or after-school businesses in Franchisee's area and that, for that reason, it may be subject to different requirements than franchised locations in other states or jurisdictions. Franchisee shall promptly notify Franchisor if Franchisee becomes aware of any local requirements that conflict with any required or recommended element of the System.

## ARTICLE 4. FRANCHISEE'S OBLIGATIONS & DUTIES

### 4.01 Initial Fees

(a) Initial Franchise Fee. In consideration of the grant of franchise, and of the rights and privileges relating thereto, herein above made, Franchisee shall pay to Franchisor a franchise fee payable upon the signing of this Agreement in the amount of Seventy Thousand Dollars ($70,000). This fee shall be paid solely for the grant of franchise rights and privileges, shall be fully earned upon execution of this Agreement, and shall be in addition to all other fees, royalties, costs and other expenditures of any kind required of Franchisee under the terms hereof, or any sums otherwise becoming due from Franchisee for any reason. The franchise fee is not refundable under any circumstances.

(b) Pre-Opening Services Fee. In consideration of the training and pre-opening services provided by Franchisor as specified in Section 5.01 (a) and 5.02(a), Franchisee shall also pay to Franchisor upon the signing of this Agreement the sum of Thirty Thousand Dollars ($30,000). The pre-opening services fee is not refundable under any circumstances.

(c) Materials Fee. Franchisee shall purchase books and materials related to curricula from Franchisor at Franchisor's then-current rates for such materials. The initial purchase volume shall be based upon the maximum number of children for which Franchisee's business is licensed to provide services. The materials fee must be paid prior to Franchisee or Franchisee's designee(s) attending the initial training program.

(d) Failure to Complete Training. In the event Franchisee (or a trainee of Franchisee) is unable to complete each segment of the training program specified in Section 5.01 (a) to the satisfaction of Franchisor, as determined by objective criteria, Franchisor may, but is not obligated to, terminate this Agreement.

(e) Failure to Search for Site. Franchisee is required to begin looking for a site promptly. If Franchisee fails to submit at least one (1) proposed site within the first three months after the execution of this Agreement, Franchisor may, but is not obligated to, terminate this Agreement.

**4.02 Royalties.**

(a) Amount and Payment Schedule. In further consideration of the grant of franchise and related rights and privileges hereunder, and in consideration of the services to be rendered by Franchisor to Franchisee in support of Franchisee's operations as below provided, Franchisee shall pay to Franchisor a monthly royalty equal to seven percent (7%) of Gross Sales (as defined in subparagraph (b) below), deposited directly or by electronic fund transfer to Franchisor's bank account, as specified by Franchisor, on or before the fifth day of each calendar month for the preceding calendar month's Gross Sales.

(b) Gross Sales Defined. As used herein the term "Gross Sales" includes the aggregate amount of all charges for learning center services (defined in accordance with the accounting practices and procedures as specified by Franchisor), and all other receipts of any kind of Franchisee derived directly or indirectly from the operation of the franchised Business, but excluding the amount of all sales, use, gross receipts and other taxes specifically added to sales prices and collected from customers.

**4.03 Selection; Lease of Premises.**

(a) Unless otherwise agreed by Franchisor, Franchisee must communicate with Franchisor's required real estate broker regarding site selection within 15 days of signing this Agreement. Franchisee must identify at least one proposed site within 60 days of signing the Agreement. Within 180 days of the date this Agreement is signed, Franchisee must have selected a site and provided a proposal including a letter of intent to Franchisor for Franchisor's approval of the site. In any event, and unless otherwise specified by Franchisor, Franchisee should commence business operations within one year of signing the Agreement. Franchisee must commence business operations within 545 days of the date this Agreement is signed or Franchisor may terminate Franchisee. Franchisee must put up permanent electrical signage within one month of opening the business. Franchisee acknowledges and agrees that Franchisor's furnishing minimum site criteria for the Premises does not constitute an express or implied assurance, representation or warranty of any kind.

(b) Franchise may not execute any lease without prior approval of its site by Franchisor, which shall not be unreasonably withheld.

(c) Franchisee's lease must contain each of the following provisions:

(i) a provision granting Franchisee the right to assign the lease without penalty to Franchisor upon termination or expiration of this Agreement; and

(ii) a provision that the lessor will notify Franchisor of any breach of Franchisee's lease, and allow Franchisor a reasonable opportunity to cure the breach; and

(iii) A provision allowing Franchisor to assume Franchisee's lease, at its option, in the event of material breach or abandonment by Franchisee; and

(iv) a provision granting Franchisor the right to exercise any right to renew the lease, if a right exists and Franchisee fails to exercise the right; and

(v) a provision that the lease may not be materially modified without Franchisor's prior written consent and that Franchisor will receive copies of all such modifications when proposed and when executed.

**4.04 Advertising, Public Relations and Marketing.**

Recognizing the value of Network advertising, public relations and marketing programs, and the importance of the standardization of these programs to promote and further the goodwill and public image of the Franchisor's System and Marks, Franchisee agrees as follows:

(a) Brand Development Fund. Franchisee shall make monthly contributions of up to 1.5% (which is the maximum percentage) of Gross Sales as specified by Franchisor, payable together with and in the same manner as the royalty payments referred to in Section 4.02, to a collective Fund (hereinafter "Fund"). The Fund shall be used by Franchisor solely for advertising, promotion and marketing in accordance with the provisions of subparagraphs (i) and (ii) below.

(i) Administration of Fund. Franchisee agrees that Franchisor shall have the right to direct all local, regional and national advertising, public relations and marketing programs for the System; to use in these programs the Fund payments described in subparagraph (a) above; and that Franchisor shall have the sole discretion over the creative concepts, materials and media used and the placement and allocation thereof. Franchisee agrees and acknowledges that one of the primary intentions of the Fund is to maximize public recognition and acceptance of Franchisor's Mark and that Franchisor undertakes no obligation in administering the Fund to make expenditures for Franchisee's Territory which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from these programs.

(ii) Fund Expenditures. Franchisee agrees that the Fund may be used to meet any and all costs of maintaining, directing, administering and preparing Network programs, including, without limitation, the cost of preparing, conducting and maintaining world wide web (internet) presence including search engine optimization, digital marketing, and similar efforts to promote the website, television, radio, magazine, newspaper, direct mail, direct fax and other types of advertising campaigns; public relations activities, including, without limitation, the cost of hiring agencies to engage in public relations work; and employing advertising and public relations agencies and personnel to assist therein. Advertising and public relations agencies and personnel may be composed of employees of Franchisor or may be entities owned by or affiliated with Franchisor if use of in-house agencies is deemed best by Franchisor, in which event the methods for determining the value of services rendered by the in-house agency shall be set forth in writing and may be charged to the Fund. No sums paid by Franchisee to the Fund shall be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund and promotional programs, including, without limitation, conducting marketing research, preparing marketing and advertising materials and collecting and accounting for assessments for the Fund. An accounting of the operation of the Fund shall be prepared annually and made available to Franchisee upon request.

(b) Local Advertising. Franchisee shall conduct local advertising for the promotion of the franchised Business, spending a minimum of Six Thousand Dollars ($6,000) per calendar quarter. Franchisee shall submit a written report in a format requested by Franchisor no later than the 15th day of the month following each calendar quarter reflecting the expenditures made by Franchisee for the prior calendar quarter. Franchisor has the right to require Franchisee to conduct all such local advertising through a required or approved marketing vendor and the right to require that some or all of this expenditure be made in a particular manner, including but not limited to digital marketing. In the event that Franchisee fails to conduct the required local advertising as specified in this Section, Franchisor may elect, in its sole discretion, to conduct such advertising on Franchisee's behalf and to assess the minimum required expenditure to Franchisee, together with a reasonable fee for Franchisor's time and effort to manage Franchisee's local advertising obligations.

(c) Advertising Standards. All advertising by Franchisee shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice that may be injurious to the Franchisor's System or the goodwill associated with the Mark. Without limiting the foregoing, Franchisee agrees that all advertising and promotions by Franchisee in any form and in any medium shall be conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may from time to time designate in writing. Franchisee may not place advertisements targeted in any material manner into another franchisee's territory without that franchisee's prior written consent. Franchisee shall submit to Franchisor (by email, or by mail with return receipt requested), for prior written approval, samples of all advertising and promotional plans and materials that Franchisee desires to use and that have not been prepared or previously approved by Franchisor. If written approval thereof is not received by Franchisee, Franchisor shall be deemed not to have given the required approval. Franchisor's approval of advertising or promotional plans does not constitute permission or approval to place such advertisements into another franchisee's territory.

**4.05 Technology Fee**

In support of the technology systems maintained by the Franchisor including but not limited to customized software systems, subscriptions for software provided to Franchisee, website infrastructure, research and development of new childcare software support tools, Franchisee shall pay to Franchisor each month a fee ("Technology Fee") of Two Hundred Fifty Dollars ($250) commencing in the first month in which Franchisee begins operations. This fee may be increased no more than annually by Franchisor in an amount consistent with increased costs to Franchisor.

**4.06 Late Payments**

(a) Late Payment Amount. Any payment not sent by Franchisee by the due date, as required by this Agreement shall be deemed overdue. If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, an interest amount calculated at ten percent (10%) APR of the overdue amount. This total is due upon receipt of the past due invoice and shall be deposited directly to Franchisor's bank account, as specified by Franchisor.

(b) No Waiver. Franchisee acknowledges that this Section 4.06 shall not constitute an agreement by Franchisor to accept any payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's Business. Further, Franchisee acknowledges that failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 6.02, notwithstanding the provisions of this Section.

**4.07 Construction and Operation of Business.**

Franchisee shall follow the Franchisor's start-up timetable as delivered during the Franchisor's training program regarding the development and commencement of Business operations and shall thereafter, continuously operate the Business devoting Franchisee's full time, best efforts, skills, and diligence to the Business, selling and providing only those learning center services, products and supplies authorized or required to be provided as part of the Franchisor's System as set forth in Franchisor's confidential Operations Manual, Policy Manual, and Start-Up Guide (herein all collectively called "Manuals"), including supplements, addenda and amendments thereto, and Franchisee shall not sell or provide other learning center services or products except those which Franchisor, in its sole and absolute discretion, shall approve as being compatible and not interfering with the Franchisor's System, Mark and Network and specifically with the Learning Center model Franchisee elected in Section 3.01. Specifically and without limiting the foregoing, Franchisee agrees:

(a) Follow Manuals and Standards. Franchisee shall construct, decorate and equip, and operate the Business in all respects in accordance with all reasonable requirements of Franchisor from time to time in effect, as set forth in the Manuals and in other communications from Franchisor, maintaining the highest business standards of quality and ethical conduct, and not otherwise so that the Business shall be established and at all times operated as and constitute a business of the highest quality and professionalism. With respect to the Manuals, Franchisee specifically agrees as follows:

(i) Franchisee shall treat the Manuals and other manuals created and approved for use in the operation of the Business, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain this information as secret and confidential;

(ii) Franchisee agrees that the Manuals shall remain the sole property of Franchisor; and that Franchisor may, from time to time, revise the contents of any Manual;

(iii) Franchisee agrees to comply with each new or changed provision of any Manual(s); that no modification of any Manual will alter Franchisee's status and rights under this Agreement; and that Franchisor may update any of the Manuals (or portions thereof) manually or by electronic means via Franchisor's website or otherwise as specified by Franchisor.

(iv) Franchisee agrees that the master copy of each Manual maintained by Franchisor at its principal office shall be controlling in the event of a dispute relative to the content of any Manual.

(v) Franchisee agrees to keep all Manuals in a secure location at the Premises.

(b) Approved Services and Products. Franchisee shall use the furniture, décor and equipment specified by Franchisor and will follow Franchisor's guidelines regarding acquiring items of furniture and equipment from approved vendors. Franchisee shall offer or sell only those learning center curriculums, services, products and related supplies that meet Franchisor's standards of quality and have been expressly approved by Franchisor in writing for offer or sale by Franchisee. Franchisee shall refrain from any deviation from Franchisor's standards and specifications for selling services or products, and shall discontinue offering and selling any service or product that Franchisor disapproves in writing from time to time, in its sole discretion.

(c) Purchase and Follow Curricula and Materials. On an ongoing, as-needed basis, Franchisee shall purchase from Franchisor at Franchisor's then-current prices additional books and curricula materials for new students enrolling at Franchisee's learning center. Franchisee shall follow the curricula and methods provided in such materials.

(d) Non-Disclosure. Franchisee shall not at any time, either during or after the term of this Agreement, copy or duplicate, or permit the copying or duplication, nor publish, disclose or in any manner reveal, or permit the publication, disclosure or revelation in any manner, to any person or entity, except employees of Franchisee on a need to know basis (and then only after obtaining a written agreement of such employees, in a form acceptable to Franchisor, made for the benefit of and enforceable by Franchisor as well as of and by Franchisee, to be bound by this commitment of nondisclosure), any portion of the Manuals, supplements, addenda or amendments thereto, or any other information or material supplied by Franchisor to Franchisee and designated as confidential information. Franchisee hereby recognizes and agrees that these materials and information are proprietary trade secrets of Franchisor and are disclosed to Franchisee in strict confidence solely for use in the development and operation of the franchise during the term of this Agreement and on the condition that Franchisee will not use these trade secrets in any other business or capacity. Franchisee acknowledges and agrees that Franchisee will not acquire any interest in the trade secrets, other than the right to utilize them in the operation of the Business during the term of this franchise and that Franchisee will maintain the confidentiality of these trade secrets during and after the term of this Agreement.

