FRANCHISE DISCLOSURE DOCUMENT

FRANCHISOR
Tierra Encantada Franchising LLC
A Minnesota limited liability company
2700 30th Avenue
Minneapolis, MN 55406
(612) 423-5326
franchise@tierraencantada.com
www.tierraencantada.com

As a franchisee of Tierra Encantada Franchising LLC, you will operate an early childhood education franchise that provides a warm, Spanish-language immersion learning environment for children featuring fresh cooked, globally inspired meals, under the name "Tierra Encantada."

The total investment necessary to begin operation of a Tierra Encantada franchise is from $1,552,100 to $4,503,200. This includes $50,388 to $87,676 that must be paid to us as the franchisor or our affiliate.

We may offer to enter into an area development agreement to establish and operate a minimum of two Tierra Encantada franchises at specific locations under individual franchise agreements. The area development fee will be $60,000 for your first Tierra Encantada franchise, plus $40,000 for your second Tierra Encantada franchise, and plus $25,000 for each additional Tierra Encantada franchise to be developed thereafter. You would not then pay an initial franchise fee for each Tierra Encantada franchise developed. Your estimated initial investment will vary based on the number of Tierra Encantada franchises to be developed.

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 the 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 government 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 Tierra Encantada Franchising LLC, 2700 30th Avenue, Minneapolis, MN 55406, (612) 423-5326, franchise@tierraencantada.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at

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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: March 20, 2026

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How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit I.
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 F 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 Tierra Encantada business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Tierra Encantada franchisee?	Item 20 or Exhibit I 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.

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What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

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Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Minnesota. 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 Minnesota than in your own state.

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement and Area Development Agreement, even if 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.

3. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

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

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

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(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN $100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

* * * *

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

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* * * *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU, 2407 N. GRAND RIVER AVE., LANSING, MICHIGAN 48906.

* * * *

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

STATE OF MICHIGAN DEPARTMENT OF THE ATTORNEY GENERAL
G. MENNEN WILLIAMS BUILDING
525 W. OTTAWA STREET
LANSING, MICHIGAN 48909
TELEPHONE NUMBER: (517) 335-7622

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

The Franchisor

The franchisor is Tierra Encantada Franchising LLC, a Minnesota limited liability company. To simplify the language in this Disclosure Document, we will refer to Tierra Encantada Franchising LLC as **"we"**, **"us"**, **"our"** or **"Tierra Encantada"**. This Disclosure Document will refer to the person or entity that buys the franchise from us as **"you"** or **"your"**, and the term includes your partners if you are a partnership, your members if you are a limited liability company or your shareholders if you are a corporation. If you are a corporation, partnership or limited liability company, certain owners of yours will have to guarantee your obligations and be obligated to comply with the terms of the franchise agreement and ancillary documents described in this Disclosure Document.

We are a Minnesota limited liability company organized on December 26, 2018. Our principal place of business is 2700 30th Avenue, Minneapolis, MN 55406 and our telephone number is (612) 423-5326. We conduct business under the name and mark "Tierra Encantada" and related names, marks and slogans.

We are a franchising company which promotes and sells franchises for the operation of Tierra Encantada centers. We do not own or operate a center of the type being franchised, although we have affiliates that do. We have not offered franchises in any other line of business, and we are not engaged in any business other than selling franchises for Tierra Encantada centers. We began offering franchises on February 15, 2019.

Our agents for service of process are disclosed on Exhibit A to this Disclosure Document.

Our Parents, Affiliates and Predecessors

We do not have any predecessors. Our parent company is Tierra Encantada LLC, an entity that was incorporated in Minnesota on July 16, 2018, and was converted to a Minnesota limited liability company on June 18, 2024. Tierra Encantada LLC is also the parent company of each of our affiliates that operate Tierra Encantada centers. Tierra Encantada LLC has the same principal address as us. Tierra Encantada LLC may provide services to you as it offers a Centralized Enrollment program that gives our franchisees administrative enrollment support before and after the opening of a Tierra Encantada center.

Tierra Encantada LLC's parent is Vibrant Youth Brands, LLC, a Delaware limited liability company organized on June 11, 2024. Vibrant Youth Brands, LLC's parent is VYB Midco, LLC, a Delaware limited liability company organized on June 17, 2024. VYB Midco LLC's parent is VYB HoldCo, LLC, a Delaware limited liability company organized on June 13, 2024. All of our parents listed above have the same principal address as us. Except as described above, none of the parents listed above offer franchises in any line of business nor are otherwise engaged in any other type of business activity.

We have 20 affiliates that operate Tierra Encantada centers or will operate Tierra Encantada centers that are in the process of opening. The names of each of these affiliates, along with the location of the Tierra Encantada center that is currently operated or will be operated by that affiliate, are listed below. These affiliates all have the same principal address as us. None of these affiliates engage in any

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other business activities, provide products or services to our franchisees, or offer franchises in any line of business.

Affiliate	Center Location
Tierra Encantada Eagan LLC	3380 Coachman Road, Eagan, MN 55121
Tierra Encantada Bryant LLC	411 E 38th Street, Minneapolis, MN 55409
Tierra Encantada Windom LLC	5750 Wentworth Avenue, Minneapolis, MN 55419
Tierra Encantada Seward LLC	2504 35th Avenue South, Minneapolis, MN 55406
Tierra Encantada Hiawatha LLC	4012 Minnehaha Avenue, Minneapolis, MN 55406
Tierra Encantada – Dodd LLC	855 Vikings Parkway, Eagan, MN 55121
Tierra Encantada – Rochester LLC	3805 Cascade Creek Road NW, Rochester, MN 55901
Tierra Encantada – Old Irving Park LLC	3800 North Milwaukee Avenue Chicago, IL 60641
Tierra Encantada – Addison LLC	14450 Marsh Lane, Addison, TX 75001
Tierra Encantada – Camp Bowie LLC	6201 Sunset Drive Suite 600, Fort Worth, TX 76116
Tierra Encantada – St. Louis Park LLC	4140 Excelsior Blvd, St Louis Park, MN 55416
Tierra Encantada – Overland Park LLC	14310 Metcalf A, Overland Park, KS 66223
Tierra Encantada - Highland Park LLC	TBD
Tierra Encantada - Brookside LLC	114 W Gregory Blvd, Kansas City, MO, 64114
Tierra Encantada - Westminister LLC	9051 Harlan Street, Suite 20, Westminster, CO 80031
Tierra Encantada - Powell LLC	10726 Sawmill Parkway, Powell, OH 43065
Tierra Encantada – Worthington LLC	8360 N High St, Columbus, OH 43235
Tierra Encantada – Englewood LLC	3080 South Broadway, Englewood, CO 80113
Tierra Encantada – Wheat Ridge LLC	5185 Kipling St, Arvada, CO 80033
Tierra Encantada – Oakdale LLC	TBD

Our affiliate, Denzer Holdings, LLC, a Minnesota limited liability company organized on November 4, 2013, directly owns, along with its subsidiaries, real estate for some of our affiliate-owned locations. This entity has the same principal address as us.

Each of our affiliates is owned by the same primary ownership group. Except as described above, neither we, nor our affiliates have offered franchises in any other line of business, provide products or services to our franchisees, or otherwise conduct business of the type offered to you in this Disclosure Document. We have no other affiliates required to be disclosed in this Disclosure Document.

The Franchise

We offer franchises for centers that operate under the name "Tierra Encantada" (each a "**Tierra Encantada Center**"), which are established and operated using the format and system we developed (the "**System**"). Tierra Encantada Centers operate displaying our interior trade dress, and feature and operate under the Marks (as described below). Tierra Encantada Centers provide warm, Spanish-language immersion learning environments for children featuring fresh cooked, globally inspired meals, and offer such other products and services related to the Tierra Encantada concept as we may authorize from time to time ("**Tierra Encantada Products and Services**"). All Tierra Encantada Products and Services are subject to our approval.

Tierra Encantada Centers are characterized by our System. Some of the features of our System include distinctive standards and specifications for the educational curriculum; our specially

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formulated menu and standards and procedures of operating an in-center kitchen; equipment, materials, and supplies; uniform standards, specifications, and procedures for operations and customer service standards; purchasing and sourcing procedures; training and assistance; and marketing and promotional programs. All Tierra Encantada Centers follow our standards for quality of education, nutrition, customer service, professionalism and courtesy, cleanliness and appearance, and ethics. We may add or remove Tierra Encantada Products and Services and/or change, improve, add to, and further develop the elements of the System from time to time and you will be expected to follow suit.

You will operate a Tierra Encantada Center as an independent business utilizing our System. You must use the System in the operation of your Center, which includes the common use and promotion of the name "TIERRA ENCANTADA" and other service marks, trademarks, trade names, trade dress, logos, emblems, signs, slogans, insignia and other commercial symbols we may designate from time to time for the operation of Tierra Encantada Centers using the System (collectively, the "**Marks**").

You will offer and provide Tierra Encantada Products and Services to the general public, at all times complying with the Franchise Agreement (as defined below) and our confidential operations manual (the "**Operations Manual**") that will be loaned to you after you sign your Franchise Agreement. You may only offer products and services with our prior approval.

Franchise Agreement

We offer to enter into franchise agreements ("**Franchise Agreements**") (included as Exhibit C to this Disclosure Document) with qualified legal entities and persons that wish to establish and operate Tierra Encantada Centers. Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Tierra Encantada Center at an agreed-upon specified location (the "**Approved Location**"). (In this Disclosure Document, the terms "**Franchised Center**" and "**your Center**" mean the Tierra Encantada Center franchised to you under a Franchise Agreement.)

Area Development Agreement

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

Area Developers must open each Tierra Encantada Center in accordance with an agreed upon opening schedule (the "**Development Schedule**"). The Development Schedule will be set forth in Exhibit A to the Area Development Agreement. The Area Developer exercises its right to open Tierra Encantada Centers by entering into a separate Franchise Agreement for each Franchised Center opened. The Franchise Agreement for each subsequent Franchised Center to be developed under the Area Development Agreement will be Franchisor's then-current form of Franchise Agreement, the terms of which may materially differ from the terms of the first Franchise Agreement signed simultaneously with the Area Development Agreement.

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Non-Use and Non-Disclosure Agreement

You will be required to sign a Non-Use and Non-Disclosure Agreement prior to receiving information from us we deem to be confidential. This Non-Use and Non-Disclosure Agreement is included as Exhibit E to this Disclosure Document.

The Market and Competition

The childcare and early education market is mature and competitive. You will compete with franchise and company-owned national and local brands, independent operators, local daycare providers, nannies providing services directly to families, and you may compete against other businesses owned by us, our affiliates, or our franchisees. Many of these competitors may have substantial financial, marketing, and other resources, and they may already be well-established in your market. However, we believe the market is expanding, particularly for childcare centers that offer a unique value proposition.

Your business might be impacted by many factors, including regulatory requirements for your childcare license, the time of year you open, the geographic location of your center and the competition nearby, your experience and business knowledge, and local and economic and market conditions.

We may sell or license others to sell Tierra Encantada Products and Services in your area (as allowed under the Franchise Agreement) and through the Internet, applications or other similar means of distribution to customers at any location, which may be located in your area. To the extent your Center may be located near another franchised Tierra Encantada Center, you may appear to or actually compete with other Tierra Encantada Centers.

Industry Specific Regulations

Your Center will be subject to national, state, and local laws and regulations that apply to all businesses, including the Americans with Disabilities Act, wage and hour laws, occupational health and safety, equal employment opportunity, taxes, hazardous material communication to employees, and business licensing requirements.

The childcare and education industry is highly regulated. Each state may have its own requirements, and you must comply with these laws and regulations. Each operating Tierra Encantada Center must have and maintain in good standing a childcare license as required by the Department of Human Services or other licensing entity in your state. Some states may require you to be bonded, and some require an additional business license. As you will be preparing meals on-site, you must comply with laws and regulations applicable to commercial kitchens, and you may need a commercial kitchen license. You must also comply with all applicable local, state and federal laws that require educators, learning center employees and others to obtain required background checks and fingerprinting. We also require that you and all employees and staff members pass a background check prior to commencing work in your Center and on a periodic basis thereafter, to ensure the Center is free of any sexual and/or violent offenses, any offense involving moral turpitude, and/or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System or the Marks. We additionally require franchisees verify employment authorization using E-Verify for all employees.

You must also comply with all zoning laws and regulations applicable. If you decide to accept credit cards, you will also have to comply with any general laws and regulations relating to the

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acceptance of credit cards, including Payment Card Industry ("**PCI**"), Data Security Standard ("**DSS**"). Compliance with the PCI DSS is your responsibility. There may be other laws, rules or regulations which affect your Center, including laws concerning the protection of customers' personal information and data security, minimum wage and labor laws, as well as The Affordable Care Act.

You are responsible to ensure your compliance with all applicable local, county, state and federal laws and regulations. You should consult with your attorney and local, county, state and federal government agencies concerning these and other laws and ordinances that may affect the operation of a Tierra Encantada Center before you sign a Franchise Agreement. It is your, and only your, responsibility on a continuous basis to investigate and satisfy all local, county, state and federal laws as they vary from place to place and may change from time to time.

ITEM 2
BUSINESS EXPERIENCE

Chief Executive Officer/Founder: Kristen Denzer

Kristen is currently our Chief Executive Officer and Founder and has held this position since our inception in December 2018. Kristen is also the Chief Executive Officer and Founder of each of our affiliates listed in Item 1 and has held such position since each entity's incorporation or organization, including with our affiliate, Tierra Encantada Eagan Inc., which has operated our first affiliate-owned Tierra Encantada Center since January 2013. Ms. Denzer serves in all of her present capacities in Minneapolis, Minnesota.

Chief Operations Officer: Lauren Halgerson

Lauren has served as our Chief Operations Officer since August 2024. Prior to her current position, Ms. Halgerson served as Vice President of Operations of Face Foundrie Franchising L.L.C. in Eden Prairie Minnesota, from July 2022 to August 2024. Previously she served as Marketing Director for Kinetic Brands in New York, New York from May 2022 to July 2022, and as Owner of Wheelhouse Consulting in Minneapolis, Minnesota from January 2022 to June 2022. Ms. Halgerson also worked with Regis Corporation in Minneapolis, Minnesota as Assistant Vice President, Merchandising & Private Label Brands from September 2020 to January 2022 and as Director of Private Label Brands from January 2020 to September 2020. Ms. Halgerson serves in her present capacities in Minneapolis, Minnesota.

Chief Development Officer: Robert Thesing

Robert is currently our Chief Development Officer and has held this position since May 2024. Prior to his current position, Mr. Thesing served as our Chief Growth Officer from September 2022 to May 2024 and as our Director of Franchise Development from February 2022 to September 2022. Prior to working for us, Mr. Thesing worked at Steele Brands in Wayzata, Minnesota, where he was Chief Technology and Support Officer from August 2021 to February 2022 and Director of Franchise Operations from April 2019 to August 2021. Mr. Thesing serves in his present capacities in Minneapolis, Minnesota.

Chief Financial Officer: Kristie Skluzacek

Kristie has served as our Chief Financial Officer since February 2026. Prior to her current position, Kristie worked for Regis Corporation in Minneapolis, Minnesota as VP of Operations from February 2023 to January 2026, VP of Real Estate from October 2021 to January 2023, and AVP of Finance – SmartStyle

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from December 2020 to September 2021. Ms. Skluzacek serves in her present capacities in Minneapolis, Minnesota.

Chief Marketing Officer: Marta Sweezo

Marta has served as our Chief Marketing Officer since May 2025. Before joining us, Marta was Vice President, Marketing for beBright MSO, LLC, in Minnetonka, Minnesota, from October 2023 to May 2025; Chief Marketing Officer for Motion Music, Inc. d/b/a Bellagala, in Saint Paul, Minnesota, from November 2021 to October 2023; and Vice President, Marketing for Midwest Dental in Bloomington Minnesota from September 2014 to February 2021. She did not work from March 2021 to October 2021. Ms. Sweezo serves in her present capacities in Minneapolis, Minnesota.

VP of Human Resources: Lucile Boutilie

Lucile has served as our VP of Human Resources since May 2025. Prior to joining us, Lucile was a Human Resources Consultant with Brillect, LLC from March 2025 to May 2025, and with Korn Ferry from February 2022 to March 2025, both in Minneapolis, Minnesota. From September 2018 to December 2021, Lucile was Human Resources Manager for Cameron's Coffee and Distribution Company in Shakopee, Minnesota. She did not work from December 2021 to February 2022. Ms. Boutilie serves in her present capacities in Minneapolis, Minnesota.

Director of Franchise Development: Karen Garrett

Karen has served as our Director of Franchise Development since July 2025. Prior to working for us, Karen was Director of Franchise Development for Radiance Holdings, LLC in Denver, Colorado, from March 2022 to July 2025, and for BrightStar Franchising, LLC in Gurnee, Illinois, from October 2019 to March 2022. Ms. Garrett serves in her present capacities in Minneapolis, Minnesota.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee and Area Development Fee

When you sign the Franchise Agreement, you must pay an initial franchise fee ("**Initial Franchise Fee**") of $60,000. The Initial Franchise Fee is due in full when you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable.

If you are going to be an Area Developer, then you will sign an Area Development Agreement and pay us an area development fee (the "**Area Development Fee**"). The amount of the Area

Development Fee will be $60,000 for your first Tierra Encantada franchise, plus $40,000 for your second Tierra Encantada franchise, and plus $25,000 for each additional Tierra Encantada franchise to be developed thereafter. The Area Development Fee will be due in a lump sum payment upon the signing of an Area Development Agreement. The Area Development Fee is fully earned and non-refundable in consideration of administrative and other expenses we incur in entering into the Area Development Agreement, and for our lost or deferred opportunities to enter into the Area Development Agreement with others. For each Tierra Encantada Center you open under the Area Development Agreement, you will not be charged an Initial Franchise Fee.

In our last fiscal year, the Initial Franchise Fees we collected were uniformly $60,000, with a 20% discount given to current members of the United States Military and veterans who received an honorable discharge from a branch of the United States military, as described below. In our last fiscal year, the Area Development Fees we collected were uniformly $60,000 for the first franchise, plus $40,000 for the second franchise and $25,000 for each additional franchise. Other than as described below, our Initial Franchise Fee and Area Development Fee are contemplated to be uniform for all franchisees, although we may agree to reduce the initial fees in situations where a prospective franchisee or its affiliates have experience with the System or in situations where we have determined an incentive is needed to induce the franchisee to develop a Franchised Center.

Discounts on Initial Fees

We offer a reduced Initial Franchise Fee and Area Development Fee of 20% off the applicable initial fee to current members of the United States Military and veterans who received an honorable discharge from a branch of the United States military.

Grand Opening Training

We will send one trainer on-site to your premises to assist with the training of your own employees and the opening of your Center (the "**Grand Opening Training**"). Our trainer will generally visit your premises for up to 10 business days surrounding your scheduled grand opening, subject to availability and your compliance with our requirements. You must pay the then-current fee that we charge in connection with this service, which is currently $8,000. This fee is non-refundable. We will waive this fee if you open your Center within 12 months of signing your Franchise Agreement. Additionally, we may, in our sole business judgment, waive or reduce the Grand Opening Training requirement in other certain circumstances, including when a franchisee has previous experience with the System. We reserve the right to require additional training at our corporate headquarters if we determine, in our sole discretion, that you or your team do not fully comprehend the System.

Technology Fees

You will pay us a "**Technology Fee**" each month during the term of your Franchise Agreement, which covers certain technologies used in the operation of your Center and as of the date of this Disclosure Document includes website hosting, e-mail (two email addresses) and access to business productivity and collaboration tools, franchise management and reporting systems, digital marketing and lead-management tools, and center management software for enrollment, waitlist administration, family communications, scheduling, and operational reporting. This monthly fee is currently $398. You will pay this fee beginning on the earlier of the sixth calendar month after you sign the Franchise Agreement or the first calendar month after you sign a lease or purchase agreement for your approved

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location, until your Center opens, at which time you will pay this fee at the same time you pay your Royalty Fee. Assuming you open your Center within our estimated timeframe, the total Technology Fees that you will pay us before opening will range from $2,388 to $4,776, depending on when you open. The Technology Fees are non-refundable.

Accounting System Set-up Fee

We charge a one-time "**Accounting System Set-up Fee**" of $500 to cover the setup of your QuickBooks with the approved chart of accounts and products and services. This service is currently optional, but we reserve the right to require it in the future. The Accounting System Set-up Fee is non-refundable.

Centralized Enrollment Center Fees

Our parent, Tierra Encantada LLC, offers an optional Centralized Enrollment services that provide administrative enrollment support before and after your Center opens. If you choose to participate in this program, you will pay Tierra Encantada LLC $1,200 per month. We estimate these services will start up 12 months before your planned opening, so if you opt to participate in the program, we estimate you will pay our parent up to $14,400 before your Center opens. The Centralized Enrollment Center Fees are non-refundable.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	**Amount**	**Date Due**	**Remarks**
Royalty ("**Royalty Fee**")	Greater of (i) 7% of Gross Sales or (ii) $500 per week. (Note 2).	Royalties will be collected within 5 business days of our receipt of your Financial Reports (as defined below), which must be submitted by the 15th of each month.	"**Gross Sales**" means all revenue related to the operations of the Franchised Center (excluding customer refunds made in good faith and sales taxes collected and remitted to the proper authorities). We will electronically withdraw payment from your bank account. If you fail to report Gross Sales on a timely basis, we may estimate your Gross Sales and withdraw from your operating account the amounts we estimate to be due to us for the Royalty Fee. (Notes 2 and 3).
Brand Fund Contribution	Currently 1% of your Gross Sales.	Same as Royalty Fees.	You must make brand contributions to us (the "**Brand Contribution**"). We will electronically withdraw payment from your bank account. We reserve the right to increase this contribution up to 2% of your Gross Sales. If you fail to report Gross Sales on a timely basis, we may estimate

Type of Fee (Note 1)	Amount	Date Due	Remarks
			your Gross Sales and withdraw from your operating account the amounts we estimate to be due to us for the Brand Contribution. (Notes 2 and 3).
Minimum Local Advertising Obligation	Beginning in the month you open, for a period of six months (or until your Center is full, if sooner), you must spend a minimum of $4,000 per month on local advertising. After that, you must spend a minimum of $2,000 per month on local advertising any time your Center is not full. (Note 4).	As incurred.	We have the right to require you to provide proof that these funds were spent and spend them on your behalf should you fail to do so, in which case you shall immediately repay the costs upon receipt of our invoice.
Advertising Cooperative Fees	Not applicable until there is an advertising cooperative in place in your region. Will not be more than Minimum Local Advertising Obligation per annum and we will credit your expenditures to the advertising cooperative toward this requirement.	Same as Royalty Fees or as designated by your cooperative.	These will be paid to third party service providers and/or your cooperative. (Notes 2 and 3).

Type of Fee (Note 1)	**Amount**	**Date Due**	**Remarks**
Technology Fee	The then-current fee (currently, $398 per month). We may increase this fee upon notice to you.	On the 15th of each month beginning on the earlier of the sixth calendar month after you sign the Franchise Agreement or the first calendar month after you sign a lease or purchase agreement for your approved location; once your Franchised Center is open, same as Royalty Fees.	This fee will cover certain technologies used in the operation of your Franchised Center. This fee currently includes website hosting, e-mail (two email addresses) and access to business productivity and collaboration tools, franchise management and reporting systems, digital marketing and lead-management tools, and center management software for enrollment, waitlist administration, family communications, scheduling, and operational reporting certain electronic systems. There is an additional fee for each email address beyond the two provided. We will electronically withdraw payment from your bank account. We reserve the right to increase this fee. We reserve the right to upgrade, modify, and add new technology and/or software. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software. (Note 3).
Accounting System Set-up Fee	$500	As incurred.	This fee will cover the setup of certain accounting products and services to include a chart of accounts and other services. This service is currently optional, but we reserve the right to require it in the future.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Additional Assistance or Additional Training	$500 per day per person, plus expenses.	When performed.	If, at any time during your operation of the Tierra Encantada Center, you request that we provide additional assistance or training, or if we determine that you require additional assistance or training, you must pay our then-current per diem training fee for each trainee, and you must reimburse us for all out-of-pocket costs and expenses incurred by our trainers associated with the additional training, including lodging, meals and travel arrangements of the trainers and other reasonable expenses. (Note 5).
Annual Conventions Registrations	Our then-current registration fee, which will vary by program. We anticipate these fees to range from $500 to $1,500 per participant.	Upon registration for the Annual Convention or other conference.	We may charge you a reasonable fee for any conference, conventions, programs or training sessions that we conduct. The person holding a controlling interest in your business and your Operating Principal (if different) must attend our annual conference each year, if one is held, and we may charge you a registration fee for each person that attends. We may also charge you a reasonable fee for your failure to attend our annual convention, if we have one. Additionally, your Center Director must attend our annual director conference, if one is held. We anticipate registration fees to range from $250 to $1,000 per participant.
Product/Supplier Testing and Evaluation Costs	The greater of $500 or our reasonable costs incurred in evaluating the product and/or services.	Upon demand, if incurred.	See Note 6 and Item 7.
Transfer Fee	An amount equal to 50% of the then-current initial franchise fee if your Franchised Center is open and operating. If your Center is not open	At time of transfer.	Payable only if you make a transfer (as defined in the Franchise Agreement) of a Franchised Center, which includes any sale or assignment of your franchise or your company. We do not impose a fee

Type of Fee (Note 1)	Amount	Date Due	Remarks
	and operating at the time of transfer, this amount will be 100% of the then-current initial franchise fee.		for a transfer to a business entity you form for the convenience of ownership.
Renewal Fee	$5,000	Before renewal.	The Franchise Agreement may be renewed after an initial term of 10 years. You will only need to pay this fee if you renew the Franchise Agreement. There is no renewal under the Area Development Agreement.
Relocation Fee	$1,000, provided that if our actual expenses exceed this amount, you must pay the amount which exceeds the fee.	Upon demand.	Payable only if you relocate your Franchised Center, in order to reimburse us our costs and expenses related to an approved relocation of your Franchised Center.
Charges for inspections and "mystery customer" quality control evaluation	Will vary under circumstances.	Upon demand, if incurred.	See Note 7. The mystery customer program will be separate from our programs for customer surveys and customer satisfaction audits.
Late Fee and Interest on Overdue Payments	A late fee equal to 5% of your overdue amount, and interest equal to 1.5% per month (but not more than any maximum rate set by law).	At time the Overdue Payments are paid.	Only due if you do not pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.
Dues and Assessments Imposed by a Franchisee Advisory Council	As determined by a franchisee advisory council (if established). Currently – none.	At the times required by a franchisee advisory council.	We may form, or require that our franchisees form, a franchisee advisory council. If one is formed, you must become a member if we require, and you must pay the fees and assessments imposed by the council.
Center Refurbishment	Will vary under circumstances	As agreed.	We may require you to refurbish your Franchised Center to meet our then-current requirements for décor, layout, etc. We will not require you to refurbish the Franchised Center more frequently than every five years.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Audit Expenses	All costs and expenses associated with the audit, reasonable accounting and legal costs.	Upon demand.	Payable only if we audit and the audit discloses an understatement in any statement or report of 3% or more. (You will also have to pay the monies owed and interest on the underpayment (see "interest" above).)
Costs and Attorneys' Fees	Will vary under circumstances.	Upon demand.	You must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default of the Franchise Agreement and to enforce and terminate the Franchise Agreement.
Standard Default Fee	Up to $250 per month per violation.	Upon demand.	In addition to any rights and remedies we may have under the Franchise Agreement, if you breach certain provisions of your Franchise Agreement and fail to cure the default during the applicable cure period, you must pay us up to $250 per month until the default is cured to offset our expenses incurred to address the default.
Prohibited Product or Service Fine	$250 per day of use of unauthorized products or services.	Upon demand.	If you use or offer any unauthorized product or service in connection with your Franchised Center, we may charge this in addition to any other remedies available to us. This may not be enforceable under state law.
Failure to Provide Required Agreements	$250 per day of failure to provide	Upon demand.	If you fail to provide any required Confidentiality Agreement, we may charge this in addition to any other remedies available to us. This may not be enforceable under state law.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Additional Cure Expenses, Collection Costs, and Post Termination / Expiration Expenses	Our cost and expense if we take action to cure any default by you under the Franchise Agreement, including costs of collection for unpaid amounts.	Upon demand.	Due only if you are in default under your Franchise Agreement, in which case you must reimburse us for the additional expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate your Franchise Agreement if necessary. This also applies if your Franchise Agreement terminates or expires and we incur expenses in ensuring your compliance with the post-termination and post-expiration provisions. Note 8.
Indemnification	Will vary under circumstances.	Upon demand.	You must reimburse us if we are sued or held liable for claims arising from your operation of the Franchised Center, as well as your use of the Marks in a manner inconsistent with our instructions, and any transfers or securities offerings that you propose.
Liquidated Damages	See Note 9.	Within 15 days of termination of your Franchise Agreement for cause.	You must pay this fee if we terminate your Franchise Agreement for cause.
Taxes	Amount of Taxes	Upon demand	If any taxing authority imposes any sales, use, gross receipts or other tax, levy or assessment on any payments you make to us, you must pay the amount assessed or reimburse us if we must pay it directly. You are responsible for any taxes that we do not collect and/or remit on your behalf.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Late Crisis Notification Fee	$2,500 for each and every failure to notify plus $500 per day beginning on the second day	Upon demand	Because of the potential damage to the System and the goodwill associated with the Marks, if you fail to alert us immediately of any potential crisis situation, including any allegation or occurrence of abuse, neglect, or mistreatment of a child; any allegation or discovery that a child has been released to an unauthorized person; any occurrence of unlawful conduct in your Center; any allegation or discovery of any hazardous substance associated with your Center; any outbreak of serious illness associated with your Center; or any allegation or discovery of any breach of computer or camera systems, loss of data, files or personally identifiable information, after you know or should reasonably know of the existence of the potential crisis, you must pay us a late crisis notification fee to compensate for our added crisis-management efforts resulting from the late notification.
Centralized Enrollment Center Fee	The then-current fee, currently $1,200 per month. We may increase this fee upon notice to you.	Monthly on a date designated by our affiliate.	Our parent offers administrative enrollment support before and after you open your Center. This is currently an optional service and payable only if you elect to participate in the program. We may modify this fee upon notice to you.

Explanatory Notes to Item 6 Table:

1. Except as otherwise noted in this Item 6, we impose and collect all of the fees described above. None of these fees are refundable. All of the fees described above in this Item 6 are contemplated to be uniform for all franchisees, although, we reserve the right to reduce the Royalty Fee, or charge a fixed Royalty Fee, in certain circumstances, in our sole discretion.

2. "**Gross Sales**" means the amount of sales of all products and merchandise sold or services rendered in, on, about or from your Center, together with any other revenues derived from the operation of the Tierra Encantada Center, whether by you or by any other person, whether or not in accordance with the terms of the Franchise Agreement, and whether for cash or on a

charge, credit, barter or time basis, and whether collected or uncollected, and include, without limitation, deposits and pre-payments by customers for future services, income or proceeds from business interruption insurance and grant assistance. Gross Sales excludes bona fide customer refunds up to 2% of Gross Sales, provided the related sales have previously been included in Gross Sales, and sales taxes collected and paid to the proper authorities.

3. Under the Franchise Agreement, we require that all Royalty Fees, Brand Contributions, Technology Fees, Centralized Enrollment Center Fees, and other fees as we may require, be paid by automated bank draft. Accordingly, you must sign an electronic transfer of funds authorization for your bank account and provide it to us within 15 days of signing the Franchise Agreement. Monthly Income Statements, Balance Sheets, and enrollment reports ("**Financial Reports**"), which must conform to our then-current accounting standards, formats, policies and tuition payment calendar(s), are due to us no later than the 15th of each month or such other day as we establish, for the preceding month. The Royalty Fees, Brand Contributions, Technology Fees, and Centralized Enrollment Center Fees, plus any other fees you owe us or any affiliate of ours at the time, will be electronically withdrawn from your designated bank account by EFT within five business days following our receipt of the Financial Reports. If you do not provide the required Financial Reports on time, we may electronically withdraw payment from your account in an amount we estimate, which may be based on 120% of the last Royalty Fees, Brand Contributions, Technology Fees, Centralized Enrollment Center Fees (and other fees) that we electronically withdrew, or we may choose, in our sole discretion, to access your systems to determine the amount to electronically withdraw. If the Royalty Fees, Brand Contributions, Technology Fees, Centralized Enrollment Center Fees, and other amounts we electronically withdraw are less than the fees you actually owe us, we may electronically withdraw from your account the balance on a day we specify. If the Royalty Fees, Brand Contributions, Technology Fees, Centralized Enrollment Center Fees, and other amounts we electronically withdraw are greater than the fees you actually owe us, we will credit the excess against the amount we otherwise would electronically withdraw from your account during the following month. You are required to pay the Royalty Fees on any Gross Sales generated or collected during the term of the Franchise Agreement, and your obligation to pay the minimum Royalty Fee of $500 per week begins on the date by which you are required to open your Center. You will begin paying the Technology Fee on the 15th day of the earlier of: (a) the sixth calendar month following your signing of the Franchise Agreement, or (b) the first calendar month after you sign a lease or purchase agreement for your approved location; after your Center opens, you will pay the Technology Fee at the same time and in the same manner as you pay your Royalty Fee. Your obligation to pay the Brand Contribution begins upon the opening of your Center.

   Company and affiliate-owned Tierra Encantada locations are not required to pay Royalty Fees, Technology Fees, or Centralized Enrollment Center Fees, but as of the date of this Disclosure Document, they contribute funds to Tierra Encantada LLC equal to or greater than the Royalty Fee. Company and affiliate-owned Tierra Encantada locations are not required to make contributions to the Brand Fund nor participate in any applicable established advertising cooperative, but may do so. Company and affiliate-owned Tierra Encantada locations do not have a specific local advertising requirement; however, they will make expenditures in local advertising programs as appropriate.

4. Beginning in the month your Center opens, you are required to spend $4,000 per month for six months (or until your Center is full, if sooner), on a local marketing program we have approved. After that, you must spend $2,000 on local marketing each month so long as, and during such times as, your Center is not full according to our definitions and requirements. This requirement is in addition to the minimum amount of $40,000 you must spend on grand opening advertising and promotion before your Center opens. Our current definition of a 'full' center is one that has at least an 90% average daily attendance of its total licensed capacity, measured at the end of each month. We recommend you spend more than the minimum amount; market conditions, your Center's current enrollment, competition from other childcare providers, and other market factors will determine the ideal amount to spend in your market.

5. If you request additional training or assistance, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with any additional training, including lodging, food and travel arrangements of the trainers. Additionally, if we determine, in our sole discretion, that you are in need of additional supervision or supplemental training, we may require that you receive such training from us, in which case you agree to also pay our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. We may require that you and/or your staff complete refresher and additional training programs, and we may offer the programs on a voluntary basis. If you request that we conduct any additional training sessions (required or voluntary) at your Center(s), and we do so, then we may charge you our then-current per diem training fee for that training we provide, and you will also have to reimburse us for all out-of-pocket costs and expenses described above. You are solely responsible for all expenses you may incur related to required or voluntary training, whether conducted at your location or elsewhere. Our current per diem charge is $500 per trainer (we reserve the right to change our per diem rate in the future). See Item 11 under the heading "Training" for more detailed information.

6. If you desire to purchase unapproved products or equipment, supplies, services, or products (other than Proprietary Products) from other than approved suppliers, we may require that our representatives be permitted to inspect, from time to time, the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge not to exceed the reasonable cost of the evaluation and testing. See also Item 8.

7. We may ourselves, or through an independent service, conduct inspections or a "mystery customer" quality control and evaluation program. You must participate in any such program, and we may require that you pay the then-current costs for the provision of this program, or the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement).

8. Reimbursement to us of all costs and expenses associated with your default of the Franchise Agreement, including but not limited to, collections costs, costs and commissions paid or due to a collection agency, reasonable attorneys' fees, costs incurred in creating or replicating reports demonstrating Gross Sales or other aspects of your business, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest

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charges on all of the foregoing. In addition, if you breach the Franchise Agreement, we have the right (but not the obligation), to take such action as we deem appropriate to cure the breach on your behalf.

9. If we terminate your Franchise Agreement for cause, you must pay us, in addition to any other amounts owed, within 15 days after the effective date of termination, liquidated damages equal to the lesser of (a) the average annual amount of Royalty Fees payable by you to us for the year immediately preceding the date of termination, multiplied by three, or (b) the average monthly amount owed during such 12-month period multiplied by the number of months remaining in the Franchise Agreement had it not been terminated.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount of Expenditure		Method of Payment	When Payments Are Due	To Whom Payment Will Be Made
	Low	High			
Initial Franchise Fee[1]	$48,000	$60,000	Lump sum	At signing of Franchise Agreement	Us
Professional Services[2]	$53,300	$117,800	As arranged	As arranged	An Approved Architectural Service Provider, Approved Contractors, Us, and Various Service Providers
Lease, Real Estate and Improvements[3]	$776,600	$3,284,100	As arranged	As arranged	Lessors, Real Estate Sellers, Approved Contractors
Security, Fire, Video Surveillance, and Keycard Access System[4]	$104,600	$125,200	As arranged	As arranged	Approved Contractors or Suppliers
Outdoor Fence and Playground Area[5]	$145,400	$208,800	As arranged	As arranged	Approved Suppliers
Interior and Exterior Signage[6]	$50,000	$57,300	As arranged	As arranged	Approved Suppliers
Facility Furniture, Equipment, and Supplies[7]	$178,200	$267,700	As arranged	As arranged	Approved Suppliers

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Computer Equipment and Software[8]	$3,500	$4,500	As incurred	Before opening	Approved Suppliers
Business Licenses and Certifications[9]	$500	$1,500	As incurred	Before opening	Government Agencies
Insurance[10]	$1,000	$4,300	Installment	As arranged	Insurance Companies
Initial & Grand Opening Training[11]	$1,000	$12,000	As incurred	Before opening	Us, Airlines, Hotels, Restaurants, Local Transportation Providers
Opening Advertising/ Marketing[12]	$40,000	$60,000	As incurred	Before opening	Approved Suppliers and Various Service Providers
Additional Funds/Working Capital (Pre-Opening – First Three Months of Operation)[13]	$150,000	$300,000	As incurred	As incurred	Us, Approved Suppliers, Various Service Providers, Employees, Government Agencies, Utility Companies
TOTAL ESTIMATED INITIAL INVESTMENT[14]	**$1,552,100**	**$4,503,200**			

In general, none of the expenses listed in the above chart are refundable. We do not finance any portion of your initial investment.

EXPLANATORY NOTES

The above chart presents estimates of a franchisee's total initial investment in one Tierra Encantada Center. Your initial investment will be higher if you enter into an area development agreement with us, because in addition to the costs you will incur as set forth above, you also will pay us, at the time you sign the area development agreement, $40,000 for the second Tierra Encantada franchise plus $25,000 for each additional Tierra Encantada franchise to be developed under the area development agreement.

The chart should be read in conjunction with the following notes. We relied on our affiliates' experience to compile these estimates.

You should review this information, including the footnotes, carefully, conduct your own investigation and seek the help of qualified advisors before making any decision about an initial investment in a Tierra Encantada Center.

Note 1. The Initial Franchise Fee is non-refundable. If you meet certain criteria, you may qualify for a reduction of 20% off the Initial Franchise Fee of $60,000. The Initial Franchise Fee includes one complete set of the Operations Manual that is described in Item 1. The Initial Franchise Fee also includes all costs of your initial training for up to three individuals, except for the costs of travel and living expenses that are addressed in this table and the fee for the Grand Opening Training. See Note 11.

Note 2. You will need to hire an approved licensed architect, to create your architectural plans and construction documents for the Franchised Center. You may also require the services of others in the creation of your construction documents such as civil or structural engineer services, surveyors, and landscape architects. Additionally, you may need a bookkeeper, accountant, tax advisor, attorney or other professional to assist with the incorporation of your Center; fees for these types of professionals vary depending on the knowledge and experience of the operator and the professional assistance required. This estimate also includes the Accounting System Set-up Fee for our optional setup services.

Note 3. If you do not own a location, you must purchase or lease property for the location of your Center. The estimate assumes you will lease a space and does not include the potential cost you may pay if you are additionally purchasing a building. If you decide to purchase the property for the location of your Center, you will incur additional costs that we cannot estimate. The estimate does not include capitalized costs of rent or other occupancy costs over the life of the lease. Generally, your landlord will require that you pay the first month's rent as a security deposit at the time you sign the lease. We estimate you will need a site with at least 8,500 square feet of interior space for childcare operations and at least 3,000 square feet of exterior (outdoor) space for the playground area. You will need a minimum of 35 square feet of interior classroom space per child, or the amount of space required by the licensing agencies in your state, whichever is greater. The low range of our estimate assumes you lease a space with approximately 8,750 square feet of interior space that is provided as a vanilla shell with construction sprinklers and plumbing stubbed to tenant locations through the floor. The high range of our estimate assumes you lease a space with approximately 12,000 square feet of interior space that you remodel into a childcare center that is in move-in ready condition. Included in these estimates is the cost of a commercial kitchen. Commercial kitchen equipment varies in cost depending on size of kitchen, number of children served, local code and licensing requirements, and manufacturers selected. The Development Manual, which we will provide and which includes information and specifications regarding the design, finishes and prototype floorplans for a Tierra Encantada Center, details the minimum kitchen equipment required for operation. Our affiliate locations range from 8,759 to 22,236 square feet of interior space and 2,500 to 6,000 square feet of playground space. If you choose to develop a center that is larger than the ranges contemplated in this estimate, your occupancy and build-out costs may be higher than the estimates presented.

