FRANCHISE DISCLOSURE DOCUMENT

YOUNG REMBRANDTS FRANCHISE, INC.
23 North Union Street, Elgin, Illinois 60123
(847) 742-6966 or (866) 300-6010
vr@youngrembrandts.com
www.youngrembrandtsfranchise.com

Young Rembrandts

The Franchisee will provide art classes and teach art techniques to preschool and elementary school children.

The total investment necessary to begin operations of a Young Rembrandts standard Gold Franchise ranges from a low of $45,455 to a high of $53,235. This includes $39,500 that must be paid to the franchisor or its affiliate.

The total investment necessary to being operations of a Young Rembrandts Silver Franchise (available in limited areas) ranges from a low of $41,455 to a high of $49,235. This includes $35,500 that must be paid to the franchisor or its affiliate.

The total investment necessary to begin operations as a Young Rembrandts developer ranges from a low of $33,000 to a high of $49,500. This includes $33,000 to $49,500 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Kim Swanson at 23 North Union Street, Elgin, Illinois 60123, (847) 742-6966.

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 *"A Consumer's Guide to Buying a Franchise,"* which can help you understand how to use this disclosure document, is available from

the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may be laws on franchising in your state. Ask your state agencies about them.
Issuance date: March 6, 2023

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 E.
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 D 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 Young Rembrandts 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 Young Rembrandts franchisee?	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.
Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.
Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.
Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.
Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.
Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.
When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and territory development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Illinois. 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 Illinois than in your own state.
2. **Going Concern.** The Auditor's Report on the Franchisor's financial statements expresses substantial doubt about the Franchisor's ability to remain in business. This means that the Franchisor may not have the financial resources to provide services and support to you.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
5. **Turnover Rate.** In the last 3 years nearly 50% of franchised outlets were terminated, not renewed, or ceased operations for other reasons. This could be a higher risk investment than a franchise in a system with a lower turnover rate.

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

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

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

(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 the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity which in no event need be more than thirty (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 furnishing not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (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 six (6) months advance notice of franchisor's intent not to renew the franchise.

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

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

(g) A provision which permits a franchisor to refuse 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) Failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

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

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

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

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, franchisee has the right to request an escrow arrangement.

Any questions regarding the notice of this Offering should be directed to:

CONSUMER PROTECTION DIVISION
ATTN: Franchise
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913
(517) 335-7567

YOUNG REMBRANDTS FRANCHISE, INC.

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** Definitions from the Franchise Agreement have the same meaning in the Franchise Disclosure Document and the Exhibits.

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Young Rembrandts Franchise, Inc. ("we", "us", "our" or "ours" or "the Company") is an Illinois corporation incorporated on December 2, 1997, with principal office at 23 North Union Street, Elgin, Illinois 60123. Our registered agent is Bette Fetter, with a principal place of business of 23 North Union Street, Elgin, Illinois 60123. Also see Exhibit H for state-specific agents for service of process appointed in franchise registration states.

In 1988, Ms. Bette Fetter, our President and Founder, began a business known as Young Rembrandts, which was incorporated as Young Rembrandts, Inc. in Illinois on September 2, 1994. Ms. Fetter designed our business concept, format, and method of operations. From March 9, 1988 to September 2009, Bette Fetter and later Young Rembrandts, Inc. offered and performed in Illinois and Wisconsin the identical services to be offered to the public by you. The address of Young Rembrandts, Inc. is 23 North Union Street, Elgin, Illinois 60123. Young Rembrandts, Inc. owns and licenses the intellectual property licensed to us and sublicensed to you. Pursuant to a License Agreement entered into in 2018 and amended and restated in 2019, Young Rembrandts, Inc. has granted a license to the licensee to use and sublicense the use of the Marks and System, including the Young Rembrandts curriculum, in schools operating in mainland China. It does not conduct any business activities other than licensing.

We do not have a parent company and we do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

We offer the sale of franchises to an individual or entity. "You", "your" and "yours" as used in this Franchise Disclosure Document will refer to the individual who buys the franchise or the entity that buys the franchise if you are a corporation, partnership or limited liability company and all of the individual owners of the entity. If you are an entity, all of your owners must sign a guaranty which means that all of the provisions of the Franchise Agreement also will apply to your owners. (See Item 15)

We have developed, and we own the system to be franchised (the "System") described in the Franchise Agreement (the "Agreement") which is Exhibit A to this Franchise Disclosure Document. You will own and operate the franchise business within a specific Territory which will be described in your Franchise Agreement using the name and marks "Young Rembrandts," "YR The Power of Drawing" and other current or future trademarks, service marks, logos or other commercial symbols we designate ("Marks").

As a Young Rembrandts franchisee, you are an independent business owner offering to sell and provide drawing classes, including instruction in artistic techniques, primarily to elementary and preschool children in in-person settings in private schools, public elementary schools, pre-schools, day care centers, Montessori schools, park districts, libraries and community centers and via live Zoom cloud meetings. In the future, we may also arrange for you to have the opportunity to conduct classes at additional types of venues through a national accounts program; however, this program has not yet been established. Once a month we will provide you with proprietary Young Rembrandts weekly lesson plans we have prepared for your use during the following month. The lesson plans will include instructions and drawings. All classes must be conducted by you or your staff.

We and/or our affiliate are selling on-demand video classes via a centralized web-based platform. If your Royalty and National Marketing Fees exceed the minimum payments required (as described below), you

will receive a portion of the revenue received for purchases of on-demand video classes that come from customers in your territory. Currently, it is our policy to pay our franchisees 70% of the revenue from purchases of on-demand video classes that come from their territory, but this policy and the amount of the percentage is subject to change.

Classes that take place in schools will typically not be conducted when the schools are not in session, with some exceptions. However, classes in other types of locations may be offered throughout the year. Additional camp curriculum is provided to you for conducting classes at other locations during times when elementary schools are not in session. Operations and marketing of the business should be conducted by you throughout the year.

Typically, your teaching staff should have an art background and/or experience working with children. You are not required to own or lease any office space or studio; since the schools or centers will provide a suitable classroom for the lessons. You can operate the franchise from your home.

The customers are most likely to be parents of preschool and elementary school age children who desire quality, professional art classes for their children. You may have competition from other local, regional and national companies offering other art education programs for children in similar locations. The market for art education programs for children is developed in some major metropolitan areas, but is undeveloped in other areas. You can also expect competition from other franchised art instruction businesses, independent private artists, art schools, and specialty arts and crafts stores. Before you sign a franchise agreement, you should survey your market to determine what local competition exists and the perceived quality of their programs and materials.

Our standard franchise offering is the Gold Franchise with which you will be granted an exclusive territory that includes at least 75 public and private elementary schools. We may grant a Silver Franchise with an exclusive territory containing a lesser number of elementary schools in certain rural areas which do not have 75 public and private elementary schools within a reasonable geographic area for providing the Young Rembrandts services or in non-rural areas in limited circumstances where 75 public and private elementary schools do not exist within the desired territory. The territory for the Silver Franchise will include a minimum of 40 public and private elementary schools. We determine in what geographic area we will grant a Silver franchise.

You have the option of entering into a Territory Development Agreement (the "TDA") with us under which you reserve the right to open additional franchises within a specified territory. The TDA is attached as Exhibit B to this Franchise Disclosure Document. You will sign the first franchise agreement at the same time as you execute the TDA. As you open additional franchises under the TDA, you will be required to sign our then-current form of the franchise agreement which may differ from the form of franchise agreement in this Franchise Disclosure Document.

If you purchase more than one franchise either under a TDA or otherwise, for each franchise that you purchase, you must separately meet all of the requirements of the Franchise Agreement signed for that franchise.

You must meet the requirements of the state regulatory agency which licenses preschools and day care centers in your state in order to be able to provide classes in a preschool or day care center. The requirements may include a background check, physical examination or testing, and/or finger printing of you and your

teachers. You must also conduct background checks on all of your employees before they begin teaching. You must meet the requirements of the Americans With Disabilities Act and any similar state laws regarding making accommodation for students where applicable. Regardless of any information which you may receive from us, you must on your own investigate and determine what federal, state and local laws and regulations apply to the operation of your Young Rembrandts franchise.

Before you sign a franchise agreement, you should investigate the school districts in your local area to determine if any barriers exist that may either prevent you from operating in certain schools or may make it more difficult or expensive for you to do so. For example, it has come to our attention that a small number of school districts have a policy that only non-profit organizations are permitted to conduct classes on school property or solicit customers through the school. However, we have not found this to be the case generally.

We began actively offering and selling franchises in 2001. We currently have a policy of paying our franchisees a referral fee if they refer a prospective franchisee to us and it results in a franchise sale. Neither we nor any affiliate has ever franchised any other type of business. We have never operated the same type of business as the franchise business you will operate. Young Rembrandts, Inc. operated the same type of business as you will operate from 1994 to September 2009.

We offer and sell individual franchises and Territory Development Agreements in Canada. As of December 31, 2022, 4 franchised units were operating in Canada. We offer Master Franchises outside the United States and Canada. As of the date of this Franchise Disclosure Document, we have Master Franchises in South Korea and the Middle East. We have also granted a unit franchise in India.

ITEM 2
BUSINESS EXPERIENCE

President/ Founder/Director: Bette Fetter

Ms. Fetter has served as our President since October 2006 and as our Secretary and a Director since our inception in December 1997. She has also served as President and Director of Young Rembrandts, Inc. from March 9, 1988 to present. From September 2008 to 2018, she was a Member of Art Renaissance LLC of Elgin, Illinois. From April 2012 to present, she has been a Director of Brilliant Arts, Inc., a not for profit corporation, based in Elgin, Illinois. From December 2017 to the present, she has been President of Fetterville, Inc. in Elgin, Illinois which owns and operates a Young Rembrandts business in Illinois.

Director of Franchise Development: Kim Swanson

Ms. Swanson has been employed by us since January 2002, most recently as our Director of Franchise Development and previously as Director of Franchise Operations, Franchise Development and Director of Training and Support. Ms. Swanson was employed by Young Rembrandts, Inc. from August 1998 to December 2001, initially as an Area Coordinator/Teacher and then as Area Manager/Office Manager. She has been a Certified Franchise Executive since February 2007.

Director of Operations and Director of Marketing: Elizabeth Wahl

Ms. Wahl has been our Director of Marketing since September 2011 and our Director of Operations since December 2019. From August 2010 to September 2011, she served as our Franchise Marketing

Coordinator, and from June 2008 to August 2010, she served as a Marketing Assistant for us.

Technology Manager: Camille Wilson

Ms. Wilson has been our Technology Manager since November 2019. From July 2018 to June 2019, she was Registrar for Community High School District 155, Crystal Lake, Illinois. From October 2006 to February 2018, she was Office and Payroll Manager for Tessler Construction Company, Inc. in Bull Valley, Illinois.

Franchise Business Coach: Kathleen M. Briscoe-Thompson

Ms. Briscoe-Thompson has been our Franchise Business Coach since October 2015. She also has been Admin/Payroll for Cross of Christ Lutheran Church Music Academy in Broomfield, Colorado since May 2019 and Substitute Teacher for Colorful Kids, LLC DBA Young Rembrandts in Westminster, Colorado since February 2017. From November 2010 to January 2017, she owned and operated the Young Rembrandts – NW Denver & Boulder franchise in Colorado until she transferred the franchise to another franchisee.

Franchise Business Coach: Christy McDonald Roberson

Ms. Roberson has been our Franchise Business Coach since September 2020. From November 2008 to August 2020, she was the Managing Director of the Young Rembrandts – South Birmingham franchise in Birmingham, Alabama.

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

For our standard Gold Franchise, you pay an Initial Franchise Fee of $39,500 by certified or cashier's check when you sign the Agreement. In limited areas, we will grant a Silver Franchise. If you are purchasing a Silver Franchise, you pay an Initial Franchise Fee of $35,500 when you sign the Agreement.

If you already own a franchise and are purchasing an additional franchise, you will pay an initial franchise fee of $33,000. We offer a 10% discount on the initial franchise fee to veterans who qualify for our veterans discount program.

If you fail to satisfactorily complete the Initial Training and we terminate the Agreement for that reason, we

will refund the initial franchise fee you paid less our expenses related to you (including the cost of recruiting, training and providing materials) not to exceed 70% of the initial franchise fee upon your delivery to us of a signed release. Otherwise, the fee is non-refundable.

Territory Development Agreement.

You must sign 1 Franchise Agreement and pay the $39,500 initial franchise fee when you sign the Territory Development Agreement.

We charge a non-refundable Territory Development Fee which you must pay in a lump sum when you sign the Territory Development Agreement. The fee is determined by multiplying the number of additional franchises you will open by $16,500, which is one-half of the initial franchise fee for additional franchises. As you open each additional franchise, you must sign the then current, standard franchise agreement and pay $16,500 for the balance of the initial franchise fee.

ITEM 6
OTHER FEES

Type of Fee[1]	Amount	Due Date[2]	Remarks
Royalty	10% on first $75,000 in Gross Revenues and 8% on Gross Revenues in excess of $75,000 each year from September 1 through August 31. For the Gold Franchise, you must pay a minimum monthly royalty of $250 for 1st and 2nd year, $400 for 3rd and 4th year, and $500 during years 5 through 10 and all renewal terms. For the Silver Franchise, you must pay a minimum monthly royalty of $250 for 1st and 2nd year, $300 for 3rd and 4th year and $350 during years 5 through 10 and all renewal terms.	On the 10th day of each month for all Gross Revenues received during the preceding calendar month	Obligation to pay royalty begins on the day you open for business. Obligation to pay the minimum monthly royalty begins the first full calendar month that is at least 30 days after the date you complete the initial training program; except in the case of transfers when the obligations begin upon the purchase of the franchise business. Gross Revenues means total receipts for services rendered by you, less applicable sales, use or service taxes. For the purposes of this calculation, Gross Revenues does not include income from on-demand video classes customers purchased through the centralized web-based platform offered by us or our affiliate.
National Marketing Fee	Up to 2% of Gross Revenues, currently 1% with a minimum of $35 per month.	On the 10th day of each month for the preceding calendar month	Obligation to pay the National Marketing Fee begins on the day you open your business. Obligation to pay the minimum monthly National Marketing Fee begins the first full calendar month that is at least 30 days after the date you complete the initial training program; except in the case of transfers when the obligations begin upon the purchase

Type of Fee[1]	Amount	Due Date[2]	Remarks
			of the franchise business.
Technology Fee	Currently $250 per year	Upon billing	The fee is for covering our costs for technology development and our costs for you to have access to and use certain technology tools, such as subscription fees and license fees.
Late Fees	10% of fees not paid on time, plus interest of highest legal rate or 1½ % if payment is more than 10 days late	Upon billing	Payable if royalty, national marketing fees or any other fees due to us are not paid by the due date.
Transfer Fee plus Broker Fees	$10,000 plus fee charged by broker, if applicable	Before transfer	Transfer fee payable to us when you sell your franchise. Covers initial training for the buyer. You must also pay any broker's fees due on the sale. If your buyer completes training, but the sale to the buyer does not take place and you are responsible, you owe us the current Additional Training Fee for the training we provided to your intended buyer.
Renewal Fee	$2,000	Upon signing renewal agreements	Payable to us if you renew your franchise at the end of the initial term.
Additional Initial Training	Currently $3,000 per trainee over 2 trainees for initial training and/or for trainees attending more than 2 years after you sign the Franchise Agreement	Prior to training	We provide initial training to the first 2 people trained within 2 years of signing the Franchise Agreement at no charge. You must also pay the expenses incurred by your employees in attending this training, including travel, room and board and compensation.
Annual Conference fee	We determine the fee each year in advance. The fee is to defray our costs for the conference. For 2022, estimated to be $600 to $800 per person.	Before conference begins	You must attend the annual conference. If you fail to attend, you must still pay the conference fee. If we do not hold the conference, you do not pay.
Audit	If the Royalty Fee has been underpaid by more than 3%, you pay us 3 times the amount due, plus our cost of audit and other costs and 1½% interest per month on the underpayment. If you have underpaid by less than 3%, you pay us the amount due	Upon billing	Payable if audit of your books reveals a deficiency in your payments or if audit necessary due to your failure to report.

Type of Fee[1]	Amount	Due Date[2]	Remarks
	plus our costs and 1½% interest per month on the underpayment.		
Indemnification	Our costs and damages	When we bill you	You must defend and indemnify us from claims.
Insurance Reimbursement	Our cost	Upon demand	If we purchase insurance for you after you fail to do so.
Document Preparation	Our costs, including legal fees	Upon billing	If you request we prepare additional documents related to your franchise business.
Attorneys' Fees	Reasonable fees and costs	When awarded by court	If we must bring a suit or proceeding to enforce the Agreement.
Cross Territory Fine	$200 per class	Upon demand	Payable for each class you conduct in another franchisee's territory after the completion of the class session in progress at the time the new franchisee purchases the territory. Fine is in addition to our right to terminate for breach.
Supplier Approval Fee	Costs we incur in testing products and/or evaluating the supplier	Upon demand	If you request approval of a supplier not currently approved, we may charge you the costs we incur in evaluating the supplier.
National Accounts Administrative Fee	Costs we incur in handling administrations, billing and/or collections for national accounts Not currently charging this fee.	Upon billing	Payable if you participate in the national accounts program and if we incur costs in connection with handling administration, billing and/or collection for any national account.
Credit Card Processing Fee	Currently 3.4% plus $.30 per transaction. Fee subject to change.	At time of payment by credit card.	Credit card payments for fees owed to us will be accepted in our discretion. We are not required to accept payment by credit card.
Insufficient funds bank charges	Actual fee incurred by us	Upon demand	Payable to us if you have insufficient funds in your bank account when a withdrawal is made by us and we incur bank charges as a result.

1. All fees are payable to us and are non-refundable, unless otherwise expressly stated.

2. All payments due to us must be made by electronic funds transfer (unless in our discretion, we accept a credit card payment). During initial training, you must provide us with your business bank and account information and sign authorization forms that will permit us to withdraw any and all

amounts due to us from your business bank account. Before you make any changes in banks or accounts, you must provide us information and execute documents and forms necessary for us to make electronic funds transfers from the new bank and/or account. If you fail to report Gross Revenues for any calendar month by the 10th day of the month, we have the right to withdraw the Royalty Fee and National Marketing Fee for the unreported calendar month in the amount of the Royalty Fees and National Marketing Fee paid for the most recent reported month or a higher amount if we reasonably determine that you generated higher Gross Revenues than the most recent reported month. Any amounts withdrawn based on estimates will be reconciled and adjusted as needed when we receive actual reports on Gross Revenues from you.

3. All of the fees above are paid to us and are paid uniformly; however, franchisees under earlier versions of the Franchise Agreement may pay fees in amounts different than what you pay or may not have an obligation to pay certain fees that you must pay.

Territory Development Agreement

The Territory Development Agreement spells out the fees which the Developer is obligated to pay to us. The following is a summary of these fees.

Type of Fee (1)	Amount	Due Date	Remarks
Extension Fee	$500	Before extension granted	Payable if you request an extension of time on your Development Schedule and we grant such extension in our discretion.
Costs and Attorney's Fees	Will vary under circumstances.	As incurred	You must reimburse us for costs and attorneys' fees if we are successful in an action to enforce the Territory Development Agreement.

1. All fees are payable to us in the manner we designate and are non-refundable unless otherwise expressly stated. All fees are paid uniformly.

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Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee[1]	$39,500	Lump Sum	At Signing of Franchise Agreement	Us
Office Equipment and Computer System[2]	$2,025 to $3,325	As Required by Supplier	Upon signing Software License Agreement; as required by Supplier	Software Licensor; Suppliers
Travel and Living Expenses While Training[3]	$800 to $1,500	As incurred	During training	Airlines, Hotels & Restaurants
Miscellaneous Opening Costs[4]	$300 to $1,750	As incurred	As incurred	Attorney, Accountant, Suppliers
Initial Inventory of Art and Teaching Supplies[5]	$900 to $1,160	As Required by Supplier	Before Opening	Suppliers
Initial Inventory of Marketing and Promotional Materials[6]	$550 to $700	As Required by Supplier	Before Opening	Designated Supplier
Liability Insurance[7]	$530 to $1,800	Lump Sum	Before Opening	Insurance Agent
Additional Funds – First 3 Months of Operation[8]	$1,000 to $3,500	As incurred	As incurred	Third Parties
TOTALS	$45,455 to $53,235			

NOTES

[1] Initial Franchise Fee

You pay an initial franchise fee of $39,500 if you are purchasing the standard Gold Franchise. The initial franchise fee for a Silver Franchise offered in limited areas is $35,500. (See Item 5 for information on discounts available.) You pay the fee when you sign the Franchise Agreement. If your franchise is terminated by us for your failure to satisfactorily complete the initial training, we will refund the initial franchise fee less the amount to cover our costs incurred for you but not to exceed 70% of the initial franchise fee.

[2] Equipment

You must purchase computer hardware and software (see Item 11), printer/scanner, and a telephone for use in operating the franchise business. This equipment must be purchased following our specifications. The estimate also includes the first 2 months of fees under the Active Network Software Agreement for the web-based registration and management software.

[3] Training Expenses

You are not charged an additional fee for you to attend initial training. You must arrange for transportation and pay the expenses for meals and lodging incurred in attending the initial training program. The total cost will depend on how far you must travel and the type of accommodations you choose. This estimate is based on 1 person attending training.

[4] Miscellaneous Opening Costs

This estimate includes legal and accounting fees, telephone and other utility expenses, costs for obtaining required certifications or licenses, business registrations and other miscellaneous opening costs. You must have a dedicated phone number used only for your Young Rembrandts business.

[5] Initial Inventory of Art and Teaching Supplies

This estimate includes individual supplies for 4 classes of 12 students each and cleaning supplies.

[6] Initial Inventory of Marketing and Promotional Materials

You must purchase the Marketing Starter Kit from our designated supplier. The Marketing Starter Kit includes an initial supply of brochures, informational and promotional literature, posters, display boards, business cards, brag book and promotional items.

[7] General Liability Insurance

You must purchase the general liability insurance required by us. The estimate is for a 1-year premium. The cost of insurance will vary based on the types and limits of the insurance you purchase, your location, your driving record, and other factors affecting risk exposure. You may also want to obtain sexual molestation coverage which would increase the cost of your insurance.

[8] Additional Funds

This estimate covers business-operating costs, including supplies, transportation, utilities and minimum royalty payments. No amount has been included for employee compensation in the low estimate. The high estimate includes an amount to cover 2 part-time employees to teach classes during the first 3 months plus worker's compensation insurance. No amount has been included for draw or salary for the franchisee's owner. You may need additional funds for personal living expenses.

There is no requirement that you have an office, so there is no expense included in the above estimates for

a lease. It is anticipated that you will operate the business from your home.

These figures are estimates.

We have compiled these estimates based on the experience of our franchisees and our general business knowledge. You should review these figures carefully with a business or financial advisor before making any decision to purchase a franchise.

The refundability of initial expenses other than the initial franchise fee (discussed above), depends on the terms of agreement you reach with your vendors and suppliers.

Neither the franchisor nor an affiliate finances part of the initial investment.

Territory Development Agreement

If you sign a Territory Development Agreement, you should anticipate the initial costs listed above for the first franchise you will open plus the initial fee due under the Territory Development Agreement which is $16,500 times the number of franchises you intend to open.

No Financing

We do not offer any direct or indirect financing for your initial investment.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Before you open your franchise, you must purchase the Marketing Starter Kit from our designated supplier, which includes an initial supply of brochures, informational and promotional literature, posters, display boards, business cards, brag book and promotional items.

Throughout the term of the franchise, you must purchase promotional products with our Marks, (including tote bags, pens, notepads, and apparel), merchant services, instructor training manuals, e-mail marketing services, e-mail addresses and registration and data management software from a supplier we designate.