(e) Devote Full Working Time to Business. Unless agreed otherwise in writing by Franchisor, Franchisee shall devote full working time to the franchised Business during the term of this Agreement. In the event Franchisee is given consent to devote less than full working time to the operation of the Business, the Franchisor's consent will be conditioned on the Franchisee employing a competent individual, approved by Franchisor, who has successfully completed the Franchisor's training program then in effect as provided for in Section 5.02(e) hereof. This individual must devote to the management of the Business at least the equivalent of the working time not devoted by Franchisee; and provided further, that if Franchisee is at any time, by reason of sickness, disability or other cause, rendered unable to devote full working time to the operation, Franchisee shall employ one or more substitutes, all to the end that there shall be devoted to the management of the Business at all times at least the full

working time of one competent individual who has successfully completed Franchisor's training program. In no event shall Franchisee conduct or operate, directly or indirectly, or be employed by or associated in any way with any business which is competitive with the operation of the Business, or any portion thereof.

(f) Attend and Satisfactorily Complete All Training; Attend Conventions. Franchisee shall, at Franchisee's sole expense, attend and satisfactorily complete (or have employees of Franchisee attend and satisfactorily complete) all training programs as provided for in Sections 5.01 and 5.02 hereof. Franchisee shall provide and carry out further training for Franchisee's managers and teachers in compliance with all requirements of the training and the Manuals. Franchisee agrees to attend all annual seminars and pay all associated costs as provided for in Section 5.02(c) hereof. Franchisee acknowledges that Franchisor shall have sole discretion over whether training is necessary and shall complete all required training.

(g) Operational Efforts. Franchisee shall vigorously pursue and promote sales and activities leading to growth by the Business, marketing the Territory to its fullest potential, avoiding excessive customer complaints and loss of customers, as well as declining revenues, and shall cooperate with Franchisor and other franchisees in the Franchisor's Network in promoting and enhancing the Franchisor's System, Network and Mark.

**4.08 Use of Commercial Symbols.**

Franchisee acknowledges that Franchisee's right to use the Mark is derived solely from this Agreement and is limited to the operation of a Business pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by Franchisor in its Manuals from time to time during the term of this Agreement. Specifically and without limiting the foregoing, Franchisee agrees:

(a) This Agreement does not confer any goodwill or interests in the Mark upon Franchisee.

(b) Franchisee shall use only the Mark authorized by Franchisor in its Manuals, and shall use the Mark only in the manner authorized and permitted by Franchisor.

(c) Franchisee shall use the Mark only in connection with the operation of the learning center Business licensed hereunder and only within the Territory referred to in Section 2.01 of this Agreement.

(d) Any and all goodwill arising from Franchisee's use of the Mark under the Franchisor's System shall inure solely and exclusively to the benefit of Franchisor, and upon expiration or termination of this Agreement and the license herein granted, except as expressly provided herein, no monetary amount shall be assigned to any goodwill associated with Franchisee's use of the Franchisor's System or Mark.

(e) The Mark is valid and identifies Franchisor, the Franchisor's System and those licensed under the System. Franchisee agrees not to directly or indirectly contest the validity or ownership of the Mark. Throughout the term of this Agreement, including any extensions thereof, Franchisee shall identify himself or herself as a franchisee of Franchisor in

conjunction with any use of the Mark, displaying the Mark in connection with the operation of the Business as Franchisor may specify from time to time.

(f) Franchisee shall not register the Mark or any part thereof as its trade name or in any domain name without Franchisor's prior written approval.

(g) Franchisee agrees not to use any Mark licensed under this Agreement in connection with the sale of any unauthorized service or product or in any other manner not expressly approved in writing by Franchisor.

(h) If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor or Franchisee to modify or discontinue use of any Mark or use one or more additional or substitute Marks or commercial symbols, Franchisee agrees to promptly comply therewith within a reasonable time after notice by Franchisor, and Franchisor need not reimburse Franchisee for any of Franchisee's expenses or costs in complying with Franchisor's directions.

(i) Franchisee shall comply with Franchisor's instructions in filing and maintaining fictitious or trade name registrations, and shall execute any documents deemed necessary by Franchisor to protect and maintain the continued validity of the Mark.

(j) In the event that Franchisee is aware of any use of the Mark or colorable imitation thereof which falsely suggests or represents an association or connection with Franchisor, or other franchisees in the Network, or litigation involving the Mark is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and cooperate fully with Franchisor in connection therewith. Franchisee agrees that Franchisor will have the right to control any litigation with respect to the Mark.

**4.09 System Improvements.**

Franchisee acknowledges and agrees that Franchisor may supplement, improve or otherwise alter the System and the methods, procedures and techniques which Franchisee is authorized and required hereunder to utilize in the operation of the Business, including addition to or elimination from the System of services or products or other activities constituting elements thereof. Franchisee acknowledges and agrees that Franchisor shall have sole control and discretion over all supplements, improvements, alterations and development of the System, and the learning center services and products offered there under; that this control and discretion is in the best interests of the System; and that Franchisee will comply with all Franchisor's requirements concerning the System and Network improvements thereto, including the payment of any fees or costs associated therewith. Franchisee expressly acknowledges that these may include, but are not limited to, computer hardware and software systems, educational tools, décor, play structures, training and new course curricula. Franchisee shall seek, in its operation of the Business to develop and conceive such supplements, improvements and alterations, and upon doing so shall in each case promptly and fully advise Franchisor thereof. Franchisor shall have the right, but not the obligation, to make use of all supplements, improvements and alterations so conceived or developed by Franchisee, including the right to disseminate the same to all franchisees for their use, upon written agreement between Franchisor and Franchisee.

### 4.10 Uniform Network.

Franchisee understands and acknowledges that this franchise and the business carried on therewith will benefit from being an integral part of a network of similar learning center franchises in a variety of locations, utilizing the Franchisor's System in a uniform manner, providing uniform curriculums, programs, services, products and supplies with personnel and teachers of uniform skill and training, hence capable of mutual complementation and interrelation, particularly in the types and quality of learning center services, products and supplies offered. Accordingly, Franchisee agrees, specifically and without limiting any other obligations of Franchisee expressed in this Agreement, that the interests of the Franchisor's System and Network are vital to the success of each franchisee, and that each franchisee has an obligation to promote and further the Franchisor's System and Network to the fullest extent possible. Therefore, Franchisee agrees to adhere to Franchisor's standards, specifications and requirements concerning the Mark, the Franchisor's System and Network as specified by Franchisor from time to time in its Manuals including, without limitation, the offering of any new services or products, the elimination of any previously specified services or products, and the operation of the Business as an integral part of the Franchisor's Network, cooperating and complementing other Safari Kid learning center franchises thereof.

### 4.11 Responsibility for Costs and Expenses.

Franchisee will be solely responsible for and shall pay, promptly when due, all costs, expenses, obligations and indebtedness of or in any way rising out of or in connection with the Business and the establishment and operation thereof, including all taxes, assessments and other levies, charges and impositions of any kind of any governmental or regulatory body, federal, state or local, in so far as it relates to the business operations within the granted territory of the Franchisee only.

### 4.12 Compliance with Law; Good Business Practices.

Franchisee shall, in the establishment and operation of the Business, comply, at Franchisee's sole expense, with all applicable statutes, ordinances, regulations, orders and other enactment's or requirements of all governmental or regulatory bodies including obtaining any licenses, permits or other entitlement required by any law or laws. Franchisee must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with Franchisee’s clients, suppliers, and Franchisor.

### 4.13 Indemnification.

Franchisee shall indemnify Franchisor and its officers, directors and employees and hold them harmless from and against any liability or responsibility for any matter for which Franchisee is responsible under this Section 4.12 or otherwise under this Agreement, and from and against any loss, liability, claims, demands, damages, charges, costs or expenses of any kind whatsoever, including attorney's fees, arising directly or indirectly out of or in connection with any such liability or responsibility, or otherwise out of or in connection with the establishment and operation by Franchisee of the Business, including but not limited to any such matters arising

directly or indirectly out of or in connection with any injury to or death of persons or damage to or loss of property.

### 4.14 Insurance.

Without limiting its obligations under Section 4.12, Franchisee shall procure and maintain in effect throughout the term of this Agreement insurance coverage in the amounts and types of insurance specified by Franchisor in its Manuals or otherwise in writing. The insurance shall be issued by companies licensed to do business in the state where Franchisee is located and Franchisee shall supply Franchisor with certificates of insurance currently in force reflecting the required insurance coverage. All certificates of insurance shall be renewed annually and Franchisee shall furnish Franchisor with a certificate indicating renewal at least 30 days prior to expiration of each certificate. In the event Franchisee fails to furnish these certificates, Franchisor may (but shall not be obligated to) obtain such insurance and Franchisee shall reimburse Franchisor for the cost thereof upon demand. Franchisee understands and acknowledges that Franchisor may, in its sole discretion, raise, lower or change the amounts and types of insurance required and Franchisee agrees to follow Franchisor's directions in this regard as detailed from time to time in Franchisor's Manuals or otherwise in writing.

### 4.15 Encumbrances.

During the term of this Agreement, except with the prior written consent of Franchisor, Franchisee shall not mortgage, pledge or otherwise assign as security, this Franchise Agreement, the Business or any part thereof.

### 4.16 Record Keeping; Inspections; Audits; Reports; Surveys

(a) Record keeping. Franchisee shall throughout the term hereof, maintain and preserve at the Premises full, complete and accurate books, records and accounts of the Business, and supporting data, all in accordance with generally accepted accounting principles and utilizing accounting records, software and computer systems approved or specified by Franchisor in the Manuals and updated on a regular basis also as specified in the Manuals. In addition Franchisee shall also maintain an up to date list of children and staff records.

(b) Inspection; Audit. Franchisor shall have the right at any time during normal business hours, and without prior notice to Franchisee, to have the books, records, data and financial statements of Franchisee's Business inspected and, at Franchisor's option, audited. Franchisee shall supply its business tax returns to Franchisor annually. Any audit shall be done by a certified public accountant of Franchisor's choice, and shall be at Franchisor's sole cost and expense, except if any audit discloses an understatement of Gross Sales by five percent (5%) or more, then the entire cost of the audit, including without limitation the charges for any certified public accountant, its employees and the travel, room, board and compensation of Franchisor's employees connected with the audit, shall become immediately due and payable upon receipt of invoice.

(c) Reports. Unless otherwise required by Franchisor, Franchisee shall submit to Franchisor, in such form, detail and manner as Franchisor may require, complete and accurate reports throughout the term of this Agreement as detailed in the Manuals. These reports shall

include a monthly profit and loss statement, due on or before the 10th day of each calendar month, for the preceding calendar month

(d) Surveys and Studies. The continuing development, improvement and success of the Franchisor's Network and System requires meaningful, timely and accurate information concerning all functions and aspects of the business. In order that the Franchisor's System can be fully evaluated and improved and benefit all franchisees thereof, Franchisee agrees to prepare and forward to Franchisor, at times specified and on forms supplied by Franchisor, information that Franchisor may require for its use in preparing studies and surveys relating to the Business, the System and the Network, containing information specified by Franchisor.

### 4.17 Right of Entry.

Franchisee shall permit Franchisor and its agents the right to enter the premises of the Business at all times during regular business hours, without prior notice to Franchisee, for the purpose of determining compliance with this Agreement and Manuals, as well as for interviewing Franchisee's clients and personnel and conducting on-site market surveys or studies. Franchisee shall cooperate with Franchisor's agents during these visits, and upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, shall take all necessary steps to promptly correct any deficiency detected by Franchisor's agents.

## ARTICLE 5. FRANCHISOR'S OBLIGATIONS

### 5.01 Pre-Opening Services.

Franchisor shall assist Franchisee and perform initial services as follows:

(a) Initial Training Program. Franchisor shall provide Franchisee and one additional trainee specified by Franchisee, with a training program in connection with the management and operation of the Business. All segments of the training course shall be attended and successfully completed by Franchisee and Franchisee's trainee. Franchisee shall be responsible for paying all travel, living and other expenses incurred by Franchisee and its trainee in attending Franchisor's training program.

(b) Franchisee shall be responsible for paying all travel, living and other expenses incurred by Franchisee and its trainee in attending Franchisor's training program.

(c) Confidential Operating Manuals. Franchisor shall loan to Franchisee, promptly following the successful completion of Franchisee's training program, one complete copy each of Franchisor's Manuals.

(d) Initial Forms. Franchisor will provide Franchisee with copies of reporting and other operating forms as detailed by Franchisor in its Manuals.

(e) Site Criteria. Franchisor will provide Franchisee with information about Franchisor's minimum site criteria for Franchisee's use and completion as part of the site

evaluation process set forth in Section 4.03 above, containing site characteristics, proximity factors, lease provisions and list of recommended realtors for Franchisee's use.

(f) Start-Up Guide. Franchisor will provide Franchisee with a prioritized list of activities and steps to take to get Franchisee's Business ready to open.

**5.02 Support for Business Operations.**

Franchisor shall supply to Franchisee, in support and assistance of Franchisee's operations, the following:

(a) Start Up Assistance. If requested by Franchisee, Franchisor will provide remote assistance and support to Franchisee for up to two hours per day for up to eleven days to aid in learning operations and to assist in establishing standard operating procedures.

(b) Consultation. Franchisor will make available, at its corporate office, personnel for consultation, in person or by written or telephone communication during normal business hours, concerning questions arising in the day-to-day operation of Franchisee's Business.

(c) Franchisee Conventions. Franchisor will sponsor annual seminars for updates on new management techniques, industry trends and other topics of interest to all franchisees. Although there will be no separate training charge for these seminars, in all cases it will be the Franchisee's responsibility to pay all travel, living and other expenses incurred by Franchisee or Franchisee's employee(s) while attending these seminars, as well as your share (the cost equally divided among all franchisees in our Network) of renting any conference room, etc. used for the convention.

(d) Updating. Franchisor will disseminate periodic supplements and amendments to its confidential Operations Manual and Policy Manual, as well as other information of general interest to all Franchisees.

(e) Manager/Director Training. Franchisor shall provide a training program for managers and directors pursuant to Section 4.06, conducted at locations designated by Franchisor. Franchisee shall be responsible for paying to Franchisor upon commencement of this training program, a training fee calculated in accordance with Franchisor's then-current Manager Training Fee Schedule that has two different options.. We will assess if the manager or director is trained as per our standards and may accordingly need for the new manager or director to attend a full training. If Franchisee elects to have Franchisor assume all training responsibilities, then full training will be provided at a higher pricing level. Franchisee shall in all cases be responsible for paying all travel, living and other expenses incurred by its trainee in attending this training.