You will need to employ a qualified licensed general contractor to construct the improvements to, or "build out," the premises. If you lease space, your landlord may provide "tenant improvement" credits that you can use to offset some of the costs of the leasehold improvements. You should carefully investigate all of these costs in the

area where you wish to establish your Center. The actual costs you will encounter may vary extensively based on the market, size of the premise, size of the outdoor space, the site's condition, its location, access to major streets, demand for the site, build-out and construction requirements, tenant improvement allowances from landlords, requirements of landlords, and the number of children you intend to design the space for. Actual construction costs for projects were lower than presented because a tenant improvement allowance ("TIA") was received in some cases. Landlord TIA varies by market, landlord, and tenant. Not all landlords provide TIA and you cannot count on receiving TIA for your Center so we provided the full cost without accounting for TIA in these estimates.

Note 4. We require each Tierra Encantada Center to have a security, video, access, and fire safety system that meets minimum standards. This includes motion detectors and glass break detectors, controlled access at public entrances/exits for clients, fire safety system to comply with local building codes, and at least two video cameras (or one fisheye camera) in every classroom and video cameras in all other spaces (other than rest rooms) in the building and outside of the building to provide adequate visual coverage.

Note 5. This estimate includes the costs for playground equipment and poured rubber surfacing. The cost of your playground equipment will vary depending upon the site work required, market conditions, and local codes, all of which may affect the size, color, and layout of the playground space. Other specifications we may require or are otherwise specified in the Development Manual.

Note 6. This estimate includes the costs for interior and exterior signage. The cost of your signage will vary depending upon the location of your Center, exterior façade finishes, and local codes, all of which may affect the size, color and back-lit channel letters of your sign(s). We require a channel lettering sign for the primary sign and additional signage if there are other exterior entrances. Other specifications we may require are otherwise specified in the Development Manual.

Note 7. As described in Item 8, you must purchase all fixtures, furnishings, equipment, and supplies that we specify as required for a Tierra Encantada Center. This estimate includes furniture, equipment, décor items, and classroom supplies required for a Tierra Encantada Center, including cribs, toys, shelves, books, educational tools, lobby furniture, break room furniture, indoor gym equipment, changing tables, cots, and other equipment, office supplies, cleaning supplies, food, and furniture. The low range assumes a center licensed for 132 children and the high range assumes a center licensed for 180 children. Some of our affiliates' locations are licensed for larger enrollments than these ranges; if you develop a center with a larger enrollment capacity, your costs for fixtures, furnishings, equipment, and supplies may be higher than these estimates. Depending on the quality and brand of furniture and fixtures that you select, you may spend more than what we have estimated.

Note 8. We require that you have at least one PC computer initially, dedicated solely to the operation of your Center. You must also have certain software and programs that are covered by your monthly Technology Fee, which as of the date of this Disclosure Document include business productivity and collaboration tools, franchise management and reporting systems, digital marketing and lead-management tools, and center management software for enrollment, waitlist administration, family communications, scheduling, and operational reporting. You also must obtain

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Microsoft Office and purchase a subscription to QuickBooks Online Essentials or higher, and such other business operations software we require, and pay the training costs associated with the use of that software. You must have high speed Internet, Wi-Fi, and cellular service. You must also have sufficient back-ups for your computer, physical and digital files, sensitive documentation, and high-speed Internet connections. We do not specify any particular brands for the computer and the difference in the cost estimates in the chart reflect the price differences between models and brands. You may receive an informational page on our Website (as defined below), along with two email accounts dedicated to the operation of your Center. This estimated range also includes the Technology Fees you will pay prior to opening your Center.

Note 9. Local, municipal, county and state regulations vary on the licenses and certifications that you will need to operate a Tierra Encantada Center. You pay these fees to governmental authorities, when incurred, before opening for business. Costs for certifications and licenses generally are not refundable. See Item 1 for regulations which may be applicable to your business and may require you to obtain a license. In addition, you must obtain certain certifications for the operation of your Center.

Note 10. During construction of your Center, your general contractor may require you to procure builder's risk insurance if the contractor does not carry it. Additionally, you are required to obtain and maintain the minimum amount of insurance that we specify in the Operations Manual. An insurance deposit may be required by the issuing company in order to obtain the minimum required insurance. You will need to check with your local carrier for actual premium quotes and costs, as well as the actual cost of the deposit. The cost of coverage will vary based upon the area in which your business will be located, your prior experience with the insurance carrier, the loss experience of the carrier, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our stated minimums. The low range of this estimate assumes the minimum insurance coverage that we require, while the high range also includes builder's risk insurance during construction and payment of 10 months of insurance.

Note 11. For the initial training, you will need to arrange transportation, lodging, food, and incidental expenses for you and your designated management employee(s), including the Operating Principal (as defined in Item 15). You also must pay the salaries and benefits of your designated management employee(s), including the Operating Principal (the salaries/benefit expense for this initial training is included in the Additional Funds/Working Capital line item). The expenses you incur depend on factors such as the cost of travel, hotel accommodations, and meals, as well as employee salaries and associated costs. In addition, training expenses will vary depending on how many employees you send to training (and we may require that you send a certain minimum number that we determine). Currently, we require that you or your Operating Principal and Center administrative staff complete the initial training. If you desire to send more than three individuals to train with us, you must pay our daily fee for each trainee. The low end of the range assumes you and your staff live near the location where initial training is conducted and, with respect to Grand Opening Training, covers travel-related expenses for our trainer and assumes that we waive the Grand Opening Training fee because you open your Center within 12 months of signing your Franchise Agreement. The high end of the range includes our Grand Opening Training fee and estimated travel costs for sending two people to initial training who do not live near the location where such training is conducted. We reserve the right to require additional training at our corporate headquarters if during Grand Opening Training we determine,

in our sole discretion, that you or your team do not fully comprehend the System. You will be responsible for additional travel costs associated with such additional required training. These purchases are not refundable.

Note 12. You will need to market, promote, and advertise locally in the start-up phase and during the operation of your Center, to help establish your business in your local market. These expenses include your pre-opening minimum local advertising obligation of $40,000 and will be used for advertising, digital marketing services, and other promotional activities we have approved. Although $40,000 is the minimum amount required, we recommend you spend up to $60,000 or more.

Note 13. This is an estimate of the additional funds you may need to cover your expenses and operate your Center during the first three months after you open, excluding any owners' salaries or draws. These expenses include pre-opening and post-opening payroll costs (excluding any wage or salary paid to you), Technology and optional Centralized Enrollment Center fees, required local advertising, other required miscellaneous expenses, and working capital. Your costs will vary depending on how rapidly your business grows. These figures are estimates based on our past business experience. We cannot guarantee that you will not have additional expenses in starting your Center. The expenses you incur during the initial start-up period will depend on factors such as the time of year you open, local economic and market conditions, your experience in operating a business and general business acumen, competition, the prevailing wage rate, and the number of students that you serve during this initial period.

Note 14. This estimate is based upon our affiliates' experience in opening and operating Tierra Encantada centers within the last three years based in the Minneapolis, Minnesota, Kansas City, Kansas, and Dallas/Fort Worth, Texas areas. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your creditworthiness, collateral that you may make available, and the policies of local lending institutions. You should also allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

General

All products and services sold or offered for sale at the Franchised Center must meet our then-current standards and specifications and be approved by us. You must purchase, install and use all fixtures, furnishings, playground, kitchen and other equipment, décor, supplies, inventory, computers and communications hardware and software, signs, materials, food stuffs, beverages, and meals as we may reasonably require in the Operations Manual or otherwise. We will loan the Operations Manual to you when we sign the Franchise Agreement. You must purchase or lease all products and items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable

satisfaction the ability to meet our standards, specifications and requirements, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Operations Manual or otherwise in writing. You may not purchase, lease, offer or sell any products or services, or use at your Center, any products or services that we have not previously approved as meeting our standards, specifications and requirements. We have the right to be, or to designate any of our affiliates as, an approved supplier of some or all of these items.

We are free to modify any of our methods, standards, specifications and requirements at our discretion. These modifications will be communicated to you. We have no obligation to make available to prospective suppliers the methods, standards, specifications and requirements that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards, specifications and requirements, whether they possess adequate quality controls and capacity to supply your needs promptly and reliably, whether approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and whether the supplier has been approved in writing by us prior to any purchases by you from any such supplier, and has not thereafter been disapproved. However, our approval may be withheld for any reason.

Suppliers and Approval of Alternative Products and Suppliers

Unless otherwise instructed by us, except for Proprietary Products (which are discussed below) you may purchase your required equipment, supplies and other products and merchandise from any source; provided, however, that we require that a supplier have adequate quality controls and the capacity to supply your needs promptly and reliably. The purpose of these standards, specifications and requirements for suppliers is to help assure uniform minimum quality standards for the services provided to your customers.

If you would like to use any products that we have not approved, or products from other than approved suppliers you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the supplier's facilities and test samples of the proposed products. You must pay us the greater of $500 or the reasonable costs incurred in evaluating each product and/or service, including personnel and travel costs, whether or not the product and/or service, as applicable, is approved. We have the right to grant, deny, or revoke approval of any product, service, or supplier, based solely on our judgment. We will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 90 days after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. The products and services that we approve for you to use or offer in your Center may differ from those that we permit or require to be offered in other Tierra Encantada Centers.

We may re-inspect the facilities and products of any supplier and revoke approval of the products if any fail to meet any of our then-current criteria. We may re-evaluate any service offered and revoke approval of such service if it fails to meet any of our then-current criteria. If you receive a notice of revocation of approval of a product, you must cease purchasing or leasing the formerly approved product and you must dispose of your remaining inventory of the formerly approved products as we direct. If we revoke approval of a previously approved product that you have been selling to customers or service that you have been offering to customers, you must immediately discontinue offering the service and may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the 30-day period,

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or such shorter period that we may designate, you must dispose of your remaining formerly approved inventory as we direct.

Proprietary Products

The "**Proprietary Products**" that are or may be offered and sold in Tierra Encantada Centers are manufactured in accordance with our proprietary specifications and/or formulas, which bear the Marks, or which are unique to the System or to us. In order to maintain the high standards of quality and uniformity associated with Proprietary Products sold at all Tierra Encantada Centers in the System, you must purchase Proprietary Products only from us or the suppliers or distributors that we designate in our sole discretion, and you may not offer or sell any Proprietary Products that have not been purchased from us, our affiliate or our designated supplier at or from your Center. We will have the right to periodically introduce additional Proprietary Products, or to withdraw Proprietary Products.

We require you to purchase certain equipment and supplies to be used in your Center from us or designated vendors providing Proprietary Products. You must also have uniforms displaying the Marks and that meet our specifications, which may only be available from a single supplier.

We or Our Affiliates as Approved Suppliers

We may require that you purchase and utilize certain products or services from us or our affiliates as we may adopt from time to time. You must pay the then-current fee for the provision of these services. In addition to the foregoing, we and our affiliates reserve the right to become an approved supplier or the only approved supplier for any Tierra Encantada Products and Services in the future. As of the date of this Disclosure Document, centralized enrollment services are available only from our parent, Tierra Encantada LLC. These services are currently optional, although we reserve the right to mandate your use of these services in the future.

Other than ourselves and our affiliates, no officer of ours holds any interest in any approved supplier to you.

Proportion of Purchases Subject to Specifications

Required purchases or purchases in accordance with our standards, specifications and requirements represent over 90% of your total purchases to set up your business and about 80% to 90% of your ongoing purchases.

Revenue from Franchisee Purchases

During our last fiscal year ending December 31, 2025, neither we nor our affiliates derived any revenue as a result of the sale or lease of equipment, uniforms, supplies, or services or any other Tierra Encantada Products and Services to franchisees.

Negotiated Prices

Periodically, we or our affiliates may offer special group purchasing programs to our franchisees for Tierra Encantada Products and Services or negotiate price reductions from

recommended suppliers. You are not required to participate in any such programs or join a purchasing cooperative. We and our affiliates may receive volume discounts from suppliers when ordering in bulk.

Material Benefits

We and our affiliates may, but are not required to, pass on to our franchisees any rebates, volume discounts or other benefits we or our affiliates receive based on group purchases. We and/or our affiliates may receive revenue or other material benefits from suppliers on account of the suppliers' dealings with us, you, or other franchisees. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We do not provide any material benefits to you, such as the grant of additional franchises and/or territories, based on your use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives in our System.

Other Required Purchases

Computer Systems; Required Software; and Security. As of the date of this Disclosure Document, you must use the software and platforms covered by your monthly Technology Fee, which as of the date of this Disclosure Document include business productivity and collaboration tools, franchise management and reporting systems, digital marketing and lead-management tools, and center management software for enrollment, waitlist administration, family communications, scheduling, and operational reporting. You must also use our designated curriculum provider and obtain Microsoft Office, QuickBooks Online Essentials or higher, and such other business operations software as we may require, and complete such training on this software as we may require, at your expense. You may purchase the computer equipment to run the software from any source. In addition, we require all Tierra Encantada Centers to install our designated access control system (which includes controlled entry capabilities), fire, smoke and security monitoring, and camera systems with adequate storage for a minimum of 30 days recording capabilities that provide visual coverage of all exterior and interior spaces other than restrooms.

Insurance. We require you to purchase and maintain specific types of insurance coverage as described in more detail in the Franchise Agreement and the Operations Manual from insurance companies that meet our standards. We also specify the minimum amounts of insurance coverage you must maintain. All insurance policies must name us and others we designate as additional insureds. You must provide us with evidence of your insurance coverage before you begin operation of your Center, upon annual renewal of your insurance, or otherwise within 10 days of our demand for proof.

The policy or policies shall include, at a minimum (except different coverages, umbrella coverages, and policy limits as may reasonably be specified for all franchisees from time to time by Franchisor in the Manuals or otherwise in writing) the following: Builder's risk insurance to cover any period(s) of renovation or construction at your Franchised Center; all risk coverage insurance on (a) all personal property covering your Franchised Center and contents thereof, and (b) business interruption insurance for actual loss sustained, or a minimum amount of 75% of annual gross sales; worker's compensation and employer's practices liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Center is located and operated; comprehensive general liability insurance with limits of at least $1,000,000 per occurrence, and $2,000,000 general aggregate and product liability insurance with limits of at least $2,000,000 general aggregate; cyber liability insurance with limits we specify from time to time; all such coverages insuring

us and you against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to your Franchised Center; automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least $1,000,000 combined single limit, and $1,000,000 general aggregate limit; child abuse and molestation coverage with at least $1,000,000 per occurrence; excess liability coverage over general liability, automobile liability, and employer's liability, with at least $3,000,000 per occurrence; and such insurance and types of coverage as may be required by the terms of any lease for your Franchised Center.

Certifications and Licenses.

You are required to obtain the required licenses and certifications as may be required by your state laws.

Leases

If you will occupy the premises of your Franchised Center under a lease, then you and the landlord must enter into a lease reasonably acceptable to us, which includes the Lease Rider in the form attached to the Franchise Agreement (currently as Exhibit G) and/or Area Development Agreement (currently as Exhibit D). We do not typically own the premises of your Franchised Center and lease it to you.

Design and Construction

We will provide you with the Tierra Encantada Development Manual, which includes information and specifications regarding the design, finishes and prototype floorplans for a Tierra Encantada Center. You must then hire an approved architect to prepare all required layouts, construction documents and plans, and specifications to suit the shape and dimensions of your site, which we must approve. You must hire a qualified licensed general contractor, who is acceptable to us and follows our construction policies, guidelines, and standards, to construct the Franchised Center.

Curriculum

You are required to use our designated curriculum provider for young preschool, intermediate preschool, preschool, or pre-k classrooms.

Advertising

You are required to spend a certain amount on local advertising and promotion before you open your Center and on a per-month basis after you open. We will have the right to review and approve all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional material without our prior written consent.

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ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Item in Disclosure Document
(a) Site selection and acquisition / lease	Sections 3.1 and 5	Sections 3.2, 3.3 and 5.1	Items 7, 8 and 11
(b) Pre-opening purchases/leases	Sections 5, 7, 8.7, 8.8 and 8.9	Sections 3.2 and 3.3	Items 7, 8 and 11
(c) Site development and other pre-opening requirements	Section 5	Section 3	Items 7, 8 and 11
(d) Initial and ongoing training	Section 6	Not Applicable	Items 6, 7 and 11
(e) Opening	Section 5	Sections 1.1, 3.1, 3.2 and Exhibit A	Items 7, 8 and 11
(f) Fees	Sections 2.2.10, 4 and 15.3.10	Sections 4 and 7.4	Items 5 and 6
(g) Compliance with standards and policies/Operating Manual	Sections 3.3, 8, 10 and 13	Section 5	Items 8, 11 and 14
(h) Trademarks and proprietary information	Sections 7.7, 8.8, 8.11, 9, 10.2 and 11	Section 1.4	Items 13 and 14
(i) Restrictions on products/services offered	Sections 1.4, 7.7, 8.6, 8.7 and 8.8	Section 1	Items 5, 8 and 16
(j) Warranty and customer service requirements	Sections 8.9 and 23	Not Applicable	Item 16
(k) Territorial development and sales quotas	Section 1 and Exhibit A	Sections 1, 3.2 and Exhibit A	Item 12
(l) On-going product/service purchases	Section 8	Not Applicable	Item 8

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Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Item in Disclosure Document
(m) Maintenance, appearance and remodeling requirements	Sections 5 and 8	Not Applicable	Item 8
(n) Insurance	Section 14	Not Applicable	Items 7 and 8
(o) Advertising	Section 13	Not Applicable	Items 6, 7, 8 and 11
(p) Indemnification	Section 21.4	Section 12.4	Not Applicable
(q) Owner's participation / management and staffing	Sections 8.3 and 8.4	Section 5.2	Item 15
(r) Records/reports	Section 12	Sections 5.3 and 5.4	Item 6
(s) Inspections/audits	Sections 8.10 and 12.3	Section 5.4	Items 6 and 11
(t) Transfer	Section 15	Section 7	Item 17
(u) Renewal	Section 2.2	Not Applicable	Item 17
(v) Post-termination obligations	Sections 11, 17 and 18.3	Sections 6.6 and 8.3	Item 17
(w) Non-competition covenants	Section 18	Section 8	Item 17
(x) Dispute resolution	Section 27	Section 16	Item 17
(y) Liquidated Damages	Section 17.7	Not Applicable	Item 6

ITEM 10
FINANCING

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

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

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

Pre-opening Obligations

Under the Franchise Agreement. Before you open your Franchised Center:

1. We will approve or deny your proposed site for each Franchised Center. (Franchise Agreement, Section 5.1). In deciding whether to approve a proposed site, we evaluate certain site criteria, which include demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and the nature of, other businesses; size; appearance; and other physical and commercial characteristics. You must submit to us all information and other data about the proposed site for the Franchised Center that we reasonably request.

2. We will provide our standard initial training program to you and your Operating Principal (as defined in Item 15). However, you will be responsible for all compensation and expenses (including transportation, lodging, food, and incidental expenses) incurred in connection with any training programs. This training is described in detail later in this Item 11. (Franchise Agreement, Sections 3.2, 6)

3. We will, at no charge to you, provide you with the Tierra Encantada Development Manual, which includes information and specifications regarding the design, finishes and prototype floorplans for a Tierra Encantada Center, as well as specifications for equipment, furnishings, and signs. You will be responsible to adapt the plans to your site (with our approval as described below under the heading "Construction and Layout of Center"), and for hiring an approved architect and a general contractor to build the Franchised Center in accordance with those approved plans. You are responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Sections 3.1, 5.3)

4. We will lend you, for the duration of the Franchise Agreement, copies of the Operations Manual (which is more fully described in Item 14 below). (Franchise Agreement, Section 3.3)

5. We will provide you a list of our then-current designated or approved suppliers. (Franchise Agreement, Section 3.7)

6. We will provide you with pre-opening and opening assistance that we deem appropriate. (Section 6.8 of the Franchise Agreement)

Under the Area Development Agreement: Before you open the Franchised Center:

1. We will approve or deny your proposed site for each Franchised Center. (Area Development Agreement, Section 3.2). In deciding whether to approve a proposed site for each Franchised Center, we evaluate certain site criteria, which include demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and the nature of, other businesses; size; appearance; and other physical and commercial characteristics. You must submit to

us all information and other data about the proposed site for each Franchised Center that we reasonably request.

2. We will provide you with site selection guidelines, including our minimum standards for Tierra Encantada Center sites, and other site selection counseling and assistance as we deem appropriate. (Area Development Agreement, Section 5.1)

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

Continuing Obligations

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

1. We will provide periodic guidance to you with regard to the operation of your Center, including improvements and changes to our System. (Sections 3.5 and 10.4 of the Franchise Agreement)

2. We will periodically modify the Operations Manual to reflect changes in methods, standards, specifications, requirements and operating procedures. (Section 10.4 of the Franchise Agreement)

3. We will periodically issue methods, standards, specifications, requirements and operating procedures for Tierra Encantada Centers. (Section 3.5 of the Franchise Agreement)

4. As applicable from time to time, we will (or cause our affiliates that are designated or approved suppliers, as applicable, to) sell to you products and services as described in Item 8. (Section 3.7 of the Franchise Agreement)

5. We or our designee will administer the Brand Fund for the development of advertising and related programs and materials, as stated in the Franchise Agreement and as described below in this Item 11. (Section 13.1 of the Franchise Agreement)

6. We will provide periodic and ongoing training programs for you, your Operating Principal and your other personnel, as we deem appropriate. This training is described in detail later in this Item 11. (Sections 3.2, 6.4, 6.7 of the Franchise Agreement)

7. We will provide such additional advice, assistance and guidance as we may agree, at your sole cost and expense. (Section 3.5 of the Franchise Agreement)

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

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Site Selection

Under the Franchise Agreement

If you do not already possess a location that we find acceptable for a Tierra Encantada Center when you sign our Franchise Agreement, we will provide you with procedures for locating, evaluating, and obtaining our approval of a site. We must review and approve the site you propose. If we do not accept a site you propose, you may select another site, subject to our acceptance. You may not develop or open a Tierra Encantada Center at a site that we have not approved. We will be deemed to have rejected a proposed location unless we have expressly accepted it in writing. If you do not receive our acceptance of your proposed site within 30 days after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the proposed site. Your Center may not be relocated without first obtaining our written consent. If you do not secure a site (through lease or purchase) within 12 months from the date of your Franchise Agreement, or if you do not open your Center within 18 months from the date the Franchise Agreement becomes effective, we have the right to terminate the Franchise Agreement.

Under an Area Development Agreement

For each proposed site for a Tierra Encantada Center to be developed under the Area Development Agreement, you must also obtain our approval as outlined above. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the approved site.

Under the Franchise Agreement and Area Development Agreement, we will be deemed to have disapproved a proposed location unless we have expressly approved it in writing. In approving a location for a Franchised Center, we consider the location, neighborhood, traffic patterns, visibility, parking facilities, size, lease, and zoning. If you do not open in an acceptable site within the required time frames, you will be in default of your agreement with us for which we may terminate your agreement.

Under the Franchise Agreement and Area Development Agreement, our approval (or failure to disapprove) of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Center or for any other purpose, or as to any expected level of sales, revenues or profits. Approval by us of the site indicates only that the site meets the minimum requirements for a Tierra Encantada Center location.

If you sign an Area Development Agreement, you must sign individual Franchise Agreements and begin operating a Tierra Encantada Center under each of those agreements within the time provided for in the Development Schedule attached as Exhibit A to that agreement.

Construction and Layout of Center

You are responsible for developing your Franchised Center. We will provide you with the Tierra Encantada Development Manual, which includes information and specifications regarding the design, finishes and prototype floorplans for a Tierra Encantada Center. You must then hire an approved architect to prepare all required layouts, construction documents and plans, and specifications to suit the shape and dimensions of your site, which we must approve. The plans and layouts included in the guide are not intended, with respect to your particular location, to contain, address or comply with the requirements of any federal, state or local law, code or regulation, including those concerning the

Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations for persons with disabilities. We may from time to time change our prototypes and plans (including our specifications for the interior and exterior appearances) of Tierra Encantada Centers and develop or approve variations on our prototypes and plans to reflect locations with differing sizes, structural elements, visibility and other relevant factors.

You will be responsible for ensuring the design of the Franchised Center utilizes our design standards and center layouts to comply with our requirements and must seek our written approval after schematic design and design development, prior to proceeding to construction documents. Your design must comply with our maximum group size requirements and minimum square footage per child requirements and other applicable laws and regulations. You must hire an approved architect to prepare all required layouts, construction documents and plans, and specifications to suit the shape and dimensions of your site, which we must approve. In addition to hiring a licensed architect, you may also be required to locate and engage qualified engineers, such as civil, mechanical, structural, and electrical engineers. You will be responsible for paying for all design, architecture, and engineering services.

You will be solely responsible for ensuring that such plans and specifications comply with the ADA and all other applicable regulations, ordinances, building codes and permit requirements and with lease or sublease requirements and restrictions, if any. You must submit final plans and specifications to us for our written approval before construction of the Franchised Center begins. Our review is not designed to assess compliance with federal, state or local laws and regulations and is limited to review of such plans to access compliance with our design standards for Tierra Encantada Centers, including such items as trade dress, presentation of Marks, and the provision to the potential customer of certain products and services that are central to the functioning of Tierra Encantada Centers. Additionally, prior to opening the Franchised Center (and prior to renovating it after the initial opening), you must sign and deliver to us an ADA Certification (in the form that is attached as an Exhibit to the Franchise Agreement) certifying to us that the Franchised Center and any proposed renovations comply with the ADA.

Opening of Franchised Center

We estimate that the typical length of time between the signing of the Franchise Agreement to the date you open your Center will be approximately 12 to 18 months. Factors affecting this time period include the time involved in (a) obtaining and preparing a satisfactory site, (b) arranging financing, (c) receiving necessary permits and approvals to construct your Center, (d) complying with local ordinances, licensing requirements and state certifications, and other certifications that we require, (e) completing the required initial training, (f) availability of local construction contracting services and local building conditions, and (g) ordering, receiving and installing all machinery, equipment, supplies, computers and communications hardware and software, signs and materials, as well as products and merchandise as we may reasonably require in the Operations Manual or other written materials. You must secure a site (through lease or purchase) within 12 months after you sign your Franchise Agreement and your Center must be open and operating within 18 months after you sign the Franchise Agreement, or, in either case, you will be in default of the Franchise Agreement and we may terminate the Franchise Agreement.

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Computer System

You will need to acquire (either by purchase or lease) the computer hardware and software system (a "**Computer System**") that we may specify from time to time. (Franchise Agreement, Section 7.1.) The term Computer System refers to cash register or point of sale systems, hardware, software for the management and operation of the Franchised Center and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology. As of the date of this Disclosure Document our requirements are described below. We have not approved any hardware or software in place of these systems and programs, although we reserve the right to do so in the future.

Currently, the Computer System includes:

- A desktop or laptop computer for your lobby, plus a laptop computer for your Director, with specifications in accordance with the Operations Manual
- Operation System: Microsoft Windows 10, or more recent version
- Software: QuickBooks Online Essentials or higher, Internet Browser, and software or programs covered by the Technology Fee (Lineleader, Digital Stack , Google Workspace, and Franconnect)
- At least one tablet per classroom compatible with childcare management software
- Multi-Function Printer/Copier/Scanner

The current cost to purchase a required computer and monitor ranges from $750 to $1,250. Depending on the number of staff, you may choose to have more than one computer, in which case your costs will be higher. The current one-time cost of Microsoft Office is approximately $150. You will pay a one-time fee to our designated curriculum provider of no more than $1,694 per classroom for access through September 1, 2028. Ongoing monthly charges are currently $50 to $150 for security monitoring and $55 to $85 for QuickBooks Online Essentials or higher. You must also pay us a monthly Technology Fee in exchange for certain technology that we provide to you, including website hosting, e-mail (two email addresses), and access to business productivity and collaboration tools, franchise management and reporting systems, digital marketing and lead-management tools, and center management software for enrollment, waitlist administration, family communications, scheduling, and operational reporting. The Technology Fee is $398 per month as of the date of this Disclosure Document; we reserve the right to increase this fee upon notice to you. You may choose to use Smartsheet construction project management software as part of the construction of your Center. The Smartsheet service is currently optional, but we reserve the right to require that you use it. All of these software and program costs are subject to change.

You are required to use other proprietary software that we designate from time to time. You may be required to sign a license or maintenance agreement, either with us or a vendor, in order to obtain and use any such software. You must also have sufficient back-ups for your computer, physical and digital files, and sensitive documentation. Neither we, our affiliates nor a third party has any contractual obligation to provide maintenance, repairs, updates or upgrades to your Computer System. We currently do not require that you maintain contracts for hardware and software maintenance, support and upgrade services for the communications and information systems. You will be required to maintain a high-speed internet connection at all times (i.e., fiber optic, DSL, cable modem).

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You must provide us with unimpeded and independent online access to your Computer System, including access to your QuickBooks and account activity (which may require re-authorization from time to time), in the manner, form, and at the times requested by us. You must also provide us with access to any web-based video, recordings, or camera feed of the Franchised Center.

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards for new Tierra Encantada Centers. You must periodically make any upgrades and other changes to the Computer System and required software that we may request in writing. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System. Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software or related services.

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

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

Centralized Enrollment Services

We, an affiliate, or a designated third party may offer you the option to participate in a Centralized Enrollment Center program. As part of the services, you will receive administrative enrollment support before and after your Center opens. Services may include lead intake management, inquiry response by phone, email, and text, lead tracking within our designated systems, scheduling and conducting virtual tours, follow up communications with prospective families, enrollment coordination, collection and processing of enrollment documentation, and reporting to you regarding lead activity and enrollment status.

As of the date of this Disclosure Document, these services are being provided by our parent, Tierra Encantada LLC. Participation is optional and subject to availability, but we may later choose to make participation in the program mandatory, and if we do so, you will be required to purchase these

services. If you participate in the program, you may be required to execute a separate agreement for the services.

All enrollment activities will be conducted in accordance with our System standards and using our approved technology platforms. You will remain solely responsible for the operation of your Center, compliance with licensing laws, admission decisions, tuition rates, staffing levels, and overall financial performance.

The Centralized Enrollment Center provides administrative support only. There is no guarantee of enrollment levels, speed of enrollment, revenue, profitability, or any specific business outcome. Final decisions regarding acceptance of a child for enrollment remain subject to your compliance with applicable law and licensing requirements.

We reserve the right to modify, expand, limit, or discontinue the Centralized Enrollment Center program at any time in our discretion.

Our Advertising

We are not obligated to spend any amount on advertising programs within your market, area, or territory. We have established a System brand fund (the "**Brand Fund**"). Each franchisee must contribute amounts to the Brand Fund equal to 1% of monthly Gross Sales; provided that we may increase this contribution to up to 2% of monthly Gross Sales upon notice to you. We (or our designee, which might be a corporate subsidiary or affiliate or an advertising agency or consulting firm) will maintain and administer the Brand Fund, as follows:

(a) We (or our designee) will direct all advertising programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs, and retain sole discretion over the operation and advertising decisions of the Brand Fund. The Brand Fund is for brand development initiatives and programs intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your Brand Fund Contribution, or to make sure that you or any particular franchisee benefits directly or pro rata from expenditures by the Brand Fund, or to spend any amounts in any particular geographic area. Any company- and affiliate-owned Tierra Encantada locations owned and operated by us are not required to contribute to the Brand Fund, but may do so. We may use outside advisors and agencies for advertising, marketing, public relations, website and social media programs (and other successor technology platforms) and Brand Fund contributions may be used to pay all advisor and agency fees and/or offset administrative costs of managing the Brand Fund.

(b) The Brand Fund, and all contributions to and earnings from the Brand Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System. This includes the costs of preparing and conducting media marketing campaigns and System advertising, marketing and sales programs and campaigns; consumer research and marketing surveys designed to assist in maintaining high quality standards; public relations activities; trade show

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participation (including travel and expenses for our staff); the development and operation of a national and regional accounts program; on-line directory listings; developing and maintaining our Website and other Internet marketing, as well as social media and other digital applications (and other successor technology platforms); sponsorship of organizations and events; purchasing promotional items and advertising materials; out-of-pocket expenses (including printing, postage, shipping, telephone and photocopying); our allocable overhead and administrative costs (including compensation and expenses of employees relating to the Brand Fund); and providing promotional and other marketing materials and services to Tierra Encantada Centers operating under the System. We do not expect to spend any money from the Brand Fund for advertising that is primarily a solicitation of franchise sales except for the portion, if any, of our Website specifically relating to soliciting franchisees.

(c) All sums paid to the Brand Fund will be maintained in an account separate from our general funds. The Brand Fund is not and will not be our asset, and we or our designee will maintain separate bookkeeping accounts for the Brand Fund. We will have the right to charge the Brand Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Brand Fund and advertising programs for you and the System (for example, salaries, costs of our personnel for creating and implementing advertising, merchandising, promotional and marketing programs, and associated overhead). The Brand Fund and its earnings will not otherwise inure to our benefit. We have no fiduciary obligation to you for administering the Brand Fund. We may incorporate the Brand Fund or operate it through a separate entity when we think best. The successor entity will have all of the rights and duties described in this paragraph. We may use collection agents and institute legal proceedings to collect the Brand Fund contributions at the Brand Fund's expense. We also may forgive, waive, settle and compromise all claims by or against the Brand Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

(d) We may occasionally make available to franchisees marketing plans and promotional materials produced from contributions to the Brand Fund. Additionally, we may sell these items to franchisees in the System at a reasonable price, and any proceeds from any of those sales will be contributed to the Brand Fund.

(e) The Brand Fund may spend in any calendar year more or less than the total Brand Fund Contributions in that year, borrow from us or others to cover deficits (which borrowing will include the payment of interest) or invest any surplus for future use. We will use interest earned on Brand Fund Contributions to pay costs before spending the Brand Fund's other assets. We anticipate all of our franchisees will contribute to the Brand Fund, although there is no prohibition against us charging higher or lower rates for future franchisees. We may at any time defer or reduce a franchise owner's Brand Fund Contributions and, upon written notice to you, reduce or suspend Brand Fund Contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will either spend all monies in the Brand Fund for advertising or promotional purposes, or distribute all unspent monies to franchise owners, and to us and our affiliates, in

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proportion to their, and our, respective contributions during the preceding 12-month period.

(f) We will prepare, on an annual basis, an unaudited statement of the earnings and expenditures of the Brand Fund, and a copy of this statement will be made available within 60 days of our fiscal year end upon your written request. We are not required to have the Brand Fund audited.

The Brand Fund is currently maintained and administered by us. As of the end of our last fiscal year ended December 31, 2025, expenditures from the Brand Fund by us were as follows:

Advertising Strategy:	19%
Website Management:	12%
Content Creation:	69%

Your Local Advertising

Before you open your Center, you will be expected to advertise its opening and create a pre-opening advertising and promotion plan that we have approved. You must provide us with a proposed pre-opening promotion plan and obtain our approval of such plan before you implement the plan. You must implement the plan no later than the latter of 8 months before the planned opening of your Center or 60 days after the date you sign a lease or purchase agreement for your approved location. You must spend a minimum of $40,000 to implement the pre-opening advertising and promotional campaign. Agency fees do not count toward the minimum spend. Although $40,000 is the minimum, we recommend you spend up to $60,000 or more. We may require you to provide proof that these funds were spent. The pre-opening advertising and promotion plan is in addition to any Brand Contributions that you must pay to us and to the Minimum Local Advertising Obligation described below.

You must also spend at least $4,000 monthly during your first six months of operations (or until you are full, if sooner) on local advertising (e.g., marketing, promotions, publicity, paid digital ads, social network) we have approved, and then $2,000 monthly thereafter until such time as your Center is full, and during any time your Center is not full ("**Minimum Local Advertising Obligation**"). Our current requirement for a center being full is when it achieves a minimum of 90% average daily attendance of its total licensed capacity, measured on a monthly basis at the end of each month. We have the right to require that you provide us with proof that these funds were spent. If we require you to participate in an advertising cooperative, you will be able to designate a portion of the monies otherwise spent on local advertising towards the funds required by the cooperative. Company or affiliate-owned Tierra Encantada locations are not required to spend any minimum percentage of their Gross Sales on local advertising nor participate in an advertising cooperative; however, they will make expenditures in local advertising programs as appropriate.

You will determine the amount of funds you spend for individual local market advertising, subject to the Minimum Local Advertising Obligation. Local advertising expenditures must comply with our requirements in order to count toward the Minimum Local Advertising Obligation. If you do not spend at least the Minimum Local Advertising Obligation in a given annual year on local advertising, you must pay to us the difference between the applicable Minimum Local Advertising Obligation and the amount that you actually spent on local advertising.

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Certain criteria will apply to any local advertising and promotions that you conduct. All of your local advertising and promotions must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You must follow the procedures provided in the Operations Manual with respect to all advertising and promotional requirements. You may not use any advertising or promotional plans that we have not approved in writing. Your prices for Tierra Encantada Products and Services must also be approved by us, including any annual changes in tuition; additionally, although we do not generally provide assistance in establishing prices at which you may provide Tierra Encantada Products and Services, we reserve the right to establish and enforce prices, both minimum and maximum, to the extent permitted by applicable law. We will have 10 days after submission to us to review your proposed advertising and promotional plans and materials and/or prices for Tierra Encantada Products and Services. Unless we provide our specific approval of your proposed advertising and promotional plans and materials, and prices, they are deemed not approved. Any advertising that you propose to use that has either not been prepared by us or has not been approved by us in the immediately preceding 12-month period must be submitted to us for our approval before you may use it. We also reserve the right to require you to discontinue the use of any previously approved advertising, promotional, sales, or marketing materials. Any materials you request us to create or submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials. At our request, you must include certain language in your local advertising materials, such as "Franchises Available" and our Website address, telephone number, social media icons, and addresses.

You must participate in any other promotional and advertising programs that we establish.

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

Advisory Council

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

Websites; Email Addresses

We currently operate a website (the "**Website**") related to the System and Tierra Encantada Centers and locations at www.tierraencantada.com, and certain social media accounts related to Tierra Encantada Centers and locations (collectively, the "**Social Media Accounts**"). We have the right to designate a successor Website and successor Social Media Accounts. Subject to the terms of the

Franchise Agreement and Operations Manual, we may make available on our Website information specific to your location, and we will make available to you two email addresses under the Website's domain for your use at no additional charge (the "**Email Addresses**"). You will be permitted to use the Email Addresses solely to promote, and provide customers information related to, your Centers. You may only use the Email Addresses in accordance with terms of the Franchise Agreement, the Operational Manuals and any guidelines, directives or specifications issued by us. Upon the termination or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, you may not use the Email Addresses.

You may not establish a website, accounts, or other online presence that uses the Marks, use the Marks in any fashion on any website, including social and/or networking websites, including, but not limited to, Facebook, LinkedIn, Snapchat, Instagram, TikTok and Twitter, or offer, promote, or sell any Tierra Encantada Products or Services through any website, without our prior written consent. Any such use must be in compliance with any policies we issue relating to advertising, promotion, marketing and social media from time to time.

Training

Before opening your Center, you (and your Operating Principal, if different) and your Center Director (described in Item 15) must successfully complete our initial training requirements to our satisfaction at a location designated by us. Additionally, if you are other than an individual, we may require (in addition to the training of the Operating Principal and Center Director) that any or all owners of beneficial interests in Franchisee (each, a "**Principal**"), who are individuals and own at least a 10% beneficial interest in Franchisee, attend and successfully complete, to our satisfaction, such portions of the initial training program as determined by Franchisor appropriate for Principals not involved in the day-to-day operations of the Franchised Center. The initial training requirements includes the Franchisee Orientation and Site Development Training (Part 1), Franchise Foundations (Part 2), and the Franchise Management Training (Part 3). Part 1 of the initial training, which lasts two days, must be completed online within 30 days of signing the Franchise Agreement. Part 2 of the initial training, which lasts four days, must take place at least 120 days and no sooner than 180 days prior to your grand opening. Part 3 of the initial training, which lasts six days, must take place at least 30 days and no sooner than 75 days prior to your grand opening. You may send additional employees to our initial training program, but you are ultimately responsible for training your employees. We will bear the cost of all instruction and required materials for the initial training program for up to three individuals, which typically are you, your Operating Principal, and/or your Center Director. You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance. If your Operating Principal and/or your Center Director is no longer associated with you, you must appoint a new Operating Principal and/or Center Director, as applicable, who must successfully complete our initial training program.

We reserve the right to charge for additional employees, or replacement directors or Operating Principals, that you desire to attend our initial training program. If you send additional employees to our initial training program or if you request that we provide additional assistance or training, or if we determine that additional assistance training is required, you must pay our daily fee for each trainee, and you must reimburse each trainer's expenses for any necessary travel, including travel, lodging, meals and other reasonable expenses. Additional training will take place either online, at our corporate headquarters or at such other location that we designate.

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The areas covered in the initial training program are described below. The duration of our initial training program is approximately 12 days and will be offered at our corporate headquarters in Minneapolis, Minnesota, or at such other location that we designate. We also require Grand Opening Training for up to 10 additional days as described below. Training may take place over the weekend or online.

The subjects covered in the initial training program are described below. The instructional materials for our training program include the Operations Manual and training guides. Initial training programs are scheduled throughout the year on an as needed basis. We have the right to change the duration and content of our initial training program.