You must follow our standards and specifications in purchasing art supplies and materials, the computer system and other office equipment, and marketing materials used in operating a Young Rembrandts business. As of the date of this Franchise Disclosure Document, except for additional e-mail addresses, neither we nor any of our affiliates are currently approved suppliers for any items; however, we may be approved suppliers in the future.

There are no approved suppliers in which any of our officers owns an interest.

We will provide you with the specifications and standards and lists of approved and designated suppliers in the Operations Manuals or otherwise in writing or by electronic communication. These specifications and standards relate to product quality and safety, consistency, reliability, frequency of delivery, financial capability, and customer relations.

If you want to use any of the above items of any brand and/or from a supplier which is not then approved, you must first notify us and submit sufficient information, specifications and samples concerning the brand and/or supplier as we request for our determination of whether the brand complies with our specifications and standards and/or the supplier meets our approved supplier criteria. We may charge you a reasonable fee to cover our costs in making this determination. We will notify you of whether or not the proposed brand and/or supplier is approved within a reasonable time, not to exceed 30 days from receipt of all required information. If we later revoke the approval of a brand or supplier previously approved, we will notify you in writing and you must then cease making purchases of the brand or from the supplier.

You must use the proprietary Young Rembrandts weekly lesson plans and camp lesson plans provided by us and must follow the lesson plans pursuant to our instructions. You cannot use your own lesson plans or lesson plans from any other source. You do not pay any additional fees for the lesson plans; however, you must have the lesson plans printed by an approved supplier and pay for the printing costs.

You are required to use the web-based registration and data management system that we designate. As of the date of this Disclosure Document, we require you to enter into the Active Network Software Agreement with Active Network, LLC and pay all applicable fees for the license to use the Application Software, which currently is a recurring fee of $110 per month. In addition, you will be required to pay any and all required taxes assessed on customer invoices, and merchant fees which are estimated at 2.5% of the credit card charges. If other proprietary or customized software is developed and implemented into the Young Rembrandts System, you will be required to purchase or license the software and ongoing maintenance and support services from us or a third party we designate.

In 2022, our gross revenues from the sale of products and services (only email addresses) to our franchisees was $900 or less than 1% of our total gross revenue of $1,059,772.

The cost of equipment, materials and supplies purchased from us or in accordance with our specifications or from approved suppliers represents 10% to 15% of your total purchases in establishing your franchise, and 5% to 10% of your total purchases in operating the franchise.

We have negotiated a purchase arrangement with several suppliers for the benefit of franchisees and may negotiate additional purchase arrangements in the future. We currently receive rebates from suppliers based on purchases by Young Rembrandts franchisees. You will receive no material benefits from these purchases from approved suppliers other than lower product prices. For one supplier, we contribute rebates we receive to the National Marketing Fund.

You must purchase comprehensive liability and automobile liability insurance in the amount of $1,000,000 and other insurance as described in detail in Article XII of the Franchise Agreement and in the Operations Manual. You may also want to purchase sexual molestation insurance although it is currently not required. Locations where you conduct your classes may require that you have additional coverage or higher coverage limits. The insurance coverage requirements may be modified by us. We will give you notice of any modifications. You must furnish us with evidence of insurance coverage before the opening date of your business and with each renewal.

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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 Franchise Disclosure Document.

Obligation		Section of Franchise Agreement (and Paragraph of TDA, if applicable)	Disclosure Document Item
a.	Site selection and acquisition/lease	No obligation	Not applicable
b.	Pre-opening purchases/leases	Section 5.2	Not applicable
c.	Site development and other pre-opening requirements	No obligation	Not applicable
d.	Initial and ongoing training	Sections 5.1 and 5.5, Par. 5 of Renewal Addendum	Items 6 and 11
e.	Opening	Sections 4.1 and 6.2, Par. 6 of Renewal Addendum (Par. 5 of TDA)	Item 11
f.	Fees	Sections 4.2.E , 5.1, 5.9, Article 9, and 14.3, Par. 4 and 7 of Renewal Addendum (Par. 2 and 3 of TDA)	Items 5 and 6
g.	Compliance with standards and policies/Operations Manual	Section 5.3, Article VII	Item 11 and Exhibit F
h.	Trademarks and proprietary information	Articles 7 and 8 (Par. 9 of TDA)	Items 13 and 14
i.	Restrictions on Products/services offered	Sections 5.8 and 6.6	Item 16
j.	Warranty and customer service requirements	Sections 5.7 and 5.9	Item 11B(2)
k.	Territorial development and sales quotas	Section 3.3 (Par. 4 of TDA)	Item 12
l.	Ongoing product/services purchases	Sections 5.2 and 6.6	Item 8
m.	Maintenance, appearance and remodeling requirements	Sections 6.4 and 6.5	Not applicable

Obligation		Section of Franchise Agreement (and Paragraph of TDA, if applicable)	Disclosure Document Item
n.	Insurance	Article 12	Item 7
o.	Advertising	Article 10	Items 6, 7 and 11
p.	Indemnification	Section 11.4	Item 6
q.	Franchisee's participation/management/ staffing	Sections 6.10 and 6.11	Item 15
r.	Records/reports	Article 13	Item 6
s.	Inspections/audits	Section 13.3	Item 6
t.	Transfer	Articles 14 and 15 (Par. 7 of TDA)	Items 6 and 17
u.	Renewal	Sections 4.2 and 4.3, Renewal Addendum	Item 17
v.	Post-termination obligations	Article 17	Item 17
w.	Non-competition covenants	Article 18	Item 17
x.	Dispute resolution	Articles 19 and 20 (Par. 12 of TDA)	Item 17 and Cover Page
y.	Other: Guaranty of franchisee obligations by owners	Sections 2.12, 6.16, 18.1 and Personal Guaranty and Assumption of Franchisee's Obligations	Item 15

ITEM 10
FINANCING

We do not offer any direct or indirect financing if you are purchasing your first Young Rembrandts franchise. We do not guarantee any of your purchases, leases, contracts or other obligations.

We recommend that you obtain a line of credit of between $10,000 and $15,000 to have available to you for the operation of your business. Whether you can obtain a line of credit and what financing terms will be offered to you will depend on factors such as the availability of financing generally, the prevailing interest rate, your credit worthiness, the collateral you have to offer, and the policies of lending institutions concerning this type of business.

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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. Before you begin your business we will:

(1) No real estate purchase or lease is required since the Young Rembrandts franchise model is designed as a home-based business. Therefore, we expect that you will operate from your home and we do not approve your business location.

We estimate that you should be able to open the franchise within 30 days after signing the Agreement depending on when the next training program will be conducted and time of year. If you sign a Franchise Agreement near the end or after the school year, you may not begin conducting classes at elementary schools until the beginning of the next school year; however, you should begin marketing for business immediately and should be able to begin conducting classes in day care centers that have year round programs. You must begin the Initial Training Program within 90 days after signing the Agreement or your franchise agreement may be terminated. Your business will be considered open on the first Monday after you complete the Initial Training Program. (Sections 4.1 and 6.2).

(2) Give you written specifications for the computer system, equipment, art materials and supplies, and other products to be purchased by you and a listing of approved suppliers, and give you advice with respect to these specifications (Section 5.2).

(3) Lend you a copy of the Operations Manuals ("Manuals") (Section 5.3) which currently include the following:

Manual	# of Pages
Franchise	188
YR Instructor Training	93
Technology	41
Sales & Marketing	80
Product & Curriculum	146
Summer Process	63
Total	661

The Table of Contents of the Manuals is at Exhibit F.

(4) Train you and 1 additional person in the operation of the Business (Section 5.1). You are sent pre-training materials that you must complete prior to arriving at our office for the Initial Training Program. This training is not provided to you if you are renewing your franchise.

Other than through the National Marketing Fund, we are not required to spend any amount on advertising in your Territory.

You are not required to participate in a local or regional advertising cooperative.

You must attend and complete to our satisfaction the 5 day Initial Training Program and Post-Training Conference Calls as shown below:

INITIAL TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Introduction, History and Philosophies	1.0	0	Home Office in Elgin, Illinois
Sales & Marketing	4.0	0	Elgin, Illinois
Staff	1.0	0	Elgin, Illinois
Curriculum and Sample Classes	8.0	0	Elgin, Illinois
Business Management	4.0	0	Elgin, Illinois
Marketing	4.0	0	Elgin, Illinois
Technology Software	1.0	0	Elgin, Illinois
Summer Programming	0.5	0	Elgin, Illinois
Post Training			
Summer Programming	0	1.5	Post-Training Conference Calls
Technology and Marketing	0	2.0	Post-Training Conference Calls
Technology	0	3.0	Post-Training Conference Calls
Curriculum	0	1.5	Post-Training Conference Calls
Operations	0	5.0	Post-Training Conference Calls

Note:

(1) During the Initial Training Program, you may be required to complete homework assignments

outside of the classroom training.

(2) The post training conference calls take place within the first 6 weeks after your completion of the initial training program in Elgin, Illinois. In addition, you will follow a specified post-training agenda that includes viewing pre-recorded webinars, listening to pre-recorded conference calls, and viewing documents regarding franchise operations, all of which are accessed on our intranet. The order in which the topics are presented may vary.

The training program is coordinated and conducted by Liz Wahl, our Director of Operations and Director of Marketing. Ms. Wahl has been employed by us since June 2008 and conducts training on teaching, digital marketing strategies, traditional marketing strategies, and supporting tools. The following people also participate in the franchisee training:

Bette Fetter is our founder and President. She conducts training on philosophy, curriculum, teacher training, and product review.

Camille Wilson has been employed by Young Rembrandts Franchise, Inc. since November 2019 and is our Technology Manager. Ms. Wilson conducts training on our website, web-based registration and management software, technology tools, reporting and compliance.

Kim Swanson has been employed by Young Rembrandts Franchise, Inc. or Young Rembrandts, Inc. since 2002 and is our Director of Franchise Development. Ms. Swanson conducts training on sales process and tools, maximizing revenues, and the franchise business model.

Kathleen Briscoe-Thompson has been employed by Young Rembrandts Franchise, Inc. since 2015 as a Franchise Business Coach. Ms. Briscoe-Thompson conducts training on all aspects of franchisee business management, including strategy, goal setting, sales, marketing, finance, human resources, technology, and operations.

Chris Roberson has been employed by Young Rembrandts Franchise, Inc. since 2020 as a Franchise Business Coach. Ms. Roberson conducts training on all aspects of franchisee business management, including strategy, goal setting, sales, marketing, finance, human resources, technology, and operations.

Jamie Schnell has been employed by Young Rembrandts Franchise, Inc. since 2020 as a Marketing Coordinator. Ms. Schell conducts training on social media and email marketing.

Maren Spurgeon has been employed by Young Rembrandts Franchise, Inc. since 2014 and conducts training on curriculum, teacher training, and classroom teaching.

Specific instructors are subject to change or substitution.

Training is conducted as needed. The instructional materials include the Operations Manuals described above, and teaching and sample class videos.

We do not charge you extra for your Initial Training or Post-Training which you must attend and satisfactorily complete. We do not charge for a second person to attend Initial Training if they attend the

training within 2 years of the date you sign the Franchise Agreement. You must pay travel and living expenses for you and your attendees for the training at our headquarters. However, if you want us to provide training to more than 2 people or to train your second person more than 2 years from the date you sign the Franchise Agreement, you must pay us a Training Fee for each additional person and training is subject to availability.

(5) Provide you with initial advertising copy and lay-out for you to use in preparing your own customized marketing materials. (Section 5.4)

(6) Assist you in identifying a Territory within which you will conduct the Business (Section 4.1) and, if you elect to enter into a TDA, the territory of the TDA.

Computer Systems

You must purchase or lease computer hardware and software which meet our specifications. You must keep this system up to date with the most recent upgrades and updates for the hardware, device drivers and software within the system. You must use only Microsoft Office (Word, Excel, Power Point, Publisher) software for standard business operations and QuickBooks Pro for accounting and bookkeeping. You must have an anti-virus program with the most current protection plan and a data backup plan. The estimated cost to purchase the required computer system is $1,800. We require you to purchase necessary hardware and regularly back up your computer system yourself or to purchase remote backup services from a third party supplier which are estimated to cost $100 per year.

Before you attend the initial training program, you must on your own arrange for and attend computer training as necessary for you to be proficient in the use of the required computer software.

You must have access to the Internet via a high speed line. We will provide you an e-mail address that you must use in promoting and operating your business and in communicating with us. You must use a web based communication tool we designate for communication between us and our franchisees. Currently, the tool is FranConnect but this may change in the future. We may require you to upgrade or update your computer hardware or software at any time during the term of the Franchise Agreement if we determine that the hardware or software is insufficient for the efficient operation of the Business or is incompatible with our computer system. We may independently access and use the information or data stored on your computer or on the web-based management system that you are required to use. There are no contractual limitations on our right to access this information or data.

You must use the web-based registration and data management software that we designate. Prior to the opening of your business, you must enter into the Active Network Software Agreement with Active Network, LLC. This agreement is found at Exhibit I to this Franchise Disclosure Document. Currently, under the Active Network Software Agreement, there is no initial fee and you pay a recurring fee of $110 per month. In addition, you will be required to pay any and all required taxes assessed on customer invoices. Credit card processing fees are paid for separately to the designated credit card processing supplier and are in addition to monthly fees paid for the web-based software. In addition, you will be required to pay merchant fees which are estimated at 2.5% of the credit card charges. The web-based system provides for management of data (including data relating to accounts, classes, sessions, instructors and students), provides for online registration for classes and credit card processing for payment of class fees, and scheduling and reporting.

We will provide you initial training in the use of the licensed application software during the initial training program. If you choose, you can obtain additional training from Active Network, LLC at their current rates. Active Network, LLC will serve as your primary contact for ongoing support of the application software which can be obtained by e-mail, online chat or online learning center. Active Network, LLC will issue upgrades and service packs for the application software in its discretion. The estimated annual cost of maintenance for your computer system ranges from $200 to $250. We may require you to purchase or lease other proprietary software from us, an affiliate or a third party designated by us in the future.

You must use e-mail marketing services from a supplier that we designate. Currently, that supplier is Constant Contact which provides a web-based service. The current fees range from $25 to $75 per month.

B. Opening and Post-Opening. During the operation of the Business, we:

(1) will provide you our proprietary weekly lesson plans for 48 out of 52 weeks each year which you must use and follow exactly as defined in the materials. We will also periodically provide proprietary camp lesson plans for use in camps at park districts, schools and other locations. (Section 5.8).

(2) will (i) conduct inspections to ensure compliance; (ii) upon your written request, provide advisory and other services; (iii) provide additions to the System as made available to other franchisees; (iv) provide modifications to the Manual; (v) provide forms you use to report information we require; (vi) make staff available for consultation on operational problems; and (vii) send Customer Satisfaction cards or make phone calls to your customers (Sections 5.6 and 5.7).

(3) may develop advertising, promotional and marketing programs and materials for the Young Rembrandts System. (Section 10.1)

(4) may conduct supplemental and refresher-training programs at our headquarters or other location we designate or by Webinar at our expense. We may only require you or your manager to attend a program outside your territory once a year. You must pay your travel and living expenses (Section 5.5.A).

(5) may hold an Annual Conference of franchisees. (Section 5.5.B) You must attend the Annual Conference. If you have more than one franchise, your required manager must also attend the Annual Conference. You must pay us the Annual Conference fee (estimated to be $600 to $800 per person) even if you fail to attend. You must pay the travel and living expenses you and your manager incur in attending the Annual Conference. We do not have to conduct an Annual Conference.

(6) may establish a National Accounts program and secure National Accounts to be serviced by our franchisees. (Section 5.9)

(7) may (or our affiliate may) provide on-demand video drawing classes for you to sell to customers in your Territory. (Section 5.10).

Advertising

We will administer the national marketing fund (the "National Marketing Fund"). The National Marketing

Fund is used for the creation and development of advertising and marketing programs as we deem necessary or appropriate to advertise or promote Young Rembrandts franchises. Young Rembrandts businesses owned by us or our affiliates will contribute to the National Marketing Fund on the same basis as franchisees. In the year ending December 31, 2022, the National Marketing Fund monies were spent as follows: 0.26% on production, 0.0% on media placement, 18.27% on graphic design, 59.82% on website development and hosting, 15.73% on social marketing, 0.0% on public relations, 0.0% on marketing store, 0.84% on national conference and 5.08% on administrative expenses. In 2022, we received compensation for products or services from the National Marketing Fund.

We direct all advertising, marketing and promotional programs financed by the National Marketing Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. You agree that the National Marketing Fund may be used to pay the cost of preparing and producing written, audio and video advertising materials; administering national, regional or local advertising programs including, direct mail and other media advertising, and employing advertising agencies to assist in those activities; establishing and maintaining a website for the franchise system; supporting public relations, market research and marketing activities; providing advertising, marketing and promotional materials for Young Rembrandts franchisees. The National Marketing Fund will not be used principally to solicit the sale of franchises. However, some marketing and promotional materials and information and/or public relations activities may reference the availability of Young Rembrandts franchises for purchase.

In 2022, the media used by the National Marketing Fund was internet and social media marketing and print advertising. In 2022, the marketing and promotion was predominantly national in scope and developed by in-house personnel. The Young Rembrandts Franchise Advising Council (FAC) may provide input to us on advertising and marketing matters; however, the FAC has no decision-making power. Members of the FAC are voted in by the franchisees.

The National Marketing Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs and overhead we may incur in activities reasonably related to the administration of the National Marketing Fund and its advertising, marketing and promotional programs (including, conducting market research, preparing advertising, marketing and promotional materials, and collecting and accounting for contributions to the National Marketing Fund). We may spend in any fiscal year an amount greater or less than the total contribution of all franchises to the National Marketing Fund in that year. The National Marketing Fund may borrow from us or other lenders to cover deficits of the National Marketing Fund or invest any surplus for future use by the National Marketing Fund. All interest earned on monies contributed to the National Marketing Fund will be used to pay advertising, marketing and promotional costs of the National Marketing Fund before other assets of the National Marketing Fund are expended. We will prepare an annual unaudited statement of monies collected and costs incurred by the National Marketing Fund and will furnish it to you on written request.

The National Marketing Fund is intended to maximize recognition of the Marks and patronage of Young Rembrandts businesses. Although we will endeavor to use the National Marketing Fund to develop advertising, marketing and promotional materials, and to place advertising in a manner that will benefit all Young Rembrandts franchisees, we have no obligation to ensure that expenditures by the National Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the National Marketing Fund by each Young Rembrandts franchisee operating in that geographic area or that

any Young Rembrandts franchisee will benefit directly or in proportion to its contribution to the National Marketing Fund from the development of advertising, marketing and promotional materials or the placement of advertising. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the National Marketing Fund. We may discontinue or reestablish the National Marketing Fund. If the National Marketing Fund is discontinued, all amounts remaining in the National Marketing Fund on the date of discontinuance will be distributed to franchisees in proportion to their respective contributions for the most recent 6 months.

We do not have the power to require that advertising cooperatives be formed.

ITEM 12
TERRITORY

You will be granted an exclusive Territory in which to operate the Business. If you are purchasing our standard Gold Franchise, there will be a minimum of 75 public and private elementary schools (schools which provide instruction for any of kindergarten through 5th grade) located within the Territory. In certain areas where it is not feasible to grant a territory with at least 75 schools, we may grant a Silver Franchise with a Territory which has less than 75 schools. The territory for the Silver Franchise will include a minimum of 40 public and private elementary schools. The Territory will be described in an exhibit to the Franchise Agreement.

We and our affiliates will not establish in your Territory any other franchised or company-owned Young Rembrandts business offering art classes using the Marks. We and our affiliates can establish within and outside of the Territory businesses offering similar services and products using different marks. We and our affiliates may establish other channels of distribution for similar services and products using the Marks or different marks within or outside of your Territory, including the Internet. We or our affiliate sell on-demand video classes to customers via our centralized web-based platform. You will receive a portion of the revenue received for purchases of on-demand video classes that come from customers in your Territory. You will be able to market and sell our on-demand video classes directly from your mini-site. Currently, it is our policy to pay franchisees 70% of revenue from purchases of on-demand video classes that come from their territory, but this policy and the amount of the percentage is subject to change. We may also acquire, be acquired or merge with another franchise system or business offering similar services with locations in your Territory. If we do so, we are not required to compensate you if we sell our products or services in your territory.

We may develop various National Accounts under a National Accounts Program. A "National Account" is a business, institution, governmental agency or other person or entity that either itself or through common ownership, association or independent contractors, has multiple locations in a number of geographic areas that fall within multiple franchise territories, has ongoing demands for services and products that in a number of geographic areas or that exceed the capability of any single franchised business, and/or prefers a single contact in order to control pricing, billing, customer satisfaction, and/or similar requirements. We reserve the right to ourselves or through designated third parties solicit prospective National Accounts located within your Territory in order to develop them as National Accounts. Further, if you decline to participate in the National Accounts Program, decline to service any National Account location within your Territory, or are prohibited from providing services to the National Account location within Franchisee's Territory pursuant to the standards, policies and procedures of the National Accounts Program or the requirements of a particular National Account, we

have the right to have ourselves provide the services or to designate another Young Rembrandts franchisee or other third party to provide services at National Account locations or to National Account customers located within your Territory. You will not be entitled to any compensation with respect to services provided to any National Account location or customer within Franchisee's Territory after you have declined to or are prohibited from servicing the National Account location or customers.

You may not conduct classes in another franchisee's territory and other franchisees must not conduct classes in your Territory, except as is permitted under a National Accounts Program. You must pay a fine if you conduct any classes in another franchisee's territory. (See Item 6). If you are conducting classes in an area that has not been granted to another franchisee and the area is later granted to a new franchisee as part of the new franchisee's territory, you must turn over the classes once the new franchisee has completed initial training and at the end of the current session of the classes being conducted in the new franchisee's territory. If you sell your franchise business, you must disclose to the prospective buyer what classes are being conducted outside of your territory and that if the area in which the classes are conducted subsequently becomes part of the territory granted to a new franchisee, the classes would have to be turned over to the new franchise.

Once your business has been in operation for at least 12 months, your exclusive rights to the Territory and your right to continue to operate the franchise are dependent upon you maintaining Gross Revenues sufficient to generate an average monthly royalty payment of at least $500 from classes conducted within your Territory only. The revenue from purchases of on-demand video classes does not count towards the calculation of Gross Revenues for purposes of the average monthly royalty payment. If over a period of 6 consecutive months your royalty payments do not average at least $500 per month, after giving you notice to cure and an additional 6 month period in which to increase your Gross Revenues so that your royalty payments average at least $500 per month, we can terminate your exclusive rights to the Territory or we can terminate your franchise rights. For the Silver Franchise, once you have been open for business for at least 12 months, you must maintain Gross Revenues sufficient to generate an average monthly royalty payment of at least $350 from classes conducted within your Territory only. If we terminate your exclusive rights to the Territory, we may ourselves operate in or may grant other parties the right to operate in the Territory granted to you.

You are not granted any options, rights of first refusal or rights to acquire additional franchises under the Franchise Agreement.

Territory Development Agreement

Under the Territory Development Agreement you are granted a territory in which you have the right to develop an agreed upon number of Young Rembrandts franchises during the term of the Territory Development Agreement ("TDA Territory"). The TDA Territory will be negotiated by you and us. The size of the TDA Territory will depend on how many franchises you have agreed to develop. During the term of the Territory Development Agreement, we will not grant any franchise or ourselves operate any Young Rembrandts business within the TDA Territory. We can establish within and outside of the TDA Territory businesses offering similar services and products using different marks. We may establish other channels of distribution for similar services and products using the Marks within or outside of your TDA Territory, including the Internet.

The territorial rights that will be granted to you under future franchise agreements signed pursuant to the

TDA will be determined by what territorial rights are being granted to new franchisees at the time you sign the franchise agreement. You will only receive a portion of the revenue received for purchases of on-demand video classes that come from customers in your territories for which you have signed franchise agreements. You will not receive a portion of the revenue received for purchases of on-demand video classes that come from customers in parts of your TDA Territory that you have not yet developed.