(f) Advertising. Franchisor will supervise the development of advertising, promotional, public relations, direct mail and other programs pursuant to the terms of Section 4.04 hereof.

(g) Additional Consulting. At Franchisee's request, Franchisor will provide additional, support or on-site consulting services in accordance with Franchisor's then-current Consulting Fee Schedule that sets forth acceptable consulting assignments, the skill set required and hourly rate(s). An advance retainer may be required to commence the assignment, with payments for the retainer and other billings due on receipt of invoice.

(h) Curricula. Franchisor will provide curriculum updates on a periodic basis.

(i) Teacher Training. Franchisor shall provide a training program for all teachers of Franchisee pursuant to Section 4.06, conducted at locations designated by Franchisor. Franchisee shall be responsible for paying to Franchisor upon commencement of this training program, a training fee calculated in accordance with Franchisor's then-current Teacher Training Fee Schedule. Franchisee shall have the option to train any additional teachers without additional fees only if they already have one or more teachers that have undergone training provided by the franchisor for their respective level(s) and with the franchisor's written approval and consent. In special circumstances, the franchisee may request the franchisor to send staff member(s) to train at the franchisee's facility. In this case, the franchisee will be responsible to pay one and one-half times the then current staff member(s) salary and pay for travel and lodging expenses, if applicable. These payment amounts will be determined and payable before the commencement of the training dates.

### 5.03 Protection of Mark.

Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity of the Mark. Franchisor will use, and permit Franchisee and other franchisees to use, the Mark only in accordance with the Franchisor's System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Mark.

## ARTICLE 6. TERMINATION

### 6.01 Termination by Franchisee; Liquidated Damages.

(a) Franchisee May Terminate Upon Uncured Franchisor Default. Franchisee shall have the right, at its option, to terminate this Agreement by giving written notice to Franchisor by registered or certified mail, addressed as provided in Section 8.06, in the event Franchisor defaults in the performance of any agreement on its part to be performed hereunder and the default is not remedied within 30 days after written notice from Franchisee to Franchisor of the default setting forth the nature thereof. Franchisee's termination of this Agreement for any other reason or without notice will be deemed a termination without cause.

(b) Liquidated Damages. If Franchisee terminates this Agreement without cause, Franchisee shall pay to the Franchisor within ten (10) days of the termination, as liquidated damages for the premature termination of this Agreement and not as a penalty, an amount equal to three and a half times (3.5 times) the continuing royalty fees payable to the Franchisor over the last twelve (12) months of the Franchised Business' active operations or the entire period the Franchisee's Business has been open for business, whichever is the shorter period. If Franchisor establishes that Franchisee deliberately reduced its royalties prior to

termination without cause, the liquidated damages shall be calculated based on Franchisee's average normal operations over a twelve (12) month period.

**6.02 Immediate Termination by Franchisor.**

Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee hereunder, without affording Franchisee any opportunity to cure the default, effective upon receipt of notice by Franchisee, addressed as provided in Section 8.06, upon the occurrence of any of the following events, which Franchisee acknowledges are detrimental to, and reflect unfavorably upon, the operation and reputation of the Franchisor's System, the Mark, the Network, and goodwill thereof:

(a) Abandonment. If operations of the Business cease for a period of five (5) consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Business, unless and only to the extent that full operation of the Business is suspended or terminated due to fire, flood, earthquake or other similar causes beyond Franchisee's control;

(b) Insolvency; Assignments. If Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee, or by others against Franchisee, under any insolvency, bankruptcy or reorganization act, and not fully dismissed within thirty (30) days after the institution thereof;

(c) Unsatisfied Judgments; Levy; Foreclosure. If any judgment is obtained against Franchisee which remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's Business or any of the property used in the Business and is not discharged within five (5) days; or if the real or personal property of Franchisee's Business shall be sold after levy thereupon by any sheriff, marshal or constable;

(d) Criminal Behavior. If Franchisee engages in any dishonest, criminal or unethical behavior or conduct in connection with Franchisee's Business or in such dishonest, criminal or unethical behavior or conduct outside of the Franchised Business but that is reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the Franchisor System, Mark, Network, goodwill or reputation thereof, regardless of whether Franchisee or any of its owners are ultimately charged or convicted of any such crime;

(e) Misuse of Mark; Unauthorized Disclosure. If Franchisee fails to comply with the covenants contained in Sections 4.07 or Franchisee knowingly discloses to any unauthorized person the contents of any part of Franchisor's Manuals or any other trade secrets or confidential information provided to Franchisee by Franchisor and designated as such;

(f) Uncured Defaults or Repeated Defaults. If Franchisee defaults in the performance of any agreement made herein, and the default is not remedied to Franchisor's satisfaction within thirty (30) days after written notice thereof from Franchisor to Franchisee; or Franchisee, after curing a default engages in the same default on 2 other occasions within a six (6) month period whether or not these defaults have been corrected after notice. Defaults shall include, for example, without limitation, the occurrence of any of the following:

(i) Failure to Maintain Standards. Franchisee fails to maintain the operating procedures and standards established by Franchisor for the Business and System as detailed in its Manuals;

(ii) Failure to Submit Reports. Franchisee refuses or neglects to submit reports or other information on a timely basis as required by this Agreement;

(iii) Failure to Obtain Consent. Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement;

(iv) Failure to Make Payments. If Franchisee fails to pay any amount due Franchisor within five (5) business days after receiving notice that such amounts are overdue;

(v) Failure to Search for Site or Complete Training. If Franchisee fails to search for a site for its business or fails to complete training to Franchisor's satisfaction, as described in Section 4.01(c) and (d); and

(vi) Misrepresentation to Franchisor. If Franchisor discovers at any time that Franchisee materially misrepresented any information in applying for the grant of the franchise, Franchisor shall have the right, but not the obligation, to immediately terminate Franchisee.

**6.03 Rights and Duties on Termination.**

In the event of any termination of this Agreement, whether by reason of action by Franchisee or Franchisor as above provided, or as elsewhere provided in this Agreement, or by the expiration of the term hereof, the parties shall have the following rights and duties:

(a) Cease Operation of Business under System and Mark. All rights and privileges herein granted to Franchisee shall immediately terminate and revert to Franchisor, with all rights and goodwill of the Business pertaining thereto, and Franchisee shall surrender all such rights and privileges, shall cease operation of the Business using the Franchisor's System and Mark in all connections, including any colorable imitation thereof or in any manner or for any purpose, or utilize for any purpose any trade name, service mark, trademark, logo or other insignia which is likely to cause confusion, mistake or deception or that falsely suggests or indicates a connection or association with Franchisor. Franchisee shall take all action required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Mark.

(b) Pay Creditors; Return Manuals; Cease Use of Website. Franchisee shall immediately pay all creditors of the Business, including all sums then owing by Franchisee to Franchisor and shall immediately return without delay all Manuals and all other material described therein (or in any notice from Franchisor) as property of Franchisor, and all forms, advertising matter, and all other materials received by Franchisee from Franchisor and in the possession of Franchisee. Franchisee shall also cease use of any Safari Kid domain name, URL or home page address and shall not establish any Website using any similar or confusing domain name, URL or home page address.

(c) Asset Purchase Options On Termination. Unless termination results solely from the proper exercise by Franchisee of Franchisee's election as provided in Section 6.01 hereof, Franchisor shall have the following options, exercisable by written notice to Franchisee (indicating which option(s) Franchisor intends to exercise) at any time within 30 days from the date of termination hereof to: (i) require Franchisee assign to Franchisor the leasehold interest of the Premises in consideration of Franchisor's assumption of the leasing obligations thereunder; and (ii) to purchase from Franchisee all equipment, furnishings, fixtures and other physical assets owned by Franchisee and used in the operation of the Business for the same price paid by Franchisee less depreciation taken (i.e. book value) as of the date of Franchisor's written notice. The purchase price for all of the above assets shall not include any payment for goodwill or other intangibles.

(d) Transfer Phone Numbers. Franchisee shall relinquish and take all steps necessary and hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact to transfer to Franchisor all right, title and interest in all or any of Franchisee's telephone numbers, fax numbers, pager numbers, cellular phone numbers, including the listing, and advertising privileges concurrent therewith, relating in any way to the Business.

(e) Transfer Customer Information. Franchisee shall relinquish and immediately turn over to Franchisor contact information for every parent, guardian or other adult responsible for enrolling any child in Franchisee's Business since the inception of this Agreement.

(f) Franchisor's Rights Following Termination. Following termination of this Agreement, unless termination results from the proper exercise by Franchisee of Franchisee's option as provided in Section 6.01(a) hereof, Franchisor shall be entitled, either to operate the Business itself, with the use of all assets, including goodwill, reverting and transferred to it on termination as above provided, or to grant the franchise herein granted, and to sell all such properties and assets, to others upon terms and conditions as Franchisor shall determine, and to retain all proceeds of the transaction, in either event, without obligation to Franchisee of any kind.

(g) Rights Not Exclusive. The foregoing rights of Franchisor upon termination by reason of breach or default hereunder shall not be exclusive, but shall be in addition to and not in lieu of any other rights available to Franchisor under the terms hereof or at law or in equity. Termination of this Agreement under any circumstances shall not abrogate, impair, release, or extinguish any debt, obligation, or liability of Franchisee which may have accrued hereunder, including without limitation any debt, obligation, or liability which was the cause of termination. All covenants and agreements of Franchisee that by their terms or by reasonable implication are to be performed, in whole or in part, after the termination of this Agreement, shall survive termination.

(h) Activities Following Termination. Franchisee acknowledges that the elements comprising the Franchisor's System are unique, proprietary and distinctive and have been developed by Franchisor as the result of great expenditures of time, effort and money; that Franchisee has regular and continuing access to valuable trade secret and confidential information; and that Franchisee recognizes its obligation to keep this trade secret and

confidential information in confidence pursuant to the provisions of this Agreement. Franchisee therefore agrees as follows:

(i) Nondisclosure. If, prior to its expiration this Agreement is terminated by Franchisor in accordance with the provisions of this Agreement or by Franchisee without cause, or this Agreement expires pursuant to the terms hereof and is not renewed, Franchisee shall not thereafter use or disclose to any person or entity any trade secrets, know-how, improvements, marketing plans, formulas, processes or other elements constituting proprietary and confidential aspects of the Franchisor's System.

(ii) Competition. Franchisee acknowledges that in addition to the license of the Marks hereunder, Franchisor has also licensed a large body of commercially valuable information including, but not limited to, operations, marketing, advertising and related materials and that the value of this information derives not only from the time, effort and money which went into its compilation but from the usage of same by all franchisees in the Franchisor's Network to develop System goodwill. Franchisee further acknowledges that this information is not generally known in the industry and is beyond Franchisee's present skills and experience (or if Franchisee had prior related experience, it was not experience or knowledge remotely comparable to Franchisor's experience and knowledge) and that to develop this information would be expensive, time-consuming and difficult. Franchisee finally acknowledges that gaining access to Franchisor's marketing techniques, operational procedures, business practices and management methods used in Franchisee's Business is a primary reason for entering into this Agreement. Franchisee therefore agrees that, unless this Agreement is properly terminated pursuant to Section 6.01(a) hereof, in order to foster System loyalty, promote inter-brand competition and protect the ability of Franchisor to sell new franchise rights within the area, Franchisee will not, for a period of two (2) years, commencing on the effective date of termination, or the date on which Franchisee ceases the business conducted pursuant to this Agreement, whichever is later, have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, in any business competitive with that theretofore constituting the operations of a Business or any portion thereof, within five (5) miles of Franchisee's Territory (except ownership of securities that are traded on a stock exchange or on the over-the-counter market representing five percent (5%) or less of the equity or voting power of the issuer thereof). It is understood and agreed by Franchisee that the purpose of this covenant is not to deprive Franchisee of means of livelihood and will not do so, because Franchisee earned a livelihood before entering into this Agreement and has the skills to do so in the future, but is rather to protect the goodwill and interests of Franchisor, the Franchisor's System and Network of Safari Kid franchises.

(i) Irreparable Injury. Franchisee acknowledges that Franchisee’s violation of any of the terms of this Section 6.03 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting or compelling Franchisee to abide by the terms of this Section 6.03.

## ARTICLE 7. TRANSFER AND ASSIGNMENT

### 7.01 Prior Offering and Consent; Conditions For Approval.

Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that Franchisor has granted this franchise in reliance upon the individual character, skill, aptitude, attitude, business ability and financial capacity of Franchisee. Therefore, except as hereinafter provided at Section 7.04, neither this Agreement or the Business, or any part or all of the ownership of Franchisee therein (including, but not limited to voting stock, securities convertible thereto, partnership and sole proprietorship interests), may be voluntarily, involuntarily, directly or indirectly assigned, sold, issued or otherwise transferred by Franchisee or its owner(s) until this Agreement and the Business have first been offered to Franchisor as provided in Section 7.03, and, if Franchisor does not accept this offer, without the prior written consent of Franchisor which shall not be unreasonably withheld, provided that the following conditions are met prior to, or concurrently with, the effective date of the assignment:

(a) The proposed transferee meets Franchisor's uniform standards of qualification then applicable with respect to all applicants for a Safari Kid Business including, but not limited to financial strength, business experience, profile fit and other relevant business considerations; and

(b) As of the effective date of the transfer, all obligations of Franchisee under all written contracts and agreements between Franchisee and Franchisor are fully satisfied; and

(c) A transfer fee in an amount equal to Franchisor’s most recent pre-opening services fee, corresponding to Section 4.01(b) above, is paid to Franchisor at least 30 days prior to the effective date of the transfer to cover Franchisor's costs in evaluating and training the proposed transferee, as well as effecting the transfer; and

(d) The transferee shall have signed and agreed to be bound by the form of franchise agreement (and other ancillary agreements, if any) as are then used by Franchisor in the grant of franchises which shall: (i) waive the initial franchise fee; (ii) provide for a term equal to the remaining term hereof; and (iii) provide for the same royalty fee and other fees required in this Agreement; and

(e) The proposed transferee attends and completes all segments of the training program to Franchisor's satisfaction; and

(f) Except to the extent limited by applicable law, Franchisee and its owner(s) have executed a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, directors, officers, employees and agents; and

(g) Franchisor approves the material terms and conditions of the assignment, which approval shall not be unreasonably withheld, including particularly a determination that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Business by the proposed transferee in compliance with the terms and conditions of the franchise agreement; and

(h) In the event that Franchisee is transferring less than all of the Safari Kid Businesses it owns in a single Territory, Franchisee provides to Franchisor for Franchisor's approval a proposed division of its Territory, acceptable to the proposed transferee, such that in the event of assignment the proposed transferee shall receive a portion of the Territory in which to operate the transferred Business.