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INITIAL TRAINING PROGRAM			
Subject	**Hours of Classroom Training**	**Hours of On-the-Job (On-Site) Training**	**Location**
Franchise Orientation (Part 1) ▪ Introduction to Tierra Encantada (History, Mission, & Values) ▪ Franchisee – Franchisor Relationship (Roles, Responsibilities, & Requirements)	2	0	Corporate Headquarters, Minneapolis, Minnesota or Online
Site Development Training (Part 1) ▪ Choosing Your Site ▪ Lease Negotiation ▪ Design Professional Selection ▪ Center Design & Brand Standards ▪ General Contractor Selection ▪ Center Construction	14	0	
Franchise Foundation: Finance (Part 2) ▪ Financial Policies & Procedures ▪ Chart of Accounts ▪ Financial Compliance ▪ Risk Management	4	0	Corporate Headquarters, Minneapolis, Minnesota or Online
Franchise Foundation: HR (Part 2) ▪ Employment Policies & Procedures ▪ Leadership Recruitment & Onboarding ▪ Payroll Processes & Systems	8	0	
Franchise Foundation: Center Needs (Part 2) ▪ Center Spaces ▪ Classroom Zones ▪ Décor Standards ▪ Center Purchasing Needs	10	0	
Franchise Foundation: Marketing (Part 2) ▪ Brand Marketing Strategies ▪ Local Marketing Plan	4	0	
Franchise Foundation: Enrollment (Part 2) ▪ Brand Family Communications ▪ Enrollment Process & Strategies	6	0	

Educational Program (Part 3) ▪ Curriculum Overview ▪ Curriculum Training ▪ Accreditation & Standards	8	6	Corporate Headquarters, Minneapolis, Minnesota, or an affiliate-owned Tierra Encantada location or Online
Center Design & Operations (Part 3) ▪ Standards, Policies, & Procedures ▪ Administration & Teacher Manuals ▪ Meal Program ▪ Family Relations & Enrollment ▪ Center Purchasing & Facility Layouts ▪ Franchise Standards & Audits	28	14	
TOTAL	**84**	**20**	

The initial training, as described above, currently is primarily conducted at our headquarters in Minneapolis, Minnesota, at designated Tierra Encantada Centers, or virtually, or with a combination of these, to be determined in our discretion. We also offer, at no additional cost, an optional practicum program, under which your Center Director and Assistant Director will work at one of our affiliate-owned Tierra Encantada Centers for three days. Subject to space availability, this optional practicum may be completed immediately following Part 2 of the initial training or during another time prior to your opening. Grand Opening Training and opening assistance will also be conducted on-site at your Franchised Center for a period of time as is deemed required by us.

Currently, our training staff is run by our Chief Operating Officer, Lauren Halgerson, who has worked in her role since August 2024. We will use additional instructors on our training staff to conduct our training programs. Our additional instructors generally have substantial operations experience, and a minimum of a year of experience in training and development, or in with respect to our System, and have demonstrated successful operations and performance with our affiliate-owned operations.

In addition to the initial training program, subject to the availability of our staff, at our discretion we will also assist you in providing Grand Opening Training for on-the-job training at the premises of your Center at the time of your grand opening. If this training is provided, we will provide one trainer who will visit your Center for up to a 10-day period surrounding your grand opening. The cost for this training is currently $8,000 and is due 30 days before (a) your planned opening date, or (b) the date on which you are required to open your Center, whichever is earlier. We will waive our fee for the Grand Opening Training if you open your Center within 12 months of signing your Franchise Agreement. If we determine, in our sole discretion, that you or your staff have not adequately completed training, we may require additional training at our corporate headquarters before or after opening your Center and charge you for our expenses in doing so. You will also be responsible for travel and other expenses you and your personnel incur in attending such training.

If you request additional training or assistance, and if we desire to provide this training or assistance in our sole discretion, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. Additionally, if we determine, in our sole discretion, that you are in need of additional supervision or supplemental training, we may require that you receive such training from us, in which

case you agree to also pay our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training. You will also be responsible to pay your costs associated with such additional, including lodging, food and travel arrangements as applicable. If you request that we conduct any additional training sessions (required or voluntary), and we do so, then we may charge you our then-current per diem training fee for that training we provide, and you will also have to reimburse us for all out-of-pocket costs and expenses described above. (See Item 6 regarding the costs.)

You and your Operating Principal and all other previously trained and experienced center directors, and any other employees that we designate, must attend and complete to our satisfaction various training courses that we will present and conduct, periodically. You are responsible for all related travel and living expenses and wages incurred in connection with attending these training sessions. You must also maintain a computer (PC, tablet or similar device) on which you, your Operating Principal and your employees can perform those training programs that are available digitally.

You must set up any additional necessary training programs for your staff (other than those individuals required to receive training by us above) that may be required, depending on the licensing requirements for your Center. Prior to initiating your training program, you must submit it for our review. We will notify you in writing with any changes to or our acceptance or denial of your proposed training program.

We may periodically conduct a conference, convention, program, or training session. We will determine the duration, curriculum, and location of these. You and your Operating Principal must attend each conference, convention, program, or training session. We may also periodically conduct conferences, programs and sessions specifically for center directors that your Center Director is required to attend. We may charge a fee for all of these sessions and you must pay all expenses incurred in attending. You may also be required, from time to time, to take part in additional training or updates as we designate. Lastly, as a condition of renewing your Franchise Agreement, we may require you to undergo further training.

Operations Manual

You will be required to comply with all of the specifications, procedures, and standards set out in our Operations Manual, the table of contents of which are provided in Exhibit G, and which Operations Manual are subject to change at our discretion. Our Operations Manual currently contains 368 pages.

ITEM 12
TERRITORY

Franchise Agreement and Area Development Agreement

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

Under the Franchise Agreement

Your Franchise Agreement will specify the site that will be the Approved Location for your Franchised Center. In deciding whether to approve a proposed site, we evaluate certain site criteria, which include demographic characteristics; traffic patterns; parking; character of neighborhood competition from, proximity to, and the nature of, other businesses; size; appearance; and other physical and commercial characteristics. Your Franchise Agreement may also specify a protected territory ("**Territory**"). The size and scope of the Territory will be contained in the Franchise Agreement and will be determined, in our sole discretion, during the site confirmation process based upon various factors such as (a) whether the Approved Location is an urban area or a suburban area; (b) the number of residents living in the area; and (c) the number of children living in the area; among other factors. Because each location is different, the Territory for each Franchised Center will be different; however, each Territory will generally contain a population of 50,000 people or more. Except as noted below, as long as you are in compliance with the Franchise Agreement, we will not operate a Tierra Encantada Center or grant to a third party the right to operate a Tierra Encantada Center within your Territory.

There are no circumstances under which the Territory may be altered prior to expiration or termination of the Franchise Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You are permitted to provide off-premises services with our consent only within your Territory and are prohibited from providing off-premises services outside of your Territory, unless we allow you to do so by providing you with written permission.

If, during the term of the Franchise Agreement, you wish to relocate your Franchised Center, or if the Franchised Center is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials required in order to consider your request, including information concerning the proposed new location for the Franchised Center and our fee (see Item 6). You must also meet certain other requirements, including but not limited to being in compliance with the Franchise Agreement, the location meets our then-current requirements for a Tierra Encantada Center and is located within your Territory, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new Initial Franchise Fee when you sign the new Franchise Agreement. (Franchise Agreement, Section 8.26)

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

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Although we have not done so, we and our affiliates may sell products and services under the Marks within and outside your Territory through any method of distribution other than a Tierra Encantada Center, including sales through such channels of distribution as wholesalers, distributors, mail order, toll free numbers, the Internet, catalog sales, telemarketing or other direct marketing sales (together, "**alternative distribution channels**"). You may not use alternative distribution channels to make sales outside or inside your Territory and you will not receive any compensation for our sales through alternative distribution channels.

Under the Area Development Agreement

If you sign an Area Development Agreement, the Area Development Agreement will specify the Development Area within which you may locate potential sites for Tierra Encantada Centers, subject to our approval. In deciding whether to approve a proposed site, we evaluate certain site criteria, which include demographic characteristics; traffic patterns; parking; character of neighborhood competition from, proximity to, and the nature of, other businesses; size; appearance; and other physical and commercial characteristics. The size and scope of the Development Area will be determined on a case-by-case basis, as we mutually agree upon prior to signing the Area Development Agreement and will be specified in the Area Development Agreement. The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other Tierra Encantada Centers, your financial and other capabilities, the number of Tierra Encantada Centers you wish to develop and our development plans.

As a result of our reserved rights described below, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

During the term of the Area Development Agreement, if you comply with the obligations under the Area Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, or license anyone other than you to establish or operate, a Tierra Encantada Center in the Development Area. Except as described below, there are no circumstances under which the Area Development Agreement may be altered prior to expiration or termination of the Area Development Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, or other factors, other than compliance with the Area Development Agreement and Development Schedule.

If you do not comply with a deadline under the Development Schedule (a "**Missed Deadline**"), you will be in default under the Area Development Agreement. Upon the occurrence of a Missed Deadline, we may terminate your Area Development Agreement, or we may elect to take one or more of the following actions: (a) terminate the credit toward Initial Franchise Fees; (b) eliminate the territorial protection or reduce the scope of protections granted to you within the Development Area; (c) reduce the scope of the Development Area; (d) reduce the number of Franchised Centers for you to develop, or (e) retain all Area Development Fees paid to us. If we elect to take one or more of these actions, we will provide written notice of such action, and the Area Development Agreement will be amended to reflect the changes.

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Our Reserved Rights under the Franchise Agreement and Area Development Agreement

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

(a) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including Tierra Encantada Centers operating under the Marks and the System selling the products and services at any location outside your Territory or Development Area regardless of their proximity to, or potential impact on, your Territory or Development Area or Franchised Centers.

(b) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Marks, whether such businesses are similar or different from the Franchised Center, at any location within or outside the Territory or Development Area, notwithstanding their proximity to the Territory or Development Area or the Approved Location or their actual or threatened impact on sales of the Franchised Center.

(c) We may sell and distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products through wholesalers to third parties or through mail order, toll free numbers, the Internet, mobile or temporary locations, or other alternative channels of distribution, including those products bearing our Marks, provided that distribution within the Territory or Development Area shall not be from a Tierra Encantada Center established under the System that is operated from within the Territory or Development Area.

Additionally, during the term of your Area Development and Franchise Agreement, we may (a) acquire one or more retail businesses that are the same as, or similar to, Tierra Encantada Centers then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Territory or Development Area, notwithstanding their proximity to the Territory or Development Area or the Approved Location or their actual or threatened impact on sales of the Franchised Center, and we may (b) operate and/or license others to operate any Acquired Business under its existing name or as a Tierra Encantada Center under the System at any location. If we operate and/or license others to operate any Acquired Business, then the following terms apply:

If you are in compliance with your agreements with us, then for any Acquired Business that is both located within your Territory or Development Area and is purchased by us for operation by us or our affiliates, we may, in our discretion, offer you the option to purchase and operate, as a Tierra Encantada Center, those Acquired Business(es). If we opt to offer you such an option, we will provide you with written notice of our purchase of such Acquired Business(es), the terms and conditions applicable to your option to purchase such Acquired Business(es), and such other information that we deem necessary to include in the notice. The terms and conditions offered to you will include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below), then the purchase price for such Acquired Business will be determined using a ratio equal to the sales of such Acquired Business during the prior year, as compared to the total sales during such year of all Acquired Businesses that we purchased in the same transaction; and (b) the requirement that you enter into our then-current form of System franchise agreement for the Acquired Business, provided that you will not be required to pay an initial franchise fee for an Acquired Business. If you do not elect to purchase, or fail to complete the purchase of, an Acquired Business, we shall retain the right to operate

the Acquired Business ourselves, or through its affiliates or third-party licensees or franchisees, under any trade name or trademarks including the Marks. If an Acquired Business is part of a system of retail businesses that we acquire (an "**Acquired System**"), we may also license to a licensee or franchisee under the Acquired System additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory.

ITEM 13
TRADEMARKS

The Franchise Agreement will grant you rights to use the Marks in connection with your Franchised Center. We have registered the following Marks on the Principal Register of the United States Patent and Trademark Office ("**USPTO**"):

Proprietary Mark	Registration Number	Registration Date
Tierra Encantada (Class 43)	5518626	July 17, 2018
Tierra Encantada Logo (Class 43)	5826250	August 6, 2019
The leader in Spanish immersion early childhood education (Class 43)	7542422	October 22, 2024
From First Words to Fluency (Class 43)	8085726	December 30, 2025

Additionally, we have applied for registration of the following Mark on the Principal Register of the USPTO:

Proprietary Mark	Serial Number	Application Date
Tierra Encantada Logo (Class 43)	99408184	September 23, 2025

Currently, we do not have a federal registration for this Mark, so it does not have as many legal benefits and rights as a federally registered trademark.

If our right to use any of the Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We have filed or intend to file all required affidavits and renewals for the Marks. There are no currently effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the Trademark Administrator of this state or any court. There is no pending infringement, opposition or cancellation proceeding. There is no pending material litigation involving the trademarks which may be relevant to their use in this state or in any other state.

We do not know of any infringing uses that could materially affect your use of the Marks in this state or elsewhere.

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

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

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

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the operation of your Franchised Center.

Copyrights

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

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not

know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

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

Confidential Information

Except for the purpose of operating the Franchised Center under a Franchise Agreement and developing Franchised Centers under an Area Development Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Franchised Center that may be communicated to you or that you may learn by virtue of your operation of a Tierra Encantada Center. You may not use any confidential information for the purpose of machine learning, augmented human intelligence development, training any artificial intelligence ("AI") model, algorithm improvement, or similar data aggregation activities without our prior written approval. You must not, without our prior written consent, input any confidential information into any generative AI platform or disclose any information to any provider or source of generative AI services, and you must opt out of allowing any provider or source of generative AI to utilize confidential information for training of any AI model or for other purposes. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Center. Any information, knowledge, know-how, and techniques that we designate as confidential will be deemed "confidential" for purposes of the Franchise Agreement and the Area Development Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Operating Principal (as defined in Item 15), your Center Director and any Assistant Center Director, and any other managers or assistant managers and any other employee to whom you provide our confidential information, to abide by the covenants of confidentiality described in the Franchise Agreement and in Item 17 of this Disclosure Document. We additionally require you to procure fully executed non-disclosure and non-use agreements, in a form we approve, anytime you share our confidential information to outside parties, advisor(s), or family member(s), or contractors, such as your accountant, architect, real estate broker, or general contractor. These agreements must be in a form that we find satisfactory, and in some cases include, among other things, specific identification of our company as a third-party beneficiary with the independent right to enforce the covenants. Our current forms of these agreements are included as Exhibits E and F to the Franchise Agreement (which is included in this Disclosure Document, see Item 22). You must deliver such agreements for each person mentioned in this paragraph within three days from the date that we

require them. If you fail to provide any such agreement, we may charge you $250 for each day in which you default on this requirement. This provision may not be enforceable under state law.

Confidential Operations Manual

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

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

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

If you are not an individual, then you must designate one of your owners, who must be an individual person and who must be reasonably acceptable to us, to act as the decision-maker and our primary contact for your Center (the "**Operating Principal**"). The Operating Principal must at all times own at least a 10% beneficial interest in you. You or your Operating Principal must hold required licenses and certifications for your Center.

If the Operating Principal or your Center Director fails to satisfactorily complete our initial training program or if your Center Director is no longer an employee, you must designate a replacement Operating Principal or Center Director as soon as is practical, who is acceptable to us and who satisfactorily completes our training program. We may require you to reimburse our training costs (see Items 6 and 11).

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

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

Under both the Franchise Agreement and the Area Development Agreement, if you are other than an individual, we require that all of your owners and their spouses personally sign a guaranty, indemnification and acknowledgement (in the forms included as Exhibit C to the Franchise Agreement and Exhibit C to the Area Development Agreement), guarantying and acknowledging the legal entity's covenants and obligations under that agreement. Additionally, you must notify us upon the hiring of, and obtain a Confidentiality Agreement in form included in Exhibit E to the Franchise Agreement from, your Center Director, Assistant Center Director, and any other managers or assistant managers, and any other employee to whom you provide our confidential information and you must deliver such agreements within three days from the date we require them. If you fail to provide any such agreement, we may charge you $250 for each day in which you default on this requirement. This provision may not be enforceable under state law.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

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

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

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ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Under the Franchise Agreement

Provision		Section(s) in Franchise Agreement	Summary
(a)	Length of the franchise term	Section 2.1	10 years.
(b)	Renewal or extension of the term	Section 2.2	One renewal term of 10 years.
(c)	Requirements for franchisee to renew or extend	Section 2.2	Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, mutual release, sign new Franchise Agreement, pay renewal fee, and others; see Sections 2.2.1 - 2.2.10 in Franchise Agreement. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you will be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and different territorial rights.
(d)	Termination by franchisee	Not Applicable	You may terminate the Franchise Agreement under any grounds permitted by law.
(e)	Termination by franchisor without cause	Not Applicable	

Provision		Section(s) in Franchise Agreement	Summary
(f)	Termination by franchisor with cause	Section 16	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see Section 16 of the Franchise Agreement. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing.
(g)	"Cause" defined – defaults which can be cured	Sections 16.4 and 16.5	All other defaults not specified in Sections 16.2 and 16.3 of the Franchise Agreement. Any default by you under the Franchise Agreement may be treated as a default under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours). Any default by you under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours) may be treated as a default under the Franchise Agreement.
(h)	"Cause" defined – non-curable defaults	Sections 16.2 and 16.3	Bankruptcy, abandonment, conviction of felony, and others; see Sections 16.2 and 16.3 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.) Any default by you under the Franchise Agreement may be treated as a default under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours). Any default by you under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours) may be treated as a default under the Franchise Agreement.

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Provision		Section(s) in Franchise Agreement	Summary
(i)	Franchisee's obligations on termination/non-renewal	Section 17	Cease operating the Franchised Center, payment of amounts due and those that would be due for the lesser of one year or expiration of the term, and others; see Section 17.1 – 17.10 of the Franchise Agreement.
(j)	Assignment of contract by franchisor	Section 15.1	There are no limits on our right to assign the Franchise Agreement.
(k)	"Transfer" by franchisee - defined	Section 15.2	Includes transfer of any interest.
(l)	Franchisor approval of transfer by franchisee	Section 15.2	We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee.
(m)	Conditions for franchisor approval of transfer	Sections 15.3, 15.4 and 15.15	Location must be open, release, signature of new Franchise Agreement, payment of transfer fee, and others; see Sections 15.3.1 – 15.3.11 and 15.4 of the Franchise Agreement. You may not market the Franchised Center for sale, directly or through a broker or other intermediary, without prior written notice to us and our written consent, and we may require prior approval of any sale materials that reference the Marks or the System.
(n)	Franchisor's right of first refusal to acquire franchisee's business	Section 15.6	We can match any offer.
(o)	Franchisor's option to purchase franchisee's business	Not Applicable	
(p)	Death or disability of franchisee	Sections 15.7 and 15.8	Your estate must transfer your interest in the Franchised Center to

Provision		Section(s) in Franchise Agreement	Summary
			a third party we have approved, within a year after death or six months after the onset of disability.
(q)	Non-competition covenants during the term of the franchise	Sections 18.2 and 18.5	Includes prohibition on engaging in any other business offering similar services, and soliciting or diverting customers to other businesses, and others; see Section 18.2 of the Franchise Agreement.
(r)	Non-competition covenants after the franchise is terminated or expires	Sections 18.3 and 18.5	Includes a two (2) year prohibition similar to "q" (above), at the Approved Location, or within twenty (20) miles of the Franchised Center or any other Tierra Encantada Center in operation or under construction on the effective date of termination or expiration located anywhere.
(s)	Modification of the agreement	Section 25	Must be in writing signed by both parties.
(t)	Integration/merger clause	Section 25	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. No claim made in any franchise agreement is intended to disclaim the representations made in this Franchise Disclosure Document.
(u)	Dispute resolution by arbitration or mediation	Sections 27.2 and 27.3	Except for certain claims, we and you must first mediate, and if unsuccessful arbitrate, all disputes at a location within 5 miles of our then current principal place of business. (Currently in Minneapolis,

Provision		Section(s) in Franchise Agreement	Summary
			Minnesota) (subject to applicable state law).
(v)	Choice of forum	Section 27.4	All mediations, arbitrations and litigation proceedings must be conducted in the county of our then current principal place of business. (Currently in Hennepin County, Minnesota) (subject to applicable state law).
(w)	Choice of law	Section 27.1	Subject to applicable state law, Minnesota law applies, provided that the Minnesota Franchise Act and other franchise-specific laws and regulations of the State of Minnesota generally do not apply to Tierra Encantada Centers located outside of Minnesota.

Under the Area Development Agreement

Provision		Section(s) in Area Development Agreement	Summary
(a)	Length of the franchise term	Section 2 and Exhibit A	Last date in Development Schedule
(b)	Renewal or extension of the term	Not Applicable	
(c)	Requirements for area developer to renew or extend	Not Applicable	
(d)	Termination by area developer	Not Applicable	You may terminate the Area Development Agreement under any grounds permitted by law.
(e)	Termination by franchisor without cause	Not Applicable	

Provision		Section(s) in Area Development Agreement	Summary
(f)	Termination by franchisor with cause	Section 6	We can terminate if you default.
(g)	"Cause" defined – curable defaults	Sections 6.3 and 6.4	All other defaults not specified in Sections 6.1 and 6.2 of Area Development Agreement. Any default by you under the Franchise Agreement may be treated as a default under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours). Any default by you under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours) may be treated as a default under the Franchise Agreement.
(h)	"Cause" defined – non-curable defaults	Sections 6.1 and 6.2	Bankruptcy, termination of any individual Franchise Agreement for a Franchised Center operated by you or a person or entity affiliated with you, conviction of felony, and improper transfer. Any default by you under the Franchise Agreement may be treated as a default under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours). Any default by you under any other agreement between us (or any affiliate of ours) and you (or any affiliate of yours) may be treated as a default under the Franchise Agreement.
(i)	Area developer's obligations on termination/non-renewal	Section 6.6	Cease establishing or operating Franchised Centers under the System for which Franchise Agreements have not been signed at the time of termination and compliance with covenants.

Provision		Section(s) in Area Development Agreement	Summary
(j)	Assignment of contract by franchisor	Section 7.1	There are no limits on our right to assign the Area Development Agreement.
(k)	"Transfer" by area developer – defined	Section 7.2	Includes a transfer of an interest in the Area Development Agreement, developer entity, or any material asset of your business.
(l)	Franchisor approval of transfer by area developer	Section 7.2	We have the right to approve transfers.
(m)	Conditions for franchisor's approval of transfer	Sections 7.2 and 7.3	Any of the conditions for transfer described in the Franchise Agreement executed pursuant to the Area Development Agreement that we deem applicable, and simultaneous transfer of Franchise Agreements executed pursuant to the Area Development Agreement. Your first Tierra Encantada Center under your first Franchise Agreement must be open and operating.
(n)	Franchisor's right of first refusal to acquire area developer's business	Not Applicable	
(o)	Franchisor's option to purchase area developer's business	Not Applicable	
(p)	Death or disability of area developer	Not Applicable	
(q)	Non-competition covenants during the term of the franchise	Section 8.2	Includes prohibition on engaging in any other business offering similar services, and soliciting or diverting customers to other businesses.
(r)	Non-competition covenants after the franchise is terminated or expires	Section 8.3	Includes a two (2) year prohibition similar to "q" (above), within the Development Area, or within twenty

Provision		Section(s) in Area Development Agreement	Summary
			(20) miles of any Tierra Encantada Center in operation or under construction on the effective date of termination or expiration located anywhere.
(s)	Modification of the agreement	Section 15	Must be in writing signed by both parties.
(t)	Integration/merger clause	Section 15	Only the terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable. No claim made in any franchise agreement is intended to disclaim the representations made in this Franchise Disclosure Document.
(u)	Dispute resolution by arbitration or mediation	Sections 16.2 and 16.3	Except for certain claims, we and you must first mediate, and if unsuccessful arbitrate, all disputes at a location within 5 miles of our then current principal place of business. (Currently in Minneapolis, Minnesota) (Subject to applicable state law)
(v)	Choice of forum	Section 16.4	All mediations, arbitrations and litigation proceedings must be conducted in the county of our then current principal place of business. (Currently in Hennepin County, Minnesota) (Subject to applicable state law)
(w)	Choice of law	Section 16.1	Subject to applicable state law, Minnesota law applies, provided that the Minnesota Franchise Act and other franchise-specific laws and regulations of the State of

Provision	Section(s) in Area Development Agreement	Summary
		Minnesota generally do not apply to Tierra Encantada Centers located outside of Minnesota.

The provision of the Franchise Agreement or Area Development Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

See Exhibit B, the State Specific Addendum, for special state disclosures.

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 provide prospective franchisees with certain information regarding actual historical financial results of certain of our affiliate-owned and franchised Tierra Encantada Centers. (For purposes of this disclosure, we may refer to our affiliate-owned Centers as "**corporate Centers**.") Specifically, for Tierra Encantada Centers that were open as of the end of the 2025 calendar year, we report a statement of historical gross sales, beginning with the year each Center opened through 2025. Included in the summary of historical gross sales are 11 corporate Centers and 2 franchised Centers. Additionally, we provide a second statement presenting a more detailed summary of gross sales, expenses, and income for 2025, as well as a third statement presenting certain average performance measures.

The information below about our corporate Centers is based on revenue and expense reports of those Centers for the years 2018 through 2025, which were not audited. For years prior to 2018, the gross sales information is taken from historical tax returns, which also were not audited. The figures for the franchised Centers are derived from financial statements provided to us by our franchisees for the periods indicated, which have not been audited, but are believed to be reliable. Prospective franchisees are advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to the content or form.

The Tierra Encantada Centers reported below offer substantially the same products and services as you will offer in your franchised outlet.

STATEMENT #1

Historical Gross Sales Information from Corporate and Franchised Tierra Encantada Centers

The first statement, grouped into two sets, presents historical annual gross sales information for both corporate and franchised Centers.

The first set contains a summary of actual historical gross sales of the 11 corporate Centers that were open for at least one year as of the end of the 2025 calendar year. The gross sales figures are reported for each year, beginning with the Center's first full calendar year following its opening through 2025. Because it was not open for at least one year as of the end of 2025, the summary does not include one corporate Center that opened in February 2025.

Except for one Center in Rochester, Minnesota, one Center in Old Irving Park, Illinois, and one Center in each of Addison and Fort Worth, Texas, all of the corporate Centers reported below are in the Twin Cities, Minnesota metropolitan area.

Set #1 (Table 1)– Historical Gross Sales Information for Each Corporate Center's First Full Calendar Year of Operation Through 2025

Gross Sales[1]						
	Eagan	**Bryant**	**Windom**	**Seward**	**Hiawatha**	**Rochester**
2014	$313,727					
2015	$571,539					
2016	$849,952					
2017	$1,164,663	$1,475,952				
2018	$1,468,659	$1,879,636				
2019	$1,671,178	$1,957,023	$3,515,376			
2020	$1,481,237	$1,865,583	$3,323,467	$1,461,070		
2021	$1,570,020	$1,952,316	$3,484,467	$1,666,582	$3,334,185	
2022	$1,647,184	$2,025,254	$3,612,089	$2,027,689	$4,007,411	

2023	$1,782,210	$1,976,598	$4,065,810	$2,227,709	$4,561,799	$1,470,383
2024	$1,637,070	$2,030,334	$4,497,489	$2,222,799	$4,871,650	$1,573,870
2025	$1,728,540	$2,220,145	$4,448,693	$1,984,671	$4,291,174	$1,766,941

Set #1 (Table 2) – Historical Gross Sales Information for Each Corporate Center's First Full Calendar Year of Operation Through 2025 (Table 2)

Gross Sales[1]					
	Dodd	**Addison**	**Old Irving Park**	**Camp Bowie**	**St. Louis Park**
2023	$1,607,101	$736,085	$1,087,101		
2024	$1,943,432	$1,187,375	$1,469,199		
2025	$2,194,268	$1,178,695	$2,293,785	$914,282	$1,285,778

The second set contains a summary of actual historical gross sales of the two franchised Centers that were open for at least one year as of the end of the 2025 calendar year. Because they were not open during the entire reporting period, the summary does not include two franchised Centers that opened in February 2025 and September 2025, respectively. As with the corporate Centers, the gross sales figures are reported for each year, beginning with the Center's first full calendar year following its opening through 2025. The "Minnetonka" Center is in the Twin Cities, Minnesota metropolitan area, and the "Ford" Center is in Alexandria, Virginia.

Set #2 – Historical Gross Sales Information for Each Franchised Center's First Full Calendar Year of Operation Through 2025

Gross Sales[1]		
	Minnetonka	**Ford**
2022	$2,037,368	
2023	$2,788,228	$2,302,371
2024	$2,881,608	$2,922,521
2025	$2,684,147	$3,406,717

All of our corporate Centers, as well as both franchised Centers reported above, offer various discounts on tuition to, for example, employees whose children are enrolled at a Tierra Encantada Center and families with more than one student enrolled at a Tierra Encantada Center. Franchisees are not required to offer these types of discounts.

1. "Gross Sales" as used herein means the amount of sales of all products and merchandise sold or services rendered in, on, about or from the Tierra Encantada Center, together with any other revenues derived from the operation of the Tierra Encantada Center, whether for cash or on a charge, credit, barter or time basis, and whether collected or uncollected, and include, without limitation, deposits and pre-payments by customers for future services, income or proceeds from business interruption insurance and grant assistance. Gross Sales excludes bona fide customer refunds up to 2% of Gross Sales, provided the related sales have previously been included in Gross Sales, and sales taxes collected and paid to the proper authorities. This is the same definition we use in other items of this Franchise Disclosure Document, including the definition of Gross Sales from which we calculate your Royalty Fee.

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

STATEMENT #2

2025 Actual Results of
Corporate and Franchised Tierra Encantada Centers

The second statement presents actual gross sales, expenses, and income information, including more detailed information about expenditures, for the 12 months ended December 31, 2025, of the 11 corporate Centers and the 2 franchised Centers that were open during the entirety of calendar year 2025. Because they were not open during the entirety of the reporting period, the figures below do not include information from one corporate Center that opened in February 2025 nor two franchised Centers that opened in February 2025 and September 2025, respectively.

These results are presented in three tables: The first two tables present the information about our corporate Centers and the third table presents the information about the franchised Centers. The results of the corporate Centers have been adjusted, as described in the notes to the statements, to omit costs incurred by our affiliates that a franchised Center will not incur in the normal course, and to add costs that we reasonably expect a franchisee would incur.

Summary of 2025 Actual Results for Each Corporate Center (Table 1)

2025 Actuals[1]	Eagan Center[11]	Bryant Center[12]	Windom Center	Seward Center	Hiawatha Center	Dodd Center
Location	Eagan, Minnesota	Minneapolis, Minnesota	Minneapolis, Minnesota	Minneapolis, Minnesota	Minneapolis, Minnesota	Eagan, Minnesota
Date Center Opened	July 2013	November 2016	June 2018	August 2019	June 2020	February 2022
Square Footage	12,115	17,640	16,750	12,164	22,236	8,759
Licensed Capacity	158	201	208	169	274	132
Gross Sales[2]						
Gross Sales	$1,728,540	$2,220,145	$4,448,693	$1,984,671	$4,291,174	$2,194,268
General Expenses[3]						
Payroll[4]	$913,053	$1,127,958	$1,898,009	$956,041	$2,001,088	$1,003,244
Employee Verification, Evaluation & Training[8]	$2,859	$2,936	$3,732	$2,890	$6,786	$2,345
Educational Supplies	$32,286	$24,526	$63,912	$40,353	$60,682	$40,914
Childcare Enrichment, Contracted Services, & Licenses[6]	$6,868	$6,070	$9,299	$6,170	$9,156	$6,814
Culinary Program (Food & Kitchen Supplies)	$56,395	$63,385	$112,089	$63,873	$122,305	$70,318
Advertising, Promotion & Marketing[5]	$36,948	$36,414	$0	$0	$40,004	$26,312
Office Supplies & Software	$9,281	$11,949	$8,414	$6,000	$8,019	$7,143
Rent	$431,479	$584,042	$410,801	$299,289	$580,684	$224,765
Utilities	$34,105	$57,082	$48,594	$39,878	$75,568	$24,027
Facility Maintenance & Repairs	$14,590	$12,115	$48,851	$24,282	$72,451	$18,946
Professional Fees	$12,559	$2,706	$4,235	$2,243	$4,837	$2,415
Business Insurance[7]	$9,137	$8,876	$9,960	$7,897	$13,472	$10,715
Bank Charges & Fees	$2,280	$1,834	$1,479	$1,223	$1,640	$1,265
Miscellaneous Expenses	$1,345	$0	$0	$1,287	$0	$0

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Other Expenses Applicable to Franchisees[9]						
Royalty Fee	$120,998	$155,410	$311,408	$138,927	$300,382	$153,599
Brand Fund Contribution	$17,285	$22,201	$44,487	$19,847	$42,912	$21,943
Total Expenditures	$1,701,470	$2,117,505	$2,975,273	$1,610,200	$3,339,986	$1,614,765
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)[10]	$27,070[11]	$102,640[12]	$1,473,420	$374,471	$951,188	$579,503

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Summary of 2025 Actual Results for Each Corporate Center (Table 2)

2025 Actuals[1]	Rochester Center	Old Irving Park Center	Addison Center	Camp Bowie Center	St. Louis Park Center
Location	Rochester, Minnesota	Chicago, Illinois	Addison, Texas	Fort Worth, Texas	St. Louis Park, Minnesota
Date Center Opened	February 2022	August 2022	October 2022	January 2024	October 2024
Square Footage	10,679	13,372	10,641	11,993	14,000
Licensed Capacity	157	174	157	180	166
Gross Sales[2]					
Gross Sales	$1,766,941	$2,293,785	$1,178,695	$914,282	$1,285,778
General Expenses[3]					
Payroll[4]	$872,536	$1,057,202	$582,538	$517,600	$732,950
Employee Verification, Evaluation & Training[8]	$4,441	$3,239	$3,925	$4,024	$2,482
Educational Supplies	$37,824	$31,908	$17,682	$20,035	$21,407
Childcare Enrichment, Contracted Services, & Licenses[6]	$5,269	$3,680	$2,896	$2,153	$5,354
Culinary Program (Food & Kitchen Supplies)	$55,054	$50,155	$43,375	$29,280	$27,290
Advertising, Promotion & Marketing[5]	$35,582	$41,050	$39,211	$42,187	$41,948
Office Supplies & Software	$5,212	$1,638	$1,411	$1,097	$1,170
Rent	$290,959	$311,930	$388,264	$354,849	$437,959
Utilities	$26,498	$17,066	$44,904	$24,549	$37,795
Facility Maintenance & Repairs	$19,394	$30,720	$31,141	$22,358	$13,254
Professional Fees	$2,386	$2,334	$1,906	$1,452	$1,618
Business Insurance[7]	$12,682	$14,055	$27,877	$7,609	$13,960
Bank Charges & Fees	$1,655	$1,534	$1,418	$2,187	$1,326
Miscellaneous Expenses	$3,540	$2,736	$6,280	$7,364	$0
Other Expenses Applicable to Franchisees[9]					
Royalty Fee	$123,686	$160,565	$82,509	$64,000	$90,004
Brand Fund Contribution	$17,669	$22,938	$11,787	$9,143	$12,858
Total Expenditures	$1,514,387	$1,752,749	$1,287,124	$1,109,886	$1,441,373
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)[10]	$252,554	$541,036	-$108,429	-$195,603	-$155,595

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Summary of 2025 Actual Results for Each Franchised Center

2025 Actuals[1]	Minnetonka Center	Ford Center
Location	Minnetonka, Minnesota	Alexandria, Virginia
Date Center Opened	August 2021	July 2022
Square Footage	11,743	10,187
Licensed Capacity	166	170
Gross Sales[2]		
Gross Sales	$2,684,147	$3,406,717
General Expenses[3]		
Payroll[4]	$1,222,318	$1,494,716
Employee Verification, Evaluation & Training[8]	$9,332	$1,125
Educational Supplies	$27,857	$11,257
Childcare Enrichment, Contracted Services, & Licenses[6]	$2,982	$4,525
Culinary Program (Food & Kitchen Supplies)	$72,207	$99,939
Advertising, Promotion & Marketing[5]	$46,736	$67,691
Office Supplies & Software	$13,901	$25,239
Rent	$419,501	$679,771
Utilities	$5,656	$7,620
Facility Maintenance & Repairs	$5,557	$24,941
Professional Fees	$7,825	$500
Business Insurance[7]	$19,936	$17,822
Bank Charges & Fees	$5,492	$571
Miscellaneous Expenses	$0	$14,900
Royalty Fee	$187,890	$238,470
Brand Fund Contribution	$26,841	$34,067
Total Expenditures	$2,074,031	$2,723,155
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)[10]	$610,116	$683,562

1. The financial performance figures and expenses above are based on the performance of our 11 corporate Centers and 2 franchised Centers that were open for all of calendar year 2025. These figures do not include information from one corporate Center and two franchised

Centers that opened in 2025 since they were not open during the entirety of the reporting period.

2. "Gross Sales" as used herein means the amount of sales of all products and merchandise sold or services rendered in, on, about or from the Tierra Encantada Center, together with any other revenues derived from the operation of the Tierra Encantada Center, whether for cash or on a charge, credit, barter or time basis, and whether collected or uncollected, and include, without limitation, deposits and pre-payments by customers for future services, income or proceeds from business interruption insurance and grant assistance. Gross Sales excludes bona fide customer refunds up to 2% of Gross Sales, provided the related sales have previously been included in Gross Sales, and sales taxes collected and paid to the proper authorities. This is the same definition we use in other items of this Franchise Disclosure Document, including the definition of Gross Sales from which we calculate your Royalty Fee. The Gross Sales figures above do not reflect the costs of space, the costs of labor, other operating expenses, royalties and fees, or other costs or expenses that must be deducted from the Gross Sales figures to obtain net income or profit.

3. These expenses are based on actual expenses reported by our corporate and franchised Centers. None of the information reported has been audited.

4. Payroll expenses include wages, payroll taxes, employee bonuses, payroll processing fees, workers compensation insurance, employer contribution towards staff medical and dental insurance, substitute teacher expenses, and an employee appreciation program. In the figures for corporate Centers, we did not include payroll for our corporate headquarters employees, as that is an expense that would not apply to the operation of a franchised Center. It does not include a salary for a principal owner, as we expect you (or your Principal Operator) to fill that role. Our figures do, however, include the salaries for the Center Director and one Assistant Director, except that the Hiawatha corporate Center includes the salaries for the Center Director and two Assistant Directors.

5. If your Center is not "full" (meaning it does not have at least a 90% average daily attendance of its total licensed capacity, measured at the end of each month), then you must meet the Minimum Local Advertising Obligation by spending at least $2,000 each month ($4,000 each month during the first six months after opening) on local advertising. Some of our corporate and franchised Centers would not have been subject to this requirement based on their enrollment levels.

6. Expenses for childcare enrichment include field trips, special guests, and the cost of transportation for field trips. Contracted services include the cost of the quarterly deep clean for Centers that use cloth diapers and also include the costs of monthly public health consultant nurse visits to the Centers, which are required in Minnesota and Illinois. Your expense may vary depending on the charges required by your applicable jurisdiction. Licensing fees vary significantly from state to state. They are typically between $250 and $1,500, depending on the number of children a Center is licensed for and the state the Center is located in. This also includes the cost for the annual commercial kitchen license at each location.

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7. Insurance expenditures include general liability insurance and those policies that are required for the operation of a Tierra Encantada Center.

8. Expenses for employee verification include background studies and transcript evaluation. Expenses for staff training will vary based on your state's training requirements for early educators and center administration staff, and the level you decide to reimburse or compensate for additional training requirements. Our corporate Centers pay the full cost for a staff member to meet their required annual training hours.

9. These expenses are those you will pay under a Franchise Agreement with us, or which did not otherwise apply to our corporate Centers in 2025. We have calculated what these centers would have paid and included these amounts. Our corporate Centers instead contribute funds to our parent company, and those contributions are not reflected here as it is not a fee that franchisees pay. Technology Fees are included in the Office Supplies and Software line item. The monthly Technology Fee in 2025 was $79. The Technology Fee in 2026 is $398.

10. This statement presents EBITDA (earnings before interest, taxes, depreciation and amortization). EBITDA is a non-GAAP measure and differs from net income because it excludes interest expense, income taxes, depreciation, and amortization.

11. The Eagan corporate Center, which initially opened in 2013, was relocated in 2025 to a larger building that provides significantly more licensed capacity. The Center's square footage grew from 6,988 square feet to 12,115 square feet, and its licensed capacity grew from 108 to 158. Due to this transition, this Center incurred atypical one-time expenses and required a period of time to grow its enrollment to meet the increased capacity. For 2024, 2023, and 2022, we previously reported EBITDA figures for this Center of $307,143, $386,975 and $293,039, respectively.

12. The Bryant corporate Center, which initially opened in 2016, underwent a major renovation and expansion in 2025. The Center's square footage grew from 7,411 square feet to 17,640 square feet, and its licensed capacity grew from 112 to 201. Due to this transition, this Center incurred atypical one-time expenses and required a period of time to grow its enrollment to meet the increased capacity. For 2024, 2023, and 2022, we previously reported EBITDA figures for this Center of $395,704, $412,325, and $373,574, respectively.