The territorial rights that will be granted to you under future franchise agreements signed pursuant to the TDA will be determined by what territorial rights are being granted to new franchisees at the time you sign the franchise agreement.

ITEM 13
TRADEMARKS

We grant you the non-exclusive right to use certain trademarks, service marks, logos and other commercial symbols used with the Young Rembrandts System ("Marks") which are owned by our affiliate Young Rembrandts, Inc. Young Rembrandts, Inc. holds service mark registrations with the U.S. Patent and Trademark Office (PTO) on the Principal Register for the following marks:

Mark	Date of Registration	Registration Number
Young Rembrandts	January 19, 2010; renewed October 28, 2019	3738464
	September 11, 2007; renewed November 25, 2016	3292223
Young Rembrandts	March 20, 2018	5429897

Young Rembrandts, Inc. intends to file all required affidavits to maintain these registrations.

We previously owned the rights to and obtained the service mark registrations for the Marks. On January 1, 2011, we assigned the Marks to Young Rembrandts, Inc. which serves as a holding company owning all of the Marks and other intellectual property which are part of the Young Rembrandts System. On January 1, 2011, Young Rembrandts, Inc. granted us a license to use and sublicense the use of the Marks and other intellectual property to our franchisees. The license is perpetual and terminates only if we become insolvent, file for bankruptcy or are dissolved, by agreement of us and the licensor, or if the

licensor terminates us for material breach of the license agreement. Upon termination, you would be required to immediately case using the Marks.

There are no other agreements currently in effect that limiting our right to use or license you the Marks in any manner material to the franchise.

You must follow our rules when you use the Marks. You cannot use any of the Marks as a part of an entity name nor in connection with an unauthorized product or service.

You must immediately notify us in writing of any apparent infringement or challenge to your use or our ownership of the Marks and of any claim by any person of any rights in the Marks or in any similar name. We will take the action we think is appropriate. You will assist us in any hearings or suits to protect the Marks.

We will reimburse you for your costs and damages for defending the Marks if you give us timely notice of any claim against you with respect to the Marks.

We can require you to modify or discontinue use of the Marks or to use substitute marks. If we do so, you must comply at your expense.

To our knowledge, there are no infringing uses that would materially affect your use of the Marks, nor are there any presently effective material adverse determinations of the PTO, Trademark Trial and Appeal Board, or of any court or State Trademark Administrator; pending infringement, opposition or cancellation; and pending material litigation involving the principal trademark.

Our Email addresses and website address are the sole property of ours. We will provide you with an e-mail address that you must use in operating the Young Rembrandts business. Upon termination of the franchise, you must cease using the address. We have a website (the "YR website") which may be used for various purposes, including promoting the Marks and the existing Young Rembrandts businesses, marketing and selling franchises and marketing and selling various products and services worldwide that may compete with you within and outside the Territory. The YR website is the sole property of ours.

You may not obtain any domain names for the Internet incorporating the Marks or create, develop, maintain and/or use your own website on the Internet using any of the Marks without our prior written consent. You must not use any of the Marks on the Internet in any directory listing, advertising or social media site without our prior written consent. You may not make any reference to or any association with the Marks on any social or professional network or platform, blog, or other on-line venue or in any other manner on the Internet without our prior written consent. If any of these uses is specifically permitted in the Manual, your use must conform completely to all of the applicable standards and procedures set forth in the Manual.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents are material to the Franchise.

We provide you with copyrighted drawings (included in the lesson plans) for your use in conducting Young Rembrandts classes. These drawings are the property of our affiliate, Young Rembrandts, Inc. These

copyrighted items and any derivative works are not to be used, reproduced or publicly displayed by you or your employees or your customers, schools, park districts, day care centers or other third parties except in the conduct of Young Rembrandts drawing classes using the Young Rembrandts System unless the prior consent of Young Rembrandts, Inc. is obtained. Young Rembrandts, Inc. does consent to temporary display of the children's images of the drawings at the site of the Young Rembrandts classes. Young Rembrandts, Inc. has obtained copyright registrations with the U.S. Copyright Office for approximately 4,293 of its line drawings used in lessons. Although it has not obtained copyright registration for all drawings, Young Rembrandts, Inc. claims a copyright in all of them and the information is proprietary. Young Rembrandts, Inc. will file for copyright registrations and renew those registrations as it deems appropriate.

Our right to use or license the use of these copyrighted items is not materially limited by any agreement or known infringing use. Young Rembrandts, Inc. licenses to us the right to use and sublicense the use of the copyrighted items in the operation of a Young Rembrandts business.

You must immediately notify us in writing of any apparent infringement or challenge to our or your use of the copyrighted items, including derivative works. We will take the action we think is appropriate. You must assist us in any hearings or suits to protect the copyrighted items as is necessary.

In September 2019 Young Rembrandts, Inc obtained a copyright registration with the U.S. Copyright Office for its drawing of "Sketch" the mouse, No. VA 2-179-260.

We can require you to discontinue using any of the copyrighted items.

You can use the proprietary information in the Operations Manual, instructional materials (included in the lesson plans), instructional videos, proprietary software and information collected and generated by the software, and other materials that are loaned to you in operating your Young Rembrandts business. Although we and have not filed an application for a copyright registration for the Manual, instructional materials, software or other materials, we claim copyrights and the information is proprietary. Our Manuals, instructional materials, software and all other information relating to the System provided to you by us, whether in writing or in verbal or electronic communication, are proprietary and confidential and a trade secret of ours. You must comply with all procedures established by us periodically to prevent unauthorized use or disclosure of the proprietary and confidential information.

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

You are responsible for the operation and management of your Business. You must operate the Business year-round on a full-time basis. The business must at all times be under the direct supervision of you or your full-time manager who has successfully completed our Initial Training program. If you conduct operations in more than one franchise territory, you must have a full-time manager for one of the territories. The manager does not need to have an ownership interest in the franchise. The manager must sign a confidentiality and non-competition agreement in a form approved by us.

If you are an entity, all owners of the entity must sign a guaranty of your obligations under the Franchise Agreement in a form approved by us. The Guaranty is Exhibit C to this Franchise Disclosure Document.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer, sell and provide only those services and products which we approve, and you must offer all services and products which we require. We may change, add or delete the types of approved services or products to be offered by you to customers. You must make any expenditures reasonably necessary to implement the changes or additions.

You may only use lesson plans provided by us in conducting classes. You must not deviate from the lesson plans provided to you and must not delete any portion or substitute or add other materials. All classes must be conducted by you or your staff.

In order to conduct classes for a National Account, you must agree to abide by the terms of our contract with the National Account as well as our National Accounts standards, policies and procedures.

You are limited as to the customers to whom you may offer your services to the extent that you cannot conduct classes at locations within the territory granted to another franchisee, except as is permitted under a National Accounts program.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision		Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 4.1	Term is 10 years.
b.	Renewal or extension	Section 4.2	If in good standing, you can add a 10-year option to renew.
c.	Requirements for you to renew or extend	Sections 4.2 and 4.3	Give notice, be current on all monetary obligations, be in full compliance with all material terms of the Agreement, including meeting the minimum royalty payment requirements, sign then current Agreement(s) and Renewal Addendum, pay renewal fee, upgrade, and release signed by you and your owners. The new Franchise Agreement you must sign may contain materially different terms and conditions than your original agreement.
d.	Termination by you	Section 16.3	If you are in compliance and we are in material breach and fail to cure after notice.

Provision		Section in Franchise Agreement	Summary
e.	Termination by us without cause	Not applicable	Not applicable
f.	Termination by us with cause	Section 16.1 and 16.2	We can terminate only if you are in default for the reasons set forth in Article XVI. We have the right to survey customers. If, in any one calendar year, 25% or more of your customers are dissatisfied, we, at our option, may take over the Territory and terminate the Agreement. If we take over the Territory we will pay you 50% of your last six months sales. Default under other agreements with us is default under this Franchise Agreement.
g.	"Cause" defined – curable defaults	Item 12 and Section 16.2 A(2)	You have 24 hours to cure conduct or failure to act which impairs goodwill. You have 10 days to cure: failure to report Gross Revenues, non-payment of fees, failure to obtain insurance, non-compliance with law. You have 30 days to cure any other defaults. You have 6 months to cure failure to achieve the minimum average royalty payment.
h.	"Cause" defined – non-curable defaults	Sections 12.6, 16.1 and 16.2 A(1)	Non-curable defaults include: failure to complete Initial Training, failure to begin training within 90 days after signing the Agreement, conviction of crime, falsification of application, danger to health or safety, repeated defaults even if cured, abandonment by ceasing operation for 5 or more business days or by leaving the Territory and failing to supervise the Business for 15 or more business days, unapproved transfers, danger to public health or safety, foreclosure, unauthorized use or disclosure of Confidential Information or Marks, or violation of covenants not to compete.
i.	Your obligations on termination/ non-renewal	Section 17.1	Obligations include payment of all amounts due, return of the Manual, videos, lesson plans and other of our property, maintain confidentiality, return of all data and records on customers and class locations, cease use of Marks, cease identification as a franchisee, return or destroy materials containing the Marks, cancel assumed name, assign telephone number and internet listings, turn over all customer and school information to us, and pay our attorney's fees and costs for termination. (Also see r., below)
j.	Assignment of contract by us	Section 14.1	No restriction on our right to assign except required assumption of performance obligations by Assignee.

Provision		Section in Franchise Agreement	Summary
k.	"Transfer" by you – defined	Section 14.3	Includes transfer of Agreement or assets or ownership change.
l.	Our approval of transfer by you	Sections 14.2 and 14.3	We have the right to approve all transfers but will not unreasonably withhold approval provided stated conditions are satisfied.
m.	Conditions for our approval of transfer	Sections 14.2 and 14.3	Conditions include: provide information on transferee, new franchisee qualifies, you are in compliance with the Agreement, transfer fee paid, purchase agreement approved, training completed, disclosure given to new franchisee about classes conducted outside your territory, release signed by you and your owners, either new franchise agreement or assumption of existing agreement signed (at our option), and compliance with our right of first refusal. (Also see r., below)
n.	Our right of first refusal to acquire your business	Article XV	We can match any bona fide written offer for your business.
o.	Our option to purchase your business	Section 16.2	See f. above.
p.	Your death or disability	Section 14.5	Transfer to heirs not subject to transfer conditions and our right of first refusal if heirs qualify as franchisee, sign new agreement and manager begins Initial Training within 3 months. Training fee must be paid.
q.	Noncompetition covenants during the term of the franchise	Section 18.1	No involvement in any competing business anywhere.
r.	Noncompetition covenants after the franchise is terminated or expires	Sections 18.1 and 18.2	For a period of 24 months, you cannot compete within 25 miles of the Territory or within the territory granted to any then-existing franchisee. You must turn over all customer and school lists and telephone numbers. For 1 year, you cannot solicit or service customers or schools.
s.	Modification of Agreement	Section 20.13 and 18.5	No modifications generally except Manuals subject to change and court modification of covenants not to compete to make valid.
t.	Integration/ merger clause	Section 20.14	Subject to state law. The terms of the Franchise Agreement and Exhibits to this Franchise Disclosure Document contain the complete agreement between us. Only the Franchise Agreement and this Franchise Disclosure Document are binding. Any other promises are not enforceable. Nothing is intended to disclaim the

Provision	Section in Franchise Agreement	Summary
		representations made in the Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 19	Subject to state law. Mediation at option of the parties. All disputes (except certain remedies) to be arbitrated at our offices or other location we designate.
v. Choice of forum	Section 20.6	Litigation to be in Kane County, Illinois.*
w. Choice of law	Section 20.5	Illinois law applies.*

This table lists important provisions of the Territory Development Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

Provision	Paragraph in TDA	Summary
a. Length of the franchise term	Paragraphs 4 and 5	Agreed upon by parties in TDA.
b. Renewal or extension	Not applicable	Not applicable
c. Requirements for you to renew or extend	Not applicable	Not applicable
d. Termination by you	Not applicable	Franchisees may terminate under any grounds permitted by law.
e. Termination by us without cause	Not applicable	Not applicable
f. Termination by us with cause	Paragraph 6	We can terminate if you commit a listed violation; termination does not affect existing franchise agreements unless "cause" was franchise agreement default.
g. "Cause" defined – curable defaults	Paragraph 6	30 days to cure failure to meet development obligations or any other breach; termination does not affect existing franchise agreements.
h. "Cause" defined – non-curable defaults	Paragraph 6	Bankruptcy, any unauthorized transfer; and termination of any Franchise Agreement.
i. Your obligations on termination/ non-renewal	Paragraphs 6 and 8	No further right to develop; however, termination does not affect existing franchise agreements.
j. Assignment of contract by us	Paragraph 7	We have an unrestricted right to assign.
k. "Transfer" by you –	Paragraphs 6 & 7	You have no right to transfer unless we consent in

Provision		Paragraph in TDA	Summary
	definition		writing in advance.
l.	Our approval of transfer by you	Paragraph 7	Only if consented to by us in writing in advance.
m.	Conditions for our approval of transfer	Paragraph 7	See l. above.
n.	Our right of first refusal to acquire your business	Not applicable	Not applicable
o.	Our option to purchase your business	Not applicable	Not applicable
p.	Your death or disability	Not applicable	Not applicable
q.	Noncompetition covenants during the term of the franchise	Not applicable	Not applicable
r.	Noncompetition covenants after the franchise is terminated or expires	Not applicable	Not applicable
s.	Modification of Agreement	Paragraph 11	No modifications unless in writing and signed.
t.	Integration/ merger clause	Paragraph 11	Only the terms of TDA and this Franchise Disclosure Document are binding. Any representations or promises outside of the Disclosure Document and the Franchise Agreement may not be enforceable.*
u.	Dispute resolution by arbitration or mediation	Paragraphs 17, 18 and 19	Mediation at option of parties. All disputes (except certain remedies) to be arbitrated at our offices or other location we designate.*
v.	Choice of forum	Paragraph 20	Litigation to be in Kane County, Illinois. *
w.	Choice of law	Paragraph 16	Illinois law applies. *

* Some states have provisions to the contrary. See Exhibit J for any addendum to the Franchise Disclosure Document or Franchise Agreement for your state.

ITEM 18
PUBLIC FIGURES

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

The remainder of this page has been left blank intentionally.

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 particular location or under particular circumstances.

STATEMENT OF ANNUAL GROSS REVENUES FOR THE 12 MONTH PERIOD JANUARY 1, 2022 TO DECEMBER 31, 2022 OF 41 FRANCHISE TERRITORIES OPERATING FOR AT LEAST 12 MONTHS

The following is a statement of annual gross revenues for the 12 month period ended December 31, 2022 for 41 Young Rembrandts franchise territories. The data presented includes average (mean) of annual gross revenues, the median of annual gross revenues, and a range of high and low annual gross revenues.

The data on annual gross revenues does not include revenue information from any franchise territories operating for less than 12 months as of December 31, 2022. Data for the 12 month period ended December 31, 2022 for 1 of 42 franchise territories were excluded from the average for not having operated for a minimum of 12 months as of December 31, 2022.

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

Quintile	Mean (Avg) Annual Gross Revenues (US$) of Fran-chisees	Median Annual Gross Revenues (US$) of Fran-chisees	High Annual Gross Revenues (US$) of Fran-chisees	Low Annual Gross Revenues (US$) of Fran-chisees	# of Fran-chisees Included in Segment Cal-culation	# of Fran-chisees in Segment at or above Mean	% of Fran-chisees in Segment at or above Mean
1st Quintile	$320,710	$298,194	$450,138	$250,098	8	3	38%
2nd Quintile	$196,177	$183,969	$240,412	$160,752	8	3	38%
3rd Quintile	$112,398	$112,982	$128,113	$103,040	10	6	60%
4th Quintile	$82,944	$84,729	$89,545	$74,527	5	3	60%
5th Quintile	$44,371	$48,059	$56,667	$24,192	10	6	60%
41 Fran-chisees	$149,208	$113,254	$450,147	$24,192	41	16	39%

*Nearest whole numbers are used.

Notes to table above: "Gross revenue" is the total revenue earned by the franchisee without any deductions being taken. The "Mean" is the average and is calculated by the sum of all gross revenue reported being divided by the number of territories included in the sum. The "Median" is the middle number of all gross revenue reported, and if there are two middle numbers, is calculated as the average of those two middle numbers. The gross revenue for each franchisee in the set is listed from high to low to determine the highest gross revenue number and the lowest gross revenue number.

The characteristics of the represented franchisee operations do not materially differ from that of a new franchisee.

The financial performance representations in the Tables are historic information and not a forecast of future financial performance. The financial information we utilized in preparing the preceding financial performance representations was based entirely upon information reported to us by Young Rembrandts franchisees. None of this information was audited by us or by any independent accountant or auditing firm, and no one had audited, reviewed or otherwise evaluated this information for accuracy or expressed his/her opinion with regard to its content or form.

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

Other than the preceding financial performance representation, Young Rembrandts Franchise, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Bette Fetter, 23 North Union Street, Elgin, IL 60123, (847)742-6966, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years ending December 31, 2020, 2021 and 2022, and for January 1 to February 28, 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	84	63	-21
	2021	63	47	-16
	2022	47	42	-6
	2023	42	43	+1
Affiliate-Owned	2020	1	1	0
	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets	2020	85	64	-21

	2021	64	48	-16
	2022	48	43	-5
	2023	43	44	+1

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years ending December 31, 2020, 2021 and 2022, and for January 1 to February 28, 2023

State	Year	Number of Transfers
CA	2020	0
	2021	0
	2022	1
	2023	0
Totals	2020	0
	2021	0
	2022	1
	2023	0

Table No. 3

Status of Franchised Outlets
For years ending December 31, 2020, 2021 and 2022, and for January 1 to February 28, 2023 (Note 1)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
AL	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
AZ	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
CA	2020	15	0	0	0	0	1	14
	2021	14	0	0	0	0	1	13
	2022	13	0	0	0	0	3	10
	2023	10	0	0	0	0	0	10
CO	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
FL	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
GA	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
ID	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
IL (Note 2)	2020	11	0	0	0	0	2	9
	2021	9	0	0	0	0	2	7
	2022	7	1	0	0	0	0	8
	2023	8	2	0	0	0	1	9
IN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
KS	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
LA	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MD	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MA	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
MI	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	1	3
	2023	3	0	0	0	0	0	3
MN	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
MO	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
NC	2020	2	0	0	1	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2023	0	0	0	0	0	0	0
NJ	2020	5	0	0	0	0	2	3
	2021	3	0	0	0	0	2	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NY	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
OH	2020	4	0	0	0	0	2	2
	2021	2	0	0	0	0	2	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
OK	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
OR	2020	1	0	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
PA	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
SD	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
TN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
TX	2020	9	0	0	1	0	3	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	1	4
	2023	4	0	0	0	0	0	4
VA	2020	2	1	1	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
WA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
WI	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	84	2	1	2	0	20	63
	2021	63	0	1	0	0	15	47
	2022	47	2	0	0	0	7	42
	2023	42	2	0	0	0	1	43

Note 1: As of February 28, 2023, these 43 franchised units are owned by 38 franchisees. 42 of the franchised units are standard Gold Franchises and 1 is a Silver Franchise.

Note 2: In January 2023, one franchisee elected to terminate a franchise agreement for 1 territory and purchased a franchise agreement for a different territory.

Table No. 4

Status of Affiliate-Owned Outlets
For years ending December 31, 2020, 2021 and 2022, and for January 1 to February 28, 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
IL	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	0
Totals	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

The remainder of this page has been left blank intentionally.

Table No. 5

PROJECTED OUTLET OPENINGS as of February 28, 2023			
STATE	**FRANCHISE AGREEMENTS SIGNED BUT UNIT NOT OPEN**	**PROJECTED FRANCHISED NEW UNITS IN THE NEXT FISCAL YEAR**	**PROJECTED COMPANY OR AFFILIATE OWNED OPENINGS IN NEXT FISCAL YEAR**
California	0	2	0
Indiana	0	1	0
Colorado	0	2	0
Georgia	0	1	0
Illinois	0	1	0
Ohio	0	2	0
Maryland	1	1	0
Michigan	0	1	0
Missouri	0	2	0
New Jersey	0	2	0
North Carolina	0	1	0
Washington	0	1	0
Texas	0	2	0
Total	1	19	0

A list of our franchisees as of February 28, 2023 is attached as Exhibit E.

We currently have no Territory Development Agreement in effect.

A list of the franchisees who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the year ended December 31, 2022, and any franchisees who have not communicated with us within the 10 weeks of the date of this Franchise Disclosure Document is attached as Exhibit E. If you buy the franchise, your contact information may be disclosed to other buyers when you leave the system.

Some franchisees have signed confidentiality clauses during the last 3 years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Young Rembrandts franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

We also offer and sell individual franchisees and Territory Development Agreements in Canada. We have Master Franchises in South Korea, the Middle East, and Taiwan.

The Young Rembrandts Franchise Advisory Council was created and is sponsored by us. Its members are elected by the franchisees. You can reach the organization by contacting any of the following representatives: President: Letty Giddings (letty.giddings@youngrembrandts.com), Secretary: Angela Ewanchuk (angela.ewanchuk@youngrembrandts.com), Member: Jason Wilkes (wilkes@youngrembrandts.com), Alternate: Robin Corradi (robin.corradi@youngrembrandts.com).

ITEM 21
FINANCIAL STATEMENTS

Attached at Exhibit D are our audited financial statements for the years ended December 31, 2022 and December 31, 2021 and our audited financial statements for the years ended December 31, 2021 and 2020.

ITEM 22
CONTRACTS

The following agreements are attached as exhibits to this Franchise Disclosure Document: Franchise Agreement, Exhibit A; Territory Development Agreement, Exhibit B; Guaranty, Exhibit C; and Active Network Software Agreement for the required web-based management software, Exhibit I.

If your state requires a State Addendum, it will be at Exhibit J.

If you are an existing franchisee renewing your franchise, you will sign the Renewal Addendum at Exhibit J along with the successor Franchise Agreement. The Renewal Addendum is subject to change and not necessarily the form of Renewal Addendum that will be in effect when a franchisee signing now comes up for renewal.

Before signing the Franchise Agreement, you must complete and sign a Franchise Disclosure Questionnaire, a copy of which is attached to this Franchise Disclosure Document as Exhibit G. The purpose of this Questionnaire is to indicate your receipt of various documents and other information.

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 any 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.

ITEM 23
RECEIPTS

Enclosed are two copies of a detachable document acknowledging receipt of this Franchise Disclosure Document and all Exhibits as shown on the Receipt page. It is to be signed by you, one copy retained by you and one delivered to us.

EXHIBIT A

FRANCHISE AGREEMENT

Franchise Agreement

Between

YOUNG REMBRANDTS FRANCHISE, INC.

and

_____

(Name of Franchisee)

_____

(Street)

_____

City State Zip Code

_____

Area Code Telephone

Young Rembrandts Franchise, Inc.
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Exhibit A – Franchisee's Territory

Exhibit B – Conditional Assignment of Telephone and Social Media Accounts

Addendum to Franchise Agreement for Silver Franchise (if applicable)

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT made and entered into by and between Young Rembrandts Franchise, Inc. (the "Company") an Illinois corporation having its principal office at 23 North Union Street, Elgin, IL 60123 and _____ (the "Franchisee") having its principal office at _____.