**7.02 Death or Disability.**

In the event of the death or disability of Franchisee or of a principal owner of Franchisee, or if Franchisee is a corporation or partnership, or the owner of a majority interest therein, the executor, administrator, conservator or other personal representative of such person shall transfer his interest within a reasonable time, not to exceed one hundred twenty (120) days from the date of death or disability, to a third party approved by Franchisor. The term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee from supervising management and operation of the franchise for thirty or more consecutive days. This transfer, including, without limitation, transfers by devise or inheritance, shall be subject to all of the terms and conditions contained in Section 7.01 and the following:

(a) Management by Franchisor. If, after death or disability, Franchisee's Business is not being managed and operated by a competent and trained manager, Franchisor is authorized, but is not obligated, to immediately assume management of the Business until an approved and trained transferee can assume operations. Revenues from operation of the Business during the period of management by Franchisor shall be used by Franchisor to meet any and all expenses of Franchisee's Business including, without limitation, the weekly compensation, travel and living expenses of any of Franchisor's employees or designees. Operation of Franchisee's Business during any period of management by Franchisor pursuant to this subparagraph (a) shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize its best efforts and shall not be liable for any debts, obligations or losses incurred by the Business during any period in which it is managed by Franchisor.

**7.03 Right of First Refusal.**

In the event Franchisee desires to make any sale, assignment or other transfer referred to in Section6.01, Franchisee shall first obtain a bona fide, executed written offer from responsible and fully disclosed purchaser(s) and submit an exact copy of this offer to Franchisor. Franchisor shall have the right, exercisable by written notice delivered to Franchisee, to accept this offer on equal terms and price at any time within thirty (30) days following receipt by Franchisor of the exact copy of Franchisee's offer. If Franchisor does not exercise its right of first refusal, Franchisee may complete the proposed sale, assignment or other transfer pursuant to and on the terms of the offer, and in compliance with all provisions of Section 6.01. In the event the sale, assignment or other transfer is not completed within sixty (60) days after delivery of the offer to Franchisor or there is a material change in the terms of the sale, assignment or other transfer, Franchisor shall again have a right of first refusal herein provided.

(a) Transfer of Major Interest. In the event Franchisee desires to make any sale, assignment or other transfer of more than 50% of the capital stock or of the partnership

interest of a corporation, partnership or other entity organized and wholly owned by Franchisee to which this Agreement has been assigned pursuant to Section 7.04, then Franchisor shall also have the option to purchase not only the interest being transferred but also the remaining interest so that Franchisor shall have a right of first refusal to purchase 100% of the ownership interest. The value of this 100% interest shall be determined on a basis proportionate to the price of the interest initially offered. For example, if a 60% interest is being sold by Franchisee for $1,000,000 then the value of the 100% interest would be $1,666,666.

**7.04 Assignment to Franchisee Entity.**

It is understood that Franchisee may assign and delegate this Agreement and Franchisee's rights and obligations hereunder to a corporation, partnership or limited liability company organized by Franchisee for that purpose in which Franchisee owns and controls a majority of the equity and voting power of all issued and outstanding stock or of the general partnership or ownership interest, and without complying with Sections 7.01 and 7.03, provided that:

(a) All shareholders (or partnership partners or owners) are identified to and approved by Franchisor; and

(b) The articles of incorporation, articles of partnership, partnership agreement, bylaws or other organizational documents of the corporation, partnership or limited liability company recite that the issuance and assignment of any interest therein is restricted by the terms of Sections 7.01 and 7.03 of this Agreement, and in the case of a corporation all issued and outstanding stock certificates of the corporation shall bear a legend reflecting or referring to the restrictions of Sections 7.01 and 7.03 in a form satisfactory to counsel for Franchisor; and

(c) Each shareholder, officer, director, owner or partner of Franchisee shall execute an agreement provided by Franchisor undertaking to be bound jointly and severally by the provisions of this Agreement; and

(d) Franchisee shall furnish to Franchisor at any time upon request, in form as Franchisor may require, a list of all shareholders, directors, officers, owners or partners of Franchisee reflecting their respective interests in and positions with Franchisee; and

(e) The corporation, partnership or limited liability company shall at no time engage, directly or indirectly, in any similar business activity other than those directly related to the operation of Franchisee's Business, pursuant to all terms and conditions of this Agreement; and

(f) Franchisor shall be given written notice of the assignment and delegation, and upon compliance with the foregoing, the corporation, partnership or limited liability company shall have all of said rights and obligations, and the term "Franchisee" as used herein shall refer to the corporation or partnership.

Each reference to a corporation in this Section 7.04 shall be deemed to also refer to a limited liability company and any other entity or organization similar thereto. Each reference to the organizational documents, shareholders, directors and officers of a corporation shall be deemed to refer to the functional equivalents of such organizational documents, shareholders, directors

and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto.

### 7.05 Consent Does Not Constitute Waiver.

Franchisor's consent to an assignment or transfer of any interest subject to the restrictions of this Article shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor right to demand exact compliance with any of the terms or conditions hereof by transferee.

### 7.06 Transfer or Assignment By Franchisor.

This Agreement is fully assignable by Franchisor in whole or in part and shall inure to the benefit of any assignee or other legal successor to the interest of Franchisor herein.

## ARTICLE 8. ADDITIONAL LIMITATIONS AND PROVISIONS

### 8.01 Independent Status.

This Agreement and the activities pursuant hereto do not and will not be deemed to create any relationship between Franchisor and Franchisee or any other party of agency, partnership, joint venture or employment, or any other relationship except that of franchisor and franchisee. Franchisee is and shall be solely an independent contractor and shall at no time act or represent itself to be acting in any other capacity. Without limiting the foregoing, Franchisee shall not incur any obligation or indebtedness on behalf of Franchisor; shall only contract or otherwise incur any obligation or indebtedness only in Franchisee's own name, which, if Franchisee is a corporation or partnership, shall at no time include Franchisor's name or Mark or any part thereof, or be so similar thereto so as to be in any way misleading; and Franchisee shall otherwise comply with the provisions of Section 4.07 hereof.

### 8.02 Whole Agreement; Amendments; Construction.

This Agreement contains the entire understanding of the parties, except for such additional agreements and understandings as may, concurrently herewith or hereafter be set forth in written agreements executed by both parties hereto. This Agreement shall be effective only when executed by a duly authorized officer of Franchisor. Subject to Franchisor’s right to modify its Manuals as provided herein, no amendment or addition to this Agreement shall be effective unless in writing, executed by a duly authorized officer of Franchisor and by Franchisee. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of the sections or paragraphs. This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

### 8.03 No Representations or Warranties

Franchisee specifically recognizes and acknowledges that the success of the business venture contemplated by this Agreement depends largely upon the abilities of Franchisee as an

independent businessperson, as well as other factors, such as market and economic conditions beyond the control of Franchisor and Franchisee. Franchisee acknowledges entering into this Agreement only after making a thorough, independent investigation of Franchisor's operations and program and the competitive market thereof, and not upon any representation, whether as to profits which Franchisee might expect to realize or otherwise. Franchisee acknowledges that there has been no representation or warranty not expressly stated in this Agreement made by Franchisor or any representative thereof or any other person on its behalf, regarding the potential success of Franchisee's business, or otherwise.

**8.04 Severability; Additional Assurances.**

Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, that provision shall be deemed restricted in application to the extent required to render it valid and the remainder hereof shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of the invalid, illegal or unenforceable provision. If any of the provisions of this contract are inconsistent with applicable state law, then the state law shall apply. Each party agrees to execute and deliver to the other any further documents that may be reasonably required to fully effectuate the provisions hereof. To the extent that any provisions of Sections 4.06(d) or 6.03(g) are deemed unenforceable by virtue of its scope of area, prohibited business activity or length of time, but may be made enforceable by reductions of any or all provisions thereof, Franchisee and Franchisor agree that Sections 4.06(d) or 6.03(g) shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. Although printed provisions of this Agreement were prepared by Franchisor, this Agreement shall not be construed either for or against Franchisor or Franchisee, but shall be construed in accord with the general tenor of the language to reach a fair and equitable result.

**8.05 Remedies.**

It is recognized that performance by Franchisee of Franchisee's obligations hereunder is of unique value, and that non-performance or breach thereof would result in irreparable damage to Franchisor. Accordingly Franchisee agrees that in the event of any nonperformance or breach, Franchisor shall have the right to secure injunctive or other equitable relief, without bond, but upon due notice, to prevent same, and Franchisee consents to the granting of this relief, in addition, and without prejudice, to any other remedies available to Franchisor at law. Subject to this right on the part of Franchisor, and without prejudice thereto, and subject to any applicable provision of law to the contrary, it is agreed that any controversy or dispute arising out of or in connection with this Agreement and activities hereunder, including any termination or purported termination hereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules, as then in effect, of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any state or federal court having jurisdiction. It is the intent of the parties that no claim arbitrated hereunder shall be arbitrated on a class wide basis. In the event that this Agreement is terminated by Franchisor on account of a claimed default hereunder by Franchisee, and without waiving any of Franchisor’s rights under Section 8.09 below, any objection or claim by Franchisee arising there from shall be deemed waived and released unless Franchisee shall deliver to Franchisor written demand for arbitration within

twenty (20) days following the effective date of the termination; provided, however, that this waiver and release of claims shall not apply with respect to any claim arising under applicable state law. The failure of either party to object to, or exercise any remedy on account of, any failure or performance hereunder by the other party shall not constitute a waiver of any other failure of performance of the same or different nature.

**8.06 Notices.**

All notices required or permitted hereunder shall be in writing, shall be deemed given when received, and shall be personally delivered to or sent by overnight courier or by telecopy or facsimile (provided the sender has confirmation of successful transmission), but shall not include electronic communication (such as email), addressed as follows:

To Franchisor: Safari Kid Franchise LLC
34899 Newark Blvd.
Newark, California 94560
Attn: Mr. Deepak Mudakavi
Fax: (510) _____

To Franchisee: _____

_____

_____

_____

Either party may change the address for notices by written notice to the other in accordance with the foregoing.

**8.07 Successors and Assigns; Governing Law; Jurisdiction**

Subject to the above provisions concerning assignments and transfers by Franchisee, this Agreement shall inure to the benefit of and be binding upon the successors, assigns and legal representatives of the parties hereto.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.) or other applicable state law, this Agreement shall be construed in accordance with, and governed by, the laws of the State where Franchisor's principal business address is then located. If a claim is asserted in any legal proceeding, or in arbitration, Franchisee agrees all actions must be commenced in the state, and in the state or federal court of general jurisdiction (or arbitration site) closest to where Franchisor's principal business address is then located, and Franchisee irrevocably submits to the jurisdiction of those courts and waives any objection Franchisee might have to either jurisdiction or venue in those courts.

### 8.08 Limitation of Claims

Except for claims arising from Franchisee's nonpayment or underpayment of amounts due Franchisor, and subject to Section 8.05 hereof, any and all claims arising out of or relating to this Agreement will be barred as a claim, counterclaim, defense or set off unless a proceeding is commenced within one (1) year from the occurrence of the facts giving rise to such claims or ninety (90) days from either the actual discovery of the facts giving rise to such claims or from the date on which the party asserting the claim knew or should have, in the exercise of reasonable diligence, discovered such facts.

### 8.09 Waiver of Punitive Damages

Franchisor and Franchisee (and its owners and guarantors, if applicable) hereby waive to the fullest extent permitted by law, any right to or clam for any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained.

### 8.10 Acknowledgment of Understanding; Opportunity to Consult

Franchisee acknowledges reading and understanding this Agreement, including all attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with an attorney or other advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

In Witness Whereof, the parties hereto have executed this Agreement as of this _____ day of _____, 20____.

| | |
|---|---|
| Safari Kid Franchising, LLC | Safari Kid Franchisee |
| ("Franchisor") | ("Franchisee") |
| By: _____ | By: _____ |
| Title: _____ | Print Name: _____ |

Exhibit 1 to Safari Kid Franchise Agreement

The Designated Territory referred to in subparagraph (b) of Section 2.01 is:

**EXHIBIT B-2**

**AREA DEVELOPMENT AGREEMENT**

# AREA DEVELOPMENT AGREEMENT

FOR

SAFARI KID FRANCHISING, LLC

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**SAFARI KID**
**AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement (this "Agreement") is made and entered into this_____ day of _____, 20__ (the "Effective Date") by and between Safari Kid Franchising, LLC, a California limited liability company ("Safari Kid") and _____
_____
_____
_____, (the "Area Developer");

**W I T N E S S E T H:**

WHEREAS, Safari Kid is the owner and operator of certain proprietary and other property rights and interests in and to the "Safari Kid " name and such other trademarks, trade names, service marks, logotypes, insignias, trade dress and designs (the "Proprietary Marks") used in connection with the development, operation and maintenance of an outlet (each a "Learning Center" and collectively, "Learning Centers") offering daycare, preschool, After School, and Learning Center services, together with other services as the Learning Center may authorize from time to time (the "Franchised Business");

WHEREAS, Safari Kid has originated, developed and perfected a unique and successful system for the establishment, operation and merchandising of Learning Centers, which system includes, but is not limited to, site selection, a unique and readily recognizable design, color scheme, decor, layout and signage for the business premises, class curriculum, accounting and bookkeeping methods, merchandising, advertising and promotional techniques, personnel training and a confidential manual (the "Manual") of operating procedures containing specially conceived and designed methods for operations (the "System"); and

WHEREAS, Safari Kid desires to expand and develop the Franchised Business and seeks sophisticated and enthusiastic multi-unit Developers who will develop and operate numerous Learning Centers for the Franchised Business within designated areas; and

WHEREAS, Area Developer desires to build and operate Learning Centers, and Safari Kid desires to grant to Area Developer the right to build and operate Learning Centers in accordance with the terms and upon the conditions contained in this Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

## I. GRANT OF AREA DEVELOPMENT RIGHTS

### 1.1. Grant of Area Development Rights

Safari Kid hereby grants to Area Developer, and Area Developer hereby accepts, the non-exclusive right to enter into our standard form of franchise agreement then being offered to prospective Developers under the System (a "Franchise Agreement"), during the Term (as

defined below), to develop, construct, equip, open and operate Learning Centers in the Development Area (as defined below), upon the terms and subject to the conditions of this Agreement.