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

STATEMENT #3

Select Average Performance Information
for Corporate and Franchised Tierra Encantada Centers

This third statement presents a summary of the average unit gross sales, average EBITDA (earnings before interest, taxes, depreciation and amortization), and average EBITDA as a percentage of revenue, for the corporate and franchised Centers that were open during the entirety of the 2025 calendar year. In calculating the figures below, we did not include information from one corporate

Center and two franchised Centers that opened in 2025, since they were not open during the entirety of the reporting period. Calculations of the figures below also exclude the Eagan corporate Center, which was relocated to a new, larger building in 2025. The relocation of the Eagan corporate Center, which initially opened in 2013, provides significantly more licensed capacity. The Eagan Center's square footage grew from 6,988 square feet to 12,115 square feet, and its licensed capacity increased from 108 to 158. Because of this relocation to a new building located more than two miles from the previous location and the increased size and capacity of the Center, we consider the Eagan corporate to be open less than one year for purposes of this Statement #3.

The reported information presents these measures in two categories, based on how long a Center was open as of December 31, 2025. In each table below, the first column of figures reflects information for the Centers that opened prior to January 1, 2025, and thus were open more than 12 months as of December 31, 2025, and the second column of figures reflects information for the Centers that opened prior to January 1, 2024, and thus were open more than 24 months as of December 31, 2025.

Select Average Performance Information – Corporate and Franchised Centers

Center Maturity	12+ months (12 Centers)	24+ months (10 Centers)
Average Unit Volume / Gross Sales[1] (AUV)	**$2,389,108[3]**	**$2,646924[4]**
Median Unit Volume / Gross Sales (AUV)	$2,207,207	$2,256,965
#/% of Centers at or above average	*4/33%*	*4/40%*
Average EBITDA[2]	**$425,739[5]**	**$546,006[6]**
Median EBITDA	$457,754	$560,270
#/% of Centers at or above average	*6/50%*	*5/50%*
Average EBITDA % of Gross Sales	**17.82%[7]**	**20.63%[8]**
Median EBITDA % of Gross Sales	19.47%	21.12%
#/% of Centers at or above average	*7/58%*	*5/50%*

Select Average Performance Information – Corporate Centers

Center Maturity	12+ months (10 Centers)	24+ months (8 Centers)
Average Unit Volume / Gross Sales[1] (AUV)	**$2,257,843[9]**	**$2,547,297[10]**
Median Unit Volume / Gross Sales (AUV)	$2,089,470	$2,207,207
#/% of Centers at or above average	*3/30%*	*2/25%*
Average EBITDA[2]	**$381,519[11]**	**$520,798[12]**
Median EBITDA	$313,513	$457,754
#/% of Centers at or above average	*4/40%*	*4/50%*
Average EBITDA % of Gross Sales	**16.90%[13]**	**20.45%[14]**
Median EBITDA % of Gross Sales	16.58%	20.52%
#/% of Centers at or above average	*5/50%*	*4/50%*

Select Average Performance Information – Franchised Centers

Center Maturity	24+ months[15] (2 Centers)
Average Unit Volume / Gross Sales[1] (AUV)	**$3,045,432[16]**
Median Unit Volume / Gross Sales (AUV)	*$3,045,432*
#/% of Centers at or above average	*1/50%*
Average EBITDA[2]	**$646,839[17]**
Median EBITDA	*$646,839*
#/% of Centers at or above average	*1/50%*
Average EBITDA % of Gross Sales	**21.24%[18]**
Median EBITDA % of Gross Sales	*21.40%*
#/% of Centers at or above average	*1/50%*

1. "Gross Sales" as used herein means the amount of sales of all products and merchandise sold or services rendered in, on, about or from the Tierra Encantada Center, together with any other revenues derived from the operation of the Tierra Encantada Center, whether for cash or on a charge, credit, barter or time basis, and whether collected or uncollected. Gross Sales excludes bona fide customer refunds up to 2% of Gross Sales, provided the related sales have previously been included in Gross Sales and sales taxes collected and paid to the proper authorities. This is the same definition we use in other items of this Franchise Disclosure Document, including the definition of Gross Sales from which we calculate your Royalty Fee. In calculating these averages, we use the same "Gross Sales" figures that are reported in the other tables in this Item 19.
2. This statement presents EBITDA (earnings before interest, taxes, depreciation and amortization), not net income. In calculating these averages, we use the same "EBITDA" figures that are reported in the prior statement presented.
3. The high in this range is $4,448,693 and the low is $914,282.
4. The high in this range is $4,448,693 and the low is $1,178,695.
5. The high in this range is $1,473,420 and the low is -$195,603.
6. The high in this range is $1,473,420 and the low is -$108,429.
7. The high in this range is 33.12% and the low is -21.39%.
8. The high in this range is 33.12% and the low is -9.20%.
9. The high in this range is $4,448,693 and the low is $914,282.
10. The high in this range is $4,448,693 and the low is $1,178,695.
11. The high in this range is $1,473,420 and the low is -$195,603.
12. The high in this range is $1,473,420 and the low is -$108,429.
13. The high in this range is 33.12% and the low is -21.39%.
14. The high in this range is 33.12% and the low is -9.20%.
15. Since both reported franchised Centers have been open more than 24 months, we do not include a separate category in this table for Centers open more than 12 months.
16. The high in this range is $3,406,717 and the low is $2,684,147.
17. The high in this range is $683,562 and the low is $610,116.
18. The high in this range is 22.73% and the low is 20.07%.

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

Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request. Other than the preceding financial performance representation, we do not make any financial performance or past financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Kristen Denzer, Tierra Encantada Franchising LLC, 2700 30th Avenue, Minneapolis, MN 55406, (612) 423-5326, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2023, 2024, and 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	2	2	0
	2024	2	2	0
	2025	2	4	+2
Company-Owned or Affiliate-Owned	2023	9	9	0
	2024	9	11	+2
	2025	11	12	+1
Total Outlets	**2023**	**11**	**11**	**0**
	2024	**11**	**13**	**+2**
	2025	**13**	**16**	**+3**

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2023, 2024, and 2025

State	Year	Number of Transfers
All States	2023	0
	2024	0
	2025	0

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State	Year	Number of Transfers
Total	**2023**	**0**
	2024	**0**
	2025	**0**

Table No. 3
Status of Franchised Outlets
For years 2023, 2024, and 2025

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Minnesota	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Virginia	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	2	0	0	0	0	3
Totals	**2023**	**2**	**0**	**0**	**0**	**0**	**0**	**2**
	2024	**2**	**0**	**0**	**0**	**0**	**0**	**2**
	2025	**2**	**2**	**0**	**0**	**0**	**0**	**4**

Table No. 4
Status of Company-Owned or Affiliate-Owned Outlets
For years 2023, 2024, and 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Illinois	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Kansas	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	1	0	0	0	1

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Minnesota	2023	7	0	0	0	0	7
	2024	7	1	0	0	0	8
	2025	8	0	0	0	0	8
Texas	2023	1	0	0	0	0	1
	2024	1	1	0	0	0	2
	2025	2	0	0	0	0	2
Totals	**2023**	**9**	**0**	**0**	**0**	**0**	**9**
	2024	**9**	**2**	**0**	**0**	**0**	**11**
	2025	**11**	**1**	**0**	**0**	**0**	**12**

Table No. 5
Projected Openings as of December 31, 2025

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned or Affiliate-Owned Outlets in the Next Fiscal Year
Alabama	1	0	0
Colorado	1	0	3
Florida	1	0	0
Georgia	1	1	0
Kansas	1	1	0
Minnesota	3	2	2
Missouri	0	0	1
Ohio	0	0	2
South Carolina	1	0	0
Texas	2	1	0
Virginia	2	1	0
Total	**13**	**6**	**8**

All numbers are as of December 31st for each year. We are looking for franchisees throughout the contiguous 48 states and Alaska, but cannot know in advance where we might find prospects. Therefore, any projection of this nature is speculative, but we are actively pursuing expansion. We will add franchised prospects where we find qualified prospects.

A list of the names of all franchisees and area developers, and the addresses and phone numbers of their franchises, are reflected in Exhibit I. No franchisees terminated, canceled, or did not renew as of the date of this Disclosure Document. No franchisees otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement in the last fiscal year or have not communicated

with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are currently no franchise advisory councils and no other trademark-specific franchisee organizations associated with the System. No Tierra Encantada franchisees have signed confidentiality clauses restricting their ability to speak openly about their experience with the Tierra Encantada Franchise System.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit F are the audited financial statements for our fiscal years ending December 31, 2023, December 31, 2024, and December 31, 2025. Our fiscal year end is December 31st.

ITEM 22
CONTRACTS

The following contracts are attached to this Disclosure Document:

Exhibit C – Franchise Agreement, including the following agreements:

- Guaranty, Indemnification, and Acknowledgement (as Exhibit C)
- Electronic Fuds Withdrawal Authorization (as Exhibit D)
- Non-Disclosure Agreement (Employees) (as Exhibit E)
- Non-Disclosure Agreement (Non-Employees) (as Exhibit F)
- Telephone Number Assignment and Power of Attorney (as Exhibit G)
- Lease Rider (as Exhibit H)
- Franchisee Disclosure Acknowledgment Statement (as Exhibit I)

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

- Guaranty, Indemnification, and Acknowledgment (as Exhibit C)
- Lease Rider (as Exhibit D)
- Area Developer Certification (as Exhibit E)

Exhibit E – Non-Use and Non-Disclosure Agreement

Exhibit H – General Release

ITEM 23
RECEIPT

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

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EXHIBIT A
STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

CALIFORNIA	**CONNECTICUT**
Department of Financial Protection & Innovation: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500; (866) 275-2677 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205 1455 Frazee Road, Suite 315 San Diego, CA 92108 (619) 525-4233 One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565 Agent: California Commissioner of Department of Financial Protection & Innovation	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent: Banking Commissioner
GEORGIA	**ILLINOIS**
Secretary of State Corporations Division 2 Martin Luther King, Jr. Dr. SE Suite 315, West Tower Atlanta, GA 30334	Office of Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 Agent: Illinois Attorney General

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HAWAII Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2744 Agent: Hawaii Commissioner of Securities	**INDIANA** Indiana Secretary of State Securities Division Franchise Section Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681 Agent: Indiana Secretary of State
LOUISIANA State of Louisiana Secretary of State Commercial Division P.O. Box 94125 Baton Rouge, LA 70804-9125 (225) 925-4704	**MARYLAND** Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360 Agent: Maryland Securities Commissioner
MICHIGAN Michigan Department of Attorney General Consumer Protection Division Franchise Section G. Mennen Williams Building 525 West Ottawa Street Lansing, Michigan 48909 (517) 335-7622 Agent: Michigan Department of Commerce Corporations, Securities & Commercial Licensing Bureau 2407 North Grand River Avenue Lansing, Michigan 48906	**MINNESOTA** Minnesota Department of Commerce Securities Division 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600 Agent: Minnesota Commissioner of Commerce

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NEBRASKA Nebraska Department of Banking and Finance 1526 "K" Street, Suite 300 P.O. Box 95006 Lincoln, Nebraska 68508-2732 (402) 471-3445	**NORTH CAROLINA** Department of the Secretary of State Business Opportunities 2 South Salisbury Street Raleigh, North Carolina 27601-2903 PO Box 29622 Raleigh, NC 27626-0622 (919) 814-5400
NEW YORK NYS Department of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8222 Phone (212) 416-6042 Fax Agent: Secretary of State 99 Washington Avenue Albany, NY 12231	**NORTH DAKOTA** North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505 (701) 328-2910 Agent: Insurance Commissioner
OREGON Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 Agent: Director of Oregon Department of Insurance and Finance	**RHODE ISLAND** Division of Securities Rhode Island Dept. of Business Regulation John O. Pastore Complex – Bldg. 69 1 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9527 Agent: Director of Rhode Island Department of Business Regulation
SOUTH CAROLINA Registered Agents, Inc. 6650 Rivers Avenue, Suite 100 Charleston, SC 29406	**SOUTH DAKOTA** Division of Securities Department of Labor & Regulation 124 S. Euclid, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563 Agent: Director of South Dakota Division Securities

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TEXAS Secretary of State Statutory Documents Section 1019 Brazos Austin, Texas 78711 (512) 475-1769	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 Agent: Clerk of the State Corporation Commission State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219
WASHINGTON Securities Administrator Department of Financial Institutions Securities Division PO Box 41200 Olympia, Washington 98504-1200 (360) 902-8760 Agent: Director, Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501	**WISCONSIN** Division of Securities Department of Financial Institutions 201 W. Washington Ave., Suite 300 Madison, Wisconsin 53703 (608) 266-1064 Agent: Administrator, Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705

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EXHIBIT B
STATE SPECIFIC ADDENDUM

NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

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ADDITIONAL DISCLOSURES FOR THE FRANCHISE DISCLOSURE DOCUMENT OF TIERRA ENCANTADA FRANCHISING LLC

The following are additional disclosures for the Franchise Disclosure Document of Tierra Encantada Franchising, LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

1. 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.

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

3. OUR WEBSITE, www.tierraencantada.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

4. The Franchise Agreement and Area Development Agreement contain provisions shortening the statute of limitations to bring claims and requiring you to waive your right to punitive or exemplary damages against the Franchisor, limiting your recovery to actual damages for any claims related to your franchise. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.

5. The following is added at the end of Item 3:

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

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6. Item 6 is amended by adding the following to the Remarks in the "Late Fee and Interest on Overdue Payments" section:

The maximum allowable interest rate in California is 10% per annum.

7. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee and multi-unit developer concerning termination, transfer or nonrenewal of a franchise. If the Area Development Agreement or Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Area Development Agreement and Franchise Agreement contain a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Area Development Agreement and Franchise Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Area Development Agreement and Franchise Agreement require application of the laws of the State of Minnesota. This provision might not be enforceable under California law.

The Area Development Agreement and Franchise Agreement require pre-litigation mediation. The mediation will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of our then-current principal place of business (currently Minneapolis, Minnesota). You will be responsible for your own costs of mediation, and you and we will equally split the cost of the mediator or mediation service. The Area Development Agreement and Franchise Agreement also require binding arbitration. The arbitration will be conducted within a five (5) mile radius of our then-current principal place of business (currently Minneapolis, Minnesota). If we prevail in arbitration or any other legal proceeding, you may be required to pay our attorney fees and the costs of the arbitration or other proceeding. The Area Development Agreement and Franchise Agreement also require that any action you bring be commenced in federal or state courts in the state, and in (or closest to) the county, where Franchisor's headquarters are then located (currently Minneapolis, Minnesota). Prospective multi-unit developers and franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Area Development Agreement and Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512

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provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

8. The following information is added to the cover page of the Franchise Disclosure Document:

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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

Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

INDIANA

1. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

The Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.) in general governs the relationship between the franchisor and the franchisee by forbidding certain provisions in the franchise agreement and related documents and by preventing the franchisor from engaging in certain acts and practices which could be considered coercive or oppressive to the franchisee. If any of the provisions of the Franchise Agreement or the Area Development Agreement conflict with this law, this law will control.

Any provisions requiring you to sign a general release of claims against us, including upon execution of a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Indiana Deceptive Franchise Practices Law.

The Franchise Agreement and the Area Development Agreement provide that suit must be brought in Minnesota. These provisions may not be enforceable under Indiana law.

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Indiana franchise laws will govern the Franchise Agreement, the Area Development Agreement, and any and all other related documents.

MARYLAND

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled Requirements for franchisee to renew or extend, and Item 17(m), entitled Conditions for franchisor approval of transfer:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

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

The Area Development Agreement and Franchise Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following sentence is added to the end of the "Summary" section of Item 17(v), entitled Choice of forum:

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

MINNESOTA

1. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD

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BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

2. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

3. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3-5 which require (except in certain specified cases) (1) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and (2) that consent to transfer of the franchise will not be unreasonably withheld.

4. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statues, Section 80C.12, Subd. 1(g).

6. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rules 2860.4400J. Also, a court will determine if a bond is required.

7. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

9. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act or the Rules and Regulations are met independently, without reference to this Addendum to the Franchise Disclosure Document, and only to the extent such provision is a then valid requirement of the statute.

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NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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 THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies 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 that is 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 ten years 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

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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 a 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; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by a 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 the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

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NORTH DAKOTA

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled Requirements for franchisee to renew or extend, and Item 17(m), entitled Conditions for franchisor approval of transfer:

> However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of the "Summary" section of Item 17(r), entitled Non-competition covenants after the franchise is terminated or expires:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

3. The "Summary" section of Item 17(u), entitled Dispute resolution by arbitration or mediation is deleted and replaced with the following:

> To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), mediation will be at a site to which we and you mutually agree.

4. The "Summary" section of Item 17(v), entitled Choice of forum, is deleted and replaced with the following:

> You must sue us in Minnesota, except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The "Summary" section of Item 17(w), entitled Choice of law, is deleted and replaced with the following:

> Except as otherwise required by North Dakota law, the laws of the State of Minnesota will apply.

RHODE ISLAND

1. The following language is added to the end of the "Summary" sections of Item 17(v), entitled Choice of forum, and 17(w), entitled Choice of law:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a multi-unit Area Development Agreement or franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

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VIRGINIA

1. The following language is added to the end of the "Summary" section of Item 17.h., entitled "Cause" defined – non-curable defaults:

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Area Development Agreement or 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.

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **CONFLICT OF LAWS**. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **FRANCHISEE BILL OF RIGHTS**. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **SITE OF ARBITRATION, MEDIATION, AND/OR LITIGATION**. 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.

4. **GENERAL RELEASE**. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

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5. **STATUTE OF LIMITATIONS AND WAIVER OF JURY TRIAL**. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. **TERMINATION BY FRANCHISEE**. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **CERTAIN BUY-BACK PROVISIONS**. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **FAIR AND REASONABLE PRICING**. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **WAIVER OF EXEMPLARY & PUNITIVE DAMAGES**. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **FRANCHISOR'S BUSINESS JUDGMENT**. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **INDEMNIFICATION**. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **ATTORNEYS' FEES**. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **NONCOMPETITION COVENANTS**. 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

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$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **NONSOLICITATION AGREEMENTS**. 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.

16. **QUESTIONNAIRES AND ACKNOWLEDGMENTS**. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **PROHIBITIONS ON COMMUNICATING WITH REGULATORS**. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **ADVISORY REGARDING FRANCHISE BROKERS**. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

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EXHIBIT C
FRANCHISE AGREEMENT

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TIERRA ENCANTADA FRANCHISING LLC

FRANCHISE AGREEMENT

_____

FRANCHISEE

_____

APPROVED LOCATION

_____

EFFECTIVE DATE OF AGREEMENT

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into on this _____day of _____, 20___ (the "**Effective Date**"), by and between:

- Tierra Encantada Franchising LLC, a Minnesota limited liability company, whose principal place of business is 2700 30th Avenue, Minneapolis, Minnesota 55406 ("**Franchisor**"); and

- _____a [resident of] [corporation organized in] [limited liability company organized in] *[select one]*, having offices at ___ _____ _____ _____ ("**Franchisee**").

BACKGROUND:

A. Franchisor owns a format and system (the "**System**") relating to the establishment and operation of early childhood education centers that feature and operate under the Proprietary Marks (as defined below) (each a "**Tierra Encantada Center**"). Tierra Encantada Centers provide warm, Spanish-language immersion learning environments for children featuring fresh cooked, globally inspired meals, under the name "Tierra Encantada."

B. The distinguishing characteristics of the System include distinctive interior trade dress; distinctive standards and specifications for the educational curriculum; specially formulated organic menus and standards and procedures of operating an in-center kitchen; equipment, materials, and supplies; uniform standards, specifications, and procedures for operations and customer service standards; purchasing and sourcing procedures; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark "Tierra Encantada" and other marks (the "**Proprietary Marks**").

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

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

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

NOW, THEREFORE, the parties agree as follows:

1. **GRANT**

1.1 **Grant and Acceptance**. Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) establish and operate a Tierra Encantada Center (the "**Franchised Center**"), (b) use, only in connection therewith, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) operate the Franchised Center only at the Approved Location (as defined in Section 1.3 below) in accordance with this Agreement.

1.2 **Site Selection Area**. Franchisee shall, on or before the Site Selection Date (as defined in Section 5.1 below), locate and secure, through lease or purchase, subject to Franchisor's approval, the Approved Location (as defined below) for the Franchised Center within the area described in Exhibit A (the "**Site Selection Area**"). Franchisee shall be limited to locating and securing a site for the Franchised Center within this Site Selection Area. Franchisee agrees and acknowledges that the Site Selection Area is solely for the purpose of locating a site, and shall in no way be considered an exclusive or protected area for the Franchised Center. In the case that another franchisee of Franchisor has been granted franchise rights to operate a Tierra Encantada Center within the Site Selection Area, Franchisee's Approved Location must not encroach upon such franchisee's specified territory.

1.3 **Approved Location**. Franchisee shall develop and operate the Franchised Center only at the site specified in Exhibit A to this Agreement as the "**Approved Location**". The Approved Location shall be described in Exhibit A subsequent to the execution of this Agreement, upon Franchisor's approval of the location and execution of the related lease or purchase agreement. Franchisee shall not relocate the Franchised Center without Franchisor's prior written consent and/or otherwise in writing by Franchisor, as provided in Section 8.26 below.

1.4 **Limit on Sales and Activities**. Franchisee's rights hereunder shall be limited to offering and selling products and services at the Franchised Center, and only to customers of the Franchised Center (the "**Premises**"). Franchisee expressly acknowledges that it may engage in any off-Premises activities only within the Territory (as defined in Section 1.5) and only with Franchisor's prior written consent. Franchisee shall not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution of products or services, including, but not limited to: off-Premises activities outside the Territory; selling, distributing or otherwise providing, any products or services to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any products through catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet).

1.5 **Territory and Reserved Rights**. Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Tierra Encantada Center at any location within the territory specified in Exhibit A (the "**Territory**"). Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

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

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

1.5.3 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products through mail order, toll free numbers, the Internet, mobile or temporary locations, or other alternative distribution channels, including products bearing Franchisor's Proprietary Marks;

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

1.5.4.1 Provided that Franchisee is in compliance with this Agreement and any other agreement with Franchisor, Franchisor may, in its sole discretion, offer to Franchisee the option to purchase and operate, as a Tierra Encantada Center, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. If Franchisor in its discretion offers to Franchisee such an option, Franchisor shall provide Franchisee with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Franchisee's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Franchisee shall include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below), then Franchisee's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction; and (b) the requirement that Franchisee enter into Franchisor's then-current form of System franchise agreement for the Acquired Business. If Franchisee does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall retain its right to operate itself, or through its affiliates or third party licensees or franchisees, the Acquired Business under any trade name, service mark, or trademarks including the Proprietary Marks. If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Franchisor may also license to a licensee or franchisee under the Acquired System additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory.

1.6 **No Territory Established**. If there is no Territory established in Exhibit A or if it references a site "to be determined," Franchisee expressly acknowledges and agrees that Franchisor

may own, acquire, establish, and/or operate and license others to establish and operate, Tierra Encantada Centers under the System at any location, and exercise all of the rights reserved to it in Section 1.5 at any location, notwithstanding the proximity to or the actual or threatened impact on sales of the Franchised Center.

2. **TERM AND RENEWAL**

2.1 **Initial Term**. This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, this Agreement shall expire ten (10) years from the Effective Date.

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

2.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew at least six (6) months, but not more than nine (9) months, prior to the end of the term of this Agreement;

2.2.2 Franchisee shall not have any past due monetary obligations or other outstanding obligations to Franchisor and its affiliates, the approved suppliers of the System, or the lessor of the Premises;

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

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

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

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

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

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

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

2.2.10 Franchisee shall remit to Franchisor a renewal fee equal to Five Thousand Dollars ($5,000).

3. DUTIES OF FRANCHISOR

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

3.2 **Initial Training**. Franchisor shall provide its initial training ("**Initial Training**"), as described in Section 6 of this Agreement, for up to three (3) people.

3.3 **Loan of Manuals**. Franchisor shall provide Franchisee, on loan, copies of the Franchisor's confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, the "**Manuals**"), as more fully described in Section 10 hereof.

3.4 **Advertising Programs and Materials**. Franchisor shall review and shall have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 13 below.

3.5 **Additional Standards; Guidance**. Franchisor shall, at its sole discretion, periodically issue methods, standards, specifications, requirements, and operating procedures for ongoing operations of the Franchise Center. Franchisor may provide periodic advice or offer guidance to Franchisee in the marketing, management, and operation of the Franchised Center as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.6 **Inspections**. Franchisor shall conduct, as it deems advisable, inspections of the operation of the Franchised Center by Franchisee.

3.7 **List of Suppliers; Sale of Proprietary Products**. Franchisor shall, in the Manuals (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply products, equipment, signage, materials and services to franchisees in the System. Franchisor shall sell, or shall cause its designees to sell, to Franchisee the Proprietary Products.

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

3.9 **Fulfillment of Obligations**. In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other Franchised Centers and systems in which Franchisor (or its affiliates) has an interest and Franchisor's (and its affiliates') own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other Franchised Centers and systems in which Franchisor (or its affiliates) has an interest, or with Franchisor's affiliates; (iii) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor (or its affiliates) has an interest; and/or (iv) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as it sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.9, and that nothing in this Section 3.9 shall in any way affect Franchisee's obligations under this Agreement.

4. FEES

4.1 **Franchise Fee; Grand Opening Training Fee**. In consideration of the execution of this Agreement and Franchisor's granting to Franchisee the franchise covered hereby, Franchisee agrees to pay to Franchisor an initial franchise fee of Sixty Thousand Dollars ($60,000) (the **"Franchise Fee"**) or such other amount pursuant to a bona fide discount as reflected in Exhibit A, which sum shall be deemed fully earned by Franchisor upon receipt thereof and is non-refundable as set forth in Section 4.2 below. If the Franchised Center is not open and operating within eighteen (18) months following the Effective Date, or if Franchisee has not secured a site for the Franchise Center within twelve (12) months of the Effective Date, Franchisor may, at its option, terminate this Agreement without providing any refund to Franchisee. The Franchise Fee shall be paid in full upon the execution of this Agreement, subject to a development credit, if any, that may be applied from the Area Development Fees that Franchisee previously paid to Franchisor pursuant to a separate Area Development Agreement executed between Franchisor and Franchisee relating to the Franchised Center. In addition to the Franchise Fee, Franchisee agrees to pay to Franchisor, if required by Franchisor under Section 6.8, a fee of Eight Thousand Dollars ($8,000) (the "**Grand Opening Training Fee**") for Franchisor's provision of Grand Opening Training (as defined in Section 6.8 below). The Grand Opening Training Fee is due no later than thirty (30) days before the earlier of: (1) Franchisee's planned opening date, or (2) the Required Opening Date (as defined in Section 5.4 below).

4.2 **Refundability**. Payment of the Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others. Payment of the Grand Opening Training Fee shall be non-refundable in consideration of administrative and other expenses incurred by

Franchisor in scheduling and planning Grand Opening Training and for Franchisor's lost or deferred opportunity to schedule Grand Opening Trainings with other franchisees.

4.3 **Royalty Fee**. In consideration of this franchise granted hereby, the services to be provided by Franchisor hereunder, the right to offer and sell the products and services to the general public, and for the use of the Proprietary Marks, Franchisee shall pay to Franchisor during the term of this Agreement, in addition to the Franchise Fee set forth herein, a "**Royalty Fee**" equal to the greater of: (i) seven percent (7%) of Gross Sales generated each month by, from, through or associated with the Franchised Center or Franchisee's operations under this Agreement; or (ii) Five Hundred Dollars ($500) per week. Franchisee shall report to Franchisor, each month during the term of this Agreement, in the manner specified by Franchisor, its Gross Sales (a "**Sales Report**"). The term "**Gross Sales**" means the amount of sales of all products and merchandise sold or services rendered in, on, about or from your Tierra Encantada Center, together with any other revenues derived from the operation of the Tierra Encantada Center, whether by you or by any other person, whether or not in accordance with the terms of the Franchise Agreement, and whether for cash or on a charge, credit, barter or time basis, and whether collected or uncollected, and includes, without limitation, deposits and prepayments from customers for future services, income or proceeds from business interruption insurance and grant assistance. Gross Sales excludes bona fide customer refunds up to two percent (2%) of Gross Sales, provided the related sales have previously been included in Gross Sales and sales taxes collected and paid to the proper authorities. The obligation of Franchisee to pay the Royalty Fee will apply for any Gross Sales generated or collected during the term of this Agreement, provided that the obligation to begin paying the minimum amount will commence on the Required Opening Date as defined in Section 5.4.

4.4 **Advertising Expenditures**. Beginning upon the opening of the Franchised Center, Franchisee shall make monthly Brand Contributions to the Brand Fund (as such terms are defined in Section 13.1) equal to one percent (1%) of Gross Sales, subject to increase in accordance with Section 13.1.1. Additionally, under certain conditions Franchisee shall be required to make Local Advertising expenditures as required by Section 13.2.

4.5 **Technology Fee; Accounting System Set-up Fee**. Beginning in the first calendar month following the earlier of: (a) six (6) months after the Effective Date, or (b) the date Franchisee signs a lease or purchase agreement for the Premises, and continuing during the term of this Agreement, Franchisee will pay Franchisor (or its designee) its then-current "**Technology Fee**" for email hosting, website maintenance, access to electronic systems, and for such other technology as Franchisor may designate or license for Franchisee's use. This Technology Fee may change from time to time. Prior to the opening of the Franchised Center, Franchisor will collect Franchisee's payment of the Technology Fee on the 15th day of each month; after the opening of the Franchised Center, Franchisor will collect Franchisee's payment of the Technology Fee in accordance with Section 4.6. If Franchisor does not directly provide these services, Franchisee will be required to sign a separate agreement with Franchisor's designated provider of these services (which may be an affiliate of Franchisor). Franchisor may increase this fee upon notice to Franchisee. Any fees paid in accordance with this Section 4.5 shall be non-refundable.

Franchisor reserves the right to charge Franchisee a one-time "**Accounting System Set-up Fee,**" at its then-current rate, for the setup of an approved accounting system with an approved chart of accounts and products and services.

4.6 **Timing and Manner of Payments**. No later than the fifteenth (15th) day of each month during the term of this Agreement, Franchisee shall submit to Franchisor, in the form and manner specified by Franchisor, the monthly Sales Report detailing Gross Sales for the preceding month. Within five (5) business days of Franchisee's submission of each Sales Report (or, in Franchisor's sole discretion, a later date), Franchisor will collect Franchisee's payment of the Royalty Fee, the Brand Contribution, the Technology Fee, and any other fees owed to Franchisor. Payment will be made by an electronic funds transfer program (the "**EFT Program**") under which Franchisor will automatically withdraw from Franchisee's bank account all payments Franchisee owes to Franchisor under this Agreement or any other agreement between Franchisor (or its affiliates) and Franchisee. Within sixty (60) days of the Effective Date, Franchisee shall provide Franchisor with Franchisee's bank name, address, account number, and a voided check from Franchisee's bank account. Franchisee shall also execute an Electronic Funds Withdrawal Authorization, which is attached as **Exhibit D** to this Agreement (which also includes a credit card authorization in favor of Franchisor authorizing Franchisor to charge all amounts Franchisee or its affiliates owe to Franchisor under this Agreement or any other agreement between Franchisee and its affiliates and Franchisor), and give copies to Franchisee's bank and to Franchisor. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to pay any fees due under this Agreement by other means Franchisor may specify from time to time. If Franchisor does not receive Franchisee's Sales Report in the time period required by this Agreement, Franchisor may process an EFT (or other method used by Franchisor to collect Funds) based on Franchisor's estimate of your Gross Sales, which may at Franchisor's discretion be based on one hundred twenty percent (120%) of the last Royalty Fee, Brand Contribution, Technology Fee, and other fees that the Franchisor collected, or Franchisor may, in its sole discretion, access Franchisee's system to determine the amount to electronically withdraw. If the Royalty Fee, Brand Contribution, Technology Fee, and other fees that the Franchisor collected are less than the fees Franchisee actually owes Franchisor, Franchisor will electronically withdraw from Franchisee's account the balance on a day Franchisor specifies. If the Royalty Fee, Brand Contribution, Technology Fee, and other fees Franchisor electronically withdraws are greater than the fees Franchisee actually owes Franchisor, Franchisor will credit the excess against the amount Franchisor otherwise would electronically withdraw from Franchisee's account during the following month. Franchisee agrees that it shall not withhold payment of any Royalty Fee, Brand Contribution, Technology Fee, Grand Opening Training Fee, or any other fees owed to Franchisor, and that any alleged non-performance or breach of any obligation Franchisee may claim by Franchisor under this Agreement or related agreement does not establish a right at law or in equity to withhold payments due Franchisor for Royalty Fee, Brand Contribution, Technology Fee, Grand Opening Training Fee, or any other fees owed to Franchisor.

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

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

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

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

4.11 **No Subordination**. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalties and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

5. SITE SELECTION, CONSTRUCTION AND OPENING OF FRANCHISED CENTER

5.1 **Site Acquisition**. Franchisee shall, within twelve (12) months of the Effective Date (the "**Site Selection Date**"), be solely responsible for identifying, submitting for Franchisor's approval, and securing a site (through lease or purchase) for the Franchised Center.

5.1.1 Before the acquisition by lease or purchase of the site for the Franchised Center, Franchisee shall submit to Franchisor site information and materials required by Franchisor, which may include, but not be limited to, Franchisee's proposed lease. Franchisor shall have ten (10) business days after receipt of the information and materials requested by Franchisor to approve or disapprove Franchisee's proposed site. No site will be deemed approved unless Franchisor has expressly approved it in writing by notice of site approval sent to Franchisee. If Franchisee does not receive Franchisor's express written acceptance of Franchisee's proposed site within thirty (30) days after Franchisee submits all of the information requested by Franchisor, Franchisor's failure to respond will be deemed a disapproval of the proposed site.

5.1.2 Following Franchisor's approval of a proposed site, Franchisee shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 5.2 below, or a binding purchase agreement, and shall do so in a timely manner to meet the Site Selection Date deadline. Franchisee shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement.

5.1.3 Franchisee hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Center or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and Premises may not be predictive of potential for all sites and that, subsequent to approval by

Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor, could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria.

5.2 **Lease Terms**. For the Franchised Center to be developed hereunder, if Franchisee will occupy the Premises from which the Franchised Center will be operated under a lease or sublease, Franchisee shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Franchisee may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time. A Lease Rider containing Franchisor's current requirements is included in Exhibit H to this Agreement, which Franchisee must execute and must cause to be executed by the landlord to its lease as a condition to Franchisor's approval hereunder. In addition, Franchisor may require Franchisee to furnish Franchisor with a copy of the signed lease within five (5) days after its execution.

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

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

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

5.3.3 Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Tierra Encantada Centers, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of Tierra Encantada Centers. Such review is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Center until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

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

5.3.5 Franchisee shall employ a qualified licensed general contractor who has been approved or designated by Franchisor to construct the Franchised Center and to complete all improvements, which general contractor may be Franchisor or an affiliate of Franchisor. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 14 below. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

5.3.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for providing regular updates on the project including photos and any other documentation, contracts, or records requested by Franchisor, periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections and requests by rendering such assistance as they may reasonably request.

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

5.4 **Opening Date**. Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 5.5 below, Franchisee shall construct, furnish, and open the Franchised Center in accordance with this Agreement on or before eighteen (18) months following the Effective Date (the "**Required Opening Date**"). Time is of the essence. Franchisee shall provide Franchisor with (a) written notice of its specific intended opening date; and (b) request for Franchisor's approval to open on such date. Such notice and request shall be made no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions and procedures (including, without limitation, those regarding pre-opening scheduling, training, and communications) as set forth in this Agreement, the Manuals, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval as to the opening date prior to opening the Franchised Center. Notwithstanding the foregoing, if Franchisee is entering into this Agreement pursuant to the terms of an Area Development Agreement executed between Franchisee and Franchisor, Franchisee must open the Franchised Center on or before the date set forth in the "Development Schedule" (as defined in the Area Development Agreement).

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

6. TRAINING

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

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Operating Principal (defined in Section 8.3 below)) and, if applicable, the Center Director and additional persons as Franchisor may require, (not to exceed a total of three (3) persons), shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at a location designated by Franchisor, or virtually, as determined by Franchisor in its sole discretion. The duration of the initial training will be approximately twelve (12) days, depending on the function of the individual(s) attending such training, and is subject to change. The first portion of the initial training program must be completed within thirty (30) days of the Effective Date. During the initial training, Franchisee shall receive instruction, training and education in the operation of the Franchised Center and indoctrination into the System. The duration and content of the initial training is subject to change in Franchisor's sole discretion. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial training program.

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

6.1.3 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 by no later than forty-five (45) days prior to the scheduled opening of the Franchised Center.

6.2 **New or Replacement Operating Principal and Center Directors**. In the event that Franchisee's Operating Principal or (if required pursuant to Section 8.3.2) Center Director ceases active employment in the Franchised Center, Franchisee shall enroll a qualified replacement who is reasonably acceptable to Franchisor in Franchisor's training program reasonably promptly following cessation of employment of said individual. Franchisor reserves the right to require Franchisee to pay Franchisor's then-current per diem charges for any such training conducted by Franchisor. In the alternative, with respect to training a replacement Center Director, Franchisee may train such replacement(s) in accordance with Section 6.3 below. The replacement Operating Principal, Center Director, and/or any required managers shall complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manuals and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor.

6.3 **Training by Franchisee of Additional or Replacement Center Directors**. Franchisee shall have the option of training any Center Director (following the training of the first Center Director by Franchisor) at the Franchised Center or other Tierra Encantada Centers operated by Franchisee or its affiliates, provided that Franchisee is in compliance with all agreements between Franchisee and Franchisor and further provided that the training is conducted: (a) by the Operating Principal or other personnel who has completed Franchisor's initial training program to the satisfaction of the Franchisor (and who remains acceptable to Franchisor to provide such training) and (b) in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training. In the event Franchisor conducts such training, Franchisor reserves the right to require Franchisee to pay Franchisor's then-current per diem charges for training.

6.4 **Refresher Training; Convention**. Subject to Section 6.7, Franchisor may also require that Franchisee or its Operating Principal, Center Director, and/or staff attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time. If Franchisor holds a franchise convention, the person holding a controlling interest in Franchisee and its Operating Principal (if different) are required to register for and attend the convention annually in accordance with Franchisor's policies. If Franchisor holds a Center Director conference, Franchisee's Center Director is required to register and attend the conference annually in accordance with Franchisor's policies. Franchisor will bill Franchisee for one registration fee prior to each convention or conference, which will provide Franchisee with one registration. Additional representatives of Franchisee may also attend the annual convention, as long as they are registered and pay the registration fee for their attendance. Franchisee must also pay for all travel and living expenses incurred by it and its representatives in attending each convention, conference, course, seminar, and any other training session.

6.5 **Training Costs**. The cost of all classroom training (instruction and required materials) shall be borne by Franchisor, except as provided in Sections 6.7 and 6.8 below. All other expenses incurred in connection with training, including, without limitation, the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee. Additionally,

expenses incurred in completing required online training provided by third-party vendors shall be borne by Franchisee.

6.6 **Location of Training**. All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided at Franchisor's headquarters and/or such other locations as Franchisor may designate. Any Grand Opening Training shall be provided at the Premises.

6.7 **Additional Training**. If Franchisor determines, in its sole discretion, that Franchisee is in need of additional supervision or supplemental training, including without limitation additional training prior to opening, Franchisor may require that Franchisee receive such training from Franchisor, in which case Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket training expenses, which shall be as set forth in the Manuals or otherwise in writing. Such additional training may occur at a location determined by Franchisor in its sole discretion. If Franchisee requests that Franchisor provide additional supervision or supplemental training or that any training programs offered or required by Franchisor, then Franchisee further agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket training expenses, set forth in the Manuals or otherwise in writing.

6.8 **Grand Opening Training**. At Franchisor's sole discretion, Franchisee must also complete training provided by Franchisor's trainer at the Premises at the time of Franchisee's planned opening ("**Grand Opening Training**"). Grand Opening Training may include assistance in training Franchisee's employees, plus any additional pre-opening training, assistance, and guidance needed by Franchisee as determined by Franchisor. If required by Franchisor, Grand Opening Training will be provided, subject to Franchisor staff availability, during a period of up to ten (10) business days surrounding the opening of the Franchised Center.

7. TECHNOLOGY

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

7.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, cloud-based systems, website portals, and hardware be used by, between, or among Tierra Encantada Centers, including without limitation: (a) back office system, data, audio, video, and voice storage, retrieval, and transmission systems for use at Tierra Encantada Centers, between or among Tierra Encantada Centers, and between and among the Franchised Center and Franchisor and/or Franchisee; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; and (e) internet access mode and speed (collectively, the "**Computer System**").

7.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs, cloud-based system software, website portal programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee's Computer System.

7.1.3 Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing (collectively, "**Computer Upgrades**").

7.1.4 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee's Computer System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor. In no way limiting the foregoing, Franchisee shall provide Franchisor with access to any web based video feed, camera feed, or recordings of the Franchised Center.

7.1.5 Franchisee shall comply with specifications issued by Franchisor with respect to (1) video camera installation and operation in the Franchised Center, including granting Franchisor access to any video camera feed in any manner Franchisor may so require; (2) an access control system; and (3) security and fire safety monitoring systems.