ARTICLE I.
RECITALS

1.1 Right to License. The Company and Ms. Bette Fetter, the Company's President and Founder, who originally began operating the business in 1988 and incorporated it in Illinois under the name Young Rembrandts, Inc. on March 9, 1988, along with her husband, Mr. Bill Fetter, have developed, and the Company has the right to license, the uniform formats, systems, methods, procedures and standards (the "System") for establishing, developing and operating a business which offers quality, professional drawing classes including instruction in artistic techniques primarily to preschool and elementary school age children with proprietary weekly "lesson plans" in public and private schools, day care centers, Montessori schools, local community recreation departments (the "Business" or "Young Rembrandts Business"). The Company is engaged in the business of licensing rights and is not in the business of owning or operating a Young Rembrandts Business.

1.2 The System. The distinguishing characteristics of the System include a unique, specially developed concept which provides the services and products set forth above; a specially designed method for offering and marketing such services and products by the Franchisee to the customer; operating, instructional and teaching procedures; methods and techniques for financial controls, record keeping, accounting and reporting, sales and sales promotion, marketing and advertising; and the proprietary know how developed by the Company and Young Rembrandts, Inc., any part of which System, services and products may be further developed, improved, changed and modified by the Company from time to time.

1.3 Operation of the Business. The Franchisee will offer and perform the services described above in a diligent, competent and professional manner as an independent business owner. The Franchisee is expected to be able to market, make sales of and enter into contracts for such services; to execute the required weekly lesson plans for projects; and to coordinate, manage and supervise the teaching and instruction of the art classes by Franchisee's staff. Invoicing to the customer will be done by the Franchisee who will collect the receivables. Franchisee shall operate the Business for itself and not for the Company.

1.4 The Trade/Service Marks. The Company's affiliate, Young Rembrandts, Inc., is the owner of and has licensed to Company the right to license the use of the name "Young Rembrandts," "YR The Power of Drawing" plus design, and certain trademarks, service marks, logos, trade names, domain names and other commercial symbols now or hereafter used in connection with the System (the "Marks").

1.5 Grant of Licenses. The Company grants to persons who meet the Company's qualifications, and are willing to undertake the investment and effort, a franchise to establish and operate a Young Rembrandts Business within a specific Territory as set forth in Exhibit A to this Agreement and a non-exclusive license to use the Marks in connection therewith.

1.6 Agreement to Obtain/Grant Franchise. The Franchisee desires a franchise to establish and operate a Young Rembrandts business and the Company is willing to grant such a franchise on the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties, in consideration of the undertakings of each to the other, agree as follows:

ARTICLE II.
ACKNOWLEDGMENTS

To induce the Company to enter into this Agreement the Franchisee acknowledges, warrants and represents that:

2.1 Independent Investigation. The Franchisee has had the opportunity to conduct an independent investigation of the business opportunity offered herein and the terms and provisions of this Agreement utilizing the services of counsel, accountants and other advisors (if the Franchisee so elects). The Franchisee recognizes that the nature of the enterprise conducted by a Young Rembrandts Business may evolve and change over time, that an investment involves business risks and that the success of the venture depends primarily upon the Franchisee's business ability and efforts. Franchisee acknowledges that Franchisee is solely responsible for the management of the Business and shall own and operate the Young Rembrandts Business as an independent business.

2.2 Existing Franchisees. Prior to the execution of this Agreement, the Franchisee has had the opportunity to contact existing franchisees of the Company, if any.

2.3 No Representations Regarding Profits of the Franchise. No representations have been made by the Company, any affiliate, or by their officers, directors, shareholders, employees or agents, and relied upon by the Franchisee, as to future or past income, expenses, sales volume or potential profitability, earnings or income of the Young Rembrandts business franchised hereby other than as provided in Item 19 of the Company's Franchise Disclosure Document.

2.4 Reservation of Rights by the Company. The Company has certain rights reserved to it and/or its affiliate to own and operate other Young Rembrandts businesses, to operate other businesses offering the same services; to franchise other Young Rembrandts franchisees; and, to otherwise use the System, the Marks, know how, techniques and procedures including, without limitation, those expressly set forth in Section 3.2 of this Agreement.

2.5 Different Franchise Agreements. Other franchisees of the Company have or will be granted franchises at different times, in different situations and under different circumstances and the

provisions of such franchise agreements may vary substantially from those contained in this Agreement.

2.6 Franchise Disclosure Document. The Franchisee has received from the Company a copy of the Company's Franchise Disclosure Document, together with a copy of all proposed Exhibits and Agreements relating to the sale of the franchise, at least fourteen (14) calendar days prior to signing this Agreement or making any payment to the Company for the sale of this franchise.

2.7 No Representation Regarding Barriers to Entry. No representation has been made by the Company, any affiliate, or by their respective officers, directors, shareholders or employees or agents, and relied upon by the Franchisee, regarding (i) the Franchisee's ability to procure any required license or permit that may be necessary to perform any of the services contemplated to be offered by the Young Rembrandts Business or (ii) the Franchisee's ability to conduct classes in every preschool, elementary school, private school, day care center or park district.

2.8 The Company's Rights to Sell. The Franchisee affirms and agrees that the Company may sell any or all of its assets, the Marks or the System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other entities, or be acquired by another entity; may undertake a refinancing, recapitalization, leveraged buyout or other restructuring; and, with regard to any or all of the above transactions (which may involve an entity which is in the business of franchising or sale of services or products similar or identical to such as provided by the Business), the Franchisee expressly and specifically waives any claims, demands or damages arising therefrom or related thereto.

2.9 The Franchisee's Advisors. The Franchisee has been advised to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the Young Rembrandts Business, and the prospects for that business. The Franchisee has either consulted with such advisors or has deliberately declined to do so.

2.10 Covenants Not to Compete. The covenants not to compete in this Agreement are fair and reasonable, and will not impose any undue hardship on the Franchisee, since the Franchisee has other considerable skills, experience and education which affords the opportunity to earn income from such other endeavors.

2.11 Franchisee Information. The Franchisee affirms that all information set forth in any and all applications, financial statements and submissions to the Company is true, complete and accurate in all respects, with the Franchisee being aware and expressly acknowledging that the Company is relying upon the truthfulness, completeness and accuracy of such information.

2.12 Franchisee Defined. "Franchisee" means each person executing this Agreement. If the Franchisee is an entity, all owners of such entity shall, concurrently with the execution of this Agreement, execute the Company's standard form guaranty pursuant to which all obligations and duties of the Franchisee are jointly and severally guaranteed by such individuals and the individual Franchisee shall remain liable for full performance. Should the Franchisee be in default, the Company may proceed directly against each such signatory, shareholder, member or other owner (the

"Guarantors") without first proceeding against the Franchisee and without proceeding against or naming in such suit any other Franchisee, or any of the Guarantors. The obligations of the Franchisee and each such Guarantor shall be joint and several.

ARTICLE III.
GRANT OF FRANCHISE

3.1 Grant of Franchise and License. Subject to the terms and conditions herein, the Company hereby grants to the Franchisee, and the Franchisee hereby accepts from the Company, (A) a non-exclusive franchise to open and operate a Business and (B) a non-exclusive license to use the Marks, solely in connection with the operation of the Business within the area described in Exhibit A ("Territory"). Termination or expiration of this Agreement shall constitute a termination of the foregoing franchise and license. So long as the Franchisee is in compliance with the Minimum Annual Gross Revenues requirements set forth in Section 3.3 below, the Company will not establish another franchised or Company-owned or affiliate-owned Business utilizing the Marks in the Territory.

3.2 Retention of Rights. Except as explicitly and specifically granted to the Franchisee herein, all rights in and to the Marks, the System, the Business and the goodwill associated with each of them is hereby reserved to the Company and to any affiliate. Specifically, but without limitation, the Company and any and all affiliates retain the right, but shall not be obligated, to:

A. Franchise and establish company-owned and affiliate-owned Young Rembrandts businesses outside the Territory.

B. Establish, operate and franchise the System or any other programs, products and/or services under trade names, trademarks, service marks, or logos other than the Marks within or outside of the Territory.

C. Sell or provide services and products licensed to be provided hereunder, utilizing the Marks, under a different distribution system than franchising, including the Internet, within or outside of the Territory. Specifically, without limitation, the Company or an affiliate may offer instruction services and products directly to customers on the Internet.

D. Conduct National Accounts programs as set forth in Section 5.9.

E. Merge with, acquire or be acquired by a company that has established businesses identical or similar to the Business, including franchised or licensed businesses, which businesses may convert to or operate under the Company's Marks or other trademarks and may offer or sell products and services that are the same as or similar to the products and services offered by Franchisee, and which may be located anywhere within or outside of the Territory.

3.3 Territorial Rights; Minimum Gross Revenues.

A. The grant of the franchise and license described in Section 3.1 is limited to the

conduct of the Business, utilizing the Marks within the Territory, except as specifically permitted in Section 3.4. In consideration of the grant of the franchise, Franchisee at all times during the term of this Agreement shall use Franchisee's best efforts to promote and increase the sales and services of the Young Rembrandts System and to effect the widest and best possible distribution and sale of Young Rembrandts services and related products and to solicit potential customers and accounts for Young Rembrandts services and related products within the Territory.

B. Beginning on the one (1) year anniversary from the Opening Date of the Business and through the end of the term, Franchisee must achieve Gross Revenues sufficient to generate an average monthly royalty payment of at least Five Hundred Dollars ($500.00). If over any period of six (6) consecutive months the royalty payments due to the Company from Franchisee do not average at least Five Hundred Dollars ($500.00) per month, if after giving Franchisee six (6) months' notice and Franchisee failing to increase Gross Revenues so that the monthly royalty payments average at least Five Hundred Dollars ($500.00) over the previous six (6) consecutive months, the Company has the right to either (1) terminate the Franchisee's franchise, or (2) terminate the Franchisee's exclusive rights to the Territory. In such event, others or the Company may market in and service the Territory. For purposes of meeting the Minimum Gross Revenue requirements of this section 3.3.B., (1) Franchisee may only include Gross Revenues from classes conducted within the Territory and (2) Franchisee may not include Gross Revenues from the sale of on-demand video classes.

3.4 Conduct of Business Outside Territory. Franchisee may conduct classes outside of Franchisee's Territory if the classes are located in an area that is not part of a territory granted to another franchisee. Once a franchise is granted for any area in which Franchisee is conducting classes outside of Franchisee's Territory and the new franchisee has completed initial training, Franchisee agrees to cease conducting classes in the new franchisee's Territory as soon as the current class session ends. Franchisees further agrees to provide such information and assistance to the new franchisee as is reasonably necessary in order to increase the likelihood that the new franchisee will be able to retain the customer as a Young Rembrandts customer and continue to conduct sessions at that location in the future. If Franchisee conducts classes outside of Franchisee's Territory in the territory of another franchisee in violation of this Section 3.4, Franchisee will be assessed a fine of Two Hundred Dollars ($200.00) per class conducted, due upon demand. This fine is in addition to any and all other remedies available to the Company for Franchisee's breach of this provision.

3.5 Ownership of Multiple Franchises. In the event that Franchisee already owns one or more Young Rembrandts Businesses at the time of execution of this Agreement or in the event Franchisee is granted an additional Young Rembrandts franchise by Company after the date of this Agreement, Franchisee must separately comply with the franchise agreement for each Young Rembrandts Business owned by Franchisee and must treat each Young Rembrandts Business as a separate and distinct business from another Young Rembrandts Businesses.

ARTICLE IV.
TERM AND SUCCESSOR FRANCHISE AGREEMENTS

4.1 Term. The term of this Agreement shall be ten (10) years (the "Term") commencing on the Opening Date of the Business. The "Open Date of the Business" means the first Monday following the Franchisee's satisfactory completion of the Initial Training on which Franchisee begins soliciting and marketing for customers of the Business.

4.2 Right to Obtain Successor Franchise Agreements. The Franchisee shall have the right to obtain one (1) additional franchise agreement for one term of ten (10) years (the "Successor Agreement"), provided that the following conditions have been met in each instance:

A. The Franchisee has given the Company notice between one hundred eighty (180) and two hundred seventy (270) days before the end of the Term;

B. Throughout the term of this Agreement, the Franchisee has complied with all the material terms and conditions of this Agreement, including the Minimum Gross Revenues requirements of Section 4.3, and with the Company's material operating and quality standards and procedures;

C. All monetary obligations owed by the Franchisee to the Company have been satisfied prior to commencement of such Successor Agreement, and have been met, when due, throughout the Term;

D. The Franchisee has made, at its expense, such expenditures as determined by the Company to upgrade the computer and software to conform to the image of the System prior to the expiration of the term;

E. The Franchisee executes the then current Franchise Agreement, which may have different terms from this Agreement, and pays the Renewal Fee in the amount of Two Thousand Dollars ($2,000.00);

F. The Franchisee and its owners/guarantors execute and deliver a general release (except as limited by law) of any and all claims it may have against the Company, its affiliates and their respective shareholders, officers, directors, employees, agents, and representatives in a form satisfactory to the Company.

4.3. Continued Operation Following Expiration. Franchisee has no right to continue to operate the Business after the expiration of the initial term of this Agreement unless Franchisee is granted a renewal Franchise in accordance with this Article IV. If Company permits Franchisee to continue to operate the Business after the expiration of the initial term of this Agreement but before the execution of a renewal Franchise Agreement as required by Section 4.2, then the temporary continuation of the Business will be on a month-to-month basis, and will be terminable at the will of Company by giving Franchisee written notice of termination at least thirty (30) days before the termination is effective. If the laws of the jurisdiction in which the Franchisee or the Business are

located require a longer notice period, the thirty-day period will be deemed modified to be the shortest notice period required by the laws of such jurisdiction.

ARTICLE V.
SERVICES OF THE COMPANY

Pre-Opening.

5.1 Initial Training; Post-Training Conference Calls.

A. The Franchisee shall attend and complete, to the Company's satisfaction, the Company's Initial Training Program ("Initial Training"). You must begin Initial Training within ninety (90) days of the date you sign this Agreement. In preparation for the Initial Training, Franchisee must complete pre-training materials sent to Franchisee by the Company before attending Initial Training. The Initial Training shall be conducted at the Company's principal offices, and/or at such other place as the Company designates, for up to five (5) days. The Initial Training covers all material aspects of the operation of the Business including, without limitation, techniques to market and sell the Franchisee's services, make proposals to customers, supervise and perform teaching and instruction, maintain an appropriate inventory of art supplies; pre-opening advertising; sales, customer service, bookkeeping, accounting and financial methods and controls, computer and software training, advertising, promotion, sales and marketing techniques, maintenance of quality standards, and other topics selected by the Company. All expenses incurred by the Franchisee in attending the Initial Training including wages, travel, room and board expenses shall be the Franchisee's responsibility. The opening of the Business can commence promptly after satisfactory completion of Initial Training. No person may be employed as a manager of the Business until completion of such Initial Training to the Company's satisfaction. Company will provide the Initial Training Program for up to two (2) people. However, if the second person does not attend the Initial Training with Franchisee, he or she must attend the training within two (2) years of the date of this Agreement in order to receive the training for no additional fee. The Company may charge a training fee for additional persons who attend training. The training of additional persons is subject to availability as determined by the Company.

In addition, Company will provide and Franchisee must participate in Post-Training Conference Calls that will take place within approximately one month of Franchisee’s completion of the Initial Training Program. Topics covered during the Post-Training Conference Calls will include curriculum, summer process, monthly reporting procedures and sales and marketing.

B. If the Company terminates this Agreement due to Franchisee’s failure to satisfactorily complete Initial Training, the Company will refund the Initial Franchise Fee previously paid by the Franchisee to the Company less a reasonable amount as determined by the Company to cover its costs and expenses of recruiting, qualifying and training the Franchisee, which amount shall not exceed seventy percent (70%) of the Initial Franchise Fee paid. The refund shall be paid to Franchisee upon Franchisee’s execution and delivery to Company of a general release (except as limited by law) of any and all claims it may have against the Company, its affiliates, and their respective shareholders, officers, directors, employees, agents, and representatives in a form

satisfactory to the Company. This Agreement thereafter will be null, void and of no effect (except for those post-termination obligations of this Agreement, which by their terms shall remain binding).

5.2 Specifications for Purchases. The Company shall deliver to the Franchisee specifications for the equipment, computer system and technology tools, art materials and supplies and for other materials necessary for opening and operating the Business and shall consult and advise the Franchisee with respect thereto. The Company shall provide the Franchisee with a list of all such goods and services reasonably necessary for the opening and operation of the Business and, where applicable, with lists of approved vendors, sources of supply, and standards and specifications. Before the opening of the Business, Franchisee must purchase a Marketing Starter Kit from Company or its designated supplier which includes an initial supply of marketing and promotional materials.

5.3 Confidential Operations Manual.

A. In order to protect the reputation and goodwill of the Company, to maintain uniform standards of the services, programs, products, and operations offered and sold under the Marks, to promote the goodwill of all Businesses and for the mutual benefit of the Company and the Franchisee, the Company at the Initial Training shall lend to the Franchisee one (1) hard copy or CD of, or give Franchisee electronic access to, the Company's Confidential Operations Manual, which may consist of one or more manuals or handbooks ("the Manual").

B. The Franchisee shall conduct the operation of the Business in strict compliance with the Company's mandatory operational systems, procedures, policies, methods and requirements as prescribed in the Manual and in any supplements thereto (the "Supplements"), all of which shall be deemed a part of the Manual. Franchisee acknowledges that the Manual is intended to protect the Marks and System and Company's reputation and goodwill, and not intended to control the day-to-day operation of Franchisee's Business since Franchisee is solely responsible for the day-to-day operation of the Business.

C. In addition to the requirements of Section 5.3A. and B. above, the subject matter of the Manual may include (but need not be limited to nor necessarily include all of) the following matters: requirements, duties, standards, procedures, policies, systems, techniques, guidelines and specifications pertaining to the System, to the operation of the Business and/or the products and/or services of the System; organization systems; quality assurance programs; supervision systems; record keeping systems and materials; advertising systems and materials; purchasing procedures; proprietary nature of the manual; book-keeping and accounting materials and techniques; management and control systems; revenue reports; display of signs and notices; authorized or required equipment, computers, software, and other items; hours of operation; required uses of the Marks; insurance requirements; license requirements; required attire; required manner of offering and selling System programs and services; standards of maintenance and appearance; customer satisfaction; staff training requirements; training specifications; and, additions to, deletions from, modifications to and variation of the programs, services, and other components constituting the System, including standards and specifications relating thereto.

D. The Company retains the right to prescribe additions to, deletions from or revisions

to the Manual which shall become binding on the Franchisee upon being mailed or otherwise delivered to the Franchisee, as if originally set forth therein.

E. The Manual remains the property of the Company. The Franchisee shall keep the Manual in its place of business at all times. The Franchisee, its agents, independent contractors, and employees shall at all times treat the Manual and the information contained therein as confidential, and shall use all reasonable efforts to maintain such information as confidential. The Franchisee, its agents, independent contractors, and employees shall not at any time copy, duplicate, record or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. Upon the expiration or other termination for any reason of this Agreement, the Franchisee shall return the Manual to the Company.

F. The Franchisee shall ensure that the Franchisee's copy of the Manual is current and up-to-date. In the event of any dispute as to compliance with the Manual, the terms of the master copy of the Manual maintained at the Company's principal office shall control.

5.4 Pre-Opening Advertising. The Company will provide Franchisee with initial advertising copy and lay-out for advertising and marketing materials for Franchisee to customize for Franchisee's Young Rembrandts Business.

Opening and Post Opening

5.5 Supplemental and Refresher Training/Annual Conference.

A. The Company from time to time may require that previously trained franchisees or their managers attend and successfully complete supplemental and refresher training programs to be conducted at the Company's principal offices or at such other location that the Company shall designate or by Webinar. If a manager is required because the Franchisee is granted an additional franchise, the manager must attend the supplemental and refresher training. Training for the Franchisee will be conducted at the expense of the Company. The Franchisee and/or the Franchisee's manager, if any, shall attend all supplemental and refresher training at its expense, provided that such attendance outside the Territory will not be required at more than one (1) such training program in any calendar year. All expenses incurred in attending such supplemental and refresher training shall be the sole responsibility of the Franchisee.

B. Franchisee shall each year during the term of this Agreement attend the Company's Annual Conference of franchisees if the Company holds an Annual Conference. If a manager is required because the Franchisee is granted an additional franchise, the manager must also attend the Annual Conference. The Annual Conference fee shall be set each year by the Company based on the cost to hold the conference. The Annual Conference fee shall be payable to the Company by Franchisee whether or not Franchisee or a manager (if required) attends the conference. This provision shall not obligate the Company to hold an Annual Conference of franchisees each year. If no Annual Conference is held, Franchisee shall not be obligated to pay the Annual Conference fee. All expenses incurred in attending the Annual Conference shall be the sole responsibility of Franchisee.

5.6 Guidance. During the operation of the Business the Company will:

A. Render, upon written request of the Franchisee, advisory services;

B. Provide advisory, training, referral and other services as reasonably needed.

C. Make available to the Franchisee, from time to time, all changes, improvements, and additions to the System to the same extent as made available to other franchisees of the System;

D. Provide all Supplements to the Manual;

E. Provide forms to be used by the Franchisee to report to Company all information required by the Company;

F. Provide forms and procedures helpful in operating the Business.

G. Provide the Franchisee with a disk or other methods of Franchisee's development of any advertising materials developed by the Company for the Young Rembrandts System as well as business identification items (business cards, envelopes, stationery as stipulated in the Manual).

H. Make its staff available at its principal offices for consultation about problems relating to the operation of the Business, by telephone or written correspondence, and the Company shall use reasonable efforts to diligently respond to such inquiries; and

I. Send Customer Satisfaction cards and make calls to the Franchisee's customers to verify that maintenance of satisfactory levels of service is received.

Except for guidance or advice relating to the mandatory specifications, standards or operating procedures necessary to protect the Marks and System, Franchisee shall decide whether to accept any such guidance or advice.

5.7 Inspections. The Company or its designee(s) may enter the premises of the Franchisee's customers and observe the Franchisee's operations to review quality of service, to review programs and their implementation, to confer with the Franchisee's employees and customers and to ascertain that the services provided, the quality of the materials, the installation, and the operations are satisfactory and meet the Company's quality and performance standards. The Franchisee will cooperate with the Company and its designees and will promptly undertake to correct any deficiencies brought to the Franchisee's attention. The Franchisee specifically authorizes the Company to situate the Company's personnel, representatives or designees at the Franchisee's or its customers' premises or observe customer calls or classes being conducted, or send Customer Satisfaction cards and make calls to customers, at such times as the Company may determine to be necessary.

5.8 Lesson Plans.

A. The Company, at no additional charge, will loan to Franchisee proprietary weekly lesson plans for forty-eight (48) weeks each calendar year and periodic camp lesson plans for use by the Franchisee in camp programs conducted in park districts and other locations. The lesson plans include instructions and drawings for use in teaching Young Rembrandts classes. Franchisee must use and strictly follow the weekly lesson plans and camp lesson plans in providing services to the customers of the Young Rembrandts Business. All classes and programs must be conducted by Franchisee, its employees or its independent contractors. The Franchisee shall not use any lesson plans developed by the Franchisee or any third party. Lesson plans must be printed by an approved supplier following our specifications.

B. The lesson plans are owned by an affiliate of the Company, remain the property of Company's affiliate, and are proprietary. The lesson plans are Confidential Information subject to the restrictions as set forth in Article VII below and subject to copyright protection. The lesson plans shall only be used by Franchisee, its employees and independent contracts in conducting Young Rembrandts classes under this Agreement. Franchisee shall not disclose the lesson plans to any schools, day care centers, park districts or other sites where classes or programs will be conducted. Franchisees, its employees and independent contractors shall not at any time copy, duplicate, reproduce or publicly display or assist any other person or entity in copying, duplicating, reproducing or publicly displaying the lesson plans, including instructions and drawings, in whole or in part, or any derivative works without first obtaining the written consent of the Company and Company's affiliate, except for the temporary display of the students' images of the drawings at the site of the Young Rembrandts classes.

C. The Company retains the right to require Franchisee to discontinue using and to return to Company at Franchisee's expense any lesson plans, in part or in whole upon Franchisee's receipt of written notice of the discontinuance.