This Agreement is not a Franchise Agreement and Area Developer does not have the right to use the Proprietary Marks or System in any manner by virtue hereof. Each Learning Center will be governed by a Franchise Agreement entered into by Safari Kid and Area Developer for each Learning Center in accordance with the terms and conditions of this Agreement.

## II. AREA DEVELOPER'S DEVELOPMENT OBLIGATION

### 2.1. Development Obligation

Area Developer hereby agrees to construct, equip, open and thereafter continue to operate within the Development Area not less than the cumulative number of Learning Centers set forth on Exhibit "A" which is attached hereto and by this reference made a part hereof, within each of the time periods (the "Development Periods") specified therein (the "Development Obligation").

### 2.2. Force Majeure

Should Area Developer be unable to meet the Development Obligation solely as the result of acts wholly beyond the control of the parties ("Force Majeure"), including, but not limited to, strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, but not limited to, any legal disability of Safari Kid to deliver a Franchise Disclosure Document pursuant to Section 6.1 of this Agreement), which result in the inability of Area Developer to construct or operate Learning Center(s) in the Development Area, and which Area Developer could not by the exercise of due diligence have avoided, the Development Periods shall be extended by the amount of time during which such Force Majeure shall exist.

## III. DEVELOPMENT AREA

### 3.1. Description of Development Area

If Area Developer complies with the terms of this Agreement, including, without limitation, the Development Obligation, and if Area Developer complies with the Franchise Agreement entered into for each Learning Center, then, during the Term and except as otherwise provided in this Section 3.1, Safari Kid shall not operate, or license any other person to operate, a Learning Center within the area set forth and described on Exhibit "B" which is attached hereto and by this reference made a part hereof (the "Development Area"). Notwithstanding the foregoing, Safari Kid hereby reserves the right to:

(a) Establish or license others to establish childcare, preschool and after school Learning Center care or education programs or camps or provide similar or competitive products or services under marks other than the Proprietary Marks within or outside of the Development Area and regardless of proximity to any Learning Center within the Development Area;

(b) Offer or sell any products or services under the Proprietary Marks or any other marks, through any other channel of distribution within or outside of the Development Area;

(c) Advertise and market the System anywhere at any time; and

(d) Establish, either directly or through an affiliate of Safari Kid or by licensing others, Learning Centers at any site Safari Kid deems appropriate outside of the Development Area, regardless of the proximity to the boundaries of the Development Area. Safari Kid makes no representation or warranty that Area Developer will have any right to participate in such licenses.

## IV. TERM OF AREA DEVELOPMENT AGREEMENT

### 4.1. Term

The term of this Agreement (the "Term") shall commence on the Effective Date and, unless sooner terminated in accordance with the provisions herein, or extended as provided in Section 2.2, shall expire when the last Learning Center to be developed pursuant to the Development Obligation is open for business.

### 4.2. Renewal

Area Developer shall have no right to renew this Agreement.

## V. PAYMENTS BY AREA DEVELOPER

### 5.1. Development Area Fee

The aggregate initial franchise fees to be remitted by Area Developer to Safari Kid is set forth on Exhibit "C" attached hereto and by this reference made a part hereof. Area Developer shall pay to Safari Kid in cash or by certified check concurrently with the execution of this Agreement the lump sum of the franchise fee and pre-opening services fee per franchise unit to be developed (the "Development Area Fee"). All fees are deemed fully earned upon receipt and are non-refundable.

## VI. EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

### 6.1. Site Approval, Submission of Franchise Disclosure Document, Execution of Franchise Agreement

(a) After Area Developer has located a proposed site for a Learning Center, Area Developer shall submit to Safari Kid such information regarding the proposed site as Safari Kid shall require and in the form which Safari Kid shall require, together with the terms of any proposed lease relating to such site. Safari Kid may request such additional information as it deems necessary, and Area Developer shall respond promptly to such requests for additional information. Safari Kid's approval of a proposed site will be evidenced by Safari Kid entering into the then-current form of Franchise Agreement and the then-current form of agreement required by Safari Kid to supplement or amend the Franchise Agreement in order to describe the

approved site (a "Site Location Addendum"), and such approval will be given (if at all) after Safari Kid has (i) reviewed all information required to be submitted by Area Developer regarding the proposed site and (ii) in Safari Kid's discretion visited the proposed site. Any additional requirements in the then-current form of Franchise Agreement regarding site selection and approval shall apply.

(b) With respect to each Learning Center to be developed under this Agreement, Area Developer shall, on or before six (6) months prior to expiration of the applicable Development Period, enter into the then current Franchise Agreement and such other ancillary agreements (including, without limitation, a Site Location Addendum) as may be required by Safari Kid.

(c) Prior to entering into a Franchise Agreement and a Site Location Addendum, Safari Kid shall transmit to Area Developer a Franchise Disclosure Document, together with execution counterparts of Safari Kid's then-current Franchise Agreement and such other ancillary agreements as may be required by Safari Kid pertaining to the proposed site and providing for a protected territory surrounding said Learning Center, determined by Safari Kid in good faith, in accordance with Safari Kid's then-current policies and standards for exclusive territories. Immediately upon receipt of the Franchise Disclosure Document, Area Developer (and all other required persons or entities) shall return to Safari Kid a signed copy of the Receipt of the Franchise Disclosure Document. After the passage of any applicable Disclosure Period, Area Developer shall execute and deliver, and/or cause to be executed and delivered, to Safari Kid counterparts of said Franchise Agreement and all other ancillary agreements required by Safari Kid (including, without limitation, the Site Location Addendum). Safari Kid shall, promptly upon receipt of said documents, execute and return to Area Developer one fully executed copy of the Franchise Agreement and other ancillary agreements. Notwithstanding the foregoing, if Safari Kid is not legally able to deliver a Franchise Disclosure Document to Area Developer by reason of any lapse or expiration of its franchise registration, or because Safari Kid is in the process of amending any such registration, or for any reason beyond Safari Kid's reasonable control, Safari Kid may delay approval of the proposed site for Area Developer's proposed Learning Center until such time as Safari Kid is legally able to deliver a Franchise Disclosure Document.

### 6.2. Condition Precedent to Safari Kid's Obligations

It shall be a condition precedent to Safari Kid's obligations pursuant to Section 6.1, that Area Developer shall have performed all of Area Developer's obligations under and pursuant to this Agreement and all other agreements between Area Developer and Safari Kid.

## VII. ASSIGNABILITY AND SUBFRANCHISING

### 7.1. Assignability by Safari Kid

Safari Kid shall have the right to assign this Agreement, or any of its rights and privileges hereunder, to any other person or entity without Area Developer's prior consent.

## 7.2. No Subfranchising by Area Developer

Area Developer shall not offer, sell, or negotiate the sale of Safari Kid Franchising to any third party, either in Area Developer's own name or in the name and on behalf of Safari Kid, or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement shall be construed as granting Area Developer the right to do so.

## 7.3. Assignment by Area Developer

(a) The rights and duties created by this Agreement are personal to Area Developer. Accordingly, except as otherwise permitted herein, neither Area Developer nor the owner of any stock, membership interest, partnership interest or other equity interest ("Equity Interest") in Area Developer shall, without the prior written consent of the Safari Kid, directly or indirectly, sell, assign, transfer (including, without limitation, any transfer occurring by inter vivos transfer or, upon death, by testamentary disposition or pursuant to the laws of intestate succession), convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement or any Equity Interest in Area Developer. Any such purported transfer or assignment occurring by operation of law or otherwise without the prior written consent of Safari Kid shall constitute a breach of this Agreement by Area Developer and shall be null and void. Any such transfer or assignment shall be subject, in any event, to the right of first refusal in favor of the Safari Kid set forth in Section 7.4 of this Agreement.

(b) Should Safari Kid not elect to exercise its said right of first refusal, Safari Kid's consent to such transfer or assignment, but not to the partition, sharing or dividing of rights under this Agreement, shall not be unreasonably withheld; provided, however, Safari Kid may impose any reasonable condition(s) to the granting of its consent. Without limiting the generality of the foregoing, the imposition of any or all of the following conditions to its consent to any such transfer or assignment shall be deemed to be reasonable:

(i) that the assignee (or, in the case of an entity assignee, the shareholders, members, partners or other equity interest holders of the assignee) demonstrate that they have the skills, qualifications and economic resources necessary, in Safari Kid's judgment, reasonably exercised, to develop, construct, equip, open and operate the Learning Centers contemplated by this Agreement, and by all other agreements between Safari Kid and such assignee, and all agreements (including, without limitation, Franchise Agreements entered into pursuant to this Agreement) proposed to be assigned to such assignee;

(ii) that the assignee enter into a written assignment, in form and substance satisfactory to Safari Kid, pursuant to which such assignee assumes and agrees to discharge all rights and obligations of Area Developer under this Agreement and all Franchise Agreements entered into pursuant to this Agreement;

(iii) that Area Developer pay to Safari Kid any and all transfer fees that may be required by each Franchise Agreement executed pursuant hereto;

(iv) that Area Developer, and each owner of an Equity Interest in Area Developer, execute a general release, the consideration for which shall be the consent to the assignment, in form and substance satisfactory to Safari Kid, of any and all claims against Safari Kid and all of Safari Kid's subsidiaries and affiliates (collectively, "Safari Kid's Affiliates"), and their respective

shareholders, members, partners and other equity interest holders, officers, directors, managers, agents, representatives, successors and assigns, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, to the extent permitted by law;

(v) that as of the date of any such assignment, the assignor shall have fully complied with all of its obligations to Safari Kid, whether under this Agreement or any other agreement (including, without limitation, Franchise Agreements entered into pursuant to this Agreement or otherwise), arrangement or understanding with Safari Kid;

(vi) that assignee is not then in default of any of such assignee's obligations to Safari Kid, whether pursuant to a Franchise Agreement or other agreement with Safari Kid;

(vii) that the assignee shall pay to Safari Kid a transfer fee equal to $30,000.00 which is reasonably required to cover Safari Kid's expenses relating to said assignment (such fee being in addition to any transfer fee required to be paid under any Franchise Agreement entered into pursuant to this Agreement or otherwise); and

(viii) that the assignee, or all of the shareholders, members, partners or other equity interest holders of the assignee, as the case may be, shall jointly and severally fully, unconditionally and irrevocably guarantee the performance by Area Developer of all its obligations hereunder.

(c) Any assignment, transfer or other disposition of a Learning Center within the Development Area shall be governed by the Franchise Agreement for such Learning Center.

(d) If Area Developer is a legal entity, each of the following shall be deemed to be an assignment by Area Developer of this Agreement (or of an interest in this Agreement) within the meaning of this Section: (i) the transfer or assignment by any owner of an Equity Interest in the Area Developer; (ii) the issuance of any securities by Area Developer which itself or in combination with any other transaction(s) results in the owners of an Equity Interest in Area Developer existing as of the Effective Date, owning less than one hundred percent (100%) of the Equity Interest in the Area Developer; and (iii) any merger, stock redemption, consolidation, reorganization or recapitalization involving Area Developer.

(e) Without limiting the generality of the foregoing, Area Developer shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written consent of Safari Kid, which consent may be withheld by Safari Kid in its sole and absolute discretion.

## 7.4. Right of First Refusal

Any assignment of this Agreement, or any interest herein, shall be subject to the Safari Kid's right of first refusal with respect thereto. Safari Kid's said right of first refusal shall be exercised in the following manner:

(a) Area Developer shall deliver to Safari Kid a written notice clearly and unambiguously setting forth all of the terms and conditions of the proposed assignment and all available information concerning the proposed assignee, including, but not limited to,

information concerning the employment history, financial condition, credit history, skill and qualifications of the proposed assignee and, in the case of an entity, of its shareholders, members, partners and equity interest holders, as applicable.

(b) Within thirty (30) days after Safari Kid's receipt of such notice (or if Safari Kid shall request additional information, within thirty (30) days after receipt of such additional information), Safari Kid may either consent or withhold its consent to such assignment, in accordance with Section 7.3, or, at its option, accept the assignment to itself or to its nominee upon the terms and conditions specified in the notice. Safari Kid may substitute an equivalent sum of cash for any consideration other than cash specified in said notice.

(c) If Safari Kid shall elect not to exercise its said right of first refusal and shall consent to such assignment, Area Developer shall, subject to the provisions of Section 7.3, be free to assign this Agreement to such proposed assignee on the terms and conditions specified in said notice. If, however, Safari Kid does not elect to exercise its right of first refusal and said terms shall be materially changed, or if more than 90 days shall elapse after the date of Safari Kid's receipt of written notice of such assignment without such assignment occurring, such changed terms or lapse of time shall be deemed a new proposal, and Safari Kid shall again have such right of first refusal with respect thereto.