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

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

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

7.5 **Intranet**. Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an "**Intranet**"). Franchisee shall comply with

Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Franchised Center. The Intranet may include, without limitation, the Manuals, training or other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

7.6 **Websites**. As used in this Agreement, the term "**website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any website, Franchisee agrees to the following:

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

7.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Center, with such web page(s) to be located within Franchisor's website. Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page. Franchisor will make available to Franchisee two (2) email addresses (the "**Email Addresses**") under the Franchisor's website's domain, which are provided as part of the Technology Fee. Additional Email Addresses will be subject to our then-current fee. Franchisee may use the Email Addresses (1) solely to promote, and provide customers information related to, the Franchised Center, and (2) only in accordance with any requirements, guidelines, directives or specifications prescribed in the Manuals or issued by Franchisor. Upon the termination or expiration of the Franchise Agreement for any reason, Franchisee must cease use of the Email Addresses.

7.6.3 Franchisee shall not establish a separate website, account, or online presence containing the Proprietary Marks or relating in any way to the Franchised Center, without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement and will be subject to (among other things) Franchisor's approval under Section 13 below.

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

7.7 **Online Use of Marks**. Franchisee shall not, without the prior written approval of Franchisor, use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any email address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other

information whatsoever regarding Tierra Encantada Centers by email or any other "**Electronic Media**" without Franchisor's prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. Electronic Media shall include, but not be limited to, blogs, microblogs, social networking sites (such as Facebook, Instagram and LinkedIn), video-sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp and Urbanspoon), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

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

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

8. OTHER DUTIES OF FRANCHISEE

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

8.2 **Compliance with the Agreement, including the Manuals**. Franchisee shall operate the Franchised Center in strict conformity with this Agreement and such standards and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing, and shall refrain from deviating from such standards, specifications, and procedures without the prior written consent of Franchisor.

8.3 **Management of Business & Operating Principal**.

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

8.3.2 Prior to beginning training, Franchisee shall designate in writing a "**Center Director**" to assume the full-time responsibility for the daily supervision of the Franchised Center. The Center Director must be either the Franchisee (or, if the Franchisee is other than an individual, its Operating Principal) or an experienced manager. Franchisor has the right to approve any Center Director, provided such approval shall not be unreasonably withheld.

8.3.3 Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either or both the Operating Principal or Center Director as having responsibility and decision-making authority regarding the Franchised Center's operation and Franchisee's business.

8.4 **Staffing**. In order to protect and enhance the System and the goodwill associated with the Proprietary Marks, Franchisee agrees to maintain a competent, conscientious, staff (who are trained by Franchisee to Franchisor's standards and requirements) in numbers sufficient to promptly service customers and to take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manuals. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Center, including those related to hiring, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees, in addition to compliance with all applicable federal, state, and local laws, rules and regulations.

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

8.6 **Conformity to Standards**. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Center in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Without limitation, Franchisee agrees as follows:

8.6.1 Franchisee shall purchase and install prior to the opening of the Franchised Center, and thereafter maintain, all fixtures, furnishings, equipment, decor, and signs, and maintain in sufficient supplies and materials, as Franchisor may prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor.

8.6.2 Franchisee shall offer and sell only products and services that Franchisor specifies from time to time, unless otherwise approved in writing by Franchisor; and Franchisee shall offer and sell all products and services as Franchisor may specify from time to time as required offerings at the Franchised Center. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Center that have not previously been authorized by Franchisor, and shall discontinue selling and offering for sale any products and services which Franchisor shall have disapproved, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor, Franchisee must first make a written request to Franchisor, requesting authorization to offer or sell such products or services in accordance with Section 8.7 below. Franchisor may deny such approval for any reason.

8.6.3 Franchisee shall participate in any student transfer policy established by Franchisor in the Manuals or otherwise in writing in the event a student transfers from one Tierra Encantada Center to another, which shall include the provision of paid-for services and the facilitation of payment transfers in connection therewith. In no way limiting the foregoing, Franchisee shall fully honor all customer purchases of services regardless of which Tierra Encantada Center originally accepted payment.

8.6.4 Franchisor may itself conduct or designate an independent evaluation service to conduct inspections or a "mystery shopper" quality control and evaluation program with respect to Tierra Encantada Centers. Franchisee agrees that the Franchised Center will participate in such inspections and mystery shopper program, as prescribed and required by Franchisor. Franchisor shall have the right to require Franchisee to pay the then-current costs associated with such program, or the then-current charges imposed by such evaluation service with respect to inspections of the Franchised Center, and Franchisee agrees that it shall promptly pay such charges or reimburse Franchisor for its expenses.

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

8.6.6 Franchisee (or, if Franchisee is other than an individual, each Principal of Franchisee) and all employees and staff members of Franchisee, including the Center Director, shall pass a background check and employment authorization verification prior to commencing work in the Franchised Center, and on a periodic basis thereafter, as determined by Franchisor in its sole discretion, that is free of any sexual and/or violent offenses, any offense involving moral turpitude, and/or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or the interest of Franchisor therein.

8.7 **Purchases and Approved Suppliers**. Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services, and products required for the establishment and operation of the Franchised Center from Suppliers designated or approved in writing by Franchisor (as used in this Section 8.7 the term **"Supplier"** shall include manufacturers, distributors and other forms of Suppliers). In determining whether it will approve any particular Supplier, Franchisor shall consider various factors, including but not limited to whether the Supplier (i) can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; (ii) possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; (iii) approval of who would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and (iv) has been approved in writing by Franchisor prior to any purchases by Franchisee from any such Supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single Supplier for any equipment, supplies, services, or products and to require Franchisee to purchase exclusively from such designated Supplier, which exclusive designated supplier may be Franchisor or an affiliate of Franchisor.

8.7.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements of products bearing the Proprietary Marks or products unique to the System and/or Franchisor ("**Proprietary Products**") from Franchisor or Franchisor's designee(s), as set forth in Section 8.8 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

8.7.2 If Franchisee desires to purchase any products (except for Proprietary Products) or other items, equipment, supplies, services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization to purchase such items. Franchisee shall not purchase from any Supplier until, and unless, such Supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved Suppliers. Franchisee must submit to Franchisor such information and samples as Franchisor may reasonably require, and Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or Supplier's facilities, and that samples from the proposed Supplier, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continued approval of such Supplier. A charge of the greater of $500 or Franchisor's reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor may also require that the Supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the Supplier on account of their dealings with Franchisee or other franchisees.

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

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

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

8.7.6 Franchisor and its affiliates may receive payments or other compensation from Suppliers on account of such Suppliers' dealings with Franchisee and other franchisees; and Franchisor may use all amounts so received for any purpose Franchisor and its affiliates deem appropriate.

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

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

8.10 **Inspections**. Franchisee shall permit Franchisor and its agents to enter upon the Premises at any time during normal business hours for the purpose of conducting inspections of the Premises and the operations of Franchisee. Franchisee shall cooperate with representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses of Franchisor in so acting, which shall be payable by Franchisee upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

8.11 **Trademarked Items**. Franchisee shall ensure that all advertising and promotional materials, signs, decorations, paper goods (including, without limitation, wrapping, packaging supplies, and all forms and stationery used in the Franchised Center), and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall place and illuminate all interior and exterior signs and décor items in accordance with Franchisor's specifications.

8.12 **Offerings and Pricing**. Franchisee shall sell or offer to sell only those products and services as approved by Franchisor. Such items shall be subject to change from time to time as

Franchisor may determine solely in its discretion. Franchisee must obtain Franchisor's written approval for any contemplated changes, including all additions to and/or deletions of products and services sold in the Franchised Center. Moreover, Franchisor may, in the exercise of its reasonable business judgment and to the extent permitted by applicable law, establish specific prices for product and service offerings, or a range of acceptable prices, or minimum advertised pricing that, in any case, shall be adhered to by Franchisee and all other similarly situated Tierra Encantada Centers.

8.13 **Credit Card Fees**. Franchisee shall be responsible for all merchant services and processing fees charged in connection with payment processing for the Franchised Center.

8.14 **Compliance**. Franchisee shall comply with all federal, state and local laws, rules and regulations, and shall timely obtain, and maintain in good standing, any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including, without limitation, operation licenses, licenses to do business and fictitious name registration.

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

8.16 **Governmental Requirements**. Franchisor and Franchisee understand and agree that the operation of the Franchised Center, maintenance of its Premises and equipment, conduct and appearance of its personnel, and the preparation, distribution, and sale of products and services therefrom may be regulated by governmental statutes and regulations, including without limitation laws and regulations applicable to commercial kitchens, childcare, and education. To this end, the Franchisor and Franchisee agree that Franchisee owes an obligation to the customers and students of the Franchised Center, Franchisor, and to itself, to fully and faithfully comply with all those applicable governing authorities, and all of the same are made a part of this Franchise Agreement as if fully set forth herein. In no way limiting the foregoing or Section 8.6.6, Franchisee shall comply with all applicable local, state and federal laws that require educators, learning center employees and others to obtain required background checks and fingerprinting.

8.17 **Prohibited Product Fine**. In the event Franchisee sells any products, premiums, novelty items, clothing, souvenirs or performs any services that Franchisor has not prescribed, approved or authorized, Franchisee shall (i) cease and desist offering or providing the unauthorized or unapproved product, premium, novelty item, clothing, souvenir or from performing such services and (ii) pay to Franchisor, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars ($250) per day for each day such unauthorized or unapproved product, premium, novelty item, clothing, souvenir or service is offered or provided by Franchisee. The prohibited product or service fine shall be in addition to all other remedies available to Franchisor under this Agreement or at law.

8.18 **Participation in Promotions**. Franchisee shall participate in promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Manuals or otherwise in writing. In no way limiting the foregoing, Franchisee agrees that if required by Franchisor:

8.18.1 Franchisee shall participate in all programs and services for frequent customers and other categories, which may include providing discount or complimentary products or services.

8.19 **Health/Standards/Reputation**. Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Center under the Manuals and applicable health ordinances. Franchisee shall also comply with the requirements set forth in the Manuals for submitting to Franchisor a copy of a violation or citation relating to Franchisee's failure to maintain any health or safety standards in the operation of the Franchised Center.

Franchisee acknowledges that Franchisor endeavors to positively position the Tierra Encantada brand with all key stakeholders and audiences, including the news media. All media inquiries made to Franchisee or the Franchised Center should be directed to Franchisor immediately (but not later than 24 hours after the inquiry is made). Additionally, all opportunities for press or media coverage should be directed to Franchisor for review and approval. Franchisor will provide guidance and support regarding responses to media inquiries, as well as engaging with the press and news media. Franchisee will not make or issue any statements to the news media about the Franchised Center and/or make any statements that may affect the Tierra Encantada brand without Franchisor's approval. Further, Franchisee will not represent that Franchisee is an authorized spokesperson or media representative for the Tierra Encantada brand, Franchisor, or Franchisor's affiliates. Franchisee shall comply with any policies and procedures in the Manuals related to public relations, which may change from time to time. Franchisee shall alert Franchisor immediately to any potential crisis situation relating to the Franchised Center. Franchisee shall follow Franchisor's policies and procedures for managing public relations and communications regarding a crisis situation as Franchisor directs. Franchisee shall not engage with media regarding any crisis situation without Franchisor's prior approval. For purposes of this Agreement, a potential crisis situation includes (but is not limited to) any allegation or occurrence of abuse, neglect, or mistreatment of a child; any allegation or discovery that a child has been released to an unauthorized person; any occurrence of unlawful conduct in the Franchised Center; any allegation or discovery of any hazardous or unlawful substance associated with the Franchised Center; any outbreak of serious illness associated with the Franchised Center or any allegation or discovery of any breach of computer or camera systems, loss of data, files, or personally identifiable information. Because of the potential damage to the System and the goodwill associated with the Proprietary Marks, if Franchisee fails to alert Franchisor immediately of any potential crisis situation after Franchisee knows or should reasonably know of the existence of the potential crisis, Franchisee shall pay Franchisor a late crisis notification fee of $2,500 for each and every failure to notify plus $500 per day beginning on the second day from the date notification is due, through and including the day the default is cured, to compensate for Franchisor's added crisis-management efforts resulting from the late notification. Neither Franchisee's requirement to pay nor Franchisor's receipt of any late crisis notification fees shall be deemed to waive or restrict Franchisor's right to declare a default and terminate this Agreement for Franchisee's failure and shall otherwise be in addition to any other remedies Franchisor may have under this Agreement or otherwise.

8.20 **Maintenance of Premises**. Franchisee shall maintain the Franchised Center and the Premises in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

8.21 **Ongoing Upgrades**. As set forth in Section 8.6.1, throughout the term of this Agreement, Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the Manuals or otherwise in writing. Franchisee shall make such changes, upgrades, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

8.22 **Five-Year Refurbishment and Renovations**. At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall materially refurbish the Premises, at its expense, to conform to the Tierra Encantada Center design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Tierra Encantada Centers. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as Franchisor may specify.

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

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

8.25 **Notice of Legal Actions**. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (i) relates to the operation of the Franchised Center, (ii) may adversely affect the operation or financial condition of the Franchised Center, or (iii) may adversely affect Franchisee's financial condition.

8.26 **No Relocation**. Franchisee shall not relocate the Franchised Center from the Approved Location without the prior written approval of Franchisor. If Franchisee desires to relocate the Franchised Center, the following terms and conditions shall apply:

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

enter into Franchisor's then-current form of Franchise Agreement (which shall replace this Agreement), provided that Franchisee shall not be required to pay an initial Franchise Fee, and execute a general release in favor of Franchisor in the form prescribed by Franchisor.

8.26.2 Any relocation of the Franchised Center shall be at Franchisee's sole cost and expense.

8.26.3 Franchisor shall have the right to charge Franchisee its then-current relocation fee plus additional costs and expenses incurred by Franchisor in connection with any approved relocation.

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

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

8.27 **Franchisee Advisory Councils**. If Franchisor should, during the term of this Agreement, form or require the formation of a franchisee advisory council or association (hereinafter "**Advisory Council**") or such successor council to serve as an advisory council to Franchisor with respect to advertising, marketing, and other matters relating to franchised Tierra Encantada Centers, Franchisee may be required to become a member of the Advisory Council. In such event, Franchisee shall pay to the Advisory Council all dues and assessments authorized by the Advisory Council and shall otherwise

abide by the rules and regulations of the Advisory Council and shall at all times maintain its membership in the Advisory Council in good standing.

8.28 **Changes to the System**. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System presently identified by the Proprietary Marks, as Franchisor deems appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Tierra Encantada Centers. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, programs, standards, policies and procedures, forms, trade dress, equipment and furnishings and new techniques and methodologies, and (as described in Section 9 below) additional or substitute trademarks, service marks and copyrighted materials. Changes to the System may further include, without limitation, abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination; and modifying or substituting entirely the building, Premises, equipment, furnishings, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operational attributes which Franchisee is required to observe hereunder. Franchisee shall, upon reasonable notice, accept, implement, use and display in the operation of the Franchised Center any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Tierra Encantada Center or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder. Except as provided herein, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

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

8.30 **Non-Disparagement**. Franchisee shall not communicate or publish, directly or indirectly, any disparaging comments or information about Franchisor during the term of this

Agreement or thereafter. This provision shall include, but not be limited to, communication or distribution of information through the Internet via any Electronic Media, as defined herein

8.31 **Centralized Enrollment Center.** Franchisor, an affiliate of Franchisor, or a designated third party may offer Franchisee a centralized enrollment center program to provide administrative enrollment support for the Franchised Center before and after opening. Franchisor may, at any time upon written notice to Franchisee, require Franchisee to participate in the centralized enrollment center program as a mandatory System standard. Franchisee shall participate in the program as directed by Franchisor and shall pay Franchisor, its affiliate, or the designated provider the then-current fee for the program, as established and modified by Franchisor from time to time. Franchisor may require Franchisee to execute Franchisor's then-current form of enrollment services agreement or other related documents in connection with the program. Franchisor may modify, expand, limit, suspend, discontinue, or replace the program, designate a different provider, and change the scope, manner, timing, technology, standards, and requirements of the program at any time. Franchisee acknowledges that Franchisee remains solely responsible for the operation of the Center, compliance with applicable law and licensing requirements, staffing, and financial performance, and that neither Franchisor nor any affiliate or provider guarantees any level of enrollment, revenue, profitability, or other business result.

9. PROPRIETARY MARKS

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

9.1.1 Franchisor or its affiliate is the owner of the Proprietary Marks.

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

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

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

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

9.3.1 It shall use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor. Further, Franchisee shall not use

any confusingly similar Trademarks in connection with its franchise or any other business in which it has an interest;

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

9.3.3 It shall operate and advertise the Franchised Center only under the name "Tierra Encantada" and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor.

9.3.4 It shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any email address (other than any Email Addresses provided by Franchisor), domain name, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Franchised Center and to obtain governmental licenses and permits for the Franchised Center, indicate that Franchisee shall be operating the Franchised Center under the trade name "Tierra Encantada," provided that Franchisee shall also clearly identify itself as the owner and operator of the Franchised Center;

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

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

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

9.4 **Franchisee Acknowledgments**. Franchisee expressly understands and acknowledges that:

9.4.1 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's right to use and to license others to use, the Proprietary Marks;

9.4.2 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

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

9.4.4 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use

the Proprietary Marks itself; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee;

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

9.4.6 Franchisor shall have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at the sole discretion of Franchisor. If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. In such event and at Franchisor's direction, Franchisee shall adopt, use and display only such new or modified Proprietary Marks and shall promptly discontinue the use and display of outmoded or superseded Proprietary Marks, at Franchisee's expense. Franchisee waives any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages;

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

9.4.8 In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee agrees to do business and advertise using only the Proprietary Marks designated by the Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to and shall not use the words "Tierra Encantada" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection;

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

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9.4.10 Franchisee shall be required to affix the ™ or ® symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "Tierra Encantada" or any other of the Proprietary Marks, whether presently existing or developed in the future;

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

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

9.4.13 Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Proprietary Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Proprietary Marks. Franchisee also agrees to immediately notify Franchisor of any other litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee;

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

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

10. **MANUALS**

10.1 **The Manuals and Furnishings to Franchisee**. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee shall operate the Franchised Center in accordance with the standards, specifications, methods, policies, and procedures specified in the Manuals, which Franchisee shall receive on loan from Franchisor, in a

manner chosen by Franchisor, via electronic access, hard copy volumes, computer disks, videotapes, or otherwise, including such amendments thereto, as Franchisor may publish from time to time, upon completion by Franchisee of initial training. Franchisee expressly acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manuals, and other instructional information and materials in, or via, electronic media, including without limitation, the use of the Internet.

10.2 **The Manuals are Proprietary and Confidential**. Franchisee shall treat the Manuals, any other materials created for or approved for use in the operation of the Franchised Center, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee shall not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person, except as authorized in advance by the Franchisor.

10.3 **The Manuals Remain Franchisor's Property**. The Manuals shall remain the sole property of Franchisor and shall be accessible only from a secure place on the Premises, and shall be returned to Franchisor, as set forth in Section 17.8 below, upon the termination or expiration of this Agreement.

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

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

11. CONFIDENTIAL INFORMATION

11.1 **Agreement with respect to Confidentiality**. Franchisee acknowledges and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning Franchisor, the System, and/or the marketing, management or operations of the Franchised Center that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee agrees it may not use any confidential information for the purpose of machine learning, augmented human intelligence development, training any artificial intelligence ("AI") model, algorithm improvement, or similar data aggregation activities without Franchisor's prior written approval. Franchisee must not, without Franchisor's prior written consent, input any confidential information into any generative AI platform or disclose any information to any provider or source of generative AI services. Franchisee must opt out of allowing any provider or source of generative AI to utilize confidential information for training of any AI model or for other purposes. Franchisee shall divulge such confidential information only to such of its employees as

must have access to it in order to operate the Franchised Center. Any and all information, knowledge, know-how, and techniques which Franchisee learns in connection with the System and/or the marketing, management or operations of the Franchised Center shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

11.2 **Individual Covenants of Confidentiality**. Franchisee shall require its manager(s) and any personnel having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment or engagement by Franchisee at the Franchised Center. Such covenants shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as Exhibit E. Franchisee shall notify Franchisor upon the hiring or engagement of any manager or other personnel required to execute such a confidentiality covenant. Franchisee shall further require any third party to whom it discloses any confidential information of Franchisor, including without limitation advisors, accountants, architects, real estate brokers, general contractors and family members, to execute covenants that they will maintain the confidentiality of the confidential information. Such covenants shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as Exhibit F.

11.3 **Remedies for Breach**. Franchisee acknowledges that any failure to comply with the requirements of this Section 11 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

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

12. ACCOUNTING AND RECORDS

12.1 **Books and Records**. With respect to the operation and financial condition of the Franchised Center, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall maintain for a period of not less than seven (7) years during the term of this Agreement, and, for not less than seven (7) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner

prescribed by Franchisor from time to time in the Manuals or otherwise in writing, including but not limited to: (i) daily transaction reports; (ii) cash receipts journal and general ledger; (iii) cash disbursements and weekly payroll journal and schedule; (iv) monthly bank statements, deposit slips and cancelled checks; (v) all tax returns; (vi) suppliers' invoices (paid and unpaid); (vii) dated daily and weekly transaction journal; (viii) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; and (ix) such other records as Franchisor may from time to time request.

12.2 **Franchisee's Reports to Franchisor**. In addition to the Sales Reports required pursuant to Section 4.3 above, Franchisee shall:

12.2.1 Prepare by the fifteenth (15th) day of each calendar month a balance sheet, profit and loss statement, cash flow statement and an activity report for the last preceding calendar month, which shall be in the form prescribed by Franchisor. Franchisee shall maintain and submit such statements and reports to Franchisor at the times as Franchisor may designate or otherwise request.

12.2.2 Submit to Franchisor on April 15th of the year following the end of each calendar year, unless Franchisor designates in writing a different due date, during the term of this Agreement, a profit and loss statement for such year and a balance sheet as of the last day of such year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("**GAAP**"), including but not limited to all adjustments necessary for fair presentation of the financial statements. Franchisee shall certify such financial statements to be true and correct. Additionally, Franchisor reserves the right to require Franchisee to prepare (or cause to be prepared) and provide to Franchisor annual financial statements, (that includes a fiscal year-end balance sheet, an income statement of the Franchised Center for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), and to require that such statements be prepared on a review basis by an independent certified public accountant (who Franchisor may require to be retained in accordance with Section 4.7). Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

12.2.3 Franchisee shall maintain its books and records, and provide all statements and reports to Franchisor, using the standard statements, templates, categories, and chart of accounts that Franchisor provides to Franchisee. Franchisor reserves the right to require Franchisee to purchase from Franchisor an accounting system setup package, at Franchisor's then-current fee.

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

12.3 **Inspection and Audit**. Franchisor and its agents shall have the right at all reasonable times to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any contributions or payments have been understated in any statement or report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by

law, whichever is less. If an inspection discloses an understatement in any statement or report of three percent (3%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

13. MARKETING AND PROMOTION

13.1 **Brand Fund.** Beginning upon the opening of the Franchised Center Franchisee shall pay Franchisor, in accordance with Section 4.6, a monthly "**Brand Contribution**" equal to one percent (1%) of Gross Sales for the preceding month. Franchisor will deposit Brand Contributions into a separate brand fund Franchisor establishes and maintains ("**Brand Fund**"). Brand Contributions shall be non-refundable. The Brand Fund will not be Franchisor's asset and Franchisor or its designee will administer the fund and maintain separate bookkeeping accounts for the Brand Fund. Franchisor will prepare, on an annual basis, an unaudited statement of the earnings and expenditures of the Brand Fund, and a copy of this statement will be made available within sixty (60) days of Franchisor's fiscal year end upon Franchisee's written request. Franchisor is not required to have the Brand Fund audited. Franchisor shall have no fiduciary duty to Franchisee for administering the Brand Fun.

13.1.1 **Adjustment**. Franchisor may increase the Brand Contribution for any business purpose upon thirty (30) days written notice to Franchisee, but in no event will such Brand Contribution exceed two percent (2%) of Gross Sales.

13.1.2 **Use of Brand Fund.** Reasonable expenditures from the Brand Fund will be made solely to pay expenses incurred for the general promotion of the Proprietary Marks and for brand development initiatives and programs intended to maximize general public recognition, acceptance, and use of the System including: (i) developing and producing advertising and promotional materials; (ii) costs of formulating, developing, and implementing advertising campaigns, including Internet advertising and Internet search engine campaigns, and including the development and use of social media or social networking sites; (iii) the cost of formulating, developing, and implementing promotional and public relations programs; (iv) market research; (v) initial design, and all updates and redesigns (but not administration of) the Franchisor's website; (vi) at Franchisor's option, reimbursing all or part of each franchisee's cost of promotional materials used in connection with promotional programs Franchisor authorized; and (vii) the reasonable cost of administering the Brand Fund, and overhead allocated to employees engaged in the administration of the Brand Fund, and overhead allocated to advertising activities. All interest, if any, earned by the Brand Fund will be used to pay the foregoing expenses for promoting the Proprietary Marks before applying any principal to those expenses. Methods, media employed, contents of advertising, and terms and conditions of advertising campaigns and promotional programs will be within Franchisor's sole discretion. Franchisor reserves the right to engage an advertising agency that is owned by, or is an affiliate of, Franchisor or any of its principals, to assist in developing and/or placing advertising, and to compensate that agency based on standard industry fees and charges. Brand Fund expenditures will not be made for production or placement of advertising that is principally for the purpose of marketing franchise licenses, but certain of the amounts may be used to update and administer Franchisor's website and/or other web pages, social media, or social networking sites, all of which may contain a page or content marketing franchise opportunities. Franchisor shall not be obligated to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's Brand Contribution, or to ensure that any franchisee benefits directly or pro rata from expenditures by the Brand Fund, or to spend any amounts in any

particular geographic area. Franchisor may make available to franchisees marketing plans and promotional materials produced from contributions to the Brand Fund, and Franchisor may sell such items to franchisees in the System at a reasonable price, and any proceeds from any such sales will be contributed to the Brand Fun.

13.2 **Local Advertising**. Franchisee, at its sole expense, must develop and implement a pre-opening local promotion plan approved by Franchisor to introduce the Franchised Center. Franchisee must provide Franchisor with a proposed pre-opening promotion plan, and obtain Franchisor's approval of such plan, before implementing the plan. Franchisee shall implement the plan no later than the latter of: (a) eight (8) months before the planned opening of the Franchised Center, or (b) sixty (60) days after the date Franchisee signs a lease or purchase agreement for the Premises. Franchisee shall spend a minimum amount established by Franchisor for the pre-opening promotion plan. Franchisor may require Franchisee to provide proof that these funds were spent. The pre-opening promotion plan is in addition to the Brand Contributions that Franchisee must pay to Franchisor and the Minimum Local Advertising Obligation.

Franchisee agrees that, in addition to the payment of the Brand Contributions required under Section 13.1 and the pre-opening promotion plan set forth in this Section 13.2, commencing no later than the date the Franchised Center opens for business and continuing until the earlier of (a) six months from the date the Franchised Center opens for business, or (b) the date the Franchised Center achieves Full Capacity (such earlier date, the "**Opening Advertising End Date**"), Franchisee will spend at least $4,000 monthly on Local Advertising approved by Franchisor. In addition, after the Opening Advertising End Date, during any month(s) following a month when the Franchised Center was not at Full Capacity, Franchisee will spend at least $2,000 monthly on Local Advertising approved by Franchisor. As used in this Agreement, "**Full Capacity**" shall mean a minimum of ninety percent (90%) average daily attendance of a Center's total licensed capacity, measured on a monthly basis at the end of each month. Franchisee must provide proof of such local advertising expenditures upon Franchisor's request. If Franchisee fails to make advertising expenditures Franchisor, at its option, may spend such amounts on behalf of Franchisee and charge Franchisee for such amounts and its services in doing so. Failure to comply with this Section shall be deemed a material breach of this Agreement.

13.2.1 As used in this Agreement, the term "**Local Advertising**" shall refer to advertising related directly to the Franchised Center, and shall, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as we, in our sole discretion, may specify. Local Advertising does not, however, include any of the following: salaries and expenses of Franchisee's employees; charitable, political, or other contributions or donations; and incentive programs, including without limitation costs of honoring coupons and expenses and costs incurred in honoring sales promotions.

13.3 **Standards for Advertising**. All advertising, marketing and promotion to be used by Franchisee shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not

provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor, pursuant to the procedures and terms set forth in Section 13.5 herein.

13.4 **Franchisor's Approval of Proposed Plans and Materials**. If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and promotional plans and materials to Franchisor (as provided in Section 24 herein) for prior approval (including without limitation any annual changes in tuition or any other prices to be charged). If written notice of approval is not received by Franchisee from Franchisor within five (5) business days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have not approved them.

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

14. INSURANCE

14.1 **Insurance**. Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations and the Franchised Center, as Franchisor may reasonably require for its own and Franchisee's protection. Franchisor and such of its respective affiliates shall be named additional insured in such policy or policies.

14.2 **Coverages**. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manuals or otherwise in writing; provided, however, that Franchisor shall have the right to designate from time to time, one or more insurance companies as the insurance carrier(s) for Tierra Encantada Centers, and if required by Franchisor, Franchisee shall obtain its insurance coverage from the designated insurance company (or companies). The policy or policies shall include, at a minimum (except different coverages, umbrella coverages, and policy limits as may reasonably be specified for all Franchisees from time to time by Franchisor in the Manuals or otherwise in writing) the following:

14.2.1 Builder's risk insurance that satisfies the standards and specifications set forth by Franchisor in the Manuals or otherwise in writing to cover any period(s) of renovation or construction at the Franchised Center.

14.2.2 All risk coverage insurance on (i) all personal property covering the Franchised Center and Premises and contents thereof, including, without limitation, all supplies, inventory, fixtures, and equipment, containing a replacement value endorsement in an amount equal

to the full replacement value thereof; and (ii) business interruption insurance for actual loss sustained, or a minimum amount of seventy-five percent (75%) of annual Gross Sales.

14.2.3 Worker's compensation and employer's practices liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Center is located and operated. If Franchisee is permitted to and elects not to have worker's compensation insurance for its owners and officers, Franchisee shall maintain coverages for these individuals at all times for work-related injuries.

14.2.4 Comprehensive general liability insurance with limits of at least One Million Dollars ($1,000,000) per occurrence, and Two Million Dollars ($2,000,000) general aggregate, and product liability insurance with limits of at least Two Million Dollars ($2,000,000) general aggregate including the following coverages: personal injury (employee and contractual inclusion deleted); cyber liability insurance with limits specified by Franchisor from time to time; products/completed operation; assault and battery; terrorism; and tenant's legal liability with limits of at least Three Hundred Thousand ($300,000). All such coverages insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Franchised Center. The required coverage amounts herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

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

14.2.6 Child abuse and molestation coverage with at least One Million Dollars ($1,000,000) per occurrence.

14.2.7 Excess liability coverage over general liability, automobile liability, and employer's liability, with at least Three Million Dollars ($3,000,000) per occurrence.

14.2.8 Such insurance and types of coverage as may be required by the terms of any lease for the Premises, or as may be required from time to time by Franchisor.

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

14.3 **Certificates of Insurance**. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Prior to commencing any renovations or construction at the Franchised Center, Franchisee shall provide Franchisor with a Certificate of Insurance for the builder's risk insurance required under Section 14.2.1. At least thirty (30) days prior to the opening of the Franchised Center, and thereafter on an annual basis, Franchisee shall provide Franchisor with a Certificate of Insurance showing compliance

with the foregoing requirements (except with respect to the builder's risk insurance, which shall have already been in effect pursuant to Section 14.2.1 above). Such certificate shall state that said policy or policies will not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee.

14.4 **Franchisor's Right to Procure Insurance for Franchisee**. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

15. TRANSFER OF INTEREST

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

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

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

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

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

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

15.3 **Conditions on Transfer**. Franchisor shall not unreasonably withhold any consent required by Section 15.2 above. However, if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would: (a) have the effect of changing control of Franchisee; (b) result in the assignment of the rights and obligations of Franchisee under this Agreement; or (c) transfer the ownership interest in all or substantially all of the assets of the Franchised Center, Franchisor shall have the right to require any or all of the following as conditions of its approval:

15.3.1 All of Franchisee's monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the System have been satisfied in full, and the Franchised Location must be open and operating for business in accordance with the terms herein, provided, if Franchisee is also transferring any area development rights pursuant to an area development agreement with Franchisor, the first Tierra Encantada Center under that agreement must be open and operating;

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

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

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

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

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

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

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

15.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

15.3.10 Franchisee shall pay Franchisor's then-current transfer fee to compensate Franchisor for its expenses incurred in connection with the transfer; and

15.3.11 The transferor(s), at the request of Franchisor, shall agree in writing to comply with the covenants set forth in Section 18 below.

15.4 **Additional Terms**. For any transfer not covered by Section 15.3, each transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall, in addition to the requirement of obtaining Franchisor's consent as provided in Section 15.2, be subject to the requirements of Sections 15.3.3 and 15.3.4 above (with respect to execution of releases and personal guarantees).

15.5 **Security Interests**. Neither Franchisee nor any Principal shall grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Franchised Center unless Franchisee satisfies the requirements of Franchisor, which include, without limitation, execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 15, and agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness resulting from Franchisee's default shall be void.

15.6 **Right of First Refusal**. If Franchisee or any Principal desires to accept any *bona fide* offer from a third party to purchase Franchisee, any material asset of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require.

Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent or child of the seller shall not be considered a third party for purposes of this Section 15.6. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor, or, if longer, on the same timetable as contained in the *bona fide* offer.

15.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 15.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15, with respect to a proposed transfer.

15.6.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 15.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

15.7 **Death of a Principal**. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party acceptable to and approved by Franchisor within twelve (12) months after the death.

15.8 **Permanent Disability of Controlling Principal**. Upon the Permanent Disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 15 within six (6) months after notice to Franchisee. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months; and from which recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent Disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 15.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

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

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15.10 **Limited Exceptions**. Notwithstanding anything to the contrary in this Section 15:

15.10.1 Franchisee shall not be required to pay the transfer fee due under Section 15.3.10 above, if the transferee: (a) is a spouse, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Franchised Center; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 15.7 or 15.8 above.

15.10.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 15.3.6 (signing a new franchise agreement), 15.3.7 (upgrading the Franchised Center), and 15.3.10 (transfer fee) shall not apply, and Franchisee may undertake such transfer, provided that: (a) Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Franchisee and any other Principal(s) and each of their spouses personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Franchisee under the Franchise Agreement; (c) Franchisee executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to operating the Franchised Center under this Agreement; and (e) Franchisee and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

15.11 **Securities Offerings**. All materials required for any offering of securities or partnership interests in Franchisee by federal or state law shall be submitted to Franchisor by the offeror for review prior to filing with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering of securities of either Franchisee or Franchisor; and review by Franchisor of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor including, but not limited to, any limitations stated above in this paragraph. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Franchisee shall give Franchisor written notice at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 15.11. Any such offering shall be subject to prior written consent of Franchisor and right of first refusal as provided in Section 15.6.

15.12 **No Waiver**. The consent of Franchisor to any transfer pursuant to this Section 15 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by any transferor or transferee.

15.13 **Bankruptcy**. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder and/or any material assets of Franchisee, shall be subject to all of the terms of this Section 15.

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

15.15 **Restrictions on Advertising Sale of Franchised Business**. Franchisee may not, without Franchisor's prior written consent: (i) place in, on, or upon the Approved Location any advertisement for the transfer, sale, or other disposition of the Franchised Center or any ownership interest in Franchisee, (ii) use any Marks in advertising (in any form of media) the transfer, sale, or other disposition of the Franchised Center or any ownership interest in Franchisee, or (iii) list the Franchised Center or any ownership interest in Franchisee with any business broker, real estate broker, agent, or attorney.

16. DEFAULT AND TERMINATION

16.1 **Pre-termination Options**. Before the termination of this Agreement, if Franchisee fails to pay any amounts owed to Franchisor or its affiliates, fail to comply with any term of this Agreement, or fail to notify Franchisor that the Franchised Location is closing, then in addition to Franchisor's right to terminate this Agreement or to bring a claim for damages, Franchisor has the option to:

16.1.1 remove the listing of the Franchised Location from all advertising published or approved by Franchisor;

16.1.2 cease listing the Franchised Location on websites and social media, and to discontinue any links to any site or page for the Franchised Location;

16.1.3 prohibit Franchisee from attending any meetings or programs held or sponsored by Franchisor;

16.1.4 terminate Franchisee's access to any computer system or software Franchisor owns, maintains, or licenses to Franchisee (whether licensed by Franchisor or by one of its affiliates);

16.1.5 suspend all services Franchisor or its affiliates provide to Franchisee under this Agreement or otherwise; and

16.1.6 contact Franchisee's landlords, lenders, suppliers, and customers about the status of Franchisee's operations and provide copies of any default or other notices to Franchisee's landlords, lenders, and suppliers.

Franchisor's actions, as outlined in this Section, may continue until Franchisee has brought its accounts current, cured any default, and complied with Franchisor's requirements, and Franchisor has acknowledged the same in writing. The taking of any of the actions permitted in this Section will not suspend or release Franchisee from any obligation that would otherwise be owed to Franchisor or its affiliates under the terms of this Agreement or otherwise. Further, Franchisee acknowledges that the taking of any or all these actions on Franchisors part will not deprive Franchisee of the most essential benefits of this Agreement, and will not constitute a constructive termination of this Agreement.

In addition to Franchisor's right to terminate the Franchise Agreement, if Franchisee breaches its obligations under this Agreement and fails to cure the default within the applicable cure period

provided above, Franchisee must pay Franchisor its then-current "Standard Default Fee" on a monthly basis until the default is cured in order to offset its costs incurred to address the default.

16.2 **Automatic Termination**. Franchisee shall be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Center shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.3 **Termination Upon Notice**. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately by giving written notice to Franchisee (in the manner provided under Section 24 hereof), upon the occurrence of any of the following events:

16.3.1 If Franchisee fails to complete all pre-opening obligations and to secure a site for, and to open, the Franchised Center within the time limits as provided in Sections 5.1 and 5.4 above;

16.3.2 If Franchisee or any of its Principals is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or the interest of Franchisor therein, or if Franchisee, any of its Principals or any of its employees violate the terms of Section 8.6.6;

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

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

16.3.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 15 hereof;

16.3.6 If Franchisee knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor;

16.3.7 If, contrary to the terms of Sections 9 or 10 hereof, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

16.3.8 If Franchisee fails to comply with the covenants in Section 18.2 below or fails to timely obtain execution of the covenants required under Section 18.5 below;

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

16.3.10 If Franchisee, after curing a default pursuant to Sections 16.4 or 16.5 hereof, commits the same default again, whether or not cured after notice.

16.3.11 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 16.3.10 above);

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

16.3.13 If Franchisee (i) fails to obtain, (ii) is unable to renew, or (iii) has revoked or loses for any reason, a proper visa granting Franchisee the right to enter and work in the United States, or if Franchisee is otherwise unable, for any reason whatsoever, to enter and work in the United States;

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

16.4 **Notice and Opportunity to Cure - 7 Days**. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

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

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

16.4.3 If Franchisee fails to operate the Franchised Center during such days and hours specified in the Manuals (this provision in no way limits Section 16.3.12).

16.4.4 If Franchisee fails to afford Franchisor unimpeded and independent access to Franchisee's Computer System and Required Software in violation of Section 7.1.5.

16.5 **Notice and Opportunity to Cure - 30 Days**. Except as otherwise provided in Sections 16.2, 16.3 and 16.4 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

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

17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

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

17.2 **Stop Using the System**. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Mark "Tierra Encantada" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks.

17.3 **Cancel Assumed Names**. Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark "Tierra Encantada" or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 **The Premises**. Franchisee shall, at the option of Franchisor, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Premises. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Premises, Franchisee shall make such modifications or alterations to the Premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of a Tierra Encantada Center under the System, and shall make such specific additional changes thereto as

Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 17.4, Franchisor shall have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Additionally, if Franchisor does not elect to exercise the option to acquire the lease/sublease, Franchisee shall comply with Section 18.3 below regarding a Competitive Business (as defined in Section 18.2.2 below).

17.5 **Phone Numbers and Directory Listings**. In addition, Franchisee shall cease use of all telephone numbers and any domain names, websites, email addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Center, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Center from all trade or business telephone directories, including "yellow" and "white" pages and any online directories, or at Franchisor's request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee. Without limiting the foregoing, Franchisee hereby agrees to execute a Telephone Number Assignment and Power of Attorney form attached to this Agreement as Exhibit G in order to implement this Section 17.5.

17.6 **No Use of Proprietary Marks or Trade Dress in other Businesses**. Franchisee agrees, in the event it continues to operate, or subsequently begins to operate, any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of Franchisor in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including but not limited to reference to Franchisor, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks.

17.7 **Pay Franchisor All Amounts Due**. Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include, without limitation, all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination, which obligation shall give rise to, and remain until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Premises at the time of default.

Upon termination of this Agreement by reason of a default by Franchisee, Franchisee agrees to pay to Franchisor within ten (10) days after the effective date of termination, in addition to the amounts owed hereunder, liquidated damages equal to the lesser of (a) the average annual amount of Royalty Fees payable by Franchisee to Franchisor for the year immediately preceding the date of termination, multiplied by three (3), or (b) the average monthly amount owed during such 12-month period multiplied by the number of months remaining in the Franchise Agreement had it not been terminated.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages, and not a penalty.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from specific listed fees. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement. Franchisee agrees that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the sections requiring payment of Royalty Fees.

17.8 **Return of Manuals and Confidential Information**. Franchisee shall, at its own expense, immediately deliver to Franchisor the Manuals and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Franchised Center (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

17.9 **Franchisor's Option to Purchase Certain Assets**. Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Center, at the lesser of Franchisee's cost or fair market value. The cost for such items shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

17.10 **Comply with Covenants**. Franchisee and its Principals shall comply with the covenants contained in Section 18.3 of this Agreement.