D. Upon the expiration or other termination for any reason of this Agreement, the Franchisee shall return all lesson plans, including all copies, to the Company.

E. The Franchisee shall immediately notify the Company in writing of any apparent infringement of the Company's affiliate's lesson plans, including instructions and drawings, in whole or in part, including derivative works. The Franchisee shall not directly or indirectly communicate with any person other than the Company, the Company's affiliate and its counsel in connection with any such infringement. The Company's affiliate shall have sole discretion and exclusive right to take such action as it deems appropriate to control any litigation, Copyright Office proceeding or other administrative proceeding arising out of such infringement or otherwise relating to the Company's affiliate's lesson plans. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of the Company's affiliate's counsel, be necessary or advisable to protect and maintain the interests of the Company's affiliate in any such litigation, or administrative proceedings, or to otherwise protect and maintain the interest of the Company's Affiliates in the lesson plans.

5.9. National Accounts. The Company may, but is not obligated to, develop various National Accounts under a National Accounts Program. The Company, in its discretion, shall determine the best method of pursing, negotiating with and servicing National Accounts, and shall establish the terms for each National Account contract in its sole discretion, based on the needs of the National Account and its customers, the Company, the System and Young Rembrandts franchisees. A "National Account" as used herein is a business, institution, governmental agency or other person or entity that either itself or through common ownership, association or independent contractors, has multiple locations in a number of geographic areas that fall within multiple franchise territories, has ongoing demands for services and products that in a number of geographic areas or that exceed the capability of any single franchised business, and/or prefers a single contact in order to control pricing, billing, customer satisfaction, and/or similar requirements.

A. In order to participate in the National Accounts Program, Franchisee must (i) be and remain in compliance under this Agreement, and (ii) comply with the Company's published standards, policies and procedures for participation in the National Accounts Program as they may be modified and supplemented from time to time. Further, in order to provide services to a particular National Account, Franchisee must comply with the requirements of that particular National Account. Franchisee shall have the right to decline participation in the National Accounts Program or with respect to a particular National Account.

B. Regardless of any other provisions of this Agreement, the Company grants to Franchisee no territorial rights of any kind whatsoever in connection with the National Accounts Program. Franchisee agrees that the Company and third parties designated by the Company may solicit prospective National Accounts located within Franchisee's Territory in order to develop them as National Accounts. Further, in the event that Franchisee declines to participate in the National Accounts Program, declines to service any National Account location within Franchisee's Territory, or is prohibited from providing services to the National Account location within Franchisee's Territory pursuant to the standards, policies and procedures of the National Accounts Program or the requirements of a particular National Account, Franchisor, its affiliates or designated agents or other Young Rembrandts franchisees may provide services at National Account locations or to National Account customers located within Franchisee's Territory without violating Franchisee's rights to the Territory. Franchisee shall not be entitled to any compensation with respect to services provided to any National Account location or customer within Franchisee's Territory after Franchisee has declined to provide such service or Franchisee is prohibited to provide such services pursuant to the standards, policies and procedures of the National Accounts Program or the contract with any particular National Account.

C. If Company will be providing administrative, billing and/or collection services with respect to any National Account, Company shall have the right to charge Franchisee a reasonable administrative fee for such services.

5.10 On-Demand. The Company and/or its affiliate may, but is not obligated to, develop and sell on-demand video classes to customers via a centralized web-based platform. The Company and/or its affiliate selling the on-demand video classes shall share revenue collected for

these services for all customers residing in Franchisee's Territory with Franchisee in accordance with its current policies and procedures, which may be changed from time to time. In no event does Franchisee have the right to offer and sell on-demand video classes developed by Franchisee or any other third party.

ARTICLE VI.
OPENING AND OPERATION OF THE BUSINESS

6.1 Territory. Except as provided in Section 3.4, the Franchisee shall operate the Business only within the Territory. All classes must be held within the Territory.

6.2 Opening of Business. The Franchisee shall complete Initial Training to Company's satisfaction, obtain the equipment, computer system and supplies necessary to operate the Business; obtain all required insurance; obtain all permits, licenses and business registrations as required by applicable law; and, in general, do all that is necessary for the Business to open for business prior to the Opening Date of the Business, which is the first Monday following Franchisee's completion of Initial Training.

6.3 Computer System and Internet. Throughout the term of this Agreement, Franchisee must maintain an active e-mail account and use the e-mail address provided by Company for promoting and operating the Business and for communicating with the Company, and must have access to the Internet for promoting and operating the Business and for communicating with and receiving information from the Company in the manner we designate, including but not limited to web-based tools. Franchisee must purchase and/or lease and use in its operation of the Young Rembrandts franchise, the computer hardware and software specified by the Company in the Manual. Franchisee must license and use the proprietary or customized software developed by or for the Company from the Company or a third party designated by the Company, enter into a software license agreement or similar agreement as required by the Company or such third party, and pay required license fees, and/or purchase ongoing support services for the proprietary or customized software from the Company or such third party. Franchisee is prohibited from making any unauthorized use of the proprietary or customized software or the information contained therein. Franchisee shall be responsible for becoming proficient in the use of any required software programs and web-based tools, including as necessary, arranging for and attending instructional classes. The Company shall have the right to access and use, for any purpose or use related to its operation, management, monitoring and/or promotion of the System, any data, information or reports generated or stored by the required software. The Company shall have the right to require Franchisee to add to or replace any of the components of Franchisee's computer system (hardware or software) if, in the future, the Company deems the component to be (a) undersized or otherwise insufficient for the efficient operation and management of the Young Rembrandts franchise, or (b) incompatible with the Company's computer hardware or software or the computer hardware or software that the Company designates for franchise network use.

6.4 Maintain Standards. In order to protect the System and to maintain the uniform standards of operation under the Franchise granted herein, the Franchisee shall operate the Business at all times in strict compliance with the requirements of this Agreement and of the Manual.

6.5 Maintain Appearance. The Franchisee agrees to maintain the condition and appearance of all aspects of the Business consistent with the Company's standards for the image of the Business, including replacement of worn out or obsolete equipment, computer hardware and software, art materials and supplies, and uniforms.

6.6 Purchase of Equipment, Materials and Supplies. The Franchisee shall, in the operation of the Business, use only equipment, materials and supplies which meet the specifications or standards of quality, performance, delivery and warranty established by the Company or are from suppliers which have been approved by the Company. Company reserves the right to approve only one source of supply for any equipment, materials and supplies, and to name the Company or its affiliate and the sole supplier. If Company or an affiliate is an approved or designated supplier, Company or the affiliate shall have the right to make a profit on sales to franchisees. Company reserves the right to receive rebates or other consideration from suppliers approved by the Company. If the Franchisee proposes to use any equipment, materials or supplies that have not been approved by the Company as meeting its specifications and standards, the Franchisee shall submit samples of the supplier's product to the Company, along with a written statement describing why such product or supply should be approved. Franchisee shall pay to Company the reasonable costs it incurs in testing the products and/or in evaluating the supplier. The Company shall notify the Franchisee within a reasonable time whether such item meets its specifications and standards. The Company shall have the right to reinspect any approved supplier or its products, and revoke its approved status if the supplier or its product fails to meet the Company's standards and specifications.

6.7 Compliance with Laws. The Franchisee shall, at its expense, secure and maintain in force all required approvals, licenses, and business permits, and certificates relating to the operation of the Business and shall operate the Business in strict compliance with all applicable local, state and federal laws, rules and regulations. The Franchisee agrees to refrain from any sales, advertising or promotional practice which is unethical or may be injurious to the business of the Company, other Businesses, the System or to the goodwill associated with the Marks.

6.8 Payment of Liabilities and Taxes. The Franchisee shall pay, when due, all of its obligations, liabilities and taxes to the Company, suppliers, lessors, creditors and taxing authorities. Franchisee shall make all payments required under any state workers compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment or employee benefit law or regulation. The Franchisee's failure to comply with this provision shall be deemed a material breach of this Agreement.

6.9 Standardization. The Franchisee will wear and will require its employees to wear such attire as may be designated by the Company and will comply with such programs of standardization as may from time to time be promulgated by the Company to promote the common business image and to protect the goodwill associated with the Business and the Marks.

6.10 Management. The Business shall be at all times under the direct supervision of the Franchisee or of a trained full-time manager who shall have successfully completed the Company's Initial Training. The use of a manager by the Franchisee shall not relieve the Franchisee of its

obligation to directly oversee and supervise the operation and management of the Business. If the Franchisee conducts operations in more than one Territory or if the Franchisee with the Company's consent does not devote full-time to conducting the Business, at least one trained and competent employee shall act as a full-time manager. The Franchisee shall keep the Company informed at all times of the identity of any manager of the Business. The Company shall make training available, within certain time frames, as is reasonably necessary, for all managers designated by the Franchisee. The Franchisee shall at all times faithfully, honestly and diligently perform the obligations hereunder, use its best efforts to promote and enhance the Business, and shall not engage in any business or other activity that will conflict with the Franchisee's obligations hereunder.

6.11 Staffing.

A. The Franchisee shall hire such employees as are necessary for the operation of the Business in compliance with this Agreement and the standards and specifications set forth in the Manual (the number of employees to be employed remains at Franchisee's discretion). Franchisee shall be exclusively responsible for all employment decisions and functions related to the operation of the Young Rembrandts Business, including hiring, firing, compensation, benefits, work hours, work rules, recordkeeping, supervision and discipline of employees. Franchisee shall notify and communicate clearly with its employees in all dealings, including without limitation, its employment applications, written and electronic correspondence, paychecks, employee handbooks, employment policies and procedures, and other written materials that Franchisee (and only Franchisee) is their employer and that Franchisor is not their employer. Franchisee shall comply with any state workers compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment or employee benefit law or regulation, and shall establish employer accounts as required by applicable federal and/or state law. Franchisee shall implement a training program for its employees in compliance with Company's standards and specifications as set forth in the Manual in order to maintain uniformity within the franchise system for the protection of the brand and Marks.

B. Franchisee must carefully screen all employees, including the use of background checks, before employing them, to ascertain their fitness for employment in the child education industry. Specifically, Franchisee must use its best efforts, including taking every action required by applicable laws related to background checks of persons working in the educational field, to ensure that no person is employed who has a record of child molestation or abuse, immoral conduct, drug, alcohol or substance abuse, criminal behavior, or any other pattern of conduct which might jeopardize the welfare of the students in Franchisee's Young Rembrandts classes or reflect adversely on the reputation of the Company's image, the Marks and System. In the event any customer or facility where classes are conducted notifies the Franchisee of any allegation or claim made against Franchisee or employee relating to physical, verbal or sexual abuse or harassment of any child or other inappropriate or illegal behavior, the Franchisee must immediately conduct an investigation and take such action as is reasonable and appropriate based on the results of the investigation to protect the customers of the Franchisee and to prevent any material impairment to the goodwill of the Business, the Marks and System.

6.12 Marketing. Franchisee shall promote the Business and market for new customers

throughout the term of the franchise. The Franchisee may only directly market in the Territory and is strictly prohibited from direct marketing outside of the Territory. Direct marketing shall include all forms of advertising and promotion to new customers and to new facilities for location of instruction which can reasonably be related to a geographic area, including but not limited to cold calling, telephone solicitation, direct mailings, and local media.

6.13 Notice to the Company. The Franchisee shall notify the Company in writing within five (5) days of the commencement of any action, suit, or proceeding and 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 the Business. In the event Franchisee becomes aware that any allegation or claim has been made against the Business, Franchisee or Franchisee's employees which could materially impair the goodwill associated with the Business, the Marks or the System, Franchise shall notify the Company in the manner set forth in the Manual.

6.14 Modifications to the System. The Franchisee understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, the System may need to undergo changes in order that it best serve the interests of the Company, the Franchisee and the System. Accordingly, the Franchisee expressly understands and agrees that the Company may from time to time change the components of the System, including, but not limited to, altering the products, services, methods, standards, form, policies and procedures of the System; adding to, deleting from, or modifying those products and services which the Business is authorized to offer; and, changing, improving or modifying the Marks. Subject to the other provisions of this Agreement, Franchisee expressly agrees to abide by any such modifications, changes, additions, deletions and alterations, and to make such expenditures as are reasonably required by such modifications, changes, additions, deletions or alterations to the System. However, such changes shall not materially and unreasonably increase the Franchisee's obligations hereunder.

6.15 Scholarship Programs. The Franchisee shall each year provide scholarships to children and shall participate in the Company's scholarship program as set forth in the Manual.

6.16 Entity as Franchisee. If at any time during the term of this Agreement Franchisee is an entity, Franchisee and its owners agree and represent that: (i) the owners will have the authority to execute, deliver, and perform Franchisee's obligations under this Agreement and all related agreements; (ii) the entity shall be duly organized or formed and validly existing in good standing under the laws of its state of incorporation or formation; (iii) the entity's organizational documents, operating agreement, or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in the entity, and all certificates and other documents representing ownership interests in the entity will bear a legend referring to this Agreement's restrictions; (iv) subject to Company's rights and Franchisee's obligations under Article XIV, all owners shall sign and deliver to the Company a revised Guaranty and Assumption of Obligations to reflect any permitted changes in the ownership of the entity; and (v) the entity shall conduct no business other than the operation of a Young Rembrandts Business.

ARTICLE VII.
CONFIDENTIAL INFORMATION

7.1 Confidential Information. The Franchisee specifically understands and affirms that the following, without limitation, are deemed to constitute confidential information, proprietary information and trade secrets of the Company and/or Company's affiliate: procedures and processes of selling, marketing and promoting the services to customers; all other systems of operation, services, programs, products, procedures, policies, standards, techniques, specifications and criteria which now comprise or in the future may comprise a part of the System; the Manual (as same may be amended from time to time) and supplements and/or amendments to the Manual; lesson plans; all customer information, lists, data and records; all information, data and records on schools and other locations where Franchisee's classes are conducted; methods of advertising and promotion; instructional materials and videos; staff composition and organization systems; quality assurance programs; supervision systems; recommended services; record keeping systems and materials; bookkeeping systems and materials; business forms; general operations materials; revenue reports; activity schedules; job descriptions; advertising, promotional and public relations materials/campaigns/guidelines/philosophy; specifications, systems, standards, techniques, philosophies and materials, guidelines, policies and procedures concerning the System; additions to, deletions from, and modifications and variations of the components constituting the System or the systems and methods of operations which are now, or may in the future, be employed by the Company, including all standards and specifications relating thereto and the means and manner of offering and selling same; and, all other components, specifications, standards, requirements and duties imposed by the Company, or any affiliate, subsidiary or designee. All such confidential information, proprietary information and trade secrets will be referred to this Agreement as "Confidential Information." Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee, (b) Franchisee can demonstrate was rightfully in Franchisee's possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

7.2 Requirement of Confidentiality. Franchisee acknowledges that the Company will disclose Confidential Information to Franchisee during the training program, through the Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of Franchisee's Young Rembrandts Business and in performing Franchisee's duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Confidential Information is proprietary and is disclosed to Franchisee solely on the condition that Franchisee (a) shall not use the Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by the Company to prevent unauthorized use or disclosure of the

Confidential Information. Franchisee shall enforce this Section as to Franchisee's officers, directors, managers, and employees, and shall be liable to the Company and/or Company's affiliate for any unauthorized disclosure or use of Confidential Information by any of them.

7.3 Additional Developments. All ideas, concepts, techniques or materials concerning the Business, whether or not protectable intellectual property and whether created by or for Franchisee or Franchisee's owners or employees, must be promptly disclosed to the Company and will be deemed the sole and exclusive property of the Company and/or Company's affiliate and works made-for-hire for the Company and/or Company's affiliate, and no compensation will be due to Franchisee or its owners or employee therefor. The Company may incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for the Company or its affiliate, Franchisee shall assign ownership of that item, and all related rights to that item, to the Company or its affiliate and shall sign any assignment or other document as Company or its affiliate requests to assist us in obtaining or preserving intellectual property rights in the item. The Company will disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As the Company may reasonably request, Franchisee agrees to take all actions to assist the Company or its affiliate in its efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.4 Employee Confidentiality. The Franchisee and any manager who is required to successfully complete the Initial Training shall divulge only the Confidential Information as may be necessary, and then only to such of the Franchisee's employees, agents or independent contractors as must have access to it in order to conduct the operation of the Business. Franchisee's delivery of Confidential Information to Franchisee's employees, agents or independent contractors to protect the quality of the products and services offered by the Business and to protect the Marks in no way creates an employment or joint employment relationship between Company, Franchisee, and Franchisee's employees. The Franchisee shall take precautions to ensure that such employees and other parties retain such information in confidence, and take whatever steps are necessary to accomplish the foregoing, including requiring managers and other designated employees to sign confidentiality and non-competition agreements in a form approved by the Company. Company's right to approve the form of agreement used by Franchisee is solely to ensure that Franchisee adequately protects the Confidential Information. Franchisee shall provide to Company at Company's request copies of the confidentiality and non-competition agreements signed by Franchisee's employees.

7.5 Return of Confidential Information. Upon the expiration or other termination of this Agreement or the term of any Successor Agreement, the Franchisee shall return to the Company all materials containing Confidential Information including but not limited to books, records, software, manuals and lesson plans, customer data and other materials which are in the Franchisee's possession.

ARTICLE VIII.
TRADEMARKS

8.1 Ownership. The Franchisee acknowledges the validity of the Marks and that they are the sole property of the Company's affiliate, Young Rembrandts, Inc. The Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of the Business by the

Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by the Company from time to time. Any unauthorized use of the Marks by the Franchisee is a breach of this Agreement and an infringement of the rights of the Company and/or its affiliate. All usage of the Marks by the Franchisee and any goodwill established by the Franchisee's use of the Marks shall inure to the exclusive benefit of the Company and/or its affiliate. All provisions of this Agreement applicable to the Marks apply to any additional trademarks, service marks, logos and commercial symbols hereafter authorized for use by and licensed to the Franchisee.

8.2 Use. Franchisee shall use the Marks as the sole identification of the Business, except as prescribed by the Company for purposes of Franchisee identifying Franchisee as the independent owner of the Business pursuant to this Agreement. The Franchisee shall use the Marks only as authorized, directed or approved by the Company. The Franchisee shall not use the Marks as part of the name of any entity or trade name, or within any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. Franchisee shall not use the Marks in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by the Company. The Franchisee shall give such notice of trademark and service mark registration as the Company specifies and obtain such fictitious or assumed name registrations as may be required under applicable law. The non-exclusive personal right of the Franchisee to use the Marks in connection with the Business and its right to use the Marks and the System apply only in the Territory and only so long as the Franchisee shall fully perform and comply with all of the conditions, terms and covenants of this Agreement and the Manual. The Company reserves the right to alter, change, amend or add to the Marks and Franchisee shall comply with the Company's directions relating thereto within a reasonable amount of time after receipt of notice from the Company of the change or addition. If, in the judgment of the Company, the acts of the Franchisee infringe upon or demean the goodwill, standards of uniformity or quality, or business standing associated with the Marks and the System, then the Franchisee shall immediately, upon notice from the Company, modify its use of the Marks and the System in the manner prescribed by the Company. The Franchisee shall not, during or after the Term of this Agreement or the term of any Successor Agreement, do anything directly or indirectly which would infringe upon, harm, mislead or contest the rights of the Company and/or its affiliate in the Marks or the System.

The Company's Email address on the Internet's World Wide Web at the Universal Resource Locator of: yr@youngrembrandts.com and any other Email address the Company may hereafter acquire (the "YR Email") is the sole property of the Company or its affiliate. The Company has developed a web site (the "YR web site") at www.youngrembrandts.com. The Company may market and sell from the YR web site various products and services worldwide that may compete with the Franchisee and other franchisees within and outside the Territory. The YR web site as it may be developed and changed from time to time is the sole property of the Company or its affiliate. Company may provide to Franchisee a page on the YR web site. The specifications and procedures Franchisee must follow for developing and maintaining a page on the YR web site shall be set forth in the Manual or otherwise in writing.

The Franchisee shall not obtain any domain names for the Internet incorporating the Marks or create, develop, maintain and/or use your own web site on the Internet using any of the Marks without

the Company's prior written consent. Franchisee shall not use any of the Marks on the Internet in any directory listing, advertising or social media site without the Company's prior written consent. Franchisee shall not make any reference to or any association with the Marks on any social or professional network or platform, blog, or other on-line venue or in any other manner on the Internet without the Company's prior written consent. Moreover, Franchisor has the right to require that Franchisee delete directory listings, advertising, or postings on social media sites. If any of the foregoing uses is specifically permitted in the Manual, Franchisee use must conform completely to all of the applicable standards and procedures set forth in the Manual.

8.3 Infringement. The Franchisee shall immediately notify the Company in writing of any apparent infringement of or challenge to the Franchisee's use or Company's ownership of and right to use or license of the Marks and of any claim by any person of any rights in the Marks or in any similar trade name, trademark, service mark or logo of which the Franchisee becomes aware. The Franchisee shall not directly or indirectly communicate with any person other than the Company and/or its affiliate and their counsel in connection with any such infringement, challenge or claim. The Company and its affiliate shall have sole discretion and exclusive right to take such action as it deems appropriate to control any litigation, U.S. Patent and Trademark Office proceeding, ICANN Uniform Domain Name Dispute Resolution Policy proceeding, or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Marks. Company and its affiliate have the right, but not the obligation, to take action against uses by others that constitute infringement of the Marks. The Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of counsel for the Company or its affiliate, be necessary or advisable to protect and maintain the interests of the Company and/or its affiliate in any such litigation, or administrative proceedings, or to otherwise protect and maintain the interest of the Company and/or its affiliate in the Marks.

8.4 Indemnification. The Company shall defend and indemnify the Franchisee against and reimburse the Franchisee for all damages (but specifically excluding any consequential damages, including but not limited to, loss of revenue and/or profits) for which it is held liable in any legal proceeding brought against the Franchisee arising out of the Franchisee's authorized use of any of the Marks pursuant to this Agreement, provided, that the Franchisee shall have timely notified the Company of such claim or proceeding and has otherwise complied with this Agreement and, provided further, that the Company shall have had the right to adequately defend any such claim.

8.5 Substitutions. If there is a claim by any third party that its right to any use of the Marks is superior, or if there is any claim by a governmental entity that use of any of the Marks is objectionable or is prohibited, and if the Company determines that such claim is legally meritorious or if the Company determines, in its sole discretion, that it is advisable for the Company and/or the Franchisee to modify or discontinue the use of any of the Marks, and/or use one or more additional or substitute Marks, then upon notice from the Company the Franchisee will immediately make such changes and amendments to the Marks as may be required by the Company. Franchisee shall be responsible for any out-of-pocket expenses incurred by the Franchisee in connection with changing any of the Marks. In no event shall the Company have any liability to the Franchisee for consequential or other damages because of such modification or discontinuance of any of the Marks and the need to substitute other marks for the modified or discontinued Marks.

ARTICLE IX.
FEES

9.1 Initial Franchise Fee. Upon the execution of this Agreement, the Franchisee shall pay to the Company the Initial Franchise Fee in the amount of _____ Dollars ($_____) by certified or cashier's check. The Initial Franchise Fee shall be non-refundable and deemed fully earned by the Company when paid, except as otherwise expressly stated to the contrary in this Agreement.