### 7.5. Individual Franchise Agreements

Area Developer shall not execute any Franchise Agreement, or construct or equip any Learning Center, with a view to transferring or assigning such Franchise Agreement or Learning Center.

## VIII. NON-COMPETITION

### 8.1. In Term

During the Term of this Agreement, neither Area Developer, or if Area Developer is a legal entity, no owner of an Equity Interest in Area Developer or any officer, director or manager of Area Developer shall either directly or indirectly, own, operate, advise, be employed by, or have any interest in any childcare, preschool, afterschool or children’s camp enterprise, whether within or outside of the Development Area, unless Safari Kid, in its sole and absolute discretion, shall consent thereto in writing.

### 8.2. Modification

The parties have attempted in Section 8.1 above to limit the Area Developer's right to compete only to the extent necessary to protect Safari Kid from unfair competition and substantial conflicts of interest during the Term. The parties hereby expressly agree that if the scope or enforceability of Section 8.1 is disputed at any time by Area Developer, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent it deems necessary to make such provision(s) enforceable under applicable law. In addition, Safari Kid reserves the right to reduce the scope of either, or both, of said provisions without Area Developer's consent, at any time or times, effective immediately upon notice to Area Developer.

## IX. TERMINATION

### 9.1. Termination Pursuant to A Material Breach of This Agreement

This Agreement may be terminated by Safari Kid for cause without notice or opportunity to cure, except for such notice as may be required by law, in the event of any material breach by Area Developer of this Agreement. Material breach, as used herein, shall specifically include, among other things, the following:

(a) Failure of Area Developer to comply with the Development Obligation within the Development Periods;

(b) Failure of Area Developer to perform any other of Area Developer's obligations under this Agreement, including, without limitation, the obligation to enter into a Franchise Agreement with respect to any Learning Center within the time required under this Agreement, and the obligation of Area Developer to obtain the prior written consent of Safari Kid with respect to any transfer or assignment of this Agreement, in whole or in part, or any or all rights and obligations hereunder.

(c) The filing by or against Area Developer of any petition in bankruptcy, arrangement for the benefit of creditors, or petition for reorganization which is not dismissed within ninety (90) days;

(d) The appointment of a receiver or trustee for Area Developer which receiver or trustee is not dismissed within ninety (90) days from the date of appointment;

(e) The conviction of, or pleading of nolo contendere by, any owner of an Equity Interest in Area Developer to a felony crime involving moral turpitude; or any misconduct of any type involving a minor; or

(f) The discovery by Safari Kid that Area Developer concealed, omitted, or misrepresented any material fact in qualifying to become an Area Developer that would have disqualified Area Developer from being granted the license in this Agreement.

### 9.2. Termination by Reason of a Material Breach of Other Agreement

This Agreement may be terminated, at the election of Safari Kid, in the event of any material breach by Area Developer of an individual Franchise Agreement or any other agreement between Safari Kid and Area Developer, upon the notice, if any, specified in the Franchise Agreement or other agreement.

### 9.3. Effect of Expiration or Termination

(a) Upon the expiration of the Term, or upon the prior termination of this Agreement, Area Developer shall have no further right to construct, equip, open or operate additional Learning Center which are not, at the time of such expiration or termination, the subject of a then-existing Franchise Agreement between Area Developer and Safari Kid which is in full force and effect, and Safari Kid may itself construct, equip, open, or operate, or license others to

construct, equip, open, or operate Learning Centers in the Development Areaand as provided in any Franchise Agreement executed pursuant to this Agreement.

(b) Competition. Area Developer acknowledges that in addition to the license granted hereunder, Safari Kid is licensing to Area Developer, in conjunction with each franchised business, a large body of commercially valuable information including, but not limited to, operations, marketing, advertising and related materials and that the value of this information derives not only from the time, effort and money which went into its compilation but from the usage of same by all franchisees in the Safari Kid's network to develop System goodwill. Area Developer further acknowledges that this information is not generally known in the industry and is beyond Area Developer's present skills and experience (or if Area Developer had prior related experience, it was not experience or knowledge remotely comparable to Safari Kid's experience and knowledge) and that to develop this information would be expensive, time-consuming and difficult. Area Developer finally acknowledges that gaining access to Safari Kid's marketing techniques, operational procedures, business practices and management methods used in Area Developer's development of the franchised businesses is a primary reason for entering into this Agreement. Area Developer therefore agrees that, in order to foster System loyalty, promote inter-brand competition and protect the ability of Safari Kid to sell new franchise rights within the area, Area Developer will not, for a period of two (2) years, commencing on the effective date of termination, or the date on which Area Developer ceases the business conducted pursuant to this Agreement, whichever is later, have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, in any business competitive with that theretofore constituting the operations of a Business or any portion thereof, within five (5) miles of Area Developer's Territory (except ownership of securities that are traded on a stock exchange or on the over-the-counter market representing five percent (5%) or less of the equity or voting power of the issuer thereof). It is understood and agreed by Area Developer that the purpose of this covenant is not to deprive Area Developer of means of livelihood and will not do so, because Area Developer earned a livelihood before entering into this Agreement and has the skills to do so in the future, but is rather to protect the goodwill and interests of Safari Kid, the System and network of Safari Kid franchises.

## X. ENTITY AREA DEVELOPER

### 10.1. Entity Area Developer

(a) If Area Developer is a corporation, limited liability company, general or limited partnership or other legal entity, there is set forth below the name and address of each owner of an Equity Interest in Area Developer:

| NAME | ADDRESS | NUMBER OF SHARES OR PERCENTAGE INTEREST |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |

(b) If Area Developer is a corporation, limited liability company, general or limited partnership or other legal entity, there is set forth below the name and address of each director, manager, or general partner, as applicable, of Area Developer:

NAME ADDRESS

_____

_____

_____

_____

_____

(c) The address where Area Developer's financial records, and corporate, company, partnership or other entity records, as applicable, are maintained is:

_____

_____

_____

_____

_____

(d) If Area Developer is a corporation, limited liability company, partnership or other legal entity, there is set forth below the name, address and title of the owner of an Equity Interest in Area Developer who owns not less than fifty percent (50%) of the Equity Interest in Area Developer and who will serve as the so-called "Operating Partner" and devote a majority of her or his time and efforts to the management and operation of each Learning Center constructed, equipped, opened and operated by Area Developer under each Franchise Agreement entered into pursuant to this Agreement:

NAME ADDRESS

_____

_____

_____

_____

_____

(e) Area Developer shall notify Safari Kid in writing within ten (10) days of any change in the information set forth in subparagraphs (a) through (d) above.

(f) Area Developer shall promptly provide such additional information as Safari Kid may from time to time request concerning all persons who may have any direct or indirect financial interest in Area Developer.

(g) If Area Developer is a corporation, limited liability company, partnership or other legal entity, each of the owners of an Equity Interest in Area Developer shall, by executing this

Agreement, fully, unconditionally and irrevocably guarantee the performance by Area Developer of all of its obligations hereunder. In addition, Developer shall upon Safari Kid's request cause all of its current and future owners of an Equity Interest in Area Developer to execute and deliver a guaranty in substantially the form of Exhibit "D" which is attached hereto and by this reference made a part hereof.

## XI. VENUE AND REMEDIES

### 11.1. Venue

To the extent permitted by applicable law, Area Developer agrees that any action brought by Area Developer against Safari Kid shall be brought in the state courts or in the U.S. District Court of the jurisdiction in which Safari Kid has its principal place of business at the time such proceeding is commenced, and Area Developer waives its right to bring any action against Safari Kid in any other jurisdiction or venue. Additionally, to the extent permitted by applicable law, Area Developer hereby submits to the jurisdiction of such courts, and Area Developer waives any right it may have to object to such jurisdiction and venue.

### 11.2. Remedy

No right or remedy conferred upon or reserved by Safari Kid by this Agreement is intended and shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, at law or in equity, but each right or remedy shall be cumulative of every other right or remedy.

### 11.3. Injunctive Relief

Nothing herein contained shall bar Safari Kid's right to obtain injunctive relief against threatened conduct that will cause it loss or damage under the usual equity rules, including, without limitation, the applicable rules for obtaining restraining orders and preliminary injunctions. Safari Kid shall not be required to post a bond in excess of $1,000.00 or other security with respect to obtaining any such equitable relief.

## XII. GENERAL CONDITIONS AND PROVISIONS

### 12.1. Relationship of Area Developer to Safari Kid

It is expressly agreed that Area Developer has no authority to create or assume in Safari Kid's name or on behalf of Safari Kid, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Safari Kid for any purpose whatsoever. Neither Safari Kid nor Area Developer is the employer, employee, agent, partner or co-venturer of, or with the other, each being independent. Area Developer agrees that Area Franchise will not hold himself or itself out as the agent, employee, partner or co-venturer of Safari Kid. All employees hired by or working for Area Developer shall be the employees of Area Developer and shall not, for any purpose, be deemed employees of Safari Kid or subject to Safari Kid’s control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any

liability of any nature whatsoever by virtue thereof. This indemnity obligation shall survive the expiration or prior termination of this Agreement.

**12.2. Indemnity by Area Developer**

Area Developer hereby agrees to protect, defend and indemnify Safari Kid, and all of its past, present and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with Area Developer's operation of a Learning Center pursuant hereto. This indemnity obligation shall survive the expiration or prior termination of this Agreement.

**12.3. No Consequential Damages For Legal Incapacity**

Safari Kid shall not be liable to Area Developer for any consequential damages, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Area Developer by reason of any delay in the delivery of Safari Kid's Franchise Disclosure Document caused by legal incapacity during the Term, or other conduct not due to the gross negligence or intentional misconduct of Safari Kid.

**12.4. Waiver and Delay**

No waiver by Safari Kid of any breach or series of breaches or defaults in performance by Area Developer, and no failure, refusal or neglect of Safari Kid to exercise any right, power or option given to it hereunder or under any franchise agreement between Safari Kid and Area Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Learning Centers) or to insist upon strict compliance with or performance of Area Developer's obligations under this Agreement or any franchise agreement between Safari Kid and Area Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Learning Centers), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Safari Kid of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

**12.5. Survival of Covenants**

The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

**12.6. Successors and Assigns**

This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of Safari Kid and shall be binding upon and inure to the benefit of Area

Developer and his, its or their respective heirs, executors, administrators, successors and permitted assigns, subject to the prohibitions against assignment contained herein.

**12.7. Joint and Several Liability**

If Area Developer consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Safari Kid are joint and several.

**12.8. Governing Law**

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act), 15 U.S.C., Section 1051, et seq.), this Agreement shall be construed in accordance with the laws of the State of California.

**12.9. Entire Agreement**

This Agreement and the Exhibits incorporated herein contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof. All prior agreements, understandings and representations, are merged herein and superseded hereby. Area Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained herein. No officer or employee or agent of Safari Kid has any authority to make any representation or promise not contained in this Agreement or any Franchise Disclosure Document for prospective Developers required by applicable law, and Area Developer agrees that Area Franchise has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto. Where this Agreement and any Franchise Agreement entered into pursuant to this Agreement conflict with respect to the amount or payment terms of initial franchise fees, or the date by which a Learning Center is to be opened, the terms of this Agreement shall govern. Nothing in the agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

**12.10. Titles for Convenience**

Article and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

**12.11. Gender**

All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or paragraph hereof may require.

**12.12. Severability**

Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this

Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

### 12.13. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

### 12.14. Attorney Fees

Should any party hereto commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision hereof, whether by judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

### 12.15. Notices

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered three (3) days after placed in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at such party's most current principal address which the notifying party has on record.

## XIII. SUBMISSION OF AGREEMENT

### 13.1. General

The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Safari Kid and Area Developer. THIS AGREEMENT SHALL NOT BE BINDING ON SAFARI KID UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY THE PRESIDENT OF SAFARI KID. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS AREA DEVELOPER SHALL HAVE BEEN FURNISHED BY SAFARI KID WITH ALL DISCLOSURE DOCUMENTS, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW, FOR REQUISITE TIME PERIODS.

## XIV. ACKNOWLEDGMENT

### 14.1. General

Area Developer, and the owners of any Equity Interests in Area Developer as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

(*Continued on following page*)

IN WITNESS WHEREOF, the parties have hereto set their hands, affixed their seals and delivered these presents as of the day and year first above written.

SAFARI KID:

Safari Kid Franchising, LLC,
a California limited liability company

_____(SEAL)

By: _____
Deepak Mudakavi, President

AREA DEVELOPER:

_____

_____(SEAL)

By: _____

Name: _____

Title: _____

(CORPORATE SEAL, if applicable)

EQUITY INTEREST OWNERS:

_____(SEAL) _____

_____(SEAL) _____

**EXHIBIT A**

**DEVELOPMENT OBLIGATION**

| Development Period Ending | Cumulative Number of Learning Centers to be in Operation |
|---|---|
| 1 _____, 20___ | _____ |
| 2 _____, 20___ | _____ |
| 3 _____, 20___ | _____ |
| 4 _____, 20___ | _____ |
| 5 _____, 20___ | _____ |

# EXHIBIT B

# DEVELOPMENT AREA

**EXHIBIT C**

**AGGREGATE INITIAL FRANCHISE FEE**

___ Units at $_____/unit

**Total: $_____**

# EXHIBIT D

## GUARANTY OF AREA DEVELOPER'S UNDERTAKINGS

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement dated _____, and any and all revisions, modifications and amendments thereto or renewals thereof, (hereinafter collectively the "Agreement"), by and between Safari Kid Franchising, LLC, a California limited liability company, for itself and for its affiliates (hereinafter, collectively, "Safari Kid") and _____ (hereinafter "Area Developer"), each of the undersigned "Guarantors" (herein so called) agrees as follows:

1. The Guarantors do hereby jointly and severally unconditionally guarantee the full, prompt and complete performance of Area Developer under the terms, covenants and conditions of the Agreement, including, without limitation, the complete and prompt payment of all indebtedness to Safari Kid under the Agreement. The word "indebtedness" is used herein in its most comprehensive sense and includes without limitation any and all advances, debts, obligations and liabilities of Area Developer, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of Area Developer and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Area Developer or whether Area Developer is joined in any such action.