18. COVENANTS

18.1 **Full Time and Best Efforts**. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee's fully trained Center Director shall devote full time and best efforts to the management and operation of the Franchised Center.

18.2 **During the Agreement Term**. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

18.2.1 Divert or attempt to divert any present or prospective business or customer of any Tierra Encantada Center to any competitor, by direct or indirect inducement or otherwise, or do

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

18.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered (i) any business offering childcare and/or educational services to children under the age of 12; and/or (ii) any business that is the same as or similar to a Tierra Encantada Center. Franchisee acknowledges and agrees that Franchisee shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 16.3.8 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 18.2.2 if such person was subject to the covenants of this Section 18.2.2.

18.3 **After the Agreement and After a Transfer**. Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 18.3; or (e) any or all of the foregoing:

18.3.1 Franchisee shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (i) at the Approved Location for the Franchised Center, (ii) within a radius of twenty-five (25) miles of the Franchised Center, or (iii) within a radius of twenty (20) miles of any other Tierra Encantada Center in operation or under construction on the effective date of termination or expiration located anywhere; provided, however, that this provision shall not apply to the operation by Franchisee of any business under the System under a franchise agreement with Franchisor;

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

18.4 **Exception for Ownership in Public Entities**. Sections 18.2.2 and 18.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

18.5 **Personal Covenants**. Intentionally omitted.

18.6 **Covenants as Independent Clauses**. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such

covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

18.7 **Franchisor's Right to Reduce Scope of the Covenants**. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 18, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 25 hereof.

18.8 **Covenants Survive Claims**. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 18; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 18.

18.9 **Injunctive Relief**. Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor and the System, and that in the event of a breach of covenants contained in this Section 18, the damage to Franchisor would be difficult to ascertain and, in addition to other rights and remedies, Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

19. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

19.1 **List of Principals**. If Franchisee is a corporation, limited liability company, or partnership, each Principal of Franchisee, and the ownership interest of each Principal in Franchisee, shall be identified in Exhibit B hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 15 above. As set forth in Section 8.3, the Operating Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

19.2 **Guaranty, Indemnification, and Acknowledgment**. Each Principal and each Principal's spouse shall execute a guaranty, indemnification, and acknowledgment of Franchisee's covenants and obligations under this Agreement in the form attached hereto as Exhibit C.

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

19.3.1 Franchisee shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Center.

19.3.2 Franchisee shall, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

19.3.3 Franchisee shall maintain stop-transfer instructions on its records against the transfer of any equity securities of Franchisee; and each stock certificate or issued securities of Franchisee shall conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 19.3.3 shall not apply to a publicly held corporation.

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

19.4.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Center.

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

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

20. TAXES, PERMITS, AND INDEBTEDNESS

20.1 **Taxes**. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Center, whether assessed on Franchisee or on Franchisor or Franchisor's affiliate. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor. Franchisee shall reimburse Franchisor and Franchisor's affiliates for any sales tax, gross receipts tax, or similar tax or assessment Franchisor or Franchisor's affiliate pays directly to any taxing authority on Franchisee's behalf in connection with the Franchised Center.

20.2 **Dispute About Taxes**. In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises of the Franchised Center, or any improvements thereon.

20.3 **Compliance with Laws**. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain, and maintain in good standing, any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Center, including licenses to do business, fictitious name registrations, sales tax permits, provide childcare services, operate a commercial kitchen, and fire clearances.

21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 **No Fiduciary Relationship**. Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents

of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship. Franchisee shall be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee's policies, practices, and decisions relating to the operation of the Franchised Center.

21.2 **Public Notice**. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Center pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify, including language identifying Franchisee as an independent business in all dealings with customers, employees, suppliers and others.

21.3 **No Assumption of Liability**. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on the behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its operation of the Franchised Center or for any claim or judgment arising therefrom against Franchisee or Franchisor.

21.4 **Indemnification**.

21.4.1 Franchisee must defend, indemnify, and hold harmless Franchisor and its affiliates, and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the "**Indemnified Parties**"), from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or threatened or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the Franchised Center's operation, Franchisee's conduct of business under this Agreement, Franchisee's breach of this Agreement, or Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to Franchisee's employees. Franchisor will promptly notify Franchisee of any claim that may give rise to a claim of indemnity under this provision, provided, however, that its failure to provide such notice will not release Franchisee from its indemnification obligations under this Section except to the extent Franchisee is actually and materially prejudiced by such failure.

21.4.2 Franchisee has the right, upon written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of such counsel's fees and disbursements. If (a) the Indemnified Party has been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to Franchisee and, in the Indemnified Party's reasonable opinion, Franchisee's counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with Franchisee's interests, or (b) Franchisee does not assume responsibility for such Losses in a timely manner or fails to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated

above, then the Indemnified Party will have the right to employ counsel of its own choosing, and Franchisee must pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or Franchisee, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense. Franchisee or the Indemnified Party (as the case may be) agrees to keep the other reasonably apprised of, and respond to any reasonable requests concerning, the status of the defense of any claim, and Franchisee and the Indemnified Party agree to cooperate in good faith with each other with respect to the defense of any such claim. Franchisee may not, without the Indemnified Party's prior written consent, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by Franchisee. No claim which is being defended in good faith by Franchisee in accordance with this Section may be settled by the Indemnified Party without Franchisee's prior written consent. Notwithstanding anything to the contrary in this Section, if a claim involves the Proprietary Marks, Franchisee agrees that Franchisor has the exclusive right to assume the defense of such claim, at Franchisee's expense with counsel selected by Franchisor, but reasonably satisfactory to Franchisee.

21.4.3 Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or Franchisor's failure to compel Franchisee to comply with this Agreement.

21.4.4 For purposes of this Section, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

21.4.5 Franchisee's obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section. Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section.

22. **APPROVALS AND WAIVERS**

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

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

23. WARRANTIES OF OPERATOR

23.1 **Reliance by Franchisor**. Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

23.2 **Compliance with Laws**. Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

24. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party, and provided that Franchisor may provide Franchisee notice to electronically to the email address included on the signature page of this Agreement, read receipt requested, unless and until a different email address has been designated by written notice to Franchisor. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

25. ENTIRE AGREEMENT

Franchisor and Franchisee, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Franchisee which are uncertain, Franchisor and Franchisee each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis

for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Franchisee or the relationship between them. Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 25 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

26. SEVERABILITY AND CONSTRUCTION

26.1 **Severable Parts**. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

26.2 **Terms Surviving this Agreement**. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause), shall survive such expiration, termination or assignment.

26.3 **No Rights on Third Parties**. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

26.4 **Full Scope of Terms**. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

26.5 **Franchisor's Application of its Rights**. Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right and/or discretion to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or a right to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and in its judgment of what is in Franchisor's best interests and/or in the best interests of Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interests; (iii) Franchisor's decision or the action it take applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

27. APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 **Governing Law**. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of Minnesota. In the event of any conflict of law, the laws of Minnesota shall prevail, without regard to, and without giving effect to, the application of Minnesota conflict of law rules. Nothing in this Section 27.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Minnesota or of any other state to which it would not otherwise be subject.

27.2 **Non-Binding Mediation**. Before any party may bring an action in arbitration or in court against the other, the parties must first meet to mediate the dispute (except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or confidential information). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. All mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then current principal place of business, unless Franchisor agrees otherwise in writing. Notwithstanding anything to the contrary, this Section 27.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty-five (45) days of Franchisee's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Franchisee shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 27.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising

under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

27.3 **Arbitration**. Franchisor and Franchisee agree that, subject to Section 27.2 herein, and except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or confidential information, all controversies, disputes, or claims between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, members, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) arising out of or related to:

(1) this Agreement or any other agreement between Franchisee and Franchisor;

(2) Franchisor's relationship with Franchisee;

(3) the validity of this Agreement or any other agreement between Franchisee and Franchisor; or

(4) any System standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association in the United States ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator, which is within a five (5) mile radius of Franchisor's then current principal place of business. The arbitrator shall have no authority to select a different hearing locale. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

27.3.1 The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, as expressly provided in Section 27.7 below, award any punitive, exemplary or multiple damages against either party.

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

27.3.3 Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or

employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

27.3.4 Despite Franchisor's and Franchisee's agreement to arbitrate, Franchisor and Franchisee each have the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Franchisee must contemporaneously submit Franchisor's dispute for arbitration on the merits as provided in this Section 27.3.

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

27.4 **Consent to Jurisdiction**. Subject to the mediation and arbitration obligations in Sections 27.2 and 27.3, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where Franchisor's principal place of business is then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any federal or state court in the county in which Franchisee resides or the Franchised Center is located.

27.5 **No Rights Exclusive of Other Rights**. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

27.6 **WAIVER OF JURY TRIAL**. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER A LEGAL ACTION, IN MEDIATION, OR IN ARBITRATION.

27.7 **WAIVER OF PUNITIVE DAMAGES**. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

27.8 **Limitation**. The parties agree that, except as provided below, no mediation or arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Franchisee against any person and/or entity affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such mediation or arbitration proceeding, action or suit before the expiration of the earlier of: (a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or (b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

27.8.1 Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

27.8.2 The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent Franchisor from terminating Franchisee's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

27.8.3 The foregoing limitations shall not apply to Franchisor's claims arising from or related to: (1) Franchisee's under-reporting of Gross Sales; (2) Franchisee's under-payment or non-payment of any amounts owed to Franchisor or any affiliated or otherwise related entity; (3) indemnification by Franchisee; (4) Franchisee's confidentiality, non-competition or other exclusive relationship obligations; and/or (5) Franchisee's unauthorized use of the Proprietary Marks.

27.9 **WAIVER OF RICO**. THE PARTIES HERETO AGREE TO WAIVE, NOW AND FOREVER, ANY AND ALL RIGHTS EITHER MAY HAVE UNDER THE FEDERAL STATUTE KNOWN AS RICO.

27.10 **Release of Claims**. By executing this Agreement, Franchisee, on behalf of itself and its heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its members, officers, directors, employees, agents and servants, including Franchisor's subsidiary and affiliated corporations, their respective members, officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof.

27.11 **Injunctive Relief**. Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 9, 10, 11, 15, and 18 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.12 **Counterparts; Paragraph Headings; Pronouns**. This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. All captions and paragraph headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. Each pronoun used herein shall be deemed to include the other number of genders.

27.13 **Security Interest**. Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Franchised Center, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any

kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code.

27.14 **Attorneys' Fees**. In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed upon Franchisee by this Agreement, Franchisor shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

28. ACKNOWLEDGMENTS

28.1 **FRANCHISEE'S INVESTIGATION OF THE BUSINESS POSSIBILITIES**. FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF OPERATING A TIERRA ENCANTADA CENTER, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE (OR, IF FRANCHISEE IS A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, THE ABILITY OF ITS PRINCIPALS) AS (AN) INDEPENDENT BUSINESSPERSON(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER ORAL OR WRITTEN) ARE HEREBY CANCELLED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. FRANCHISEE FURTHER ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED ON ANY REPRESENTATIONS ABOUT THE FRANCHISE BY THE FRANCHISOR, OR ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENTS TO THE FRANCHISOR, AS AN INDUCEMENT TO ENTRY INTO THIS AGREEMENT, THAT FRANCHISEE HAS MADE NO MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

28.2 **Receipt of FDD and Complete Agreement**. Franchisee acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document (**FDD**), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement. Franchisee further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Franchisee of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

28.3 **Franchisee Read the Agreement and Consulted**. Franchisee acknowledges that it has read and understood Franchisor's FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

28.4 **Franchisee's Responsibility for Operation of Business**. Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Center, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Center and the implementation and maintenance of System standards at the Franchised Center. Franchisee acknowledges that it is solely responsible for all aspects of the Franchised Center's operations, including employee and human resources matters. Franchisee further acknowledges that any controls implemented by Franchisor are for the protection of the System and the Proprietary Marks and not to exercise any control over the day-to-day operation of the Franchised Center.

28.5 **No Conflicting Obligations**. Each party represents and warrants to the other that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

28.6 **Different Franchise Offerings to Others**. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.7 **Good Faith**. Franchisor and Franchisee acknowledge that each provision in this Agreement has been negotiated by the parties hereto in good faith and the Agreement shall be deemed to have been drafted by both parties. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including, without limitation, the provisions related to arbitration and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

28.8 **Success Depends on Franchisee**. Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability (or if Franchisee is a corporation, limited liability company, or a partnership, the ability of its Principals) as (an) independent businessperson(s), its active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.9 **Patriot Act**. Franchisee represents and warrants that to its actual knowledge: (i) neither Franchisee, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Franchisee, nor any Franchisee affiliate or related party, or any funding source for the Franchised Center, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by

Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither Franchisee nor any Franchisee affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Franchisee nor any Franchisee affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Franchisee nor any Franchisee affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither Franchisee nor any Franchisee affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Franchisee nor any Franchisee affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

28.10 **No Guarantees**. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

28.11 **No Waiver or Disclaimer of Reliance in Certain States**.

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

[SIGNATURE PAGE FOLLOWS]

TIERRA ENCANTADA LLC
FRANCHISE AGREEMENT
SIGNATURE PAGE

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

FRANCHISOR:
TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Address for Notices:

Attn: Chief Executive Officer
Tierra Encantada Franchising LLC
2700 30th Avenue
Minneapolis, Minnesota 55406

With copy to:

EntrePartner Law Firm, PLLC
635 9th Street Southeast
Suite 235
Minneapolis, Minnesota 55414

FRANCHISEE:
_____

By:_____
Name:_____
Title:_____

Address for Notices:

Attn:_____
_____
_____
_____
Email:_____
Telephone:_____
Fax:_____

With copy to:

TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

1. The Site Selection Area (See Section 1.2) for the Franchised Center shall be:

_____
_____
_____

2. The Approved Location (See Section 1.3) for the Franchised Center shall be:

_____
_____
_____

3. The Territory shall be (subject to the terms of the Agreement, including but not limited to Section 1.5 of the Agreement) as follows, and which Territory is reflected on the map attached to this Exhibit A:

_____
_____
_____

4. The initial Franchise Fee shall be $_____ (See Section 4.1). Notwithstanding anything to the contrary in the Franchise Agreement, if this Franchise Agreement is executed pursuant to an Area Development Agreement, the initial Franchise Fee shall be $0 (See Section 4 of Area Development Agreement).

TIERRA ENCANTADA FRANCHISING LLC

Initial: _____ Date: _____

FRANCHISEE

Initial: _____ Date: _____

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TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT B
LIST OF PRINCIPALS AND OPERATING PRINCIPAL

FRANCHISEE'S PRINCIPALS

The following identifies all of Franchisee's Principals (as defined in Section 8.3.1 of the Franchise Agreement), including each Principals address and percentage of beneficial interest in Franchisee:

Name of Principal	Address, Telephone, Email	Interest (%) with Description
		Total %:

FRANCHISEE'S OPERATING PRINCIPAL

The following identifies Franchisee's Operating Principal (as defined in Section 8.3.1 of the Franchise Agreement), including his/her contact information and percentage of beneficial interest in Franchisee:

Name of Operating Principal	Address, Telephone, Email	Interest (%) with Description

TIERRA ENCANTADA FRANCHISING LLC

Initial: _____ Date: _____

FRANCHISEE

Initial: _____ Date: _____

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TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT C
GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Tierra Encantada Franchising LLC ("**Franchisor**") to enter into the Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 20____ (the "**Agreement**"), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor's successors and assigns that all of Franchisee's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this "**Guaranty**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 10, 11, 15, 17, and 18. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Franchisee by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the "Tierra Encantada" marks or system licensed to Franchisee under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an

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individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of the State of Minnesota. In the event of any conflict of law, the laws of the State of Minnesota shall prevail (without regard to, and without giving effect to, the application of Minnesota conflict of law rules).

[Signature page follows.]

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IN WITNESS WHEREOF, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

GUARANTOR(S):

_____

Print Name:_____

_____

Print Name:_____

_____

Print Name:_____

_____

Print Name:_____

_____

Print Name:_____

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TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT D
ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION

EFT AUTHORIZATION

Bank Name:

ABA Routing Number:

Account Number:

Account Name:

Effective as of the date of the signature below, _____ hereby authorizes Tierra Encantada Franchising LLC (the "**Franchisor**") or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at _____: 1.) all Royalty Fees, 2.) all Brand Contributions, 3.) all Technology Fees, 4.) all Grand Opening Training Fees, and 5.) all other fees due under the Franchise Agreement executed by Franchisee and Franchisor. These withdrawals will occur on a monthly basis, or on another schedule as Franchisor specifies in writing. Franchisor is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization will remain in full force and effect until terminated in writing by Franchisor. Franchisee will provide Franchisor, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

FRANCHISEE:

Signed: _____

By: _____

Its: _____

Date: _____

Please Attach Actual VOIDED CHECK

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CREDIT CARD AUTHORIZATION

Credit Card Information
Card Type: □ MasterCard □VISA □Discover □AMEX □Other _____
Cardholder Name (as shown on card): _____
Card Number: _____
Expiration Date (mm/yy): _____
Security Code: _____
Cardholder ZIP Code (from credit card billing address): _____

Franchisee hereby authorizes Franchisor to charge the above-referenced card all amounts due to Franchisor or its affiliates pursuant to the Franchise Agreement and any other agreement between Franchisee and its affiliates and Franchisor. This authorization remains in full force and effect until sixty (60) days after the Franchisor has received written notification from the Franchisee of its termination. Franchisee understands that its information will be saved to file for all transactions.

Signature of Authorized Signer:_____ Date:_____

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TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT E
NON-DISCLOSURE AGREEMENT (EMPLOYEES)

THIS NON-DISCLOSURE AGREEMENT ("Agreement") is made this _____ day of _____, 20___, by and between _____ ("**us**" "**we**" "**our**" or the "**Franchisee**"), and _____, an employee of Franchisee ("**you**" or the "**Employee**").

Introduction

Tierra Encantada Franchising LLC (the "**Franchisor**") and its affiliates developed and own a format and system (the "**System**") for establishing and operating early childhood education centers providing warm, Spanish-language immersion learning environments for children featuring fresh cooked, globally inspired meals, under the name "Tierra Encantada" (each is referred to as a "**Tierra Encantada Center**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Tierra Encantada Center (the "**Franchised Center**") under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Tierra Encantada Center and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. Confidential Information. You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Confidential Information to any Person, and that you will not use Confidential Information for your own benefit or for the benefit of any other Person. You further agree you will not use any Confidential Information for the purpose of machine learning, augmented human intelligence development, training any artificial intelligence ("AI") model, algorithm improvement, or similar data aggregation activities, including without limitation inputting any Confidential Information into any generative AI platform or disclosing any information to any provider or source of generative AI services. Employee must opt out of allowing any provider or source of generative AI to utilize Confidential Information for training of any AI model or for other purposes.

2. Definitions. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Center and the System that you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not Franchisor or we have specifically designated that information as "confidential"). Confidential Information may include, among other things, operational, sales, promotional, marketing, and

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administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "**Person**" means any person, persons, partnership, entity, association, or corporation (other than us or Franchisor).

3. Covenants.

a. You understand and acknowledge that due to your employment with us, you will receive valuable specialized training and access to Confidential Information.

b. You covenant and agree that during the term of your employment, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Center (or of any Tierra Encantada Center) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise; and/or

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System.

4. Legal and Equitable Remedies. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

5. Severability. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

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6. **Delay**. No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

8. **Jurisdiction; Applicable Law**. You agree that any lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in the courts of the county where Franchisor has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of Minnesota. In the event of any conflict of law, the laws of Minnesota shall prevail, without regard to, and without giving effect to, the application of Minnesota conflict of law rules.

IN WITNESS WHEREOF, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

EMPLOYEE

Signature:_____

Printed Name:_____

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TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT F
NON-DISLCOSURE AGREEMENT (NON-EMPLOYEES)

THIS NON-DISCLOSURE AND NON-USE AGREEMENT ("Agreement") is made this _____ day of _____, 20___, by and between _____, along with our Affiliates (collectively, "**us,**" "**we,**" "**our,**" or the "**Franchisee**"), and _____, along with any Affiliates (collectively, "**you**" or the "**Receiving Party**").

Introduction

Tierra Encantada Franchising LLC (the "**Franchisor**") and its Affiliates developed and own a format and system (the "**System**") for establishing and operating early childhood education centers providing warm, Spanish-language immersion learning environments for children featuring fresh cooked, globally inspired meals, under the name "Tierra Encantada" (each is referred to as a "**Tierra Encantada Center**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Tierra Encantada Center (the "**Franchised Center**") under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your relationship with or engagement by the Franchisee, you may learn of Franchisor's Confidential Information, Trade Secrets, and/or know-how concerning the System and the development, methods, and operation of a Tierra Encantada Center.

Now, therefore, it is agreed that as a consideration of starting or continuing your relationship, as a condition to the relationship and in recognition of the value of the relationship (which may include a financial benefit provided to you due to the relationship), you acknowledge and agree that you will comply with all of the following obligations:

1. Definitions. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Confidential Information**" means any information, knowledge, methods, or know-how concerning the System, the current or future development or operation of the Franchised Center, and/or the plans of the Franchisor or the Franchisee, that you may learn of or that otherwise becomes known to you during the time of, or as a result of, your relationship with or engagement by us (whether or not the Franchisor or we have specifically designated that information as "confidential"). Confidential Information may include, among other things, architectural plans, development documents, financial models, and operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part.

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b. The term "**Trade Secrets**" includes any information, knowledge, or documents related to, or included within, the Tierra Encantada Operations Manual. This includes the entirety of the Tierra Encantada Operations Manual, its supporting documentation, and files and documents included in the Franchisor's franchisee resource platform.

c. The term "**Affiliate**" means any business entity that directly, or indirectly through one or more intermediaries, controls or is controlled by the subject entity, or with which the subject entity is under common control.

d. The term "**Post-Term Period**" means a continuous uninterrupted period of ten (10) years from the date of: (a) termination or expiration of your relationship with or engagement by us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing this Agreement.

e. The term "**Unnecessary Person**" means a person that is not employed by the Receiving Party or a person that is employed by the Receiving Party but does not have an authorized need or purpose to have access to Confidential Information.

2. **Confidential Information**. You agree that, during the term of your relationship with or engagement by us and during the Post-Term Period, you (a) will keep and maintain the Confidential Information in strictest confidence and will use the same care and discretion (but in no event less than reasonable care and discretion) to protect and prevent disclosure of Confidential Information as you employ with similar information of your own, (b) will not disclose the Confidential information to any Unnecessary Person, and (c) will not use the Confidential Information for your own benefit nor in any way detrimental to us or the Franchisor. If Receiving Party is an entity, it agrees it shall be responsible for any breach of this Agreement by any of its directors, officers, employees or agents. You agree the Confidential Information shall remain the sole property of the Franchisor.

3. **Trade Secrets**. Notwithstanding anything to the contrary in this Agreement, the Receiving Party's confidentiality, non-use, and non-disclosure obligations under this Agreement as they pertain to Trade Secrets shall remain in effect for the duration of the relationship with or engagement by us, and survive the termination of the relationship with or engagement by us in perpetuity, or for so long as trade secrets may be protected as such under applicable law.

4. **Return and Destruction of Confidential Information**. Upon termination of your relationship with or engagement by us, or at any time earlier upon the request of us or the Franchisor, you shall promptly (i) return all Confidential Information (and all copies thereof) furnished to you pursuant hereto, (ii) destroy all copies of any notes, analyses, reports, software, compilations, studies, interpretations, or other documents prepared by you that contain, reflect or are based upon, in whole or in part, the Confidential Information, and (iii) confirm in writing that all such Confidential Information has been destroyed as required by this Section and that no copy thereof has been retained.

5. **Legal and Equitable Remedies**. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to us and/or the Franchisor, and that:

a. We or the Franchisor will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable

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relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

6. **Severability**. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

7. **Miscellaneous**. No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties. This Agreement may be amended only by a written instrument signed by both Parties. The section headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

8. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

9. **Jurisdiction; Applicable Law**. You agree that any lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in the courts of the county where Franchisor has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of Minnesota. In the event of any conflict of law, the laws of Minnesota shall prevail, without regard to, and without giving effect to, the application of Minnesota conflict of law rules.

IN WITNESS WHEREOF, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE:	**RECEIVING PARTY:**
Signature:_____	Signature:_____
Printed Name:_____	Printed Name:_____

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TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT G
TELEPHONE NUMBER ASSIGNMENT AGREEMENT AND POWER OF ATTORNEY

FOR VALUE RECEIVED, the undersigned ("Franchisee") irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement described below to Tierra Encantada Franchising LLC upon the following terms:

1. This assignment is made under the terms of the Tierra Encantada Franchising LLC Franchise Agreement dated _____, 20___ authorizing Franchisee to operate a Tierra Encantada Center (the "Franchise Agreement") between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers the Franchisee uses in the operation of the Franchised Center covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, the Franchisee's limited right of use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor's request, Franchisee will immediately sign all documents, pay all monies, and take all other actions necessary to transfer the listing and numbers to Franchisor.

3. The telephone numbers and affiliated listings subject to this assignment are:
Main Telephone: _____, Facsimile: _____ and all numbers on the rotary series and all numbers the Franchisee uses in the Franchised Center in the future.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listing it incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listing and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory advertising.

5. Franchisee appoints Franchisor as its attorney-in-fact to act in Franchisee's place for the purpose of assigning any telephone numbers covered by Paragraph 3 above to Franchisor or Franchisor's designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to exercise these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for ten (10) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person

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to perform the acts referred to in this instrument. This power of attorney is not affected by the Franchisee's later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

THE PARTIES have caused this Telephone Number Assignment Agreement and Power of Attorney to be duly signed as evidenced by their signatures appearing below. Signed the _____ day of _____, 20___.

FRANCHISOR: **TIERRA ENCANTADA FRANCHISING LLC**	**FRANCHISEE:** _____
By:_____ Name:_____ Title:_____	By:_____ Name:_____ Title:_____

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TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT H
FORM OF LEASE RIDER
(ATTACHED)

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LEASE RIDER

THIS LEASE RIDER is attached to the Lease between LANDLORD and TENANT dated _____, 20___ and is a part of the Lease. If any terms of this Lease Rider are different from or do not agree with the provisions of the Lease, LANDLORD and TENANT will follow and observe the provisions of this Lease Rider with regard to those terms.

BACKGROUND

A. Tenant is a franchisee of Tierra Encantada Franchising LLC ("Franchisor") for the operation of a Tierra Encantada® center. Landlord and Tenant have executed a lease agreement dated _____ ("Lease") for the premises located at _____ ("Leased Premises") for use by Tenant as its Tierra Encantada® center ("Franchised Business") in connection with a Franchise Agreement by and between Franchisor and Tenant ("Franchise Agreement");

B. Landlord acknowledges that Franchisor requires the modifications to the Lease set forth herein as a condition to its approving the Leased Premises as a site for the Franchised Business, and that Landlord agrees to modify and amend the Lease in accordance with the terms and conditions contained herein.

AGREEMENT

In consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder, Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have thirty (30) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than thirty (30) days after Franchisor's receipt of such notice. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

Franchisor – Tierra Encantada Franchising LLC
Attn: Kristen Denzer
2700 30th Avenue
Minneapolis, MN 55406

2. Use of Premises. The Premises may be used only for the purpose of operating an early childhood education center under the Tierra Encantada name, with all uses required as part of the Tierra Encantada system of operation. Landlord is prohibited from selling or leasing, or allowing the sublease of, any space in the building or on the property in or on which the Premises lies, to any person or entity for the operation of a business offering childcare and/or child educational services. Additionally, Landlord may not itself sell or offer, and will prohibit any other tenant or subtenant in the building, or on the property in or on which the Premises lies, from offering childcare and/or child educational services.

3. Tenant's Signage. Notwithstanding anything contained in the Lease to the contrary or in conflict, Landlord hereby grants and approves the following signage rights:

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a. Landlord agrees to allow Tenant to use Franchisor's standard sign and awning package to the maximum extent permitted by local governmental authorities.

b. Tenant shall be provided with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon as approved by Franchisor, including without limitation Franchisor's logo.

4. Termination of the Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated for any reason during the term of the Lease or any extension thereof, Tenant, upon the written request of Franchisor, shall assign to, at Franchisor's option: either (i) Franchisor or its parent, subsidiary, or affiliate; or (ii) another franchisee of Franchisor who meets Franchisor's requirements for operating as a franchisee within the Tierra Encantada system (a "Qualified Franchisee"); all of its rights, title and interest in and to the Lease, and Franchisor, its affiliate, or such Qualified Franchisee, as applicable, may agree to assume from the date of assignment all of Tenant's obligations remaining under the Lease, and may assume Tenant's occupancy rights for the remainder of the term of the Lease. Landlord hereby consents to the assignment of the Lease from Tenant to Franchisor, its parent, subsidiary, or affiliate, or a Qualified Franchisee, and shall not charge any fee or accelerate rent under the Lease. Alternatively, in the event of a termination of the Franchise Agreement, Franchisor may elect to enter into a new lease, or designate a Qualified Franchisee to enter into a new lease, with Landlord containing terms and conditions no less favorable than the Lease. Landlord and Tenant shall deliver possession of the Leased Premises to Franchisor, its parent, subsidiary, or affiliate, or the Qualified Franchisee, as applicable, free and clear of all rights of Tenant or third parties, subject to Franchisor, its parent, subsidiary or affiliate, or the Qualified Franchisee executing an acceptance of the assignment of Lease or new lease, as the case may be. Should Franchisor or its parent, subsidiary, or affiliate accept assignment of the Lease hereunder, Landlord agrees that it may thereafter assign its interest in the Lease to a Qualified Franchisee who would then become the lessee.

5. De-identification. If the Franchise Agreement between Franchisor and Tenant is terminated for any reason during the term of the Lease or any extension thereof, and the Lease is not assigned pursuant to the provisions herein, Tenant and Landlord acknowledge that Tenant is required to remove all of Franchisor's proprietary trademarks, service marks, trade dress, and signs, materials, designs and logos of Franchisor. Landlord will cooperate with Franchisor in enforcing such requirement, including without limitation, by allowing Franchisor, its employees and agents to enter the Leased Premises in order to enforce this provision; provided, that Landlord is not required to bear any expenses associated with the enforcement of this provision.

6. Franchisor Not a Guarantor. Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this Agreement or any other agreement, Franchisor shall in no way be construed as a guarantor or surety of Tenant's obligations under the Lease. Notwithstanding the foregoing, in the event Franchisor becomes the tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with Landlord, then Franchisor shall be liable for all of the obligations of Tenant on its part to be performed or observed under the Lease from and after the date of assignment, or the new lease.

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7. Third Party Beneficiary. Landlord and Tenant agree and acknowledge that Franchisor is an intended third-party beneficiary to the Lease, and as such, the Lease may not be amended or cancelled so as to affect any the Lease, or the intent of the same, without the prior written approval of Franchisor, which approval shall not be unreasonably withheld.

8. Lease Rider to Govern. The terms and conditions contained herein modify and supplement the Lease. Whenever any inconsistency or conflict exists between this Lease Rider and the Lease, the terms of this Lease Rider shall prevail.

9. Waiver. Failure of Franchisor to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its rights hereunder.

10. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

11. Injunctive Relief. In addition to other remedies available at law or in equity, Franchisor may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation Landlord of any covenant contained in this Lease Rider.

BY SIGNING THIS LEASE RIDER, TENANT AND LANDLORD AGREE THAT THEY HAVE READ AND UNDERSTAND ALL OF THE AGREEMENTS IN THIS LEASE RIDER AND THAT THE TERMS AND CONDITIONS OF THIS LEASE RIDER ARE FULLY INCORPORATED INTO THE LEASE AS IF FULLY SET FORTH THEREIN.

LANDLORD NAME,
a _____

By: _____
_____
(Name)
_____
(Title)

TENANT NAME,
a _____

By: _____
_____
(Name)
_____
(Title)

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TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT I
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

DO NOT SIGN THIS QUESTIONNAIRE IF YOU ARE LOCATED, OR YOUR TIERRA ENCANTADA CENTER WILL BE LOCATED, IN: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

As you know, Tierra Encantada Franchising LLC (the "**Franchisor**") and you are preparing to enter into a franchise agreement (the "**Franchise Agreement**") for the establishment and operation of an "**Tierra Encantada Center**." The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("**Broker**") that have not been authorized, or that were not disclosed in the Franchise Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor. *All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.*

In the event that you are intending to purchase an existing Tierra Encantada Center from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Tierra Encantada Center from an existing Franchisee?

Yes _____ No _____

2. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

_____
_____
_____
_____
_____
_____

4. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document ("**Disclosure Document**") that was provided to you?

Yes _____ No _____

5. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

6. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

_____
_____
_____
_____
_____
_____

7. Have you discussed the benefits and risks of establishing and operating a Tierra Encantada Center with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your Tierra Encantada Center will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

9. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Tierra Encantada Center operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating a Tierra Encantada Center that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue a Tierra Encantada Center will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating a Tierra Encantada Center that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Tierra Encantada Center?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

15. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

16. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

_____

If you have answered No to question 8, or Yes to any one of questions 9-16, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 8, and No to each of questions 9-16, please leave the following lines blank.

_____

_____

_____

_____

I signed the Franchise Agreement and Addendum (if any) on _____, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write “None”.

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C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this _____ day of _____, 20____.

INDIVIDUAL

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

_____
Print Name of Legal Entity

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

TIERRA ENCANTADA FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT J
STATE ADDENDA

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ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN CALIFORNIA

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company (**"Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ (**"Franchisee"**), whose principal business address is _____.

1. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in California and the Franchised Center that Franchisee will operate under the Franchise Agreement will be located in California, and/or (b) Franchisee is domiciled in California.

2. **BACKGROUND**. In the "Background" portion, Paragraph E is deleted in its entirety.

3. **ENTIRE AGREEMENT**. The following sentence is deleted from Section 25:

"Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. "

4. **ENTIRE AGREEMENT**. The following language is deleted from Section 25:

"no other representations having induced Franchisee to execute this Agreement."

5. **Release of Claims**. Section 27.10 is deleted in its entirety.

6. **FRANCHISEE'S INVESTIGATION OF THE BUSINESS POSSIBILITIES**. Section 28.1 is deleted in its entirety.

7. **Receipt of FDD and Complete Agreement**. Section 28.2 is deleted in its entirety.

8. **Franchisee Read the Agreement and Consulted**. Section 28.3 is deleted in its entirety.

9. **Success Depends on Franchisee**. Section 28.8 is deleted in its entirety.

10. **No Guarantees**. Section 28.10 is deleted in its entirety.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

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FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company (**"Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ (**"Franchisee"**), whose principal business address is _____.

BACKGROUND. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Franchised Center that Franchisee will operate under the Franchise Agreement will be located in Illinois, and/or (b) Franchisee is domiciled in Illinois.

11. **FORUM FOR LITIGATION**. The following sentence is added to the end of Section 27.4 ("Consent to Jurisdiction") of the Franchise Agreement:

> Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void.

12. **GOVERNING LAW**. Section 27.1 of the Franchise Agreement is deleted and replaced with the following:

> Illinois law shall govern this Agreement.

4. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following language is added as Section 28.11 of the Franchise Agreement:

> 17.17 Illinois Franchise Disclosure Act. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. Franchisee's rights upon termination and non-renewal of a franchise agreement are set forth in Section 19 and 20 of the Illinois Franchise Disclosure Act.

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IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN MARYLAND

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company (**"Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Maryland, and/or (b) the Franchised Center that Franchisee will operate under the Franchise Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Sections 2.2.4, 15.3.3, and 15.4 of the Franchise Agreement:

> However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **INSOLVENCY**. The following sentence is added to the end of Section 16.2 of the Franchise Agreement:

> Section 16.2 may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **FORUM FOR LITIGATION**. The following language is added to the end of Section 27.4 ("Consent to Jurisdiction") of the Franchise Agreement:

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

5. **GOVERNING LAW**. The following sentence is added to the end of Section 27.1 ("Governing Law") of the Franchise Agreement:

> Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that law.

6. **LIMITATION OF CLAIMS**. The following sentence is added to the end of Section 27.8 ("Limitation") of the Franchise Agreement:

> Franchisee must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after Franchisor grant Franchisee the franchise.

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7. **ACKNOWLEDGMENTS**. The following is added as a new Section 29 to the end of the Franchise Agreement:

29. ACKNOWLEDGEMENTS.

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

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company (**"Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) the Franchised Center that Franchisee will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

3. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

4. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3-5 which require (except in certain specified cases) (1) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of this the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

5. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers

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it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statues, Section 80C.12, Subd. 1(g).

6. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

8. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rules 2860.4400J. Also, a court will determine if a bond is required.

9. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

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IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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ADDENDUM TO THE
FRANCHISE AGREEMENT FOR USE IN THE
STATE OF NEW YORK

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company (**"Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, (the "Franchise Agreement"). This Addendum is being signed because (a) Franchisee is domiciled in the State of New York and the Franchised Center that Franchisee will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **RELEASES**. The following language is added to the end of Sections 2.2.4, 8.26, 15.3.3, and 15.4 of the Franchise Agreement:

> Notwithstanding the foregoing all rights enjoyed by Franchisee and any causes of action arising in Franchisee's 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 to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

3. **TERMINATION OF AGREEMENT - BY FRANCHISEE**. The following language is added as a new Section 16.7 of the Franchise Agreement:

> Franchisee also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

4. **INJUNCTIVE RELIEF.** The following sentence is added to the end of Section 18.9:

> Franchisor's right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

5. **FORUM FOR LITIGATION**. The following statement is added at the end of Section 27.4 of the Franchise Agreement:

> This section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

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6. **GOVERNING LAW.** The following is added to the end of Section 27.1 of the Franchise Agreement:

This section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company (**"Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is a resident of North Dakota and the Franchised Center that Franchisee will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES**. The following is added to the end of Sections 2.2.4, 8.26, 15.3.3, and 15.4 of the Franchise Agreement:

> Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANT NOT TO COMPETE**. The following is added to the end of Section 18.3 of the Franchise Agreement:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **GOVERNING LAW**. Section 27.1 of the Franchise Agreement is deleted and replaced with the following:

> EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, AND EXCEPT AS OTHERWISE REQUIRED BY NORTH DAKOTA LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND FRANCHISEE WILL BE GOVERNED BY THE LAWS OF THE STATE OF MINNESOTA WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

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5. **FORUM FOR LITIGATION**. The following is added to the end of Section 27.4 of the Franchise Agreement:

> NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, AND SUBJECT TO FRANCHISEE'S MEDIATION AND ARBITRATION OBLIGATIONS, FRANCHISEE MAY BRING AN ACTION IN NORTH DAKOTA FOR CLAIMS ARISING UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. To the extent required by the North Dakota Franchise Investment Law, Sections 27.6 and 27.7 of the Franchise Agreement are deleted.

7. **LIMITATIONS OF CLAIMS**. To the extent required by the North Dakota Franchise Investment Law, Section 27.8 of the Franchise Agreement is deleted.

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IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company (**"Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Rhode Island and the Franchised Center that Franchisee will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **NON-RENEWAL AND TERMINATION.** The following paragraph is added to the end of Sections 2.2 and 16.4:

> Section 6-50-4 of the Rhode Island Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law's requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

3. **GOVERNING LAW / FORUM FOR LITIGATION**. The following language is added to the end of Sections 27.1 and 27.4 of the Franchise Agreement:

> SECTION 19-28.1-14 OF THE RHODE ISLAND FRANCHISE INVESTMENT ACT PROVIDES THAT "A PROVISION IN A FRANCHISE AGREEMENT RESTRICTING JURISDICTION OR VENUE TO A FORUM OUTSIDE THIS STATE OR REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE IS VOID WITH RESPECT TO A CLAIM OTHERWISE ENFORCEABLE UNDER THIS ACT." TO THE EXTENT REQUIRED BY APPLICABLE LAW, RHODE ISLAND LAW WILL APPLY TO CLAIMS ARISING UNDER THE RHODE ISLAND FRANCHISE INVESTMENT ACT.

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IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT AND ALL RELATED AGREEMENTS

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company (**"Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ (**"Franchisee"**), whose principal business address is _____.

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **CONFLICT OF LAWS**. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **FRANCHISEE BILL OF RIGHTS**. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **SITE OF ARBITRATION, MEDIATION, AND/OR LITIGATION**. 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.

4. **GENERAL RELEASE**. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **STATUTE OF LIMITATIONS AND WAIVER OF JURY TRIAL**. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. **TERMINATION BY FRANCHISEE**. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **CERTAIN BUY-BACK PROVISIONS**. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **FAIR AND REASONABLE PRICING**. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **WAIVER OF EXEMPLARY & PUNITIVE DAMAGES**. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **FRANCHISOR'S BUSINESS JUDGMENT**. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **INDEMNIFICATION**. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **ATTORNEYS' FEES**. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **NONCOMPETITION COVENANTS**. 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **NONSOLICITATION AGREEMENTS**. 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.

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As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **QUESTIONNAIRES AND ACKNOWLEDGMENTS**. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **PROHIBITIONS ON COMMUNICATING WITH REGULATORS**. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **ADVISORY REGARDING FRANCHISE BROKERS**. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

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IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN WISCONSIN

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company (**"Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20____ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Wisconsin and the Franchised Center that Franchisee will operate under the Franchise Agreement will be located in Wisconsin; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Wisconsin.