9.2 Royalty and Other Fees. In addition to the Initial Franchise Fee, the Franchisee will pay to the Company beginning on the Opening Date of the Business and throughout the term, and without offset, credit, or deduction of any kind, the Royalty Fee, the National Marketing Fee (if and when established) and any other payments due to the Company from the Franchisee in a timely manner (monthly). The monthly Royalty Fee to be paid to Company by Franchisee is ten percent (10%) of Gross Revenues on the first Seventy-Five Thousand Dollars ($75,000) in Gross Revenue for each period from September 1 through August 31 and eight percent (8%) of Gross Revenues in excess of $75,000 for the same September 1 through August 31 period. The monthly Royalty Fee is paid based on the Gross Revenues received in the previous calendar month. Notwithstanding the foregoing, beginning with the first full calendar month that begins at least thirty (30) days after the date Franchisee completes the Initial Training Program, Franchisee must pay a minimum Royalty Fee in the amount of Two Hundred Fifty Dollars ($250.00) per month during the first and second years of operation, in the amount of Four Hundred Dollars ($400.00) per month during the third and fourth years of operation, and in the amount of Five Hundred Dollars ($500.00) beginning in the fifth year of operation and through the end of the Term ("Minimum Royalty Payment").

9.3 Payment. On or before the 10th day of the month for the preceding month, the Franchisee shall submit to the Company on a form and in the manner prescribed by the Company, a correct statement signed by the Franchisee of the Franchisee's Gross Revenues received in the previous month, and shall make payment to the Company in the manner prescribed by the Company, based on the Gross Revenues received in the previous month. During initial training, Franchisee must provide bank and account information to the Company and sign such documents and forms as may be required from time to time by the Company to permit it to withdraw any and all amounts due it and its affiliates from the bank account for the Business by electronic funds transfer or similar means. If at any time a withdrawal is made and Franchisee does not have sufficient funds in the account, Franchisee must reimburse Company for all bank charges incurred by Company as a result. Prior to any change in banks or accounts, Franchisee must provide to the Company such information and execute such documents and forms as may be necessary for the Company to make electronic funds transfers from the new bank and/or account. Franchisee's failure to provide information on or execute and return documents regarding the new bank or account within five (5) days of a receipt of a request by the Company or Franchisee's withdrawal of consent for withdrawals by the Company on the old account shall be a breach of this Agreement. If Franchisee fails to report Gross Revenues for any calendar month on a timely basis, the Company has the right to withdraw the Royalty Fee and National Marketing Fee for the unreported calendar month in the amount of the Royalty Fees and National Marketing Fee paid for the most recent reported month or a higher amount if the Company

reasonably estimates that the Business is generating higher Gross Revenues than the most recent reported month, provided that any amounts will be reconciled and adjusted as needed when the Company receives actual reports on Gross Revenues from Franchisee. Notwithstanding any designation by the Franchisee, the Company shall have the discretion to apply any payments from Franchisee to any past due indebtedness of the Franchisee. In its discretion, Company may agree to accept one or more payments from Franchisee by credit card; however, in such event, Franchisee must pay all then current credit card processing fees incurred by Company in connection with such transaction.

9.4 Late Fee. If payment under 9.2 or 9.3 is not received by the fifteenth (15^{th}) day of the month for the preceding month, or if any other payment due to the Company is not paid when due, a late fee of ten percent (10%) of the fees payable will be charged to the Franchisee, plus interest at the highest legal rate up to 1½% per month accrues 10 days after payments are due.

9.5 Gross Revenues. "Gross Revenues" means the total receipts of all money or property of any kind, for or in connection with the services rendered by the Franchisee within the Territory or otherwise, directly or indirectly, in connection with the Business. The term shall be deemed to include checks, drafts, money orders, credit card payments, and all other instruments and forms of payment whether received by the Franchisee or by the Company pursuant to billings made by the Company to the Franchisee's customers, whether or not the same are postdated or are later dishonored or rescinded or payment is stopped thereon. Gross Revenues will be deemed received for purposes of this Agreement on the date that payment in whatever form is actually collected and received by the Business. The term shall not include applicable sales, use or service taxes. Rent, incentive fees, refunds or any other amounts paid to the owner or operator of a facility at which Franchisee's services are conducted are not excluded from Gross Revenues.

9.6 Technology Fee. Franchisee shall pay to Company a technology fee in an amount determined by Company. Technology fees paid by franchisees shall be used to cover the Company's costs of technology development, maintenance, and usage for the franchise system, which may include, but not be limited to, subscription and license fees paid by Company in order for franchisees to have access to and use certain technology tools. The technology fee shall be paid at times, in the manner, and in amounts as designated by the Company. Company will give Franchisee at least sixty (60) days prior notice before changing the amount of the technology fee.

ARTICLE X.
ADVERTISING AND PROMOTION

10.1 Advertising Assistance. The Company may, from time to time, develop advertising, promotional and marketing programs and materials for the Young Rembrandts System that the Company will make available to Franchisee.

10.2 Marketing Programs. Franchisee agrees to implement any marketing and/or promotional programs or services developed and offered by the Company from time to time in the manner required by the Company.

10.3 National Marketing Fee and Fund. Franchisee will pay to the Company, in the manner prescribed by Company, beginning on the Opening Date of the Business and throughout the term, the monthly National Marketing Fee of up to two percent (2%) of Gross Revenues to be paid into the National Marketing Fund to be administered by the Company for the benefit of all franchisees. Notwithstanding the foregoing, beginning with the first full calendar month that begins at least thirty (30) days after the date Franchisee completes the Initial Training Program, Franchisee will pay a minimum monthly contribution to the National Marketing Fund of Thirty-five Dollars ($35.00). The Company and its affiliate will pay the same National Marketing Fee for its own Young Rembrandts businesses. The Company will give the Franchisee sixty (60) days written notice before increasing or decreasing the percentage of the National Marketing Fee.

The Company shall be entitled to direct all advertising, marketing and promotional programs financed by the National Marketing Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. The Franchisee agrees that the National Marketing Fund may be used to pay the costs of preparing and producing video, audio, written and electronic advertising materials; administering national, regional or local advertising programs including, without limitation, direct mail and other media advertising, and employing advertising agencies to assist in those activities; establishing and maintaining a website for the franchise system; supporting public relations, market research and marketing activities; and providing advertising, marketing and promotional materials to Young Rembrandts franchisees. The National Marketing Fund will furnish Franchisee with approved advertising, marketing and promotional materials on the same terms and conditions as such materials are furnished to other Young Rembrandts franchisees.

The National Marketing Fund will be a separate and distinct account, and will be accounted for separately from the other funds of the Company and will not be used to defray any of the Company's general operating expenses, except for any reasonable salaries, administrative costs and overhead the Company may incur in activities reasonably related to the administration of the National Marketing Fund and its advertising, marketing and promotional programs (including, without limitation, conducting market research, preparing advertising, marketing and promotional materials, and collecting and accounting for contributions to the National Marketing Fund). The Company may spend in any fiscal year an amount greater or less than the total contribution of franchisees to the National Marketing Fund in that year. The Company may cause the National Marketing Fund to borrow from the Company or other lenders to cover deficits of the National Marketing Fund or cause the National Marketing Fund to invest any surplus for future use by the National Marketing Fund. All interest earned on monies contributed to the National Marketing Fund will be used to pay advertising, marketing and promotional costs of the National Marketing Fund before other assets of the National Marketing Fund are expended. The Company will prepare an annual statement of monies collected and costs incurred by the National Marketing Fund and will furnish it to the Franchisee on written request.

The Franchisee understands and acknowledges that the National Marketing Fund is intended to maximize recognition of the Marks and patronage of Young Rembrandts franchisees. Although the Company will endeavor to use the National Marketing Fund to develop advertising, marketing and promotional material, and to place advertising in a manner that will benefit all franchisees, the

Company undertakes no obligation to ensure that expenditures by the National Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the National Marketing Fund by the franchisees operating in that geographic area or that any franchisees will benefit directly or in proportion to their contribution to the National Marketing Fund from the development of advertising, marketing and promotional materials or the placement of advertising. Except as expressly provided in this Section 10.3, the Company assumes no direct or indirect liability or obligation to the Franchisee with respect to the maintenance, direction or administration of the National Marketing Fund.

The Company has the right to discontinue or to reestablish the National Marketing Fund. In the event the Company discontinues the National Marketing Fund, the Company will distribute all unspent amounts existing in the National Marketing Fund on the date of discontinuance to franchisees in proportion to their respective contributions for the most recent six months.

ARTICLE XI.
RELATIONSHIP OF PARTIES/INDEMNIFICATION

11.1 Relationship of the Parties. This Agreement does not create a fiduciary relationship between the parties. The Franchisee understands and agrees that, under this Agreement, the Franchisee is and shall be an independent business owner, and an independent contractor, and not an employee, of the Company. Nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose.

11.2 No Employment Relationship. The Franchisee shall conspicuously identify itself and the Business, and in all dealings with customers, suppliers, public officials, and others, as an independent franchisee of the Company, and shall place such notice of independent ownership on all forms, business cards, stationery, advertising, signs and other materials and in such fashion as the Company, in its sole and exclusive discretion, specifies and requires from time to time in the Manual. Franchisee expressly acknowledges that Company is not Franchisee's employer or an employer of any of Franchisee's employees. In addition, Company is not a joint employer with Franchisee. Franchisee acknowledges that Company's training, guidance, advice and assistance, Franchisee's obligations under this Agreement and the standards, specifications, policies and procedures required by Company under this Agreement and in the Manual are imposed not for the purpose of exercising control over Franchisee but rather for the limited purpose of protecting the Marks and Confidential Information, goodwill and brand consistency. Franchisee is solely responsible for the management of the Young Rembrandts Business as an independent franchise owner/operator.

11.3 No Liability for Act of the Other. Except as otherwise expressly authorized by this Agreement, neither party hereto will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between the Company and the Franchisee is other than that of Franchisor and Franchisee. The Company does not assume any liability, and will not be deemed liable for any agreements, representations, or warranties made to or by the Franchisee which are not expressly authorized under this Agreement, nor will the Company be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Business. The

Company shall not have the power to hire or fire the Franchisee's employees and, except as herein expressly provided, the Company may not control or have access to the Franchisee's funds or the expenditure thereof, or in any other way exercise dominion or control over the Business. The Company shall not be obligated for any damages to any person or party, directly or indirectly, arising out of the operation of the Business whether caused by the Franchisee's negligent or willful action or failure to act. It is expressly understood and agreed that neither the Franchisee nor any employee or independent contractor of the Franchisee whose compensation for services is paid directly or indirectly by the Franchisee may, in any way, directly or indirectly, expressly or by implication, be construed to be an employee of the Company for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any state, local or federal governmental agency. The Company shall have no liability for any sales, use, occupation, excise, gross receipts, income, property, unemployment compensation, or other taxes, whether levied upon the Franchisee, the Business, or the Franchisee's property, or upon the Company, in connection with sales made or business conducted by the Franchisee or payments to the Company pursuant hereto.

11.4 Indemnification. The Franchisee agrees at all times to defend at the Franchisee's own cost, and to indemnify and hold harmless to the fullest extent permitted by law, the Company, and corporate subsidiaries, affiliates, successors, assigns and designees, and their respective directors, officers, employees, agents, shareholders, designees, and representatives (the Company and all other hereinafter referred to collectively as "Indemnitees") from all losses and expenses (as hereinafter defined) incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is related to Franchisee’s operation of the Business, including but not limited to any allegation that Company is a joint employer or otherwise responsible for Franchisee’s acts or omissions relating to Franchisee’s employees.

For the purpose of this Section 11.4, the term "losses and expenses" shall be deemed to include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, attorneys' fees, experts' fees, court costs, settlement amounts, judgments, compensation for damages to the Company's or the affiliate's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

The Franchisee agrees to give the Company notice of any such action, suit, proceeding, claim, inquiry or investigation. At the expense and risk of the Franchisee, the Company may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation, provided that the Company will seek the advice and counsel of the Franchisee, and shall keep the Franchisee informed, with regard to any such proposed or contemplated settlement(s). Such an undertaking by the Company shall in no manner or form diminish the Franchisee's obligation to indemnify the Company and to hold it harmless.

In order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others, the Company may, at any time and without notice as it in its judgment deems

appropriate, offer, order, consent or agree to settlements or take such other remedial or corrective actions as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation.

All losses and expenses incurred under this Section 11.4 shall be chargeable to and paid by the Franchisee pursuant to its obligations of indemnity regardless of any actions, activity or defense undertaken by the Company or the subsequent success or failure of such actions, activity or defense. Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against the Franchisee. The Franchisee agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by the Indemnitees from the Franchisee.

The Indemnitees and assumptions of liabilities and obligations set forth in this Agreement shall continue in full force and effect subsequent to, and notwithstanding the expiration or termination of, this Agreement.

ARTICLE XII.
INSURANCE

12.1 Required Insurance. To standardize insurance and to afford the Franchisee and the Company and other Indemnitees protection against insurable risks, the Company requires minimum standards, limits, and certain types of insurance coverage to be purchased by the Franchisee. Such standards and limits may be established through the Manual or by other written notice.

A. The Franchisee shall purchase at its sole expense, and maintain in effect at all times during the term of this Agreement and any successor Agreements, the categories of insurance coverage through licensed and admitted insurance companies acceptable to the Company, which currently include:

(1) Broad form comprehensive general liability coverage, and broad form products and contractual liability coverages in an amount and form and with a carrier or carriers satisfactory to the Company; but in no event, in an amount less than One Million ($1,000,000) Dollars aggregate; nor shall such insurance have a deductible or self-insured retention in excess of Five Thousand ($5,000) Dollars for which amount the Franchisee is liable;

(2) Worker's Compensation and Employer's Liability Insurance for the Franchisee's Business employees (in statutory amounts);

(3) Unemployment Insurance for the Franchisee's Business employees;

(4) Fire and Extended Coverage Insurance in an amount adequate to replace owned or leased products in the event of an insured loss;

(5) Automobile liability insurance including owned, hired and non-owned vehicle coverage, with a combined single limit of at least One Million ($1,000,000) Dollars; and

(6) Any additional coverage or higher limits as required by any schools, day care centers, park districts or other sites where classes or programs will be conducted.

B. The insurance coverage acquired and maintained by the Franchisee at its expense, as set forth in subsection (A) shall:

(1) be acceptable to the Company;

(2) contain no provision which in any way limits or reduces coverage for the Franchisee in the event of a claim by any one (1) or more of the Indemnitees;

(3) extend to and provide indemnity for all obligations assumed by the Franchisee hereunder and all other items for which the Franchisee is required to indemnify the Company under the provisions of this Agreement;

(4) be primary to and without right of contribution from any other insurance purchased by the Indemnitees;

(5) be written on an occurrence basis; and

(6) provide, by endorsement, that the Company is entitled to receive at least thirty (30) days prior written notice of any intent to reduce policy limits, restrict coverage, cancel or otherwise alter or amend said policy.

The Franchisee shall provide written evidence of the required insurance coverage to Company prior to Franchisee's Opening Date of the Business and on or before each expiration date for coverage.

The Franchisee shall not reduce the policy limits, restrict coverage, cancel or otherwise alter or amend said insurance policies without the Company's prior written consent.

In the event of a claim by any one (1) or more of the Indemnitees against the Franchisee, the Franchisee shall, on request of the Company, assign to the Company any and all rights which the Franchisee then has or thereafter may have with respect to such claim against the insurer(s) providing coverages described in Section 12.1.

12.2 The Company's Right to Purchase. If the Franchisee fails to purchase insurance conforming to the standards and limits prescribed by the Company, the Company may (but is not required to) obtain, through agents and insurance companies of its choosing, such insurance as is necessary to meet such standards on behalf of the Franchisee. Payments for such insurance shall be borne by the Franchisee and the Franchisee expressly agrees to forthwith pay the required premiums or to reimburse the Company therefor. Nothing contained herein shall be construed or deemed to

impose any duty or obligation upon the Company to obtain or maintain any specific forms, kinds or amounts of insurance for or on behalf of the Franchisee.

12.3 Disclaimer. Nothing contained herein shall be construed or considered an undertaking or representation by the Company that such insurance and bonding as may be required to be obtained by the Franchisee, or by the Company for the Franchisee, will insure the Franchisee against any or all insurable risks of loss which may or can arise out of or in connection with the operation of the Business.

12.4 Additional Insureds. Except for the insurance coverages provided in Section 12.1 A (2) and (3) above, all insurance purchased by the Franchisee (or by the Company for the Franchisee) shall name the Company and the Indemnitees identified in Section 11.3 of this Agreement as additional insureds for the Term hereof and the Term of any Successor Franchise Agreement, and shall provide that the Company shall be given at least thirty (30) days prior written notice of any termination, amendment, cancellation or modification thereof. The Franchisee shall promptly provide the Company with Certificates of Insurance evidencing such coverage no later than ten (10) days prior to the date that the Business will commence operations. All insurance policies and documents shall be renewed, and upon such renewal, a renewal Certificate of Insurance shall be furnished to the Company prior to the expiration date of the existing term(s) of the policy(ies) in question. The Company may at any time require the Franchisee to forward to the Company full copies of all or any insurance policies.

12.5 Notice of Claims. The Franchisee shall notify the Company of any and all claims or demands against the Franchisee, the Business and/or the Company within three (3) days of the Franchisee receiving actual notice of any such claim or demand. The Franchisee agrees to respond to all claims within the time required by law, rule or regulation. The Franchisee shall cooperate with the Company (or its designee) in every fashion possible to defend the Company and the Franchisee against any and all claims made by employees, customers or third parties. The Franchisee shall, when necessary, make appearances at administrative or other hearings to present or reinforce such defenses.

12.6 Failure to Insure - Right to Terminate. Failure by the Franchisee to purchase or maintain any insurance required by this Agreement, or failure to reimburse the Company for its purchase of such insurance on behalf of the Franchisee, shall constitute a material breach of this Agreement which, unless waived by the Company, shall entitle the Company to terminate this Agreement unilaterally if the Franchisee fails to cure the breach within ten (10) days of receipt of written notice by the Franchisee, and this Agreement shall be null, void and of no effect (except for those post-termination and post-expiration provisions which by their nature shall survive).

12.7 Minimum Coverages. The types of coverage and minimum limits of insurance coverage required to be procured by the Franchisee may be modified from time to time by the Company, in its sole and exclusive discretion, by written notice transmitted by the Company to the Franchisee. Upon delivery (or attempted delivery) of such written notice, the Franchisee shall be obligated to immediately purchase insurance conforming to the newly-established standards and limits prescribed by the Company.

ARTICLE XIII.
REPORTS, FINANCIAL STATEMENTS AND AUDIT RIGHTS

13.1 Books and Records. The Franchisee shall establish and maintain at the Franchisee's expense a bookkeeping, accounting and record keeping system conforming to the requirements prescribed by the Company from time to time. With respect to the operation and financial condition of the Business, the Franchisee shall sign, verify the accuracy of, and furnish the following reports, financial statements and returns to the Company in the form and in the manner prescribed by the Company.

A. On or before the 10th of each month, a report of the Gross Revenues of the Business for the preceding month, a fiscal year-to-date profit and loss statement from the accounting software required by Company showing the detailed Gross Revenue and expenses within the chart of accounts required by Company, a report from the current registration software showing the total number of students taught and the classes conducted for the preceding month, and such other data, information and supporting records for the Business as the Company shall require as set forth in the Manual;

B. Within sixty (60) days after the end of the fiscal year, at Company's request, a profit and loss statement, balance sheet and cash flow statement for the fiscal year reflecting all year-end adjustments.

C. At the Company's request, exact copies of all federal and state income tax returns as reflect the operations of the Business.

D. The Franchisee must follow the student art work photo submission format outlined in the Manual for classroom programs.

13.2 Records of Gross Revenues - Computer. The Franchisee shall accurately record Gross Revenues and other financial information as Company prescribes with a computer and software which has been approved or specified by the Company. Franchisee agrees to allow Company access to any data relating to the Business on such computer system.

13.3 Additional Reporting. Franchisee shall submit to the Company such other periodic reports, forms and records relating to the financial, marketing and operational aspects of the Business as specified, and in the manner and at the time as specified by the Company in the Manual or otherwise in writing. Such reporting shall not include any records or information relating to Franchisee's employees, as Franchisee controls exclusively it labor relations and employment practices.

13.4 Audit of Books and Records. All records shall be kept for a period of at least four (4) years following the end of each fiscal year. The Company may, from time to time, cause one or more complete audits to be made of the affairs and records relating to the operations of the Business. Upon request by the Company, the Franchisee shall make such books, records and information available to the Company or its designated representative at a reasonable time and place for review and audit by

the Company. If such audit results in a determination that the Royalty Fee is deficient (underpaid) by more than three percent (3%), the Franchisee shall promptly pay to the Company an amount equal to three (3) times the defined Royalty Fee and other indebtedness shown to be due, plus interest at the highest legal rate not to exceed 1½% per month on the deficiency and all costs and expenses incurred by the Company in conducting such audit, including salaries of the Company's representatives, travel costs, room and board and audit fees. If the deficiency is less than three (3%) percent, the Franchisee shall promptly pay the actual deficiency and interest at the highest legal rate not to exceed 1½% per month on the deficiency. If the audit is conducted due to the Franchisee's failure to report Gross Revenues or to provide other reports or financial information as required, the Franchisee shall promptly pay any deficiency disclosed and interest at the highest legal rate not to exceed 1½% per month on the deficiency and all costs and expenses incurred by the Company in conducting such audit. Nothing contained herein shall constitute an agreement by the Company to accept any payments after the same are due or commitment by the Company to extend credit to or otherwise finance the Franchisee's operation of the Business.

ARTICLE XIV.
TRANSFER OF FRANCHISE

14.1 Assignment by the Company. The Company shall have the right to assign this Agreement provided that: (i) the assignee, at the time of such assignment, is financially responsible and economically capable of performing the obligations of the Company hereunder; and (ii) the assignee assumes and agrees to perform such obligations. Upon such assignment, the Company shall be released from any future obligations under this Agreement.

14.2 Transfer to Entity by the Franchisee.

A. Subject to the Company's prior written consent, the Franchisee, if a natural person, may transfer its rights hereunder to a corporation, limited liability company or other entity without, however, being relieved of any personal liability. The Company will not unreasonably withhold such consent provided the following conditions are met:

(1) The entity is newly organized and its activities are confined to the Business;

(2) The Franchisee owns the controlling interest in the entity and is the chief executive officer;

(3) The Company is advised of relevant information with respect to all owners of the entity;

(4) All money and other obligations of the Franchisee to the Company are fully paid and performed;

(5) The entity agrees, in form satisfactory to the Company, to assume all the

Franchisee's obligations;

(6) All owners of the entity guarantee, in form satisfactory to the Company, the full and prompt payment and performance of all obligations to the Company;

(7) Each certificate of ownership interest in the entity shall have conspicuously endorsed upon it a statement that it is held, and that assignment thereof is, subject to all restrictions imposed upon assignments by this Agreement; and

(8) No new interest in the entity shall be issued without obtaining the Company's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the new owners.

B. No transfer, as defined below, of the ownership interest in an entity shall be made without the prior written consent of the Company except that there may be a transfer of all the ownership interest in the entity on the same terms as those on which a transfer of the Franchisee's franchise or the Business would be permitted hereunder. These restrictions shall be conspicuously noted on all certificates of ownership interest and all transferee owners shall be required to guarantee, in form satisfactory to the Company, the full and prompt payment and performance by the Franchisee of all obligations to the Company.

14.3 Transfer by the Franchisee. Subject to the Company's prior written consent, which will not be unreasonably withheld, the Franchisee may sell, transfer, lease or assign its interest in this Agreement, Franchisee, or the Business, or may by merger, consolidation, stock exchange or in similar fashion effect such by operation of law ("Transfer"), provided the following conditions are met. In the event that all of the following conditions have not been met by Franchisee and Assignee, Company shall have good cause for refusing to consent to a proposed Transfer.