3. If the Area Developer is a corporation, partnership, limited liability company or other legal entity, Safari Kid shall not be obligated to inquire into the power or authority of Area Developer or its officers, directors, agents, managers, representatives, employees or other persons acting or purporting to act on Area Developer's behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations, partnerships, limited liability companies or other legal entities, it shall be conclusively presumed that the Guarantors and all shareholders, partners, members and other owners of such entities, and all officers, directors, agents, managers, representatives, employees or other persons acting on their behalf have the express authority to bind such entities and that such entities have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such entities.

4. Safari Kid, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors and assigns have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or

any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. The undersigned each further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including, without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Area Developer and Safari Kid resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Guaranty shall be enforceable by and against the respective administrators, executors, heirs, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability of such Guarantor or limit the liability of the other Guarantors hereunder.

7. If more than one person has executed this Guaranty, the term "the undersigned," as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

8. Without limiting the generality of any part or all of the foregoing, the undersigned do each hereby further covenant and agree that each of the undersigned are hereby bound by those certain terms, obligations, covenants and conditions of the Agreement with respect to the following:

(i) Section 7.3 entitled "Assignment by Area Developer";

(ii) Section 7.4 entitled "Right of First Refusal";

(iii) Article VIII entitled "Non-Competition";

(iv) Section 10.1 entitled “Entity Area Developer”;

(v) Section 11.1 entitled "Venue";

(vi) Section 11.3 entitled "Injunctive Relief";

(vii) Section 12.7 entitled "Joint and Several Liability";

(viii) Section 12.15 entitled "Notices"; and

(ix) Article XIV entitled "General."

The undersigned each agree that the references to the "Area Developer" in the Sections referenced hereinabove shall include and be applicable to each of the undersigned.

9. All capitalized terms not defined herein shall have the meanings given to them in the Agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty of Area Developer's Undertakings under seal effective as of the _____ day of _____ _____, _____.

_____
Name

_____
_____
_____
Home Address

_____
Home Telephone

_____
Business Telephone

_____
Date

**EXHIBIT C**

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# Operations Manual

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**AGENTS FOR SERVICE OF PROCESS**

## AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

| | |
|---|---|
| **CALIFORNIA**<br>Commissioner of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013–2344<br>(213) 576–7500<br>Toll free: (866) 275-2677 | **MICHIGAN**<br>Dept. of Commerce, Corp'ns & Securities Bureau<br>670 Law Building<br>525 West Ottawa<br>Lansing, Michigan 48913<br>(517) 373–7117 |
| **HAWAII**<br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | **MINNESOTA**<br>Commissioner of Commerce<br>85 7th Place East, Suite 500<br>St. Paul, Minnesota 55101<br>(612) 296–4026 |
| **ILLINOIS**<br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782–4465 | **NEW YORK**<br>New York State Department of State<br>Division of Corporations<br>Second Floor<br>41 State Street<br>Albany, New York 12231 |
| **INDIANA**<br>Indiana Secretary of State<br>201 State House<br>Indianapolis, Indiana 46204<br>(317) 232–6681 | **NORTH DAKOTA**<br>North Dakota Securities Commissioner<br>600 Boulevard Avenue, State Capitol<br>Fifth Floor<br>Bismarck, North Dakota 58505-0510 |
| **MARYLAND**<br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202–2020<br>(410) 576–6360 | **RHODE ISLAND**<br>Director of Department of Business Regulation<br>John O. Pastore Center<br>Bldg. 69, First Floor<br>1511 Pontiac Avenue<br>Cranston, RI 02920<br>(401) 277–3048 |
| **SOUTH DAKOTA**<br>Director of Division of Securities<br>445 E. Capitol Avenue<br>Pierre, South Dakota 57501–2017<br>(605) 773–4013 | **WASHINGTON**<br>Director of Department of Financial Institutions<br>General Administration Building<br>Securities Division – 3rd Floor West<br>150 Israel Road S.W.<br>Tumwater, Washington 98501<br>(360) 902–8760 |

| | |
|---|---|
| **VIRGINIA**<br>Clerk of the State Corporation Commission<br>1300 East Main Street<br>Richmond, Virginia 23219<br>(804) 371–9733 | **WISCONSIN**<br>Commissioner of Securities<br>345 West Washington Avenue, Fourth Floor<br>Madison, Wisconsin 53703<br>(608) 261–9555 |

**EXHIBIT E**

**STATE ADMINISTRATORS**

## STATE ADMINISTRATORS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

| | |
|---|---|
| **CALIFORNIA**<br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013–2344<br>(213) 876–7500<br>Toll free: (866) 275-2677 | **MICHIGAN**<br>Consumer Protection Div., Franchise Section<br>Attn: Kathryn A. Barron<br>670 G. Mennen Williams Building<br>Lansing, Michigan 48913<br>(517) 373–7117 |
| **HAWAII**<br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | **MINNESOTA**<br>Commissioner of Commerce<br>Department of Commerce<br>85 7th Place East, Suite 500<br>St. Paul, Minnesota 55101<br>(651) 296–4026 |
| **ILLINOIS**<br>Robert Tingler, Esq.<br>Chief, Franchise Division<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782–4465 | **NEW YORK**<br>Bureau of Investor Protection and Securities<br>New York State Department of Law<br>120 Broadway, 23rd Floor<br>New York, New York 10271<br>(212) 416–8211 |
| **INDIANA**<br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232–6681 | **NORTH DAKOTA**<br>North Dakota Securities Department<br>600 Boulevard Avenue, State Capitol<br>Fifth Floor, Dept. 414<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712 |
| **MARYLAND**<br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202–2020<br>(410) 576–6360 | **RHODE ISLAND**<br>Securities Division<br>Department of Business Regulation<br>John O. Pastore Center<br>Bldg. 69, First Floor<br>1511 Pontiac Avenue<br>Cranston, RI 02920<br>(401) 277–3048 |

| | |
|---|---|
| **SOUTH DAKOTA**<br>Director of Division of Securities<br>445 E. Capitol Avenue<br>Pierre, South Dakota 57501–2017<br>(605) 773–4013 | **WASHINGTON**<br>Department of Financial Institutions<br>General Administration Building<br>Securities Division – 3rd Floor West<br>150 Israel Road S.W.<br>Tumwater, Washington 98501<br>(360) 902–8760 |
| **VIRGINIA**<br>Director, Securities and Retail Franchising Div.<br>State Corporation Commission<br>1300 East Main Street<br>Richmond, Virginia 23219<br>(804) 371–9051 | **WISCONSIN**<br>Office of the Commissioner of Securities<br>345 West Washington Avenue, Fourth Floor<br>Madison, Wisconsin 53703<br>(608) 261–9555 |

**EXHIBIT F**

**SAMPLE FORM OF GENERAL RELEASE**

**SAMPLE FORM OF**
**GENERAL RELEASE**

This General Release (this "Release") is made by _____ [NAME OF FRANCHISEE] ("Franchisee") in favor of Safari Kid Franchising, LLC ("Franchisor") and certain related parties as set forth below effective as of _____,2____ (the "Effective Date").

Franchisor is the franchisor of Safari Kid learning centers ("Safari Kid").

Franchisor and Franchisee entered into a Franchise Agreement dated _____,_____ (the "Franchise Agreement") for the operation of a Safari Kid located at _____ (the "Franchised Business").

Franchisee is seeking to renew the franchise or is seeking Franchisor's consent to sell, transfer and convey the rights under the Franchise Agreement to _____ [NAME OF PURCHASER] ("Purchaser") as provided in the Franchise Agreement. A release of all claims against Franchisor and related parties by Franchisee is one of the conditions that must be satisfied in order to renew or transfer the franchise under the Franchise Agreement. ***[OR: The current term of the Franchise Agreement has not expired, and Franchisee wishes to enter into a new franchise agreement with Franchisor for the Franchised Business that would replace the Franchise Agreement and provide Franchisee with a new ten (10) year franchise term and a further right to renew. Franchisor is willing to enter into a new franchise agreement with Franchisee in consideration of Franchisee entering into this Release.]***

Therefore, in consideration of these premises, and for other good and valuable consideration, receipt of which is hereby acknowledged, Franchisee agrees as follows:

1. **Release by Franchisee.** Franchisee for Franchisee and Franchisee's respective predecessors, shareholders, officers, directors, members, partners, owners, successors, assigns, affiliates, family members, heirs, executors, administrators and personal representatives and anyone claiming through or under them (collectively the "Franchisee Parties"), hereby releases, acquits and forever discharges Franchisor and its predecessors, successors, assigns, parent company, subsidiaries, affiliates, officers, directors, stockholders, employees, attorneys, accountants and other representatives (collectively the "Franchisor Parties") of and from any and all claims, demands, debts, disputes, obligations, damages, causes of action and claims for relief of any nature whatsoever, whether known or unknown, whether arising under the Franchise Agreement, or under common law, equitable principles, statute (including but not limited to the California Franchise Investment Law), regulation or otherwise, whether fixed or contingent, which the Franchisee Parties or any of them have against the Franchisor Parties by reason of any matter, event or cause whatsoever occurring at any time before, through and including the Effective Date of this Release stated above.

2. **Waiver of Civil Code Section 1542.** Franchisee for Franchisee and the Franchisee Parties hereby expressly waives any rights or benefits available under the provisions of Section 1542 of the California Civil Code or any similar law of any state that provides for the survival of claims notwithstanding a general release. Civil Code Section 1542 provides as follows:

> **A general release does not extend to claims that the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by Franchisee must have**

**materially affected Franchisee's settlement with the debtor.**

Franchisee understands this statutory language, and notwithstanding this or any similar statute or law, Franchisee freely elects to specifically waive these rights and hereby does release the Franchisor Parties from all claims whether known or unknown at the time of this Release. Franchisee understands that if the facts relied upon in making this Release are discovered hereafter to be other than or different from the facts now believed to be true, or if additional facts are discovered, Franchisee expressly accepts the risk of such possible different or additional facts and agrees that this Release shall remain effective notwithstanding any such discoveries. Franchisee is not deciding to make this Release or waiver predicated on any factual representations of Franchisor concerning the nature of any claims released, past or future events or any other matters.

**3. Representations.** Franchisee represents, warrants, agrees and acknowledges:

a. That Franchisee had the opportunity to consult with legal counsel in making this Release and that Franchisee has read and fully understands the terms of this Release and that this Release was entered into freely and voluntarily;

b. That the validity of this Release is an essential condition to and in consideration of Franchisor's consent to the transfer or renewal of the franchise ***[OR: Franchisor's offer of a new franchise agreement and franchise term prior to expiration of the Franchise Agreement]***;

c. That in addition to this Release, there are other conditions that must be satisfied in order to have the franchise transfer or renewal approved by Franchisor as required in the Franchise Agreement and that Franchisee understands and agrees to these conditions; and

d. That Franchisee is the sole owner of all of the claims released hereby and has not heretofore assigned any interest in the franchise, the Franchise Agreement, or any of the claims released hereby.

**4. Entire Agreement.** This Release contains the entire agreement by Franchisee with respect to the release required for ***[the applicable transaction]***. All prior discussions, negotiations, and representations concerning this matter are superseded by this Release.

**5. Governing Law.** This Release will be governed by the laws of California.

**6. Exception to Release.** Notwithstanding any of the provisions of this Release, if Franchisee is entering into a new franchise agreement concurrently with this Release, this Release is not meant to waive compliance with any provisions of the California Franchise Investment Law that might apply to the acquisition of the new franchise agreement.

**Name(s) of Franchisee Above**

**FRANCHISEE**

_____

(Name of Entity)

By: _____

(Signature)

Title: _____

Date: _____

**FRANCHISEE**

_____

(Print Name)

By: _____

(Signature)

Date: _____

**EXHIBIT G**

**SPOUSAL CONSENT**

## SPOUSAL CONSENT AND WAIVER

The undersigned _____ ("Spouse") hereby represents that he/she is a _____ [state] resident and is the spouse of _____ ("Franchise Owner"). Spouse acknowledges and understands that, contemporaneously herewith, Franchise Owner, or a corporation, partnership or limited liability company in which Franchise Owner is a principal owner (the "Franchisee"), will be entering into a Franchise Agreement with Safari Kid Franchising, LLC("Franchisor") to acquire a Safari Kid learning center franchise and operate a Safari Kid learning center. Spouse hereby consents to this transaction and waives any right, now or in the future, to assert a community property or quasi community property interest in the franchise, the Franchise Agreement, the Safari Kid learning center or in the Franchisee. Spouse understands that in the absence of this Spousal Consent and Waiver, Franchisor, as a condition of granting the Safari Kid franchise to Franchise Owner, would have required Spouse to personally enter into the Franchise Agreement or to execute a personal guaranty of all of Franchisee's obligations under the Franchise Agreement. Spouse represents and agrees that the waiver of this condition by Franchisor is sufficient consideration for this Spousal Consent and Waiver. Spouse understands that if Spouse did not wish to provide this Spousal Consent and Waiver, Spouse could have agreed to personally execute the Franchise Agreement or the personal guaranty. Spouse hereby represents and acknowledges that Spouse knowingly and deliberately elected not to do so and to instead provide this Spousal Consent and Waiver. If notwithstanding this Spousal Consent and Waiver, Spouse claims or is awarded in a legal action a community property interest, quasi community property interest or other ownership interest in the franchise, the Franchise Agreement, the Safari Kid learning center or in Franchisee, other than by way of a transfer approved in writing by Franchisor as provided in the Franchise Agreement, Spouse hereby agrees, without further action or execution of further instruments, to be personally bound by all of the terms of the Franchise Agreement and to be liable for the performance of all obligations thereunder.