2. **NON-RENEWAL AND TERMINATION.** The following paragraph is added to the end of Sections 2.2 and 16.4:

> Section 135.04 of the Wisconsin Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law's requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

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IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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EXHIBIT D
AREA DEVELOPMENT AGREEMENT

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TIERRA ENCANTADA FRANCHISING LLC

AREA DEVELOPMENT AGREEMENT

_____

AREA DEVELOPER

_____

DEVELOPMENT AREA

_____

EFFECTIVE DATE OF AGREEMENT

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AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into on this _____day of _____, 20___ (the "**Effective Date**"), by and between:

- Tierra Encantada Franchising LLC, a Minnesota limited liability company, whose principal place of business is 2700 30th Avenue, Minneapolis, Minnesota 55406 ("**Franchisor**"); and

- _____a [resident of] [corporation organized in] [limited liability company organized in] *[select one]*, having offices at ___ _____ _____ ("**Area Developer**").

BACKGROUND:

A. Franchisor owns a format and system (the "**System**") relating to the establishment and operation of early childhood education centers that feature and operate under the Proprietary Marks (as defined below) (each a "**Tierra Encantada Center**"). Tierra Encantada Centers provide warm, Spanish-language immersion learning environments for children featuring fresh cooked, globally inspired meals, under the name "Tierra Encantada."

B. The distinguishing characteristics of the System include distinctive interior trade dress; distinctive standards and specifications for the educational curriculum; specially formulated organic menus and standards and procedures of operating an in-center kitchen; equipment, materials, and supplies; uniform standards, specifications, and procedures for operations and customer service standards; purchasing and sourcing procedures; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark "Tierra Encantada" and other marks (the "**Proprietary Marks**").

D. Area Developer desires to obtain certain development rights to open and operate Tierra Encantada Centers under the System and the Proprietary Marks, as well as to receive other assistance provided by Franchisor in connection therewith.

NOW THEREFORE, the parties agree as follows:

1. **GRANT**

1.1 **Grant and Acceptance**. Franchisor grants development rights to Area Developer, and Area Developer undertakes the obligation, pursuant to the terms and conditions of this Agreement, to develop no less than the number of Tierra Encantada Centers (the "**Franchised Centers**") as set forth in Exhibit A to this Agreement. In this regard, the parties further agree that:

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1.1.1 Each Franchised Center developed hereunder shall be operated pursuant to a separate Tierra Encantada Franchising LLC Franchise Agreement (a "**Franchise Agreement**") that shall be executed as provided in Section 3.4 below.

1.1.2 For each Franchised Center to be developed under this Agreement, Area Developer shall execute the Franchise Agreement for such Franchised Center and open such Franchised Center for operation in accordance with the deadlines set forth in the development schedule specified in Paragraph 1 of Exhibit A to this Agreement (the "**Development Schedule**").

1.1.3 Each Franchised Center developed hereunder shall be at a specific location, which shall be designated in the Franchise Agreement, that is within the area described in Paragraph 2 of Exhibit A to this Agreement (the "**Development Area**").

1.2 **Development Area**. Except as otherwise set forth herein (including, without limitation, the rights retained by Franchisor as described in Section 1.3), during the term of this Agreement, and so long as Area Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Area Developer (including any affiliate of Area Developer), Franchisor shall not establish or operate, or license anyone other than Area Developer to establish or operate, a Tierra Encantada Center under the Proprietary Marks and System at any location that is within the Development Area.

1.3 **Franchisor's Reserved Rights**. Notwithstanding anything to the contrary, Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Area Developer any rights therein:

1.3.1 To own, acquire, establish, and/or operate and license others to establish and operate, Tierra Encantada Centers under the System at any location outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Centers;

1.3.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from Tierra Encantada Centers, at any location within or outside the Development Area, notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Centers;

1.3.3 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products through catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet), including products bearing Franchisor's Proprietary Marks;

1.3.4 To (i) acquire one or more retail businesses that are the same as, or similar to, Tierra Encantada Centers then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Centers, and to (ii) operate and/or license others to operate any Acquired Business

under its existing name or as a Tierra Encantada Center under the System, subject to the following conditions that apply to each Acquired Business located within the Development Area:

1.3.4.1 Provided that Area Developer is in compliance with this Agreement and any other agreement with Franchisor, Franchisor may, in its sole discretion, offer to Area Developer the option to purchase and operate, as a Tierra Encantada Center, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. If Franchisor in its discretion offers to Area Developer such an option, Franchisor shall provide Area Developer with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Area Developer's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Area Developer shall include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below), then Area Developer's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction; and (b) the requirement that Area Developer enter into Franchisor's then-current form of System franchise agreement for the Acquired Business, provided that Area Developer shall not be required to pay an initial franchise fee for an Acquired Business. If Area Developer does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall retain its right to operate itself, or through its affiliates or third party licensees or franchisees, the Acquired Business under any trade name, service mark, or trademarks including the Proprietary Marks. If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Franchisor may also license to a licensee or franchisee under the Acquired System additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Development Area.

1.4 **No Rights to Use the System**. This Agreement is not a Franchise Agreement, and does not grant to Area Developer any right to use the Proprietary Marks or the System or to sell or distribute any products or services. Area Developer's rights to use the Proprietary Marks and System will be granted solely under the terms of the Franchise Agreement.

2. TERM

Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement shall commence on the date hereof and shall expire on the earlier of (i) the date the final Franchise Agreement is executed by Area Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Franchised Centers to be located in the Development Area as set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit A; or (ii) the final date set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit A (the "**Expiration Date**").

3. DEVELOPMENT OBLIGATIONS

3.1 **Time is of the Essence**. Recognizing that time is of the essence, Area Developer shall comply strictly with the Development Schedule. Area Developer acknowledges and agrees that the

Development Schedule requires that Area Developer have executed and delivered to Franchisor Franchise Agreements for a cumulative number of Franchised Centers by the end of the time periods specified in Exhibit A.

3.2 **Site Acquisition**. Area Developer shall be solely responsible for identifying, submitting for Franchisor's approval, and securing specific sites for each Franchised Center. The following terms and conditions shall apply to each Franchised Center to be developed hereunder:

3.2.1 Before the acquisition by lease or purchase of the site for the Franchised Center, Area Developer shall submit to Franchisor site information and materials required by Franchisor, which may include, but not be limited to, Area Developer's proposed lease. Franchisor shall have ten (10) business days after receipt of the information and materials requested by Franchisor to approve or disapprove Area Developer's proposed site. No site will be deemed approved unless Franchisor has expressly approved it in writing by notice of site approval sent to Area Developer. If Area Developer does not receive Franchisor's express written acceptance of Area Developer's proposed site within thirty (30) days after Area Developer submits all of the information requested by Franchisor, Franchisor's failure to respond will be deemed a disapproval of the proposed site. Area Developer hereby acknowledges and agrees that Franchisor's examination and approval of a site does not constitute a representation, guaranty, or warranty, express or implied, of the successful operation or profitability of a Franchised Center at that location. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Area Developer's expectations as to revenue or operational criteria.

3.2.2 Following Franchisor's approval of a proposed site, Area Developer shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 3.3 below, or a binding purchase agreement, and shall do so within sixty (60) business days of approval of the site by Franchisor. Area Developer shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement. The site approved and secured pursuant to this Agreement shall be specified as the "Approved Location" under the Franchise Agreement executed pursuant Section 3.4 below.

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

3.3 **Lease Terms**. For each Franchised Center to be developed hereunder, if Area Developer will occupy the premises from which the Franchised Center will be operated under a lease or sublease, Area Developer shall, prior to execution of such lease, submit the lease to Franchisor for its review and

approval; provided, however, if pre-submission to Franchisor is not possible, then Area Developer may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time. A Lease Rider containing Franchisor's current requirements is included in Exhibit D to this Agreement, which Franchisee must execute and must cause to be executed by the landlord to its lease as a condition to Franchisor's approval hereunder. In addition, Franchisor may require Area Developer to furnish Franchisor with a copy of the signed lease within five (5) days after its execution.

3.4 **Franchise Agreements**. With respect to the Franchise Agreements to be executed for the Franchised Centers to be developed pursuant to this Agreement, the following terms and conditions shall apply:

3.4.1 The Franchise Agreement for the first Franchised Center to be developed under this Agreement shall be executed simultaneously with the execution of this Agreement.

3.4.2 The Franchise Agreement for each subsequent Franchised Center to be developed under this Agreement shall be Franchisor's then-current form of Franchise Agreement, the terms of which may differ from the terms of the Franchise Agreement executed simultaneously with this Agreement including, without limitation, higher and/or additional fees; provided, however, so long as Area Developer is in compliance with this Agreement, the Franchise fee (as set forth in Section 4.2 below) and the royalty fee shall each be the same as set forth in the first Franchise Agreement executed simultaneously with this Agreement.

3.4.3 Franchisor shall permit one or more Franchise Agreements to be executed by entities other than Area Developer; provided that (a) each such franchisee entity is controlled by, or under common control with, Area Developer, and (b) the Area Developer and all Principals (as defined in Section 9.1 below) of Area Developer requested by Franchisor execute guarantees, guarantying to Franchisor the timely payment and performance of franchisee's obligations under the Franchise Agreement.

3.4.4 Area Developer will execute a Franchise Agreement for each Franchised Center in accordance with the Development Schedule set forth on Exhibit A. Area Developer shall thereafter comply with all pre-opening and opening requirements set forth in the Franchise Agreement relating to the Franchised Center.

3.5 **Force Majeure Events**. Area Developer shall not be responsible for non-performance or delay in performance occasioned by a "**force majeure,**" which means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Area Developer; provided, however, force majeure shall not include Area Developer's lack of adequate financing. If any delay occurs, any applicable time period hereunder shall be automatically extended for a period equal to the time lost; provided, however, that Area Developer shall make reasonable efforts to correct the reason for such delay and give Franchisor prompt written notice of any such delay.

4. DEVELOPMENT FEE AND INITIAL FRANCHISE FEE

4.1 **Area Development Fee**. In consideration of the development rights granted herein, upon execution of this Agreement, Area Developer shall pay an area development fee ("**Area Development Fee**") that is equal to Sixty Thousand Dollars ($60,000) for the first Franchised Center, plus Forty Thousand Dollars ($40,000) for the second Franchised Center, and plus an additional Twenty-Five Thousand Dollars ($25,000) for each additional Franchised Center to be developed and opened within the Development Area during the term of this Agreement and in accordance with the Development Schedule, the total amount of such Area Development Fee is specified in Paragraph 3 of Exhibit A. Receipt of the Area Development Fee is hereby acknowledged. The Area Developer expressly acknowledges and agrees that the Area Development Fee is fully earned and nonrefundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted herein to Area Developer, even if Area Developer does not enter into any Franchise Agreements pursuant to this Agreement.

4.2 **Credit Towards Franchise Fee**. Area Developer will not pay an initial franchise fee ("**Franchise Fee**") for any of the Tierra Encantada Centers to be developed under this Agreement.

5. DUTIES OF THE PARTIES

5.1 **Franchisor's Assistance**. Franchisor shall furnish to Area Developer the following:

5.1.1 Site selection guidelines, including Franchisor's minimum standards for Tierra Encantada Center sites and sources regarding demographic information, and such site selection counseling and assistance as Franchisor may deem advisable.

5.1.2 Such on-site evaluation as Franchisor deems advisable in response to Area Developer's request for site approval for each Franchised Center; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of an approval for such site pursuant to Section 3.2.

5.2 **Designated Principal**. If Area Developer is other than an individual, Area Developer shall designate, subject to Franchisor's reasonable approval, one Principal (as defined in Section 9.1) who is both an individual person and owns at least a ten percent (10%) of Area Developer, and who shall be responsible for general oversight and management of the development of the Franchised Centers under this Agreement and the operations of all such Franchised Centers open and in operation on behalf of Area Developer (the "**Designated Principal**"). Area Developer acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Principal to have been given, by Area Developer, the responsibility and decision-making authority regarding the Area Developer's business and operation. In the event the person designated as the Designated Principal becomes incapacitated, leaves the employ of Area Developer, transfers his/her interest in Area Developer, or otherwise ceases to supervise the development of the Franchised Centers, Area Developer shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

5.3 **Records and Reports to Franchisor**. Area Developer shall, at Area Developer's expense, comply with the following requirements to prepare and submit to Franchisor the following

reports, financial statements and other data, which shall be prepared in the form and using the standard statements and chart of accounts as Franchisor may prescribe from time to time:

5.3.1 No later than the fifteenth (15th) day of each calendar month, Area Developer shall have prepared a profit and loss statement reflecting all Area Developer's operations during the last preceding calendar month, for each Franchised Center. Area Developer shall prepare profit and loss statements on an accrual basis and in accordance with generally accepted accounting principles. Area Developer shall submit such statements to Franchisor at such times as Franchisor may designate or as Franchisor may otherwise request.

5.3.2 On April 15th of the year following the end of Area Developer's fiscal year, a complete annual financial statement (prepared according to generally accepted accounting principles), on a compilation basis, and if required by Franchisor, such statements shall be prepared by an independent certified public accountant.

5.3.3 Such other forms, reports, records, information, and data as Franchisor may reasonably designate.

5.4 **Maintaining Records**. Area Developer shall maintain during the term of this Agreement, and shall preserve for at least seven (7) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Area Developer's expense, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles.

6. DEFAULT AND TERMINATION

6.1 **Automatic Termination**. Area Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Area Developer, if Area Developer becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Area Developer or such a petition is filed against and not opposed by Area Developer; if Area Developer is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer; if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Area Developer; if final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Area Developer is dissolved; if execution is levied against any asset of Area Developer or Area Developer's Franchised Centers; if suit to foreclose any lien or mortgage against any asset of Area Developer or Area Developer's Franchised Centers is instituted against Area Developer and not dismissed within thirty (30) days; or if any asset of Area Developer's or any Franchised Center of Area Developer's shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 **Termination Upon Notice**. Area Developer shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.5 below, without affording Area Developer any opportunity to cure

the default, effective immediately upon the provision of notice to Area Developer (in the manner provided under Section 10 hereof), upon the occurrence of any of the following events of default:

6.2.1 If the Franchise Agreement for any Franchised Center operated by Area Developer (or an entity affiliated with Area Developer) is terminated.

6.2.2 If Area Developer or any Principal is convicted of a felony, a crime involving moral turpitude, or any other crime or action that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

6.2.3 If Area Developer or any Principal purports to transfer any rights or obligations under this Agreement or any the assets of Area Developer in a manner that is contrary to the terms of Section 7 of this Agreement.

6.2.4 If any Franchised Center operated by Area Developer (or an entity affiliated with Area Developer) at any time ceases to operate or is otherwise abandoned for a period of two (2) consecutive days unless such closure is approved in writing by Franchisor, or excused by *force majeure*.

6.2.5 If Area Developer misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System.

6.2.6 If Area Developer breaches any material provision of this Agreement which breach is not susceptible to cure.

6.3 **Notice and Opportunity to Cure – For a Missed Deadline**. Failure by Area Developer to meet a deadline under the Development Schedule (a "**Missed Deadline**") shall constitute a default under this Agreement. Upon the occurrence of a Missed Deadline, Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder without affording Area Developer any further opportunity to cure the default, effective immediately upon the delivery of written notice to Area Developer (in the manner set forth in Section 10 of this Agreement); or Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to take any of the actions described in Section 6.5 below.

6.4 **Notice and Opportunity to Cure Other Defaults**. Except as otherwise provided in Sections 6.1, 6.2 , and 6.3 above, if Area Developer fails to comply with any material term and condition of this Agreement, such action shall constitute a default under this Agreement and, upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Area Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Area Developer may avoid termination by curing the default to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the 30-day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including but not limited to, the right to develop new Franchised Centers) will terminate without further notice to Area Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

6.5 **Franchisor's Other Options Upon Default**. Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Area Developer's breach of this Agreement, which include, but are not limited to: (i) termination of the credit towards Franchise Fees granted in Section 4.2 hereof; (ii) loss of the limited exclusivity, or reduction in the scope of protections, granted to Area Developer under Section 1.2 herein for the Development Area; (iii) reduction in the scope of the Development Area; (iv) reduction in the number of Franchised Centers to be developed by Area Developer; and/or (v) Franchisor's retention of all area development fees paid, or owed, by Area Developer. If Franchisor exercises said right, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement.

6.6 **No Further Rights**. Upon termination or expiration of this Agreement, Area Developer shall have no right to establish or operate any Tierra Encantada Center for which a Franchise Agreement has not been executed by Franchisor at the time of termination or expiration. Franchisor's remedies for Area Developer's breach of this Agreement shall include, without limitation, Area Developer's loss of its right to develop additional Franchised Centers under this Agreement, and Franchisor's retention of all area development fees paid or owed by Area Developer. Upon termination or expiration, Franchisor shall be entitled to establish, and to franchise others to establish, Tierra Encantada Centers in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Area Developer or Area Developer's affiliates (as permitted under Section 3.4.3 above).

7. TRANSFER OF INTEREST

7.1 **Franchisor's Rights to Transfer**. Franchisor shall have the right, without the need for Area Developer's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Area Developer expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

7.2 **No Transfers Without Franchisor's Approval**. Area Developer understands and acknowledges that Franchisor has granted the rights hereunder in reliance on the business skill, financial capacity, and personal character of Area Developer or the Principals of Area Developer if Area Developer is not an individual. Accordingly, neither Area Developer nor any Principal shall sell, assign, transfer, pledge or otherwise encumber any direct or indirect interest in the Area Developer (including any direct or indirect interest in a corporate or partnership Area Developer), the rights or obligations of Area Developer under this Agreement, or any material asset of the Area Developer's business, without the prior written consent of Franchisor, which shall be subject to Sections 7.3 and 7.4 below and to all of the conditions and requirements for transfers set forth in the Franchise Agreement executed simultaneously with this Agreement that Franchisor deems applicable to a proposed transfer under this Agreement. In addition, Area Developer's first Franchised Center under its first Franchise Agreement must be open and operating, and Area Developer must be in compliance with the Development

Schedule (and all other terms of this Agreement and all Franchise Agreements and other agreements between Area Development and its affiliates, and Franchisor).

7.3 **Simultaneous Transfers**. Area Developer understands and acknowledges that any consent to a transfer of this Agreement shall, unless waived, be conditioned on, among other factors, the requirement that the proposed transfer of this Agreement is to be made in conjunction with a simultaneous transfer of all Franchise Agreements executed pursuant to this Agreement to the same approved transferee.

7.4 **Transfer Fee**. At the request of Franchisor, Area Developer shall pay a transfer fee of an amount equal to one hundred percent (100%) of the Area Development Fee paid to Franchisor for each Franchised Center that remains to be developed and opened in order to satisfy the Development Schedule. Additionally, for any Franchise Agreements executed pursuant to this Agreement that are transferred, the transfer fee due under such Franchise Agreement(s) shall be paid to Franchisor pursuant to the terms of such Franchise Agreement(s).

7.5 **Transfer to Entity Formed for Convenience by Area Developer**. Notwithstanding anything to the contrary in this Section 7, if Area Developer is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 7.4 shall not apply, and Area Developer may undertake such transfer, provided that: (a) Area Developer owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Area Developer and any other Principal(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Area Developer under this Agreement; (c) Area Developer executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to developing and operating the Franchised Centers; and (e) Area Developer and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

8. COVENANTS

8.1 **Confidential Information**. Area Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Area Developer by Franchisor, and shall disclose such information or materials only to such of Area Developer's employees or agents who must have access to it in connection with their employment. Area Developer shall not at any time, during the term of this Agreement or thereafter, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

8.2 **During the Term**. Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and confidential information, which may include, without limitation, information regarding the operational, sales, advertising and promotional methods and techniques of Franchisor and the System. Area Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Area Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

8.2.1 Divert or attempt to divert any business or guest of any Tierra Encantada Center or of any unit under the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

8.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered (i) any business offering childcare and/or educational opportunities for children under the age of 12; and/or (ii) any business that is the same as or similar to a Tierra Encantada Center. Area Developer acknowledges and agrees that Area Developer shall be considered in default under this Agreement and that this Agreement will be subject to immediate termination as provided in Section 6.2 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Area Developer (or, if Area Developer is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 8.2.2 if such person was subject to the covenants of this Section 8.2.2.

8.3 **After the Agreement and After a Transfer**. Area Developer covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years from the date of (a) a transfer permitted under Section 7 above; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 8.3; or (e) any or all of the foregoing, Area Developer shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, corporation, or other entity, own, maintain, operate, engage in, be employed by, or have any interest in any Competitive Business, which is, or is intended to be, located (i) within the Development Area (other than those Franchised Centers provided for in the Development Schedule), or (ii) within a radius of twenty (20) miles of any other Tierra Encantada Center in operation or under construction on the effective date of termination or expiration located anywhere. Provided, however, that this provision shall not apply to the operation by Area Developer of any business under the System under a franchise agreement with Franchisor.

8.4 **Exception for Ownership in Public Entities**. Sections 8.2 and 8.3 hereof shall not apply to ownership by Area Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term "**publicly held corporation**" refers to a corporation which has outstanding securities that have been registered under the federal Securities Exchange Act of 1934.

8.5 **Personal Covenants**. At the request of Franchisor, Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 8 (including covenants applicable upon the termination of a person's relationship with Area Developer) and the provisions of Sections 6 and 7 of this Agreement (as modified to apply to an individual) from all managers and other personnel employed by Area Developer who have received or will receive training and/or other confidential information, or who are or may be involved in the operation or development of the Franchised Centers. Every covenant required by this Section 8.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.6 **Covenants as Independent Clauses**. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Area Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.7 **Franchisor's Right to Reduce Scope of the Covenants**. Area Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof; and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 15 hereof.

8.8 **Covenants Survive Claims**. Area Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Area Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 **Compliance with Laws**. Area Developer represents and warrants to Franchisor that neither Area Developer (including, without limitation, any and all of its Principals, employees, directors, officers and other representatives) nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

9. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

9.1 **List of Principals**. If Area Developer is a corporation, limited liability company, or partnership, each owner of beneficial interest in Area Developer (each a "**Principal**"), and the interest of each Principal in Area Developer, shall be identified in Exhibit B to the Agreement. Area Developer shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 7 above. As set forth in Section 5.2 above, the Designated Principal shall at all times have at least a ten percent (10%) interest in Area Developer.

9.2 **Guaranty, Indemnification, and Acknowledgment**. Each Principal shall execute a guaranty, indemnification, and acknowledgment of Area Developer's covenants and obligations under this Agreement in the form attached hereto as Exhibit C.

9.3 **Corporations and Limited Liability Companies**. If Area Developer is a corporation or limited liability company, Area Developer shall comply with the following requirements:

9.3.1 Area Developer shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Centers.

9.3.2 Area Developer shall, upon request of Franchisor, promptly furnished to Franchisor copies of Area Developer's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

9.3.3 Area Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Area Developer shall conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 9.3.3 shall not apply to a publicly held corporation.

9.4 **Partnerships and Limited Liability Partnerships**. If Area Developer or any successor to or assignee of Area Developer is a partnership or limited liability partnership, Area Developer shall comply with the following requirements:

9.4.1 Area Developer shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Centers.

9.4.2 Area Developer shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

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

10. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party, and provided that Franchisor may provide Area Developer notice electronically to the email address included on the signature page of this Agreement, read receipt requested, unless and until a different email address has been designated by written notice to Franchisor. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

11. PERMITS AND COMPLIANCE WITH THE LAWS

11.1 **Compliance with Laws**. Area Developer shall comply with all federal, state, and local laws, rules and regulations, and shall timely obtain, and maintain in good standing, any and all permits,

certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

11.2 **Notice of Actions**. Area Developer shall notify Franchisor in writing within five (5) days of the receipt of any demand letter, commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of Area Developer and/or any Franchised Center established under this Agreement.

12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

12.1 **No Fiduciary Relationship**. Area Developer is an independent contractor. Franchisor and Area Developer are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship.

12.2 **Public Notice**. During the term of this Agreement, Area Developer shall hold itself out to the public as an independent contractor operating the business pursuant to an area development agreement with Franchisor. Area Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of the fact in a conspicuous place in Area Developer's offices, the content of which Franchisor reserves the right to specify.

12.3 **No Assumption of Liability**. Nothing in this Agreement authorizes Area Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Area Developer in Area Developer's operations hereunder, or for any claim or judgment arising therefrom against Area Developer or Franchisor.

12.4 **Indemnification**. Area Developer shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with Area Developer's operation of the business contemplated hereunder (notwithstanding any claims that the Indemnitees are or were negligent). Area Developer agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Area Developer, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as prima facie evidence of Area Developer's obligation hereunder.

13. APPROVALS AND WAIVERS

13.1 **Approval Requests**. Whenever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor therefor, and such approval or consent shall be in writing. Franchisor shall respond to Area Developer's timely requests in a reasonably timely and prompt manner.

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

14. SEVERABILITY AND CONSTRUCTION

14.1 **Severable Parts**. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2 **Terms Surviving this Agreement**. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), shall survive such expiration, termination.

14.3 **No Rights on Third Parties**. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Area Developer, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor, any rights or remedies under or by reason of this Agreement.

14.4 **Full Scope of Terms**. Area Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final

decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

14.5 **Franchisor's Application of its Rights**. Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Area Developer a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it take applies differently to Area Developer and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Area Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Area Developer for any such decision or action. Franchisor and Area Developer intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Area Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Area Developer's rights and obligations hereunder.

14.6 **Captions Only for Convenience**. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

15. ENTIRE AGREEMENT

Franchisor and Area Developer, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Area Developer which are uncertain, Franchisor and Area Developer, each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Area Developer agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Area Developer or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Area Developer or the relationship between them. Franchisor and Area Developer agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between

Franchisor and Area Developer concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Area Developer to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 15 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

16. APPLICABLE LAW AND DISPUTE RESOLUTION

16.1 **Governing Law**. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of Minnesota. In the event of any conflict of law, the laws of Minnesota shall prevail, without regard to, and without giving effect to, the application of Minnesota conflict of law rules. Nothing in this Section 16.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Minnesota or of any other state to which it would not otherwise be subject.

16.2 **Non-Binding Mediation**. Before any party may bring an action in arbitration or in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. All mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then current principal place of business, unless Franchisor agrees otherwise in writing. Notwithstanding anything to the contrary, this Section 16.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Area Developer's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Area Developer shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 16.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

16.3 **Arbitration.** Franchisor and Area Developer agree that, except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or confidential information, all controversies, disputes, or claims between Franchisor and Area Developer's affiliates, and Franchisor's and their respective shareholders, members, officers, directors, agents, and/or employees, and Area Developer (and/or Area Developer's owners, guarantors, affiliates, and/or employees) arising out of or related to:

(1) this Agreement or any other agreement between Area Developer and Franchisor;

(2) Franchisor's relationship with Area Developer;

(3) the validity of this Agreement or any other agreement between Area Developer and Franchisor; or

(4) any System standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association in the United States ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator which is within a five (5) mile radius of Franchisor's then current principal place of business. The arbitrator shall have no authority to select a different hearing locale. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

16.3.1 The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, as expressly provided in Section 16.9 below, award any punitive, exemplary or multiple damages against either party.

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

16.3.3 Franchisor and Area Developer agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates their respective shareholders, officers, directors, agents, and employees, and Area Developer (including owners, guarantors, affiliates, and employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

16.3.4 Despite Franchisor's and Area Developer's agreement to arbitrate, Franchisor and Area Developer each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Area Developer must contemporaneously submit Franchisor's dispute for arbitration on the merits as provided in this Section.

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

16.4 **Consent to Jurisdiction**. Subject to the mediation and arbitration obligations in Sections 16.2 and 16.3, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where Franchisor's principal place of business is then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any federal or state court in the county in which Area Developer resides or the Development Area is located.

16.5 **No Rights Exclusive of Other Rights**. No right or remedy conferred upon or reserved to Franchisor or Area Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

16.6 **WAIVER OF JURY TRIAL**. FRANCHISOR AND AREA DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER.

16.7 **Limitation**. Any and all claims and actions arising out of or relating to this Agreement and/or the relationship of Area Developer and Franchisor, brought by either party hereto against the other, whether in mediation, in arbitration or in court, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be forever barred.

16.8 **WAIVER OF RICO**. THE PARTIES HERETO AGREE TO WAIVE, NOW AND FOREVER, ANY AND ALL RIGHTS EITHER MAY HAVE UNDER THE FEDERAL STATUTE KNOWN AS RICO.

16.9 **WAIVER OF PUNITIVE DAMAGES**. FRANCHISOR AND AREA DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

16.10 **Release of Claims**. By executing this Agreement, Area Developer, on behalf of itself and its heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its members, officers, directors, employees, agents and servants, including Franchisor's subsidiary and affiliated corporations, their respective members, officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof.

16.11 **Injunctive Relief**. Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

16.12 **Counterparts; Paragraph Headings; Pronouns**. This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. All captions and paragraph headings in this Agreement are intended solely for the

convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. Each pronoun used herein shall be deemed to include the other number of genders.

16.13 **Attorneys' Fees**. In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Area Developer hereunder, or to defend against any claim, demand, action or proceeding by reason of Area Developer's failure to perform any obligation imposed upon Area Developer by this Agreement, Franchisor shall be entitled to recover from Area Developer the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

17. ACKNOWLEDGMENTS

17.1 **AREA DEVELOPER'S INVESTIGATION OF THE BUSINESS POSSIBILITIES**. AREA DEVELOPER ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF DEVELOPING AND OPERATING TIERRA ENCANTADA CENTERS, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF AREA DEVELOPER (OR, IF AREA DEVELOPER IS A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, THE ABILITY OF ITS PRINCIPALS) AS (AN) INDEPENDENT BUSINESSPERSON(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND AREA DEVELOPER ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. AREA DEVELOPER ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER ORAL OR WRITTEN) ARE HEREBY CANCELLED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. AREA DEVELOPER FURTHER ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED ON ANY REPRESENTATIONS ABOUT THE FRANCHISE BY THE FRANCHISOR, OR ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENTS TO THE FRANCHISOR, AS AN INDUCEMENT TO ENTRY INTO THIS AGREEMENT, THAT AREA DEVELOPER HAS MADE NO MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

17.2 **Receipt of FDD and Complete Agreement**. Area Developer acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Area Developer further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document ("**FDD"**), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Area Developer for the rights granted under this Agreement. Area Developer further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Area Developer of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

17.3 **Area Developer Read the Agreement and Consulted**. Area Developer acknowledges that it has read and understood Franchisor's FDD and this Agreement, the attachments hereto, and

agreements relating thereto, if any, and that Franchisor has accorded Area Developer ample time and opportunity to consult with advisors of Area Developer's own choosing about the potential benefits and risks of entering into this Agreement.

17.4 **No Conflicting Obligations**. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

17.5 **Patriot Act**. Area Developer represents and warrants that to its actual knowledge: (i) neither Area Developer, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Area Developer, nor any Area Developer affiliate or related party, or any funding source for any Franchised Center, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither Area Developer nor any Area Developer affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Area Developer nor any Area Developer affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Area Developer nor any Area Developer affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither Area Developer nor any Area Developer affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Area Developer nor any Area Developer affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Area Developer agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

17.6 **No Waiver or Disclaimer of Reliance in Certain States**. The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

[SIGNATURE PAGE FOLLOWS]

TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Area Development Agreement in duplicate on the day and year first above written.

FRANCHISOR:
TIERRA ENCANTADA FRANCHISING LLC

By:_____

Name:_____

Title:_____

Address for Notices:

Attn: Chief Executive Officer
Tierra Encantada Franchising LLC
2700 30th Avenue
Minneapolis, Minnesota 55406

With copy to:

EntrePartner Law Firm, PLLC
635 9th Street Southeast
Suite 235
Minneapolis, Minnesota 55414

AREA DEVELOPER:
_____

By:_____

Name:_____

Title:_____

Address for Notices:

Attn:_____
_____
_____
Email:_____
Telephone:_____
Fax:_____

With copy to:

TIERRA ENCANTADA FRANCHISING LLC AREA DEVELOPMENT AGREEMENT
EXHIBIT A
DATA SHEET

1. **Development Schedule** (see Section 1.1): Area Developer shall execute Franchise Agreements for the development and operation of _____ (___) Franchised Centers, and open Franchised Centers for operation, within the Development Area in accordance with the following Development Schedule:

Center Number	Date by Which Franchise Agreement Must be Signed	Date by Which Franchised Center Must Be Open & Operating	Cumulative Number of Tierra Encantada Centers to be Open and Operating by Area Developer in the Development Area
1	Date of this Agreement.		1
2			2
3			3

For the purposes of determining compliance with this Development Schedule, only the Tierra Encantada Centers Area Developer actually opens and continuously operates in the Development Area for at least the first six (6) months after opening will be counted toward the number of Tierra Encantada Centers required to be open and operated above.

The Expiration Date of this Agreement, as defined in Section 2, shall be the earlier of (i) the date the final Franchise Agreement is executed by Area Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Franchised Centers to be located in the Development Area as set forth in the Development Schedule above; or (ii) the final date set forth in the Development Schedule above.

2. **Development Area** (see Section 1.1): The Development Area shall be defined as the following:

_____

_____

If the Development Area references one or more sites yet to be determined, then Franchisor reserves the right to develop and operate Tierra Encantada Centers in and around the above-described city, county, or area, and to sell franchises and grant territories to others – including through area development agreements – who will operate Tierra Encantada Centers in and around the above-described area. Area Developer may then be required to choose a final location for a Tierra Encantada Center outside of any protected territory given to any other franchisee or area developer, which final location may be outside of the area identified above.

3. **Area Development Fee** (see Section 4.1): In accordance with the total number of Franchised Centers to be developed and opened within the Development Area, the total Area Development Fee shall be $_____.

TIERRA ENCANTADA FRANCHISING LLC **AREA DEVELOPER**

Initial:_____ Date:_____ **Initial:_____ Date:_____**

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TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT B
LIST OF PRINCIPALS & DESIGNATED PRINCIPAL

The following identifies all of Area Developer's Principals (as defined in Section 9.1 of the Area Development Agreement):

Name of Principal	Address, Telephone, E-mail	Interest (%) with Description
		Total %:

AREA DEVELOPER'S DESIGNATED PRINCIPAL

The following identifies Area Developer's Designated Principal (as defined in Section 5.2 of the Area Development Agreement):

Name of Designated Principal	Address, Telephone, E-mail	Interest (%) with Description

TIERRA ENCANTADA FRANCHISING LLC

Initial:_____ Date:_____

AREA DEVELOPER

Initial:_____ Date:_____

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TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT C
GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Tierra Encantada Franchising LLC ("**Franchisor**") to enter into the Area Development Agreement between Franchisor and _____ ("**Area Developer**"), dated _____, 20___ (the "**Agreement**"), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor's successors and assigns that all of Area Developer's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this "**Guaranty**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Area Developer under the Agreement and waive any right to require Franchisor to: (a) proceed against Area Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Area Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Area Developer; or (d) give notice of demand for payment by Area Developer. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Area Developer, or settle, adjust, or compromise any claims against Area Developer, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Developer to perform any obligation of Area Developer under the Agreement, any amendment thereto, or any other agreement executed by Area Developer referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 7 and 8. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Area Developer by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the "Tierra Encantada" marks or system licensed to Area Developer under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

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The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under Section 10 of the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of the State of Minnesota. In the event of any conflict of law, the laws of the State of Minnesota shall prevail (without regard to, and without giving effect to, the application of Minnesota conflict of law rules).

[Signature page follows.]

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IN WITNESS WHEREOF, the undersigned has executed this Guaranty, Indemnification and Acknowledgment as of the date of the Agreement.

GUARANTOR(S):

_____

Print Name:_____

_____

Print Name:_____

_____

Print Name:_____

_____

Print Name:_____

_____

Print Name:_____

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TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT D
FORM OF LEASE RIDER
(ATTACHED)

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LEASE RIDER

THIS LEASE RIDER is attached to the Lease between LANDLORD and TENANT dated _____, 20___, and is a part of the Lease. If any terms of this Lease Rider are different from or do not agree with the provisions of the Lease, LANDLORD and TENANT will follow and observe the provisions of this Lease Rider with regard to those terms.

BACKGROUND

A. Tenant is a franchisee of Tierra Encantada Franchising LLC ("Franchisor") for the operation of a Tierra Encantada® center. Landlord and Tenant have executed a lease agreement dated _____ ("Lease") for the premises located at _____ ("Leased Premises") for use by Tenant as its Tierra Encantada® center ("Franchised Business") in connection with a Franchise Agreement by and between Franchisor and Tenant ("Franchise Agreement");

B. Landlord acknowledges that Franchisor requires the modifications to the Lease set forth herein as a condition to its approving the Leased Premises as a site for the Franchised Business, and that Landlord agrees to modify and amend the Lease in accordance with the terms and conditions contained herein.

AGREEMENT

In consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder, Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have thirty (30) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than thirty (30) days after Franchisor's receipt of such notice. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

Franchisor – Tierra Encantada Franchising LLC
Attn: Kristen Denzer
2700 30th Avenue
Minneapolis, MN 55406

2. Use of Premises. The Premises may be used only for the purpose of operating an early childhood education center under the Tierra Encantada name, with all uses required as part of the Tierra Encantada system of operation. Landlord is prohibited from selling or leasing, or allowing the sublease of, any space in the building or on the property in or on which the Premises lies, to any person or entity for the operation of a business offering childcare and/or child educational services. Additionally, Landlord may not itself sell or offer, and will prohibit any other tenant or subtenant in the building, or on the property in or on which the Premises lies, from offering childcare and/or child educational services.

3. Tenant's Signage. Notwithstanding anything contained in the Lease to the contrary or

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in conflict, Landlord hereby grants and approves the following signage rights:

a. Landlord agrees to allow Tenant to use Franchisor's standard sign and awning package to the maximum extent permitted by local governmental authorities.

b. Tenant shall be provided with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon as approved by Franchisor, including without limitation Franchisor's logo.

4. Termination of the Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated for any reason during the term of the Lease or any extension thereof, Tenant, upon the written request of Franchisor, shall assign to, at Franchisor's option: either (i) Franchisor or its parent, subsidiary, or affiliate; or (ii) another franchisee of Franchisor who meets Franchisor's requirements for operating as a franchisee within the Tierra Encantada system (a "Qualified Franchisee"); all of its rights, title and interest in and to the Lease, and Franchisor, its affiliate, or such Qualified Franchisee, as applicable, may agree to assume from the date of assignment all of Tenant's obligations remaining under the Lease, and may assume Tenant's occupancy rights for the remainder of the term of the Lease. Landlord hereby consents to the assignment of the Lease from Tenant to Franchisor, its parent, subsidiary, or affiliate, or a Qualified Franchisee, and shall not charge any fee or accelerate rent under the Lease. Alternatively, in the event of a termination of the Franchise Agreement, Franchisor may elect to enter into a new lease, or designate a Qualified Franchisee to enter into a new lease, with Landlord containing terms and conditions no less favorable than the Lease. Landlord and Tenant shall deliver possession of the Leased Premises to Franchisor, its parent, subsidiary, or affiliate, or the Qualified Franchisee, as applicable, free and clear of all rights of Tenant or third parties, subject to Franchisor, its parent, subsidiary or affiliate, or the Qualified Franchisee executing an acceptance of the assignment of Lease or new lease, as the case may be. Should Franchisor or its parent, subsidiary, or affiliate accept assignment of the Lease hereunder, Landlord agrees that it may thereafter assign its interest in the Lease to a Qualified Franchisee who would then become the lessee.

5. De-identification. If the Franchise Agreement between Franchisor and Tenant is terminated for any reason during the term of the Lease or any extension thereof, and the Lease is not assigned pursuant to the provisions herein, Tenant and Landlord acknowledge that Tenant is required to remove all of Franchisor's proprietary trademarks, service marks, trade dress, and signs, materials, designs and logos of Franchisor. Landlord will cooperate with Franchisor in enforcing such requirement, including without limitation, by allowing Franchisor, its employees and agents to enter the Leased Premises in order to enforce this provision; provided, that Landlord is not required to bear any expenses associated with the enforcement of this provision.

6. Franchisor Not a Guarantor. Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this Agreement or any other agreement, Franchisor shall in no way be construed as a guarantor or surety of Tenant's obligations under the Lease. Notwithstanding the foregoing, in the event Franchisor becomes the tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with Landlord, then Franchisor shall be liable for all of the obligations of Tenant on its part to be performed or observed under the Lease from and after the date

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of assignment, or the new lease.

7. Third Party Beneficiary. Landlord and Tenant agree and acknowledge that Franchisor is an intended third-party beneficiary to the Lease, and as such, the Lease may not be amended or cancelled so as to affect any the Lease, or the intent of the same, without the prior written approval of Franchisor, which approval shall not be unreasonably withheld.

8. Lease Rider to Govern. The terms and conditions contained herein modify and supplement the Lease. Whenever any inconsistency or conflict exists between this Lease Rider and the Lease, the terms of this Lease Rider shall prevail.

9. Waiver. Failure of Franchisor to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its rights hereunder.

10. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

11. Injunctive Relief. In addition to other remedies available at law or in equity, Franchisor may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation Landlord of any covenant contained in this Lease Rider.

BY SIGNING THIS LEASE RIDER, TENANT AND LANDLORD AGREE THAT THEY HAVE READ AND UNDERSTAND ALL OF THE AGREEMENTS IN THIS LEASE RIDER AND THAT THE TERMS AND CONDITIONS OF THIS LEASE RIDER ARE FULLY INCORPORATED INTO THE LEASE AS IF FULLY SET FORTH THEREIN.