A. The purchaser, transferee, lessee, assignee or entity effecting such by operation of law as set forth immediately above ("Assignee") (or the principal owners of the Assignee if the Assignee is an entity) has the aptitude, skills, qualifications, credit and financial resources necessary, in the Company's judgment, to conduct the Business and to fulfill the Assignee's obligations to the Company. The proposed Assignee must provide such information to the Company as it requires to evaluate the proposed Assignee;

B. Franchisee must furnish Company with copies of all proposed sale or transfer documents before such documents are executed. If Franchisee is conducting Young Rembrandts classes at locations outside of the Territory as permitted by Section 3.4, Franchisee must provide written notice to the proposed Assignee regarding what classes Franchisee conducts outside of Franchisee's Territory and the provisions of Section 3.4 of this Agreement that will require proposed Assignee to cease conducting such classes if the territory in which they are conducted is subsequently granted to another franchisee. Franchisee must furnish Company with a copy of such notice delivered to the proposed Assignee before the proposed sale or transfer documents are executed. Company shall have the right to reject the proposed sale or transfer documents if it determines that the price and terms of payment will adversely affect the proposed assignee's future operations of the Business.

Company shall have the right to communicate with and confer with both Franchisee and the proposed assignee on any aspect of the proposed transfer and to furnish the proposed assignee with financial and other information regarding Franchisee's Young Rembrandts Business in Company's possession;

C. As of the date of any such Transfer, the Franchisee shall have fully complied with all its obligations hereunder or under any other agreement with the Company and any affiliate, including, without limitation, all monetary obligations;

D. Assignee assumes all of the obligations of the Franchisee, and that there is no default;

E. Assignee executes, at our option, either (i) the Company's then-current form of Franchise Agreement (except that Assignee shall not be obligated to pay an Initial Franchise Fee), which may contain terms different from this Agreement or (ii) an assignment and assumption agreement in a form satisfactory to Company whereby the Assignee assumes Franchisee's obligations under this Agreement. The execution of the new Franchise Agreement shall, except for post-term obligations of the Franchisee, terminate this Agreement;

F. The Franchisee and its owners/guarantors execute and deliver to the Company a general release, except as limited by law, of all claims against the Company, its affiliates and their shareholders, officers, directors, employees, and agents in a form satisfactory to the Company;

G. Assignee shall have satisfactorily completed the Initial Training then required of all new franchisees unless such training is waived by reason of the Assignee's prior experience or training. In the event the proposed sale or transfer does not take place after Assignee has completed the Initial Training and such failure to close on the sale or transfer is caused in whole or in part by Franchisee, Franchisee shall pay to Company the training fee then being charged for additional Initial Training.

H. The Franchisee has first given the Transfer Notice and complied with Article XV;

I. Any advertisement for a Transfer shall make clear that the Franchisee and not the Company is the offeror;

J. The Franchisee pays a Transfer Fee in the amount of Ten Thousand Dollars ($10,000.00) to reimburse the Company's expenses to investigate such Transfer and to train the Assignee; and

K. The Franchisee pays any and all broker fees payable in connection with the Transfer.

14.4 Controlling Interest. The aggregate transfer of more than 10% of the ownership interest or voting power of any franchisee which is an entity is a Transfer.

14.5 Death or Incapacity of the Franchisee. The transfer of the Franchisee's interest in this Agreement and in the Business to the Franchisee's heirs, personal representatives or conservators, as applicable, in the event of death or legal incapacity of the Franchisee, shall not constitute a Transfer

nor give rise to the Company's right of first refusal, provided that the heirs, personal representatives or conservators, as applicable, meet the Company's standards for new Franchisees; execute the then-current form of Franchise Agreement; and, that a manager has, or within ninety (90) days shall have, enrolled in and begun the Initial Training at the Company's then standard fee and charge and has satisfactorily completed the Initial Training within such three months. Such transfer does not require Franchisee to pay a Transfer Fee. Failure to transfer Franchisee's interest as provided in this Section 14.5 constitutes grounds for termination under Article XVI.

14.6 Subfranchising. The Franchisee may not subfranchise or otherwise attempt to sell, transfer or assign a portion, but not all, of its rights under or pursuant to this Agreement.

14.7 Notice. The Franchisee shall give the Company at least thirty (30) days prior notice of any Transfer.

14.8 No Encumbrance. The Franchisee may not pledge, encumber, or otherwise give a security interest in its rights under this Agreement without the prior written consent of the Company, which consent may be withheld for any reason whatsoever in the Company's sole, subjective judgment.

ARTICLE XV.
RIGHT OF FIRST REFUSAL

15.1 Right of First Refusal and Transfer. Prior to any Transfer under Section 14.3, the Franchisee shall deliver to the Company written notice (the "Transfer Notice"), setting forth all of the terms and conditions of the proposed Transfer, including all documents of sale, transfer, assignment, merger, or acquisition and all available information of the proposed Assignee.

15.2 Right of First Refusal. Within fifteen (15) days after the Company's receipt of the Transfer Notice or if it requests additional information, within fifteen (15) days after receipt of such additional information (the "Review Period"), the Company may elect to receive the Transfer to itself or to its nominee, upon the terms and conditions in the Transfer Notice, by written notice to the Franchisee. The failure of the Company to deliver such notice shall constitute a waiver of its Right of First Refusal, provided that it has been furnished, in timely fashion, with all of the requisite documents and information.

15.3 Equivalent Consideration. In the event that the attempted Transfer is in a format or is for consideration that the Company cannot practicably or realistically duplicate (including, without limitation, a transaction in which the Franchisee would receive the stock of the Assignee) the Company may elect to pay the equivalent consideration in cash and to modify the Transfer format to reasonably duplicate the proposed Transfer.

15.4 Change in Terms. If the Company does not exercise its Right of First Refusal, the Franchisee shall have the right, for a period of ninety (90) days after the Review Period, to effect the Transfer upon the terms and conditions of the Transfer Notice. If the terms of the Transfer are changed, such changed terms shall be deemed a new offer and the Company shall again have such

Right of First Refusal with respect to them.

ARTICLE XVI
DEFAULT & TERMINATION.

16.1 The Company's Right to Terminate Prior to Opening.

A. The Company shall have the right to terminate this Agreement without prior notice to Franchisee if:

(1) The Franchisee shall have failed to satisfactorily complete Initial Training. The Franchisee acknowledges that because of the Company's superior skill and knowledge with respect to the training and skill required to manage the Business, the Company's judgment as to whether or not the Franchisee has satisfactorily completed such training may be exercised by the Company in its sole, subjective judgment, exercised in good faith; or

(2) Any financial, personal or other information provided by the Franchisee to the Company in connection with the Franchisee's application for the franchise is materially false, misleading, incomplete or inaccurate.

(3) The Franchisee does not open for business within ninety (90) days of signing this Agreement.

B. If the Company elects to terminate this Agreement pursuant to this Section, the Company shall notify the Franchisee of its said election; and this Agreement shall be null, void and of no effect. Neither party shall have any further right or obligation to the other except those obligations which, by their nature, survive such termination.

16.2 The Company's Right to Terminate After Opening.

A. Grounds. The Company shall have the right to terminate this Agreement after the Business opens in the following events any of which shall constitute good cause:

(1) Without Opportunity to Cure. Events in which termination shall be effective immediately upon the mailing or delivery of written notice of termination and with respect to which the Franchisee shall have no right to cure the default:

(i) The Franchisee is convicted of, or pleads guilty to, or pleads no contest to, any criminal statute which carries a possible penalty (whether imposed or not) of imprisonment in excess of 30 days; or

(ii) The Franchisee voluntarily or otherwise abandons the Business by (a) failing to operate it for a period of five (5) consecutive business days or more, unless the Business has been closed for a purpose previously approved by the Company in writing; or (b) failing to be physically present in the Territory to carry out the obligations under Sec. 6.10 herein to directly

oversee and supervise the operation and management of the Business for a period of fifteen (15) consecutive business days or more; or

(iii) The Franchisee or the Business is declared bankrupt or insolvent, or all or a substantial part of the assets of the Business are assigned to or for the benefit of any creditor, or the Franchisee admits its inability to pay its debts as they become due; or

(iv) The Franchisee, after twice curing any failure of the Franchisee to comply with any requirement of this Agreement (other than non-payment) after being given notice thereof and a reasonable opportunity to cure such failure, which in no event need be more than thirty (30) days, engages in the same non-compliance whether or not such non-compliance is corrected after notice; or

(v) The Franchisee makes a Transfer or attempted Transfer of the Agreement or of the Business without compliance with the provisions of Sections 14.2 through 14.8 and of the Company's Right of First Refusal in Article XV, above; or

(vi) The Company reasonably determines that operations by the Franchisee will result in substantial danger to the health or safety of the public or Franchisee's customers and Franchisee fails to take the necessary corrective action within three (3) business days after notice thereof from the Company; or

(vii) The Franchisee fails to pay any royalties or other amounts due the Company or any affiliate when such are due on more than three (3) occasions in any two (2) year period.

(viii) The Business is seized, taken over or foreclosed; or a final judgment against the Franchisee is unsatisfied for thirty (30) days (unless a supersedeas or other bond has been filed); or a levy of execution has been made upon any property used in the Business and is not discharged within five (5) days of such levy; or

(ix) Franchisee makes any unauthorized use or disclosure of any Confidential Information, makes any unauthorized use of the Marks or any other identifying characteristics of the System or otherwise impairs the goodwill associated with these characteristic; or makes any unauthorized use or disclosure, or duplicates any portion of the Manual or other proprietary written materials.

(x) The Franchisee fails to comply with any of the non-competition covenants in Articles XVIII of this Agreement.

(2) With Opportunity to Cure. Events in which termination shall be effective after Franchisee's failure to cure the specified default within the cure period provided herein:

(i) The franchisee fails to accurately report Gross Revenues of the Business or to pay any royalties, advertising fees or any other amounts due the Company or any

affiliate within ten (10) days of notice of failure to pay;

(ii) The Franchisee fails to purchase the insurance required by this Agreement or fails to reimburse the Company for its purchase of such insurance on behalf of Franchisee within ten (10) days after notice from the Company.

(iii) The Franchisee fails, for a period of ten (10) days after notification of non-compliance, to comply with any federal, state or local law or regulation applicable to the operation of the Business; or

(iv) The Franchisee is involved in any act or conduct or failure to act which materially impairs the goodwill associated with the Business, Marks or the System and the Franchisee fails to cure such act or conduct or failure to act within twenty-four (24) hours of the receipt of notice thereof.

(v) The Franchisee fails to meet the minimum gross revenues requirement described in Section 3.3 above that requires Franchisee to pay the required minimum royalty payment, following notice and a six (6) month period in which to increase the Gross Revenues in order to meet the required minimum monthly royalty requirement.

(vi) Default by the Franchisee of any other obligations under the Agreement, including any mandatory specification, standard or operating procedure prescribed by the Company in the Manual or otherwise in writing, which is not cured within thirty (30) days after notice of default;

(3) Notwithstanding anything to the contrary contained in this Article 16, the Company has the right to survey Franchisee's customers to determine their level of satisfaction with Franchisee. If, in any one calendar year, twenty-five percent (25%) or more of the Franchisee's customers are dissatisfied as evidenced by the written customer satisfaction surveys, the Company shall notify the Franchisee of the results of any such survey. If, upon completing a second survey of Franchisee's customers within three (3) months of completing the first survey, twenty-five percent (25%) or more of the Franchisee's customers are dissatisfied as evidenced by the written customer satisfaction surveys, the Company, at its option, may take over the Territory and terminate the Agreement.

B. Waiver. The Company may, in its sole discretion, waive its right to terminate under one or more sections of this Article as set forth above. Said waiver shall not be deemed continuing nor shall it be considered a precedent for this Agreement or for any other franchise. See Section 20.7, below.

C. Termination Procedure. If the Company elects to exercise its right to terminate this Agreement, it shall do so by giving the Franchisee written notice of termination stating the grounds therefor, advising whether there is an opportunity to cure any default and the effective date of termination. If the state in which the Business is located has a law governing notice and right-to-cure periods, such law shall govern.

D. Cross Default. Any default by the Franchisee of any other agreement between the Company and the Franchisee or an affiliate of the Company and the Franchisee shall be deemed a default under this Agreement and any default by the Franchisee of this Agreement shall be deemed a default under any and all other agreements between the Company and the Franchisee. If the nature of such default under any other agreement would have permitted the Company to terminate this Agreement if such default had occurred under this Agreement, the Company shall have the right to terminate all of the other agreements between the Company and the Franchisee in the same manner as provided herein for termination of this Agreement.

16.3 Franchisee's Rights to Terminate.

A. Grounds. If the Franchisee is in full compliance with this Agreement and the Company breaches any material provision, term or condition, the Franchisee may terminate this Agreement as provided herein.

B. Procedure. The Franchisee shall not have any right to terminate this Agreement or commence an action against the Company for injunctive relief, violation of any state, federal or common law, unless and until:

(1) Written notice setting forth the alleged default in detail has been delivered to the Company by the Franchisee; and

(2) The Company fails to correct, or diligently make all reasonable efforts to correct, the alleged default within thirty (30) days after receipt of such written notice.

C. Required Notice-Waiver of Breach. If the Franchisee fails to give the Company written notice of an alleged default of this Agreement within one (1) year from the date that Franchisee has knowledge of, determines, or is of the opinion that there has been a default by the Company, then the alleged default shall be deemed to be condoned, approved and waived by the Franchisee and the alleged default shall not be deemed to be a default of this Agreement.

ARTICLE XVII.
OBLIGATIONS UPON TERMINATION

17.1 Obligations. In the event of the termination or expiration of this Agreement, whether by reason of default, lapse of time or other cause, the Franchisee shall:

A. promptly pay all amounts owed to the Company;

B. promptly return to the Company the Manual, instructional materials and videos, the lesson plans provided by the Company, proprietary software, and other materials containing Confidential Information at Franchisee’s expense;

C. turn over and not retain any copies of all customer lists and all other customer data,

contact information and other data regarding all schools, day care centers, park districts and other facilities where Franchisee conducted classes for customers, contracts or agreements, and other information and records regarding the customers and class locations serviced by Franchisee, and information and records on contacts with prospective customers and class locations in Franchisee's Territory. Franchisee expressly and specifically acknowledges and agrees that the foregoing information and records acquired during the term of the franchise are valuable property rights which Franchisee may use during the term of the Franchise Agreement, but which belong to Franchisor in the event of expiration or termination of the Franchise Agreement for any reason;

D. maintain confidentiality of all Confidential Information furnished by the Company as required by Article VII;

E. immediately cease using any of the Marks, including the e-mail address for the Business, or any colorable imitation of the Marks, or use any trade name, trademark, service mark, domain name or other commercial symbol that suggests or indicates a connection or association with the Company;

F. not directly or indirectly at any time or in any manner identify Franchisee or any business of Franchisee as a current or former franchisee of the Company or as otherwise associated with the Company;

G. promptly return to the Company or destroy (whichever Company specifies) all advertising and promotional materials, forms, and other materials containing the Marks or otherwise identifying or relating to a Young Rembrandts Business;

H. promptly take such action as may be required to cancel all fictitious or assumed name, "doing business as" or equivalent registrations relating to Franchisee's use of the Marks and furnish to Company within ten (10) days after the effective date of termination or expiration evidence satisfactory of Franchisee's compliance with the foregoing obligations;

I. promptly notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number and any telephone directory listings associated with the Marks and to authorize transfer of same to or at the direction of the Company. Franchisee acknowledges that as between the Company and Franchisee, the Company has the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and Franchisee authorizes the Company, and hereby appoints the Company and any officer of the Company as Franchisee's attorney-in-fact, to direct the telephone company and all listing agencies to transfer same to the Company or at its direction, and should Franchisee fail or refuse to do so, the telephone company and all listing agencies may accept such direction or this Agreement as conclusive of the exclusive rights of the Company in such telephone numbers and directory listings and its authority to direct their transfer;

J. assign to Company or its designee all of Franchisee's right, title and interest in and to any domain name registrations, any web sites, and any listings or presence on any social media platforms or social media networks, or other presence on the Internet, including passwords and

account manager access, and shall notify the necessary parties of the termination of the Franchisee's right to use any domain name, web site, or other presence on the internet and to authorize a transfer of same to or at the direction of Company; and

K. pay all costs, including attorneys' fees and costs, incurred by the Company in terminating this Agreement and in enforcing the terms of this Article XVII and Article XVIII.

17.2 Survival of Obligations. The expiration or termination of this Agreement shall be without prejudice to any of the rights and remedies of the Company against the Franchisee with respect to the foregoing obligations, non-competition covenants and other like matters that reasonably would survive the end of this Agreement.

ARTICLE XVIII.
NON-COMPETITION COVENANTS

18.1 In-Term and Post-Term Covenant Not to Compete. The Franchisee agrees that during the Term of this Agreement, and the Term of any Successor Agreement, the Franchisee will not, either directly or indirectly, engage in any other business which offers, provides or sells the same or similar services provided by the Franchisee hereunder, or engage in any of the activities which this Agreement contemplates will be engaged in by the Franchisee, or offers or sells any other service (or component thereof) which comprises or may in the future comprise a part of the System (or any service confusingly similar thereto) as an owner, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant, nor shall the Franchisee divert any business from the Business to any other entity. The Franchisee further agrees that, for a period of twenty-four (24) months following the termination or expiration of this Agreement for any reason or the date in which Franchisee ceases to conduct business, whichever is later, within twenty-five (25) miles of the Territory and within the territory granted by Company to any then-existing franchisee, the Franchisee will not, either directly or indirectly, engage in any other business which offers, provides or sells the same or similar services provided by the Franchisee hereunder, or engage in any of the activities which this Agreement contemplates will be engaged in by the Franchisee, or offers or sells any other service (or component thereof) which comprises or may in the future comprise a part of the System (or any service confusingly similar thereto) as an owner, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant, nor shall the Franchisee divert any business from the Business to any other entity. If after the date of execution of this Agreement, other franchisees open new Young Rembrandts businesses, the geographic areas in which you will be prohibited from competing upon termination or expiration of this Agreement, may be larger than it is as of the date of this Agreement. It is the intention of this provision to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, service as an independent contractor for such competitive businesses, or any assistance or transmission of information of any kind or nature whatsoever which would be of any material assistance to a competitor.

For one (1) year thereafter, the Franchisee shall not hire personnel of the Company or of any other franchisee of the Company.

If the Franchisee is an entity, the Franchisee shall cause its owners, directors, officers, managers and employees to refrain from any of the foregoing competitive activities in any manner which the Company may reasonably request, and shall cause each such Owner to execute a Guaranty of this Agreement in a form acceptable to the Company and shall cause any other directors, officers, managers and employees to execute confidentiality and non-competition agreements in a form satisfactory to Company.

18.2 Non-Solicitation. For a period of one (1) year after termination or expiration, the Franchisee may not solicit, contact or do any work for any customer or potential customer developed as a Young Rembrandts franchise at any time and may not solicit, contact, do any work for, or conduct any classes at any organization where the Franchisee conducted its classes as a Young Rembrandts franchisee.

18.3 Scope. The covenants in this Article XVIII shall not be applicable to any Business operated by the Franchisee under another Franchise Agreement with the Company.

18.4 Enforcement of Covenants Not to Compete. The Franchisee acknowledges that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to the Company for which no adequate remedy at law will be available. Accordingly, the Franchisee hereby acknowledges that the Franchisor may seek to obtain the entry of an injunction prohibiting any conduct by the Franchisee in violation of the terms of those covenants not to compete set forth in this Agreement. The Franchisee expressly agrees that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through the Franchisee's unlawful utilization of the Company's confidential information, know-how, methods and procedures. Further, the Franchisee expressly agrees that the existence of any claims it may have against the Company, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Company of the covenants not to compete set forth in this Agreement. The Franchisee further agrees to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by the Company in connection with the enforcement of those covenants not to compete set forth in this Agreement.

18.5 Court Modification. The non-competition restrictions set forth in this Article XVIII may be modified by a court to the extent necessary to make the non-competition agreements valid and enforceable against Franchisee.

ARTICLE XIX.
ARBITRATION

19.1 Agreement to Arbitrate. All controversies, disputes or claims arising between the Company and the Franchisee (including any claim against the Company's officers, directors, shareholders, agents and employees, in their capacity as such, or against the owners and guarantors of the Franchisee, if applicable) in connection with, arising from, or with respect to: (A) any provision of this Agreement or any other agreement related to this Agreement between the parties; (B) the relationship of the parties hereto; (C) the validity of this Agreement or any other agreement between the parties related to this Agreement, or any provision thereof; or (D) any specification, standard or

operating procedure relating to the establishment or operation of the Business (except controversies, disputes or claims relating to the Marks) which shall not be resolved within thirty (30) days after either party shall notify the other in writing of such controversy, dispute or claim, shall be submitted for arbitration on demand of either party. Such arbitration proceedings shall be conducted before a single arbitrator at the Company's offices or at another location specified by the Company and, except as otherwise provided in this Agreement, shall be conducted in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association or any successor. The arbitrator shall have the right to award or include in the award any relief which is deemed proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and injunctive relief. The arbitrator must issue a reasoned award explaining the bases for the decision. The parties agree that there shall be a record of the arbitration proceeding. Except as set forth in Section 19.2, the award and decision of the arbitrator shall be conclusive, binding and non-appealable upon all parties hereto and judgement upon the award may be entered in any court of competent jurisdiction, subject to the terms of this Agreement as to jurisdiction. The provisions of this Article shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Franchisee and the Company agree that arbitration shall be conducted on an individual, not a class-wide, basis.

19.2 Appeals. Notwithstanding any language to the contrary in this Agreement, the parties hereby agree that any award issued by the Arbitrator as specified in Section 19.1 may be appealed pursuant to the American Arbitration Association's Optional Appellate Arbitration Rules ("Appellate Rules"); that the award rendered by the arbitrator shall, at a minimum, be a reasoned award; and that the award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of the arbitrator's award pursuant to Section 19.1, by filing a Notice of Appeal with any American Arbitration Association office. The appeal shall be heard by a single arbitrator. Following the appeal process the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof.

19.3 Waiver of Punitive Damages. The Company and the Franchisee (and their respective owners and guarantors, if applicable) hereby waive to the fullest extent permitted by law, their right to or claim for any punitive or exemplary damage against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained.

19.4 Severability. The provisions of this Article shall be construed as independent of any other covenant or provision of this Agreement; provided that, if a court of competent jurisdiction determines that any such provisions are unlawful in any way, such court shall modify or interpret such provisions to the minimum extent necessary to have them comply with the law. Notwithstanding any provisions of this Agreement relating to the state laws under which this Agreement shall be governed and construed, all issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the United States Arbitration Act (9 U.S.C. 1 et seq.) and the federal common law of arbitration.

19.5 Mediation. Prior to any arbitration proceeding taking place, and except for actions described in Section 19.6, the Company or the Franchisee may, at its respective option, elect to (A)

have the arbitrator conduct, in a separate proceeding prior to the actual arbitration, a preliminary hearing, at which hearing testimony and other evidence may be presented and briefs may be submitted, including without limitation a brief setting forth the then applicable statutory or common law methods of measuring damages in respect of the controversy or claim being arbitrated, or (B) submit the controversy or claim to non-binding mediation before the arbitrator or other mutually agreeable mediator, in which event both parties shall execute a suitable confidentiality agreement.

19.6 Exception to Arbitration. Nothing in this Agreement, including in particular the provisions of Section 19.1, shall be construed as limiting or precluding the Company, an Affiliate or the Franchisee from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting any bond (and if bond shall nevertheless be required by a court of competent jurisdiction, subject to the terms of this Agreement relating to jurisdiction, the parties agree that the sum of $100 shall be sufficient bond), as the Company or the Franchisee deem necessary or appropriate to (A) compel the other to comply with its obligations hereunder with respect to the use or display of the Marks or to otherwise protect the Marks; (B) compel the other to comply with its obligations upon termination or expiration of this Agreement or any Successor Agreement; and (C) prohibit any act or omission by the other, or their respective employees, that constitutes a violation of applicable law, is dishonest or misleading to the Franchisee's customers or prospective customers, or other Franchised Businesses, or constitutes a danger to the Franchisee's employees, or customers or to the public, or may impair the good will associated with the Marks or System. The parties agree to arbitrate any such dispute concurrently with and subsequent to the grant or denial of such injunctive relief.