**Spouse**

_____ Dated: _____

**EXHIBIT H**

**OWNER'S GUARANTY**

**AND**

**ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

**OWNER'S GUARANTY**

**AND**

**ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution by Safari Kid Franchising, LLC ("FRANCHISOR") of that certain Franchise Agreement of even date herewith (the "Agreement") between FRANCHISOR and _____ ("FRANCHISEE"), or in consideration of and as an inducement to FRANCHISOR's consent to a transfer by or of FRANCHISEE under the Agreement, each of the undersigned parties including:_____ _____ ("Guarantors") hereby personally and unconditionally: (1) guarantees to FRANCHISOR and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement; and agrees to punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (2) agrees to be personally bound by, and personally liable for the breach of, each and every term, condition, covenant and provision in the Agreement. Each Guarantor expressly represents and acknowledges that he or she has read the Agreement and has had the opportunity to review the same, and this Guaranty, with counsel. Each Guarantor hereby expressly waives:

(1) acceptance and notice of acceptance by FRANCHISOR, of the foregoing undertakings;

(2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

(4) any right he or she may have to require that an action be brought against FRANCHISEE, Guarantor or any other person as a condition of liability;

(5) any requirement that FRANCHISOR proceed against or exhaust its remedies with respect to FRANCHISEE or any other person before demanding payment or performance by Guarantor; and

(6) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

(1) his or her direct and immediate liability under this guaranty shall be joint and several;

(2) he or she shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses to do so punctually;

(3) such liability shall not be contingent or conditioned upon pursuit by FRANCHISOR of any remedies against FRANCHISEE or any other person;

(4) 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 irrevocable during the term of the Agreement; and

(5) the liability and obligations under this Guaranty and Assumption shall not be diminished, relieved or otherwise affected by any modification by FRANCHISEE and FRANCHISOR of the terms or conditions of the Agreement.

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

GUARANTOR(S)

Name:_____

Signature:_____

Date:_____

Name:_____

Signature:_____

Date:_____

**EXHIBIT I**

**ELECTRONIC DEBIT AUTHORIZATION**

**Electronic Debit Authorization**
**(Authorization Agreement for Pre-Authorized Payments Via ACH Debit Originations)**

FRANCHISEE NAME:_____ FEIN:_____

FRANCHISE ("I" or "We") hereby authorizes Safari Kid Franchising, LLC ("COMPANY"), to initiate debit entries to my (our) checking account indicated below in the depository named below, hereinafter called DEPOSITORY, to debit the same to such account.

DEPOSITORY NAME:_____CITY & STATE: _____
ABA/TRANSIT NO:_____ ACCOUNT NO.:_____

This authorization is to remain in full force and effect until the underlying obligations per the Franchise Agreement between FRANCHISEE and COMPANY and have been satisfied in full or released in writing by COMPANY.

This authorization further confirms my agreement that that this authorization shall apply to any and all Depositories and Bank Accounts with which I/we open during the term of the Franchise Agreement and any renewals. Without limiting the generality of the foregoing, I/we understand that if I/we close any bank account, I/we are obligated to immediately, (i) notify COMPANY thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to COMPANY all documents necessary for COMPANY to begin and continue making withdrawals from such depository/bank account by ACH debiting or other electronic means. I/we specifically agree and declare that this Authorization shall be the only written authorization needed form me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) established with any Depository in the future.

NAME: _____

Signature: _____ Dated:_____

Or for business entity franchisee:

By: _____ Dated:_____

As Its: _____

Federal Tax ID # or SS#:_____

**EXHIBIT J**

**LIST OF ACTIVE FRANCHISEES**

## List of Active Franchisees

**California:**

Mrs. Priya Kothari
4135 Blackhawk Plaza Cir #150,
Danville, CA 94506
408-688-4432

Mrs. Kiran Vuriti
4564 Dublin Blvd
Dublin, CA 94568
925-215-8620

Mrs. Kiran Vuriti
2500 Positano Pkwy,
Dublin, CA 94568
Phone: 925-490-2222

Mrs. Sonal Jagad
39169 Farwell Drive
Fremont, CA 94538
510-818-0811

Mrs. Gowri Kiran
43468 Ellsworth St.
Fremont, CA 94539
510-943-5942

Mrs. Gowri Kiran
41811 Blacow Rd,
Fremont, CA 94538
Phone: 510-573-4871

Mrs. Gowri Kiran
46292 Warm Springs Blvd.
(Fremont Times Square) Unit 662/670
Fremont, CA 94539
510- 573-1070

Mrs. Kavita Goswami
26236 Adrian Ave,
Hayward, CA 94545
408-250-0046

Mrs. Shanu Mathur
521 E 5th Ave 94402
San Mateo, CA 94402
Phone: 408-771-8292

Mrs. Sandhya Menon
107 Clover Lane,
Menlo Park, CA 94025
(510) 512-6312

Mrs. Sonal Jagad
5700 Newpark Mall Road
Newark, CA 94560
510-745-8200

Mrs. Lakshmi Nachiappan
5627 Gibraltar Drive, Suite 200
Pleasanton, CA 94588
925-264-9679

Mrs. Jaishree Chitkara
4868 San Felipe Rd.
San Jose, CA 95135
408- 532-1283

Mrs. Jaishree Chitkara
6436 Bose Ln,
San Jose, CA 95120
408-600-6031

Mrs. Jaishree Chitkara
3122 Fowler Rd
San Jose, CA 95135
408-600-6031

Mrs. Kiran Vuriti
500 Bollinger Canyon Way
San Ramon, CA 94582
925-968-9721

Mrs. Vidya Gopidas
4995 Stevens Creek Blvd.
Santa Clara, CA 95051
408-910-3912

Mrs. Shalini Raj Singh
2074 Treat Blvd,
Walnut Creek, CA 94598
(925) 295-0761

Mrs. Shalini Raj Singh
2210 Oak Grove Blvd,
Walnut Creek, CA 94598
925-295-0761

**Oregon:**

AD29 Education, LLC
Manveen Kaur and Vinisha Kothoor
16180 SW Regatta Lane
Beaverton, OR 97006

**EXHIBIT K**

**LIST OF FORMER FRANCHISEES**

Mrs. Kavita Goswami
31145 Mission Blvd,
Hayward, CA 94544
408-250-0046

# EXHIBIT L

# STATE SPECIFIC ADDENDA

## CALIFORNIA APPENDIX

## TO SAFARI KID FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT & AREA DEVELOPMENT AGREEMENT

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

California Business and Professions Code section 20000 through 20043 provide rights to the franchisee concerning transfer, termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 USCA sec 101et seq).

The Franchise Agreement contains provisions that may not be enforceable under California law, including, but not limited to, a covenant not to compete that extends beyond the termination of the franchise, a limitation of actions period, and a waiver of punitive damages.

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 30010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code sections 2000 through 20043).

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

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.

Our url is www.safarikidca.com. Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

For information on obtaining a childcare license in California, please visit http://www.ccld.ca.gov.

## ILLINOIS ADDENDUM

## TO SAFARI KID FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT & AREA DEVELOPMENT AGREEMENT

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, arbitration may take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, 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.

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the _____ day of _____, 20___, and of the Franchise Disclosure Document but only state law as of the date above, prior to or at the time of execution.

DATED this _____day of_____, 20____.

**FRANCHISOR**

**SAFARI KID FRANCHISING, LLC**

By:_____
Its:_____
Date:_____

**FRANCHISEE:**

**IF A PARTNERSHIP, CORPORATION OR OTHER LEGAL ENTITY**

**Entity Name**_____

By:_____
Its:_____
Date:_____

**IF FRANCHISEE IS ONE OR MORE INDIVIDUALS:**

_____
**[Signature]**
Printed Name:_____
Date:_____

_____
**[Signature]**
Printed Name:_____

Date:_____

For information on obtaining a childcare license in Illinois, please visit https://sunshine.dcfs.illinois.gov/Content/Licensing/Welcome.aspx.

## MASSACHUSETTS APPENDIX

## TO SAFARI KID FRANCHISING, LLC DISCLOSURE DOCUMENT

For information on obtaining a childcare license in Massachusetts, please visit https://www.mass.gov/child-care-program-licensing.

## NEW YORK ADDENDUM

## TO SAFARI KID FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT & AREA DEVELOPMENT AGREEMENT

1. The following information is added to the cover page of the Franchise Disclosure Document:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer"**:

   However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following is added to the end of the "Summary" section of Item 17(d), titled "Termination by franchisee"::

   You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law"::

   The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

For information on obtaining a childcare license in New York, please visit https://ocfs.ny.gov/programs/childcare/info-for-providers.php.

## TEXAS APPENDIX

## TO SAFARI KID FRANCHISING, LLC DISCLOSURE DOCUMENT

For information on obtaining a childcare license in Texas, please visit https://www.dfps.state.tx.us/Child_Care/.

## VIRGINIA ADDENDUM

## TO SAFARI KID FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT & AREA DEVELOPMENT AGREEMENT

The following modifies and amends Safari Kid's Franchise Disclosure Document, Franchise Agreement and Area Development Agreement:

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for SAFARI KID for use in the Commonwealth of Virginia shall be amended as follows:

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

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

The following statements are added to Item 5.

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

The following statements are added to the Area Development Agreement.

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

For information on childcare licensing requirements in Virginia, please visit http://www.cdss.ca.gov/inforesources/Child-Care-Licensing.

## WASHINGTON ADDENDUM

## TO SAFARI KID FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT & AREA DEVELOPMENT AGREEMENT

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail. Section 22.5 of the Franchise Agreement is amended to provide this.

2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including in 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. Sections 3 and 19 of the franchise agreement are amended to provide this.

3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington. Section 22.5 and 23.1 of the franchise agreement as well as the Franchise Disclosure Document are amended to provide this.

4. 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.

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

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the _____ day of _____, 20___, and of the Franchise Disclosure Document but only state law as of the date above, prior to or at the time of execution.

DATED this_____day of____, 20_____.

**FRANCHISOR**

**SAFARI KID FRANCHISING, LLC**

By:_____
Its:_____
Date:_____

**FRANCHISEE:**

**IF A PARTNERSHIP, CORPORATION OR OTHER LEGAL ENTITY**

**Entity Name**_____

By:_____
Its:_____
Date:_____

**IF FRANCHISEE IS ONE OR MORE INDIVIDUALS:**

_____
**[Signature]**
Printed Name:_____
Date:_____

_____
**[Signature]**
Printed Name:_____
Date:_____

For information on childcare licensing requirements in Washington, please visit https://dcyf.wa.gov/services/early-learning-providers.

# EXHIBIT M

# STATE EFFECTIVE DATES

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration:

California, Hawaii. Illinois, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

| State | Effective Date |
|---|---|
| California | Pending |
| Illinois | Pending |
| New York | Pending |
| Virginia | Pending |
| Washington | Pending |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT N**

**RECEIPTS**

**ITEM 23**
**RECEIPT**

**(OUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Safari Kid 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 except:

If we offer you a franchise subject to the franchise laws of Indiana or Michigan, we must provide this disclosure document to you by the earliest of:

1. Ten business days before signing of a binding agreement; or
2. Ten business days before payment to us; or
3. Fourteen calendar days before signing a binding agreement or making a payment to us.

If we offer you a franchise subject to the franchise laws of New York or Oklahoma, we must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

If Safari Kid does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

Safari Kid's sales agents for this offering are Deepak Mudakavi, 34899 Newark Blvd., Newark, CA 94560 (510-386-7777) and Arihant Jain, 34899 Newark Blvd., Newark, CA 94560 (408-390-9475).

Our agents for service of process are listed in Exhibit D.

| **State** | **Issuance Date** | **Effective** |
|---|---|---|
| FTC | April 10, 2022 | April 10, 2022 |
| California | April 10, 2022 | |
| Illinois | April 10, 2022 | |
| New York | April 10, 2022 | |
| Virginia | April 10, 2022 | |
| Washington | April 10, 2022 | |

I have received a disclosure document that includes the following exhibits:

State Appendices

| | |
|---|---|
| Exhibit A | Financial Statements |
| Exhibit B-1 | Franchise Agreement |
| Exhibit B-2 | Area Development Agreement |
| Exhibit C | Operations and Policy Manual Tables of Contents |
| Exhibit D | Agents for Service of Process |
| Exhibit E | State Administrators |
| Exhibit F | Sample General Release |
| Exhibit G | Spousal Consent |
| Exhibit H | Owner's Guaranty and Assumption of Franchisee's Obligations |
| Exhibit I | Electronic Debit Authorization |
| Exhibit J | List of Active Franchisees |
| Exhibit K | List of Former Franchisees |
| Exhibit L | State Specific Addenda |
| Exhibit M | State Effective Dates |
| Exhibit N | Receipts |

Date: _____ Your name (Please print): _____

Your signature: _____

You should return one copy of the signed receipt by signing, dating, and mailing it to 34899 Newark Blvd., Newark, CA 94560. You may keep the second copy for your records.

**ITEM 23**
**RECEIPT**

**(YOUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Safari Kid 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 except:

If we offer you a franchise subject to the franchise laws of Indiana or Michigan, we must provide this disclosure document to you by the earliest of:

1. Ten business days before signing of a binding agreement; or
2. Ten business days before payment to us; or
3. Fourteen calendar days before signing a binding agreement or making a payment to us.

If we offer you a franchise subject to the franchise laws of New York or Oklahoma, we must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

If Safari Kid does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

Safari Kid's sales agent for this offering are Deepak Mudakavi, 34899 Newark Blvd., Newark, CA 94560 (510-386-7777) and Arihant Jain, 34899 Newark Blvd., Newark, CA 94560 (408-390-9475).

Our agents for service of process are listed in Exhibit D.

| **State** | **Issuance Date** | **Effective** |
|---|---|---|
| FTC | April 10, 2022 | April 10, 2022 |
| California | April 10, 2022 | |
| Illinois | April 10, 2022 | |
| New York | April 10, 2022 | |
| Virginia | April 10, 2022 | |
| Washington | April 10, 2022 | |

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**KEEP THIS COPY FOR YOUR RECORDS.**