LANDLORD NAME,
a _____

By: _____
_____
(Name)
_____
(Title)

TENANT NAME,
a _____

By: _____
_____
(Name)
_____
(Title)

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TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT E
AREA DEVELOPER CERTIFICATION

DO NOT SIGN THIS CERTIFICATION IF YOU ARE LOCATED, OR YOUR TIERRA ENCANTADA CENTER WILL BE LOCATED, IN CALIFORNIA

The undersigned, personally and as an officer(s), member(s) or partner(s) of Area Developer, as applicable, does hereby certify that he/she has conducted an independent investigation of the business contemplated by this Area Development Agreement and the Tierra Encantada Franchising LLC Franchise Agreement, and that the decision to execute the Area Development Agreement was based entirely upon the independent investigation by the undersigned; and the undersigned further certifies that he/she has not relied upon, in any way, any claims regarding potential sales, income, or earnings to be derived from the business contemplated by the Franchise Agreement and Area Development Agreement, and has not relied upon any claims regarding past or current sales, income or earnings of Franchisor or its affiliate operated Tierra Encantada Centers that are contrary to or different from the information contained in Franchisor's Franchise Disclosure Document. The undersigned further certifies that he/she understands the risks involved in this investment and Tierra Encantada Franchising LLC makes no representation or guaranty, explicit or implied, that the Area Developer will be successful or will recoup his/her investment.

IN WITNESS WHEREOF, the undersigned have signed and delivered this Certificate this _____ day of _____, 20____.

_____
AREA DEVELOPER

By:_____
Name:_____
Title:_____

Each of the undersigned Principals own a beneficial interest in Area Developer and has read the Area Development Agreement, agree to be individually bound by all obligations of Area Developer hereunder and certify the foregoing:

By:_____ By:_____
Name:_____ Name:_____

By:_____ By:_____
Name:_____ Name:_____

By:_____ By:_____
Name:_____ Name:_____

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TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT F

THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE ADDENDA TO THE
AREA DEVELOPMENT AGREEMENT

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ADDENDUM TO THE TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN CALIFORNIA

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company ("**Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ ("**Area Developer**"), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Area Developer are parties to that certain Area Development Agreement dated _____, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) any of the offering or sales activity relating to the Area Development Agreement occurred in California and the Franchised Centers that Area Developer will operate and develop under the Area Development Agreement will be located in California, and/or (b) Area Developer is domiciled in California.

2. **ENTIRE AGREEMENT**. The following language is deleted from Section 15:

"Franchisor and Area Developer agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings."

3. **ENTIRE AGREEMENT**. The following language is deleted from Section 15:

"no other representations having induced Area Developer to execute this Agreement"

4. **Release of Claims**. Section 16.10 is deleted in its entirety.

5. **AREA DEVELOPER'S INVESTIGATION OF THE BUSINESS POSSIBILITIES**. Section 17.1 is deleted in its entirety.

6. **Receipt of FDD and Complete Agreement**. Section 17.2 is deleted in its entirety.

7. **Area Developer Read the Agreement and Consulted**. Section 17.3 is deleted in its entirety.

8. **AREA DEVELOPER CERTIFICATION**. Exhibit E to the Area Development Agreement is deleted in its entirety.

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

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

AREA DEVELOPER

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

ADDENDUM TO THE TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company ("**Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ ("**Area Developer**"), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Area Developer are parties to that certain Area Development Agreement dated _____, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) any of the offering or sales activity relating to the Area Development Agreement occurred in Illinois and the Franchised Centers that Area Developer will operate and develop under the Area Development Agreement will be located in Illinois, and/or (b) Area Developer is domiciled in Illinois.

2. **FORUM FOR LITIGATION**. The following sentence is added to the end of Section 16.4 ("Consent to Jurisdiction") of the Area Development Agreement:

> Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void.

3. **GOVERNING LAW**. Section 16.1 ("Governing Law") of the Area Development Agreement is deleted and replaced with the following:

> Illinois law shall govern this Agreement.

4. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following language is added as Section 16.14 of the Area Development Agreement:

> 16.14 Illinois Franchise Disclosure Act. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

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

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

AREA DEVELOPER

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

ADDENDUM TO THE TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company ("**Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ ("**Area Developer**"), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Area Developer are parties to that certain Area Development Agreement dated _____, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) Area Developer is domiciled in Maryland, and/or (b) the Franchised Centers that Area Developer will operate and develop under the Area Development Agreement will be located in Maryland.

2. **INSOLVENCY**. The following sentence is added to the end of Section 6.1 of the Area Development Agreement:

> Section 6.1 may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

3. **FORUM FOR LITIGATION**. The following language is added to the end of Section 16.4 ("**Consent** to Jurisdiction") of the Area Development Agreement:

> Area Developer may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **GOVERNING LAW**. The following sentence is added to the end of Section 16.1 ("Governing Law") of the Area Development Agreement:

> Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that law.

5. **LIMITATION OF CLAIMS**. The following sentence is added to the end of Section 16.7 ("Limitation") of the Area Development Agreement:

> Area Developer must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after Franchisor grant Area Developer the franchise.

6. **RELEASE OF CLAIMS.** The following is added to the end of Section 16.10 of the Area Development Agreement:

> This release will not apply to any claims or liability arising under the Maryland Franchise

Registration and Disclosure Law.

7. **ACKNOWLEDGMENTS.** The following language is added as Section 17 of the Area Development Agreement:

17. ACKNOWLEDGMENTS.

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

IN WITNESS WHEREOF, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

AREA DEVELOPER

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

ADDENDUM TO THE TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company ("**Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ ("**Area Developer**"), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Area Developer are parties to that certain Area Development Agreement dated _____, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) the Franchised Centers that Area Developer will operate and develop under the Area Development Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Minnesota.

2. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

3. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

4. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3-5 which require (except in certain specified cases) (1) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of this the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

5. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers

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it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statues, Section 80C.12, Subd. 1(g).

6. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

7. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

8. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rules 2860.4400J. Also, a court will determine if a bond is required.

9. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

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IN WITNESS WHEREOF, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

AREA DEVELOPER

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

ADDENDUM TO THE
TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT FOR USE IN THE
STATE OF NEW YORK

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company ("**Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ ("**Area Developer**"), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Area Developer are parties to that certain Area Development Agreement dated _____, 20___ (the "Area Development Agreement") that has been signed concurrently with this Addendum. This Addendum is being signed because (a) Area Developer is domiciled in the State of New York and the Franchised Centers that Area Developer will operate and develop under the Area Development Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in New York.

2. **TERMINATION OF AGREEMENT - BY AREA DEVELOPER**. The following language is added as Section 6.7 of the Area Development Agreement:

> Area Developer also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

3. **INJUNCTIVE RELIEF.** The following sentence is added to the end of Section 16.11:

> Franchisor's right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

4. **FORUM FOR LITIGATION**. The following statement is added at the end of Section 16.4 ("Consent to Jurisdiction") of the Area Development Agreement:

> This section shall not be considered a waiver of any right conferred upon Area Developer by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

5. **GOVERNING LAW.** The following is added to the end of Section 16.1 ("Governing Law") of the Area Development Agreement:

> This section shall not be considered a waiver of any right conferred upon Area Developer by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

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IN WITNESS WHEREOF, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

AREA DEVELOPER

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

ADDENDUM TO THE TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN NORTH DAKOTA

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company ("**Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ ("**Area Developer**"), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Area Developer are parties to that certain Area Development Agreement dated _____, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) Area Developer is a resident of North Dakota and the Franchised Centers that Area Developer will operate and develop under the Area Development Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in North Dakota.

2. **COVENANT NOT TO COMPETE**. The following is added to the end of Section 8.3 of the Area Development Agreement:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, Franchisor will enforce the covenants to the maximum extent the law allows.

3. **GOVERNING LAW**. Section 16.1 of the Area Development Agreement is deleted and replaced with the following:

> EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, AND EXCEPT AS OTHERWISE REQUIRED BY NORTH DAKOTA LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN FRANCHISOR AND AREA DEVELOPER WILL BE GOVERNED BY THE LAWS OF THE STATE OF NORTH DAKOTA WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

4. **FORUM FOR LITIGATION**. The following is added to the end of Section 16.4 of the Area Development Agreement:

> NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, AND SUBJECT TO AREA DEVELOPER'S ARBITRATION OBLIGATIONS, AREA DEVELOPER MAY BRING AN ACTION IN NORTH

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DAKOTA FOR CLAIMS ARISING UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW.

5. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. To the extent required by the North Dakota Franchise Investment Law, Sections 16.6 and 16.9 of the Area Development Agreement are deleted.

6. **LIMITATIONS OF CLAIMS**. To the extent required by the North Dakota Franchise Investment Law, Section 16.7 of the Area Development Agreement is deleted.

IN WITNESS WHEREOF, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

AREA DEVELOPER

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

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ADDENDUM TO THE TIERRA ENCANTADA FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN RHODE ISLAND

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company ("**Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ ("**Area Developer**"), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Area Developer are parties to that certain Area Development Agreement dated _____, 20____ (the "Area Development Agreement") that has been signed concurrently with the signing of this Addendum. This Addendum is annexed to and forms part of the Area Development Agreement. This Addendum is being signed because (a) Area Developer is domiciled in Rhode Island and the Franchised Centers that Area Developer will operate and develop under the Area Development Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Rhode Island.

2. **TERMINATION.** The following paragraph is added to the end of Section 6.4:

> Section 6-50-4 of the Rhode Island Fair Dealership Law includes the requirement that, in certain circumstances, a franchisee receive 90 days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the franchisee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Law's requirements. If the deficiency is rectified within 60 days the notice shall be void. The above-notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall be entitled to written notice of such default, and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

3. **GOVERNING LAW / FORUM FOR LITIGATION**. The following language is added to the end of Sections 16.1 and 16.4 of the Area Development Agreement:

> SECTION 19-28.1-14 OF THE RHODE ISLAND FRANCHISE INVESTMENT ACT PROVIDES THAT "A PROVISION IN A FRANCHISE AGREEMENT RESTRICTING JURISDICTION OR VENUE TO A FORUM OUTSIDE THIS STATE OR REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE IS VOID WITH RESPECT TO A CLAIM OTHERWISE ENFORCEABLE UNDER THIS ACT." TO THE EXTENT REQUIRED BY APPLICABLE LAW, RHODE ISLAND LAW WILL APPLY TO CLAIMS ARISING UNDER THE RHODE ISLAND

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FRANCHISE INVESTMENT ACT.

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

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

AREA DEVELOPER

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

WASHINGTON ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT AND ALL RELATED AGREEMENTS

THIS ADDENDUM (the "**Addendum**") is made and entered into by and between **TIERRA ENCANTADA FRANCHISING LLC**, a Minnesota limited liability company ("**Franchisor**") with its principal business address at 2700 30th Avenue, Minneapolis, Minnesota 55406, and _____, a _____ ("**Area Developer**"), whose principal business address is _____.

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **CONFLICT OF LAWS**. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **FRANCHISEE BILL OF RIGHTS**. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **SITE OF ARBITRATION, MEDIATION, AND/OR LITIGATION**. 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.

4. **GENERAL RELEASE**. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **STATUTE OF LIMITATIONS AND WAIVER OF JURY TRIAL**. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies

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under the Act such as a right to a jury trial, may not be enforceable.

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

7. **TERMINATION BY FRANCHISEE**. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **CERTAIN BUY-BACK PROVISIONS**. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **FAIR AND REASONABLE PRICING**. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **WAIVER OF EXEMPLARY & PUNITIVE DAMAGES**. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **FRANCHISOR'S BUSINESS JUDGMENT**. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **INDEMNIFICATION**. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **ATTORNEYS' FEES**. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **NONCOMPETITION COVENANTS**. 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and

unenforceable in Washington.

15. **NONSOLICITATION AGREEMENTS**. 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.

16. **QUESTIONNAIRES AND ACKNOWLEDGMENTS**. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **PROHIBITIONS ON COMMUNICATING WITH REGULATORS**. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **ADVISORY REGARDING FRANCHISE BROKERS**. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

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IN WITNESS WHEREOF, each of the undersigned has executed this Addendum under seal as of the Effective Date of the Area Development Agreement.

FRANCHISOR

TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

Date:_____

AREA DEVELOPER

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

EXHIBIT E
NON-USE AND NON-DISCLOSURE AGREEMENT

This Non-Use and Non-Disclosure Agreement (this "**Agreement**") is entered into by and among _____, whose address is _____, _____, _____ _____, (collectively, together with all affiliates, representatives and agents, referred to as "**Interested Party**") and Tierra Encantada Franchising LLC, a Minnesota limited liability company, whose address is [_____], along with its affiliates (collectively, the "**Company**").

WHEREAS, the Interested Party is interested in entering into a business relationship with the Company or one of the Company's franchisee's; and the Company or one of the Company's franchisees is interested in entering into a business relationship with the Interested Party; and

WHEREAS, in connection with evaluating the viability of such a business relationship, the Company or its franchisee is furnishing and will furnish the Interested Party with information related to Company and/or its business, including without limitation, financial information, operating information, processes, procedures, corporate and business information, documentation and agreements, including without limitation a franchise disclosure document, that contain confidential and proprietary information (all of the forgoing together with all attachments, addenda, exhibits and other agreements described or referred to in any of the forgoing is herein referred to as the "**Information**").

For good and valuable consideration, including without limitation the Company's furnishing the Interested Party with the Information, the Interested Party has agreed and does hereby agree that:

1. Nondisclosure Obligations. Interested Party will keep the Information confidential, and Interested Party will not, without the Company's prior written consent disclose the Information, whether in whole or in part, directly or indirectly, except as expressly permitted hereunder. The Interested Party will not use the Information for any purpose other than evaluating the viability of entering into a business relationship with Company (the "**Purpose**"). Interested Party will not use all or any of the Information, or allow all or any of the Information to be used, for any reason other than the Purpose. The Interested Party (a) will not disclose the Information to any employee, agent, or representative of Interested Party unless such person needs access to the Information in order to facilitate the Purpose and executes a nondisclosure agreement with the Interested Party, with terms no less restrictive than those of this Agreement; and (b) will not disclose the Information to any other third party without the Company's prior written consent. The Interested Party is responsible for any breach of this Agreement by any party that receives any of the Information, either directly or indirectly, from the Interested Party. The Interested Party will promptly notify the Company of any misuse or misappropriation of the Information that comes to the Interested Party's attention.

2. Additional Nondisclosure Obligations. Without the Company's prior written consent, except where otherwise required by law (such requirements to be confirmed by a written legal opinion of the Interested Party's counsel), the Interested Party will not disclose to any person the fact that the Information has been made available, that discussions or negotiations are taking place or have taken place concerning a possible transaction involving the Interested Party and the Company, or any of the terms, conditions or other facts with respect to any such possible transaction, including the status

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thereof. If Interested Party is required by law to disclose all or any of the Information and such requirements are confirmed by a written legal opinion of the Interested Party's counsel, Interested Party shall reasonably cooperate with Company in any effort to seek a protective order or otherwise contest such required disclosure, at Company's expense. The Interested Party shall give Company prompt notice of any such legal or governmental demand for the Information.

3. Injunction. The Interested Party agrees that breach of this Agreement would cause the Company irreparable injury, for which monetary damages would not provide adequate compensation, and for which other remedies at law may be inadequate to protect the Company against a breach of this Agreement, and that in addition to any other remedy, the Company will be entitled to injunctive relief against such breach or threatened breach, without proving actual damage or posting a bond or other security, which requirements are hereby expressly waived by the Interested Party.

4. Retention of Rights. This Agreement does not transfer ownership of the Information or grant a license thereto. Company will retain all right, title, and interest in and to all Information.

5. No Waiver. Neither party will be deemed to have waived any of its rights under this Agreement by lapse of time, or by any statement or representation other than a written waiver executed by the party seeking to waive its rights hereunder.

6. Authority. The undersigned parties each represent and warrant that such party has the power and authority to execute this agreement on behalf of the Interested Party or the Company, as is applicable. The Interested Party represents and warrants that he or she has all necessary authorizations, consents and agreements to bind the Interested Party to the terms and conditions contained herein.

7. Jurisdiction; Applicable Law. You agree that any lawsuit brought the Company to enforce its rights under this Agreement shall be brought in the courts of the County where the Company has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of Minnesota. In the event of any conflict of law, the laws of Minnesota shall prevail, without regard to, and without giving effect to, the application of Minnesota conflict of law rules.

8. Severability; Survival. To the extent permitted by applicable law, the parties hereby waive any provision of law that would render any clause of this Agreement invalid or otherwise unenforceable in any respect. In the event that a provision of this Agreement is held to be invalid or otherwise unenforceable, such provision will be interpreted to fulfill its intended purpose to the maximum extent permitted by applicable law, and the remaining provisions of this Agreement will continue in full force and effect. The provisions of this Agreement will survive any termination or expiration of the relationship of the parties hereto.

10. Counterparts. This Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of counterparts with the same effect as if all signatories had signed the same document. Facsimile and other electronic copies of manually signed originals shall have the same effect as manually-signed originals and shall be binding on the

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undersigned parties. Each counterpart shall be deemed an original, but all counterparts must be construed together to constitute one and the same instrument.

WITNESS the execution thereof, this _____ day of _____, 20___.

COMPANY:
TIERRA ENCANTADA FRANCHISING LLC

By:_____
Name:_____
Title:_____

INTERESTED PARTY:

Signature:_____
Printed Name:_____

EXHIBIT F
FINANCIAL STATEMENTS

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Consent of Independent Auditor

The financial statements of Tierra Encantada Franchising, LLC, which comprise the balance sheet as of December 31, 2025, and the related statements of operations, member's equity, and cash flows for the year then ended, included as Item 21 of the Franchise Disclosure Document, have been audited by Eide Bailly LLP, independent auditors, as stated in our report appearing herein.

We consent to the use in the Franchise Disclosure Document issued by Tierra Encantada Franchising, LLC ("Franchisor") on March 20, 2026, as it may be amended, of our report dated March 20, 2026, relating to the financial statements of the Franchisor for the period ending December 31, 2025.

Eide Bailly LLP

Minneapolis, Minnesota
March 20, 2026

Financial Statements
December 31, 2025, 2024, and 2023

Tierra Encantada Franchising, LLC

Tierra Encantada Franchising, LLC

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December 31, 2025, 2024, and 2023

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Independent Auditor's Report

The Board of Directors
Tierra Encantada Franchising, LLC
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tierra Encantada Franchising, LLC (the Company), which comprise the balance sheet as of December 31, 2025, and the related statements of operations, member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Restatement of Prior Year Financial Statements

The financial statements of the Company as of and for the years ended December 31, 2024 and 2023, were audited by other auditors, whose reports dated February 28, 2025 and February 28, 2024, respectively, contained an unmodified opinion on those statements.

As discussed in Note 4 to the financial statements, the December 31, 2024, financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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As part of our audit of the December 31, 2025, financial statements, we also audited the adjustments described in Note 4 that were applied to restate the December 31, 2024, financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the December 31, 2024 and 2023, financial statements of the Company other than with respect to the 2024 adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2024 and 2023, financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Ede Bailly LLP

Minneapolis, Minnesota
March 20, 2026

Tierra Encantada Franchising, LLC
Balance Sheets
December 31, 2025, 2024, and 2023

	2025	As Restated 2024	2023
Assets			
Current Assets			
Cash	$ 481,607	443,720	437,961
Restricted cash	12,263	39,713	29,053
Accounts receivable	83,285	62,823	34,875
ERTC receivable	-	-	17,551
Contract assets, short-term	12,100	12,100	12,100
Prepaid expenses	35,263	14,802	3,123
Due from related party	352,898	-	-
Total current assets	977,416	573,158	534,663
Contract Assets, Long-Term	36,232	48,322	60,417
	$ 1,013,648	$ 621,480	$ 595,080
Liabilities and Member's Equity			
Current Liabilities			
Accounts payable	$ 24,280	$ 23,557	$ 12,324
Deferred franchise revenue, short-term	103,100	67,100	41,300
Customer deposits	133,950	-	-
Due to related party	-	20,760	-
Total current liabilities	261,330	111,417	53,624
Deferred Franchise Revenue, Long-Term	670,217	427,817	245,484
Total liabilities	931,547	539,234	299,108
Member's Equity	82,101	82,246	295,972
	$ 1,013,648	$ 621,480	$ 595,080

Tierra Encantada Franchising, LLC

Statements of Operations

Years Ended December 31, 2025, 2024, and 2023

	2025	2024	2023
Revenues			
Initial franchise fees	$ 81,600	$ 49,867	$ 39,300
Royalties	513,447	406,964	367,479
Advertising fund revenues	73,349	58,137	52,495
Other	13,840	3,320	9,937
Total revenues	682,236	518,288	469,211
Operating Expenses			
Amortization	12,090	12,093	12,100
Advertising fund expenses	98,707	47,052	45,074
Other operating expenses	271,584	177,681	138,185
Total operating expenses	382,381	236,826	195,359
Net Income	$ 299,855	$ 281,462	$ 273,852

See Notes to Financial Statements

Tierra Encantada Franchising, LLC
Statements of Member's Equity
Years Ended December 31, 2025, 2024, and 2023

Balance, January 1, 2023	$ 133,367
Member distributions	(111,247)
Net income	273,852
Balance, December 31, 2023	295,972
Member distributions (restated)	(495,188)
Net income	281,462
Balance, December 31, 2024 (restated)	82,246
Member distributions	(300,000)
Net income	299,855
Balance, December 31, 2025	$ 82,101

Tierra Encantada Franchising, LLC
Statements of Cash Flows
Years Ended December 31, 2025, 2024, and 2023

	2025	2024	2023
Operating Activities			
Net income	$ 299,855	$ 281,462	$ 273,852
Adjustments to reconcile net income to cash from operating activities			
Commission amortization	12,090	12,095	12,100
Changes in assets and liabilities			
Accounts receivable	(20,462)	(27,948)	(20,775)
Prepaid expenses	(20,461)	(11,679)	(2,390)
Accounts payable	723	11,233	6,056
Due to/from related party	116,342	20,760	-
Deferred franchise revenue	278,400	208,133	8,700
Customer deposits	133,950	-	-
Net Cash from Operating Activities	800,437	494,056	277,543
Net Cash used for Financing Activities			
Advances to related party	(490,000)	-	-
Member distributions	(300,000)	(477,637)	(103,659)
Net Cash used for Financing Activities	(790,000)	(477,637)	(103,659)
Net Change in Cash	10,437	16,419	173,884
Cash, Beginning of Year	483,433	467,014	293,130
Cash, End of Year	$ 493,870	$ 483,433	$ 467,014
Cash	$ 481,607	$ 443,720	$ 437,961
Restricted Cash	12,263	39,713	29,053
Cash, End of Year	$ 493,870	$ 483,433	$ 467,014
Supplemental Disclosure of Non-cash Investing and Financing Activities			
Reduction of related party receivable through non-cash distribution	$ -	$ -	$ 7,588
Reduction of ERTC receivable through non-cash distribution (as restated)	-	17,551	-

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

Tierra Encantada Franchising, LLC (the Company) is a wholly owned subsidiary of Vibrant Youth Brands LLC. The Company sells franchises of Tierra Encantada, a Spanish-immersion early childhood education program operating nationally. The Company grants franchisees the right to own and operate Tierra Encantada branded childcare centers using its proprietary curriculum, nutrition program, operating systems, trademarks, and related intellectual property. Franchisees must comply with Company standards, use approved vendors, and operate in accordance with system manuals.

The Company generates revenue from initial franchise fees, continuing royalties, and advertising fund contributions paid by franchisees under their franchise agreements. These agreements provide franchisees with access to the Company's symbolic intellectual property over the term of the franchise license.

The Company also supports franchisees through pre-opening training, ongoing operational support, marketing programs, and system-wide brand development. Franchisees are required to contribute to a national advertising fund and to spend minimum amounts on local marketing.

As of December 31, 2025, the Company had operations in Minnesota, Illinois, Texas, Kansas, and Virginia. Overall changes to operating franchisees are as follows:

	2025	2024	2023
Franchises operating, beginning of year	13	11	11
Franchises opened during the year	3	2	-
Franchises discontinued during the year	-	-	-
Franchises operating, end of year	16	13	11

As of December 31, 2025, 12 of the 16 franchises are affiliate owned; entities under common control and also wholly owned subsidiaries of Vibrant Youth Brands LLC.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2025, 2024 and 2023, the Company had approximately $153,000, $159,000 and $166,000, respectively, in excess of FDIC-insured limits.

Restricted Cash and Advertising Fund

The Company collects marketing fees from franchisees based on a percentage of sales. The collections are presented as advertising fund revenues on the Statements of Operations. The advertising fund revenues are restricted for the use of system-wide advertising, marketing, and brand-development activities that support the Tierra Encantada brand. While the Company anticipates that most advertising fees will be spent in the year in which they accrue, the Company is not obligated to spend the amounts in the same calendar year they are received, or within a specified time after receipt. The expenses are charged to operations as incurred and are presented as advertising fund expenses on the Statements of Operations. The advertising funds are maintained in a separate cash account and are presented on the Balance Sheets as restricted cash.

Receivables and Allowance for Credit Losses

Accounts receivable primarily represent amounts due from franchisees associated with royalty revenue and advertising fees. Amounts are due in the month following the reported franchisee sales and are automatically transferred monthly from the respective franchisee bank accounts. Accounts receivable also consist of miscellaneous charges to franchisees for other fees such as technology charges and conference fees. These amounts are due within 30 days of invoice date. The Company currently does not charge interest on past due amounts. Historically, the Company has not experienced any credit losses.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivables held at December 31, 2025, 2024, and 2023, because the composition of the receivables at those dates are consistent with that used in developing the historical credit-loss percentages (i.e. the similar risk characteristics of its customers and its lending practices have not changed significantly over time). During the year ended December 31, 2025, the Company elected the practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. Additionally, the Company has made the accounting policy election to consider subsequent collection activity and has recorded no allowance for credit loss for asset balances collected through January 31, 2026.

Management evaluated the outstanding amounts in consideration with the factors noted and estimated that no allowance for credit losses was necessary as of December 31, 2025, 2024, and 2023. For the years ended December 31, 2025, 2024, and 2023, there were no provisions for credit losses, charge-offs, or recoveries.

Income Taxes

The Company is organized as a single-member limited liability company and is included in the consolidated tax return of its parent company. As a limited liability company, the Company's taxable income or loss is allocated to its sole member in accordance with the provisions of the operating agreement. Therefore, no provision for income taxes has been included in the accompanying financial statements, as the member is responsible for reporting the Company's taxable income on its consolidated partnership income tax returns.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2025, 2024, and 2023, there was no unrecognized tax benefit. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in operating expenses if incurred.

Revenue Recognition

Franchise Royalty Revenue

The Company's franchise royalty revenues consist of royalties paid by franchisees based on 7% of Gross Sales or a minimum of $500 per week, in exchange for the continuing right to use the Tierra Encantada trademarks, proprietary curriculum, operating system, and ongoing franchise support. Royalties are billed and paid monthly. Royalty revenue is recognized in the same period as the related franchisee sales occur.

Franchise and Development Fees

The Company charges initial franchise fees and area development fees under franchise and development agreements. These agreements grant franchisees the right to operate Tierra Encantada centers using the Company's trademarks, curriculum, proprietary methods, and brand system.

The Company's various pre-opening services (e.g., onboarding, site selection review, training access, operational setup support) are not distinct from the franchise license and, together with ongoing system support, form a single performance obligation—providing access to symbolic intellectual property over the contractual license term.

The Company recognizes initial franchise fees and development fees on a straight-line basis over the 10-year franchise term, beginning on the signed date of the franchise agreement, which is the contractually defined start of the license term. Cash received at or near signing is recorded as a contract liability (deferred franchise revenue) and is recognized over time.

Grand Opening Fees

If required or requested, the Company also charges a $5,000 grand opening training fee. This specialized training is distinct and optional and is therefore considered a separate performance obligation which is recognized at a point in time, upon completion of training services or upon the planned opening date, whichever occurs first.

Advertising Fund Revenues

Under the franchise agreement, franchisees contribute 1% of Gross Sales to a system-wide advertising fund. These contributions are restricted for advertising and marketing purposes and are maintained in a separate cash account.

The Company administers the advertising program and determines the nature, timing, and beneficiaries of the related activities. Advertising fund contributions are recognized as revenue in the same period as the underlying franchisee sales occur. This is consistent with ASC 606 guidance for sales-based consideration tied to a non-distinct service that is interrelated with the franchise license.

Other Service Fees

The Company provides other services such as technology assistance, additional training, and conferences. These services are recognized at a point in time when the service has been completed. Generally, service revenues are billed and recognized at the end of the month in which the service was completed.

Affiliate-owned centers are currently not subject to any of the aforementioned fees.

Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising costs, excluding advertising fund expenses, for the years ended December 31, 2025, 2024, and 2023 were $185,254, $87,405 and $69,346, respectively.

Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between the periods presented. The reclassifications had no impact on net income or member's equity.

Recent Accounting Guidance

Effective January 1, 2025, the Company adopted Accounting Standards Update (ASU) 2025-05 *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This ASU provides a practical expedient and an accounting policy election when estimating expected credit losses for current accounts receivable and contract assets balances arising from transactions accounted for under Topic 606. When the practical expedient is elected, an entity assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset when developing reasonable and supportable forecasts as part of estimating expected credit losses. The accounting policy election, available only to entities other than public business entities which elect the practical expedient, permits an entity to consider collection activity after the balance sheet date when estimating expected credit losses. Management has determined that this standard is preferable as it reduces the time and effort necessary to develop expected credit losses and will provide users with more useful information about the Company's collection activity. The amendments related to the ASU have been applied prospectively to estimates of expected credit losses on current accounts receivable balances arising from transactions accounted for under Topic 606 performed after the effective date.

Subsequent Events

Management has evaluated subsequent events through March 20, 2026, the date at which the financial statements were available to be issued.

Note 2 - Revenue

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2025, 2024, and 2023:

	2025	2024	2023
Performance obligations satisfied over time	$ 668,396	$ 514,968	$ 459,274
Performance obligations satisfied at a point in time	13,840	3,320	9,937
Franchises operating, end of year	$ 682,236	$ 518,288	$ 469,211

Revenue from performance obligations satisfied over time consists of initial franchise fees, royalties, and advertising fund revenues.

Revenues from performance obligations satisfied at a point in time consist of grand opening fees and other service fees such technology assistance, additional training, and conferences.

The beginning and ending balances for accounts receivable, contract assets and contract liabilities were as follows for the years ended December 31, 2025, 2024, and 2023:

	12/31/2025	12/31/2024	12/31/2023	1/1/2023
Accounts receivable	$ 83,285	$ 62,823	$ 34,875	$ 14,100
Contract assets				
Prepaid commissions	48,332	60,422	72,517	84,617
Contract liabilities				
Deferred franchise revenue	773,317	494,917	286,784	278,084
Customer deposits	133,950	-	-	-

Costs incurred to obtain a contract are capitalized and amortized on a straight-line basis over the estimated life of the respective contract, currently 10 years. Amounts consist of prepaid commissions and are shown as contract assets on the Balance Sheets.

Deferred franchise revenues are contract liabilities representing initial franchise fees and area development fees that are collected at or near the time a franchise or development agreement is signed. Although these fees are collected upfront, they relate to the Company's obligation to provide franchisees with access to the Tierra Encantada brand, system, and support over the 10-year franchise term, which begins on the date the franchise agreement is signed. Accordingly, these amounts are recognized as revenue on a straight-line basis over the term of the franchise agreement.

The Company charges an initial franchise fee of $60,000. Under area development agreements, the Company offers the rights to develop multiple centers in exchange for a development fee. The development fee is equivalent in substance to an initial franchise fee, but the fee is discounted for additional centers: $60,000 for the first center, $40,000 for the second center, and $25,000 for the third and subsequent centers.

Customer deposits represent amounts either billed or collected in advance of their respective contract period start dates.

Note 3 - Related Party Transactions

Tierra Encantada, LLC is an entity related through common ownership. It provides management, personnel and other office support to the Company. Amounts are charged and repaid periodically throughout the year.

In addition, the entities occasionally advance funds to and from each other for short term liquidity needs. Amounts are non-interest bearing, due on demand and are repaid when economically feasible.

Related party transactions are as follows as of and for the years ended December 31:

	2025	2024	2023
Expenses charged to operations	$ 147,091	$ 50,739	$ 40,538
Balance due (to)/from related parties	$ 352,898	$ (20,760)	$ -

Note 4 - Restatement

During 2025, the Company identified a misstatement within the 2024 financial statements related to a reorganization transaction that occurred primarily at the parent level. Specifically, as part of the reorganization of VYB Midco, LLC in 2024, all ERTC receivables were distributed to the previous owner and should not have included as a Company asset as of December 31, 2024.

The Company restated its 2024 previously issued financial statements to appropriately reflect $17,551 of ERTC receivables as an additional distribution in 2024. The 2023 previously issued financial statements were not affected.

The following is a summary of the effects of the restatement in the Company's December 31, 2024, balance sheet:

	As Previously Reported	Adjustment	As Restated
As of December 31, 2024			
ERTC receivable	$ 17,551	$ (17,551)	$ -
Total current assets	590,709	(17,551)	573,158
Total assets	639,031	(17,551)	621,480
Member's equity	99,797	(17,551)	82,246
Total liabilities and member's equity	639,031	(17,551)	621,480

The following is a summary of the effects of the restatement in the Company's December 31, 2024, statement of member's equity:

	As Previously Reported	Adjustment	As Restated
Year Ended December 31, 2024			
Member distributions	$ 477,637	$ 17,551	$ 495,188
Balance December 31, 2024	99,797	(17,551)	82,246

Note 5 - Commitments and Contingencies

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes. The Company's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2028. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

EXHIBIT G
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EXHIBIT H
GENERAL RELEASE

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GENERAL RELEASE

THIS GENERAL RELEASE ("**Release**") is executed on _____ by _____
_____
(**"Releasor"**), _____
(**"Guarantors"**), _____
(**"Transferee"**) as a condition of [CHECK ONE]:

_____ **(a)** the transfer of the Franchise Agreement dated _____ between Tierra Encantada Franchising LLC (**"Tierra Encantada"**) and Releasor (**"Franchise Agreement"**);

_____ **(b)** the transfer of the Area Development Agreement dated _____ between Tierra Encantada Franchising LLC (**"Tierra Encantada"**) and Releasor (**"Development Agreement"**); or

_____ **(c)** the execution of a renewal Franchise Agreement between Releasor and Tierra Encantada. (If this Release is executed under the conditions set forth in (c), all references in this Release to "Transferee" should be ignored.)

1. **Release by Releasor, Transferee, and Guarantors**. Releasor and Transferee (on behalf of themselves and their parents, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities), and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, the **"Releasing Parties"**) freely and without any influence forever release (i) Tierra Encantada, (ii) Tierra Encantada' past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, and (iii) Tierra Encantada' parent, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities (collectively, the **"Released Parties"**), from any and all claims, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, **"Claims"**), which any Releasing Party ever owned or held, now owns or holds, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, the Tierra Encantada Center(s), the Franchise Agreement or the Development Agreement (as applicable), and all other agreements between any Releasing Party and Tierra Encantada or Tierra Encantada' parent, subsidiaries, or affiliates, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

2. **Risk of Changed Facts**. Releasor, Transferee, and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Releasor, Transferee, and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **Covenant Not to Sue**. Releasor, Transferee, and Guarantors (on behalf of the Releasing Parties) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum,

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either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

4. **No Prior Assignment and Competency**. Releasor, Transferee, and Guarantors represent and warrant that: (i) the Releasing Parties are the sole owners of all Claims and rights released in Section 1 and that the Releasing Parties have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1; (ii) each Releasing Party has full and complete power and authority to execute this Release, and that the execution of this Release shall not violate the terms of any contract or agreement between them or any court order; and (iii) this Release has been voluntarily and knowingly executed after each of them has had the opportunity to consult with counsel of their own choice.

5. **Complete Defense**. Releasor, Transferee, and Guarantors: (i) acknowledge that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and (ii) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns**. This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of the Released Parties and each Releasing Party.

7. **Counterparts.** This Release may be executed in two or more counterparts (including by facsimile), each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

8. **Capitalized Terms**. Any capitalized terms that are not defined in this Release shall have the meaning given them in the Franchise Agreement or Development Agreement (as applicable).

This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, Releasor, Transferee, and Guarantors have executed this Release as of the date shown above.

RELEASOR:

By: _____

Print Name: _____

Title: _____

Date: _____

TRANSFEREE (IF APPLICABLE):

By: _____

Print Name: _____

Title: _____

Date: _____

GUARANTOR:

_____

Print Name: _____

Date: _____

GUARANTOR:

_____

Print Name: _____

Date: _____

GUARANTOR:

_____

Print Name: _____

Date: _____

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EXHIBIT I
LIST OF FRANCHISEES

Open Outlets as of Last Fiscal Year End

Franchisee	Address	Phone Number
Kairos LLC	2000 Plymouth Rd. Minnetonka, MN 55305	952-544-6065
Alexandria Day Care LLC	4401 Ford Ave, Suite 100 Alexandria, VA 22302	571-312-0185
Ballston Day Care LLC	3804 Wilson Blvd Arlington, VA 22203	(571) 312-0185
West Falls Church Day Care LLC	131 Haycock RD Falls Church, VA 22046	(571) 496-8297

Outlets Not Yet Opened as of Last Fiscal Year End

Franchisee(s)	Address	Phone Number
Juraj Solutions LLC	11008 Vivian Drive Huntsville, AL 35810	205-249-8009
Geoff Williams	7702 E Nassau Ave Denver CO 80237	720-626-3012
Calle Cuarta LLC	6613 Simmons Loop Riverview, FL 33578	248-421-7909
Little Luminaries Education LLC	1655 Memorial Dr SE Atlanta, GA 30317	229-216-9467
TC Spanish Immersion LLC	71 Eileen Cir, Burnsville, MN 55306 71 Eileen Cir, Burnsville, MN 55306	612-271-2178 612-807-4612

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Franchisee(s)	Address	Phone Number
Babylon 108 LLC	509 2nd AVE S Hopkins, MN 55343	612-481-3925
Happy Kids TE, LLC	17354 Joplin Ave. Lakeville, MN 55044	612-481-3925
The Parbhu Tierra, LLC	3719 Madison Ave. Kansas City, MO 64111	314-604-9095
Mohammad Akhtar	1255 Adair Cir 205 Fort Mill, SC 29715	803-873-0034
Sirikul Prasertsomboon	1255 Adair Cir 205 Fort Mill, SC 29715	803-873-0034
Aasif Zahid Syed	13119 Orchard Green Dr Richmond, TX 77407	281-816-6886
TE Education, LLC	2206 W 18th ST #7 Houston, TX 77008	803-873-0034
Daycare Holdings LLC	1920 Association Dr., Suite 101 Reston, VA 20191	703-945-8001
Nubia Spanish Early Education LLC	4445 Corporation Ln Ste 259 Virginia Beach, VA 23462	703-304-7049
NW Encantada No. 1 LLC	100 N Howard ST Suite R Spokane, WA 99201	425-770-2332

FRANCHISEES WHO HAVE LEFT THE SYSTEM

Franchisee	City, State	Phone Number
Didasko I Inc*	Richmond, TX	832-552-7929

* Left the System due to transfer of Franchise Agreement for unopened Center.

EXHIBIT J
STATE EFFECTIVE DATES AND RECEIPTS

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STATE EFFECTIVE DATES

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

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

STATE	EFFECTIVE DATE
California	See Separate FDD
Illinois	See Separate FDD
Indiana	Pending
Maryland	See Separate FDD
Michigan	Pending
Minnesota	Pending
New York	See Separate FDD
North Dakota	Pending
South Dakota	Pending
Virginia	Pending
Washington	See Separate FDD
Wisconsin	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.

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RECEIPT
(YOUR COPY)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and Area Development Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Tierra Encantada Franchising LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York law requires Tierra Encantada Franchising LLC to provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a franchise or other agreement with, or make payment to, the franchisor or one of its affiliates in connection with the proposed sale. Michigan requires that Tierra Encantada Franchising LLC provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, the franchisor or one of its affiliates in connection with the proposed sale.

If Tierra Encantada Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: Robert Thesing, 2700 30th Avenue, Minneapolis, MN 55406, (612) 423-5326, and_____(blank completed only if applicable).

The issuance date of this Disclosure Document is: March 20, 2026.

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated March 20, 2026, that included the following Exhibits:

Exhibit A – State Administrators/Agents for Service of Process
Exhibit B – State Specific Addendum
Exhibit C – Franchise Agreement
Exhibit D – Area Development Agreement
Exhibit E – Non-Use And Non-Disclosure Agreement
Exhibit F – Financial Statements
Exhibit G – Table of Contents to Confidential Operations Manual
Exhibit H - General Release
Exhibit I – List of Franchisees
Exhibit J – State Effective Dates and Receipts

_____ _____
Date Prospective Franchisee

_____
Printed Name

PLEASE KEEP THIS COPY FOR YOUR RECORDS

© 2026 Tierra Encantada Franchising LLC

RECEIPT
(OUR COPY)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and Area Development Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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If Tierra Encantada Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

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Exhibit F – Financial Statements
Exhibit G – Table of Contents to Confidential Operations Manual
Exhibit H - General Release
Exhibit I – List of Franchisees
Exhibit J – State Effective Dates and Receipts

_____ _____
Date Prospective Franchisee

_____
Printed Name

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO KRISTEN DENZER, TIERRA ENCANTADA FRANCHISING LLC, 2700 30TH AVENUE, MINNEAPOLIS, MN 55406.

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