ARTICLE XX.
MISCELLANEOUS

20.1 Severability. All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid and unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination or refusal to extend the Term of this Agreement or prior notice of the refusal to grant the right to obtain a Successor Agreement than is required herein or the taking of some other action not required hereunder or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the Company is invalid or unenforceable, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure shall be modified to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdictions and shall be enforced as originally made and entered into in all other jurisdictions.

20.2 No Third Party Rights. Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall it be deemed, to confer upon any third party other than the Company, the Company's affiliates, the Indemnitees identified in Section 11.3, or the Franchisee and permitted successors and assigns, any rights or remedies under or by reason of this Agreement.

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

20.4 Counterparts. This Agreement may be executed in one or more counterparts and each copy so executed shall be deemed an original but all copies together shall constitute one agreement.

20.5 Governing Law. This Agreement takes effect upon its acceptance and execution by the Company and shall be interpreted and construed in accordance with, and the franchise and any dispute between the parties governed by, the laws of the state of the principal office of the Company without giving effect to the choice of law rules thereof, which law shall prevail in any event of conflict of law, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. 1051 et seq), or the United States Arbitration Act (9 U.S.C. 1 et seq).

20.6 Choice of Forum. The Company and the Franchisee agree that any action brought by one of them against the other (which is not to be arbitrated pursuant hereto or pursuant to law) shall be instituted exclusively in the state or federal court having jurisdiction over the county within which the principal office of the Company is located. Each party hereby irrevocably waives any objection they may have to the jurisdiction or the venue of such Court(s).

20.7 Waiver. The Company and the Franchisee may, by written instrument, unilaterally waive any obligation or restriction upon the other under this Agreement. Except as provided to the contrary herein, no acceptance by the Company of any payment by the Franchisee and no failure, refusal or neglect of the Company or the Franchisee to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder, including, without limitation, any mandatory specification, standard or operating procedure, shall constitute a waiver of any provision of this Agreement.

20.8 Royalty or Other Fees. The Franchisee shall not, on the grounds of alleged non-performance by the Company of any of its obligations to the Franchisee, withhold payments of Royalty Fee or any other amounts due to the Company.

20.9 Attorneys' Fees. In the event the Company or Franchisee institutes a suit, action or proceeding to enforce any provision of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party reasonable attorneys' fees to be set by the court in addition to reasonable costs or disbursements incurred by the party.

20.10 Document Preparation. If (1) Franchisee makes a request involving the relationship contemplated under this Franchise Agreement and (2) Company agrees to such request, Franchisee must reimburse Company for all costs and expenses, including legal fees, it incurs in preparation of documents.

20.11 Notices; Approvals; Force Majeure; Miscellaneous.

A. Notices. All notices required herein shall be in writing, and (i) sent by registered or

certified mail addressed to the Company or the Franchisee at their respective principal offices first above written or at such other address as the Company or the Franchisee may designate in writing; or (ii) hand delivered; or (iii) by commercial overnight delivery service; or (iv) by electronic communication with a delivery receipt. Notices shall be effective three (3) business days after sent by registered or certified mail, the date of delivery if hand delivered or sent by electronic communication, and the next business day after sent by commercial overnight delivery service.

B. Approvals. Unless specifically provided otherwise, the Franchisee hereby waives, any claim that the Company has unreasonably withheld or delayed any consent or approval to a proposed act by the Franchisee under this Agreement.

C. Force Majeure. Whenever a time period is specified herein within which the Franchisee or the Company has a duty to perform some act, such period shall be extended for a time period corresponding to the duration of any delay caused by events or circumstances beyond the reasonable control of such party.

20.12 Binding Effect and Modifications. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns and successors, and shall not be modified except by written agreement, except that the Company has the right to unilaterally change the Manual and to make such other changes, additions and modifications as set forth herein.

20.13 Complete Agreement. This Agreement, together with any Exhibits or Addenda to this Agreement, contains the complete agreement between the parties and there are no promises, representations or inducements except as herein provided and as provided in the Company's Franchise Disclosure Document.

20.14 Submission of Agreement. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution hereof by the Company and the Franchisee. The date of execution by the Company shall be considered the date of execution of this Agreement.

20.15. Anti-Terrorism Laws. Franchisee and Franchisee's owners agree to comply with and/or assist Company to the fullest extent possible in Company's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and Franchisee's owners certify, represent and warrant that none of the property or interests of Franchisee or Franchisee's owners is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's owners are not otherwise in violation of any of the Anti-Terrorism Laws. For purpose of this Section 8.8 "Anti-Terrorism Laws" means Executive Order 13244 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorists acts and

acts of war.

Franchisee and Franchisee's owners certify that none of Franchisee's employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224. (The Annex is available at http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html.) Franchisee agrees not to hire any individuals listed in the Annex. Franchisee and Franchisee's owners certify that they have no knowledge or information that, if generally known, would result in Franchisee, Franchisee's owners or employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224. Franchisee shall be solely responsible for ascertaining what actions must be taken by Franchisee to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that the indemnification responsibilities set forth in this Agreement pertain to your obligations under this Section 20.16.

Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's owners or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Company or an affiliate of Company, in accordance with the terms of Section 16.2. of this Agreement.

20.16 Electronic Signature and Delivery. This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by facsimile, electronic mail or other functionally equivalent means of transmission constitutes valid and effective delivery.

THIS AGREEMENT SHALL NOT BE BINDING ON THE COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN SIGNED BY AN AUTHORIZED OFFICER. UNTIL SO SIGNED, THE COMPANY MAY UNILATERALLY REFUSE TO ENTER INTO THIS AGREEMENT WITHOUT LIABILITY OF ANY KIND TO ITSELF, OR THEIR OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS.

THE COMPANY DISCLAIMS ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL SUCCESS OF THE BUSINESS.

THIS IS A LEGAL DOCUMENT WHICH GRANTS SPECIFIC RIGHTS TO AND IMPOSES CERTAIN OBLIGATIONS ON THE COMPANY AND THE FRANCHISEE. CONSULT LEGAL COUNSEL TO BE SURE THAT YOU UNDERSTAND YOUR RIGHTS AND DUTIES.

FRANCHISEE HAS READ ALL OF THIS AGREEMENT AND HEREBY ACCEPTS AND AGREES TO ALL OF ITS PROVISIONS, COVENANTS AND CONDITIONS.

[Signature Page Follows]

IN WITNESS HEREOF, the parties have signed this Agreement as of the dates below each signature.

"FRANCHISEE"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC.
By_____	By _____
Its_____	Its_____
Date_____	Date_____

EXHIBIT A
TO THE FRANCHISE AGREEMENT

Franchisee's Territory

The Franchisee's Territory referred to in Sections 3.1 of the Franchise Agreement is described as follows:

If a map is attached to this Exhibit A, it is only attached for reference and the above description of Franchisee's Territory above shall be controlling.

If the Franchisee's Territory is described above by means of zip codes as assigned by the U.S. Postal Service, should the boundaries of any such zip codes be changed and/or new numbers assigned by the U.S. Postal Service for any reason after the date of this Agreement, the geographic boundaries of Franchisee's Territory will remain the same as the geographic boundaries designated for such zip codes on the date of execution of this Agreement. Therefore, no action by the U.S. Postal Service will have any effect on the Territory granted to Franchisee under this Agreement.

Franchisee acknowledges and agrees as follows: ***(initial as applicable)***

___ For a Gold Franchise, the Territory described above has at least seventy-five (75) Elementary Schools as of this Date.

___ For a Silver Franchise, the Territory described above has at least forty (40) Elementary Schools as of this Date

"Elementary School" as used herein means a public or private school which provides instruction for any of grades kindergarten through fifth (5^{th}) grade.

APROVED:

Franchisee:

Company:
YOUNG REMBRANDTS FRANCHISE, INC.

_____ By _____

Date_____ Date _____

EXHIBIT B TO THE
FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF FRANCHISEE'S TELEPHONE NUMBERS AND SOCIAL MEDIA ACCOUNTS

Franchisee _____ ("Assignor") whose business address is _____, in consideration of the granting of a franchise to Assignor contemporaneously herewith, and other valuable consideration paid by Young Rembrandts Franchise, Inc. (Franchisor/Assignee), having its principal place of business at 23 North Union Street, Elgin, IL 60123 hereby assigns unto the Franchisor/Assignee (i) all telephone numbers and listings utilized by Assignor in the operation of Assignor's Young Rembrandts Business from Assignor's address above-referenced, and (ii) all social media accounts (such as Facebook, Twitter, Instagram, etc.), applications, keyword and ad word purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications or other means of Advertising on the Internet or any other communications network (collectively "Social Media Accounts"), including all passwords and log-in information or other means of accessing the Social Media Accounts, used in the operation and marketing of Assignor's Young Rembrandts Business.

Assignor acknowledges that "Young Rembrandts" and associated trademarks and service marks and logos ("Marks") are solely the property of Franchisor/Assignee. As such, Assignor's right to use any telephone numbers and directory listings and Social Media Accounts associated with Franchisor/Assignee's Marks was solely due to a limited license granted by Franchisor/Assignee in connection with the Franchisor/Assignee's Marks pursuant to a Franchise Agreement. Once said license has expired and/or terminated pursuant to the expiration or termination of the Franchise Agreement, Assignor has no right to the telephone number or directory listing, or Social Media Account associated with any of Franchisor/Assignee's Marks.

This Assignment is intended by Assignor and Franchisor/Assignee to be an instrument that may be relied upon by all third parties to authorize and permit the assignments and transfers addressed in this Assignment and to facilitate the transfer of accounts and media to the control of Franchisor/Assignee upon the expiration or termination of the Franchise Agreement between Assignor and Franchisor/Assignee.

Assignor hereby irrevocably appoints and authorizes Franchisor/Assignee to act as Assignor's attorney-in-fact and hereby empowers Franchisor/Assignee to execute such instruments in the Franchisor/Assignee's name in order to give full effect to this Assignment and to effectuate any transfer.

Upon the Assignment to Franchisor/Assignee, Franchisor/Assignee shall assume the performance of all of the terms, covenants and conditions of the third parties holding such accounts with the full force and effect as if the Franchisor/Assignee has been originally issued such telephone numbers, listings and Social Media Accounts.

ASSIGNOR (Franchisee):

By: _____
Name: _____
Title: _____
Dated: _____

FRANCHISOR/ASSIGNEE:
Young Rembrandts Franchise, Inc.

By: _____
Name: _____
Title: _____
Dated: _____

ADDENDUM TO FRANCHISE AGREEMENT
FOR SILVER FRANCHISE

This Addendum is to a Franchise Agreement between Young Rembrandts Franchise, Inc., an Illinois corporation whose principal address is 23 North Union Street, Elgin, IL 60123 ("Franchisor") and _____ of _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee are entering into a Franchise Agreement simultaneously with this Addendum;

WHEREAS, Franchisee desires to be granted a territory in an area in which there are less than seventy-five (75) Elementary Schools; and

WHEREAS, Franchisor has in its discretion determined that it will grant a Silver Franchise to Franchisees for said area and Franchisee desires to purchase a Silver Franchise.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. The terms, covenants and conditions of this Addendum are incorporated into the Franchise Agreement, and with respect to any conflict between the two (2) agreements, the terms of this Addendum shall be controlling with respect to the subject matter thereof. Except as expressly set forth in this Addendum, the rights, duties and obligations of the parties with respect to the Business shall be the same as the rights, duties and obligations of the parties with respect to the Business described in the Franchise Agreement.

2. Franchisee shall pay an Initial Franchise Fee in the amount of Thirty-Five Thousand Five Hundred Dollars ($35,500.00) upon the execution of the Franchise Agreement and this Addendum.

3. Section 3.3.B of the Franchise Agreement shall be revised in its entirety to read as follows:

B. Beginning on the one (1) year anniversary of the Opening Date of the Business and through the end of the term, Franchisee must achieve Gross Revenues sufficient to generate an average monthly royalty payment of at least Three Hundred Fifty Dollars ($350.00). If over any period of six (6) consecutive months the royalty payments due to the Company from Franchisee do not average at least Three Hundred Fifty Dollars ($350.00) per month, if after giving Franchisee six (6) months' notice and Franchisee failing to increase Gross Revenues so that the monthly royalty payments average at least Three Hundred Fifty Dollars ($350.00) over the previous six (6) consecutive months, the Company has the right to either (1) terminate the Franchisee's franchise, or (2) terminate the Franchisee's exclusive rights to the Territory. In such event, others or the Company may market in and service the Territory. For purposes of meeting the Minimum Gross Revenue requirements of this Section 3.3.B., (1) Franchisee may only include Gross Revenues from classes conducted within the Territory and (2) Franchisee may not include Gross Revenues from the sale of

on-demand video classes.

4. Section 9.2. of the Franchise Agreement is revised in part regarding the Minimum Royalty Payment as follows:

> Notwithstanding the foregoing, beginning with the first full calendar month that begins at least thirty (30) days after the date Franchisee completes the Initial Training Program, Franchisee must pay a minimum Royalty Fee in the amount of Two Hundred Fifty Dollars ($250.00) per month during the first and second years of operation, in the amount of Three Hundred Dollars ($300.00) per month during the third and fourth years of operation, and in the amount of Three Hundred Fifty Dollars ($350.00) beginning in the fifth year of operation and through the end of the Term ("Minimum Royalty Payment").

IN WITNESS HEREOF, the parties have signed this Agreement as of the dates below each signature.

"FRANCHISEE"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC.
By_____	By _____
Its_____	Its_____
Dated: _____	Dated: _____

EXHIBIT B

TERRITORY DEVELOPMENT AGREEMENT

TERRITORY DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into by and between **YOUNG REMBRANDTS FRANCHISE, INC.** (the "Company") and _____ ("Developer").

1. The Company grants Developer, on the terms and conditions set forth below, the right and option to reserve, develop, own and operate the number of franchises specified in Paragraph 4 in the area, described as follows: _____
_____.
("Development Territory")

2. Simultaneously with the execution of this Agreement, Developer shall (1) execute a Franchise Agreement for the first Young Rembrandts franchise to be developed and pay the initial franchise fee under such Franchise Agreement in the amount of Thirty-Nine Thousand Five Hundred Dollars ($39,500), and (ii) pay an amount equal to fifty percent (50%) of the initial franchise fee for each additional Young Rembrandts franchise which Developer is granted the option to develop under this Agreement ("Development Fee"). The parties hereto agree that the initial franchise fee for the second and additional franchises shall be Thirty-Three Thousand Dollars ($33,000). The Development Fee due at the time of execution of this Agreement is _____ Dollars ($_____). The Development Fee is consideration for this Agreement and not consideration for any Franchise Agreement, is fully earned by the Company upon execution of this Agreement and is non-refundable, notwithstanding any provision to the contrary contained in any Franchise Agreement.

3 For each additional franchise, Developer agrees to execute a separate then current form of Franchise Agreement and to be bound by all of its terms, and to pay the balance of the Initial Franchise Fee as specified in Paragraph 2 above. The Company shall execute the Franchise Agreement only if (i) Developer is in compliance with all and is not in default of any requirements and obligations of this Agreement, and (ii) Developer is in compliance with all and is not in default of any of its respective obligations under any Franchise Agreement with the Company.

4. Time is of the essence of this development schedule. Developer agrees that this Agreement and all of Developer's rights hereunder may be terminated by the Company in its sole discretion in the event the Developer does not have Franchise Agreements signed and franchised businesses open and in operation in accordance with Paragraph 3 and with the following Development Schedule:

NUMBER OF FRANCHISES TO BE OPEN AND OPERATING BY DEVELOPER

Cumulative Number of Franchises	Last date for execution of Franchise Agreement	Last date for Opening of Franchise Business
1	Upon execution of this Agreement	

Developer shall at all times continuously maintain in operation pursuant to each Franchise Agreement, at least the cumulative number of franchises which are to be developed as of the dates set forth above in the Development Schedule.

Any termination of this Agreement by the Company for Developer's failure to comply with the Development Schedule set forth above shall not affect any franchises then operated by Developer for which a Franchise Agreement has been executed by the parties hereto; and all of the parties' rights and obligations under each such Franchise Agreement shall remain in full force and effect unless and until terminated pursuant to its or their own terms.

In the event that Developer request an extension of time on any date in the Development Schedule, and in the event Company, in its sole discretion, grants an extension, Development shall pay to Company an extension fee prior to the date the extension is granted.

5. (a) Subject to subparagraph 5(b) the Company agrees that it will not grant to any other party the right to operate, or itself operate, any Young Rembrandts businesses within the Development Territory during the term of this Development Agreement. Unless terminated sooner in accordance with the terms of this Agreement, this Agreement shall expire on the last date set forth in the Development Schedule in Paragraph 4.

(b) The Company retains the right, within and outside of the Development Territory to itself or through an affiliate:

(i) franchise and establish Company-owned and affiliate-owned Young Rembrandts businesses outside the Development Territory.

(ii) establish, operate and franchise the Young Rembrandts System or any other programs, products and/or services under trade names, trademarks, service marks, or logos other than the Marks.

(iii) sell or provide services and products licensed to be provided

hereunder, utilizing the Marks, under a different system than franchising, including the Internet. Specifically, without limitation, the Company or an affiliate may offer instructions services and products directly to customers on the Internet.

6. The occurrence of any of the following shall constitute "cause" or an event of default by Developer under this Agreement:

(i) the failure to meet the Development Schedule by either failing to sign a franchise agreement and paying the balance of the franchise fee or failing to open each franchise on the dates set forth in paragraph 4;

(ii) the filing by or against Developer of a petition under any bankruptcy, insolvency or similar law;

(iii) any transfer or attempted transfer of this Agreement in violation of Paragraph 7 hereof; or

(iv) any other material breach of the terms of this Agreement;

(v) default by Developer in any Franchise Agreement with the Company then in existence and termination by the Company as a result of such default.

Upon the occurrence of a default listed in (ii) (iii) or (v) above, the Company may immediately terminate this Agreement without prejudice to any other rights or remedies it may have in law or in equity. Upon the occurrence of a default listed in (i) or (iv) above, the Company may terminate this Agreement after giving Developer thirty (30) days' written notice of default and Developer's failure to cure the default specified in such notice within the thirty day period. Any termination shall not affect any franchises then operating or under construction by Developer for which a Franchise Agreement has been executed by the parties hereto.

7. Any actual or attempted assignment or transfer (as defined in the Franchise Agreement) of this Agreement, by Developer directly or by operation of law, is void and of no effect unless the Company has consented thereto in advance in writing. This Agreement is fully assignable by the Company.

8. Upon termination or expiration of this Agreement, Developer loses the right to open any additional Young Rembrandts franchises and Developer loses exclusive rights to the Development Territory described in Paragraph 5. Company may thereafter grant franchises or itself operate a Young Rembrandts business in any part of the Development Territory which is not protected by a valid and binding franchise agreement.

9. Nothing in this Agreement, express or implied, shall give Developer any rights in or to any of the names, trade names, trademarks, service marks, logotypes, or commercial symbols of Company or its affiliate used in connection with the Young Rembrandts System ("Marks").

Developer's right to use the Marks is derived solely from a franchise agreement entered into between Developer and the Company.

10. Each party to this Agreement is an independent contractor. Any action taken by Developer pursuant to this Agreement, is solely on Developer's own behalf, and under no circumstances shall Developer have any right or authority to bind the Company.

11. Notwithstanding any previous oral or written statements, this Agreement, constitutes the entire agreement between the parties relating to the subject matter hereof. No amendment, change or waiver of any of the terms of this Agreement shall be binding upon either party unless the same is in writing and signed by the Company and by Developer. Notwithstanding the foregoing, nothing in this Development Agreement is intended to disclaim the express representations in Company's Franchise Disclosure Document.

12. If any portion or provision of this Agreement shall be determined to be invalid, void or unenforceable under state or federal law, such determination shall not affect any other provision of this Agreement, and such other provisions shall remain in full force and effect.

13. No delay or omission by either party to exercise any right or remedy hereunder shall impair such right or remedy or any other right or remedy hereunder, or shall be construed to be a waiver of any default or acquiescence thereto. No waiver of any breach of any provision or default under this Agreement shall constitute a waiver of any subsequent breach of such provision or subsequent default.

14. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

15. Notices served under this Agreement shall be in writing and shall be deemed served when there is delivery in person or by messenger or by facsimile or overnight delivery, or by certified mail, return receipt requested, to the following.

A. If to the Company: Young Rembrandts Franchise, Inc.
_____
_____

B. If to Developer: _____
_____
_____

or at such other address as either party may from time to time specify in writing to the other.

16. Governing Law. This Agreement is only effective when executed by the Company following its execution by Developer. It shall be governed by and construed in accordance with the laws of the state in which the Franchisor's principal office is located. Notwithstanding the foregoing,

all issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the United States Arbitration Act (9 U.S.C. 1 et seq.) and the federal common law of arbitration.

17. Agreement to Arbitrate. (a) All controversies, disputes or claims arising between the Company and the Developer (including any claim against the Affiliate Company's officers, directors, shareholders, agents and employees, in their capacity as such, or against the owners and guarantors of the Developer, if applicable) in connection with, arising from, or with respect to: (A) any provision of this Agreement or any other agreement related to this Agreement between the parties, (B) the relationship of the parties hereto, or (C) the validity of this Agreement or any other agreement between the parties related to this Agreement, or any provision thereof which shall not be resolved within thirty (30) days after either party shall notify the other in writing of such controversy, dispute or claim, shall be submitted for arbitration on demand of either party. Such arbitration proceedings shall be conducted before a single arbitrator at the Company's offices or at another location specified by the Company and, except as otherwise provided in this Agreement, shall be conducted in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association or any successor. The arbitrator shall have the right to award or include in the award any relief which is deemed proper in the circumstances, including without limitation, money damages (with interest on unpaid amounts from the due date), specific performance and injunctive relief. The arbitrator must issue a reasoned award explaining the bases for the decision. The parties agree that there shall be a record of the arbitration proceeding. Except as set forth herein, the award and decision of the arbitrator shall be conclusive, binding and non-appealable upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction, subject to the terms of this Agreement relating to jurisdiction. The provisions of this Section 17 shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. The Developer and the Company agree that arbitration shall be conducted on an individual, not a class-wide, basis.

(b) Notwithstanding any language to the contrary in this Agreement, the parties hereby agree that any award issued by the Arbitrator as specified in this Section 17 may be appealed pursuant to the American Arbitration Association's Optional Appellate Arbitration Rules ("Appellate Rules"); that the award rendered by the arbitrator shall, at a minimum, be a reasoned award; and that the award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of the arbitrator's award pursuant to this Section 17, by filing a Notice of Appeal with any American Arbitration Association office. The appeal shall be heard by a single arbitrator. Following the appeal process the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof.

(c) The Company and the Developer (and their respective owners and guarantors, if applicable) hereby waive to the fullest extent permitted by law, their right to or claim for any punitive or exemplary damage against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained.

18. Mediation. Prior to any arbitration proceeding taking place, and except for actions

described in Section 19, the Company or the Developer may, at its respective option, elect to (A) have the arbitrator conduct, in a separate proceeding prior to the actual arbitration, a preliminary hearing, at which hearing testimony and other evidence may be presented and briefs may be submitted, including without limitation a brief setting forth the then applicable statutory or common law methods of measuring damages in respect of the controversy or claim being arbitrated, or (B) submit the controversy or claim to non-binding mediation before the arbitrator or other mutually agreeable mediator, in which event both parties shall execute a suitable confidentiality agreement.

19. Exception to Arbitration. Nothing in this Agreement, including in particular the provisions of Section 17, shall be construed as limiting or precluding the Company, the Affiliate or the Developer from bringing any action in any court of competent jurisdiction for injunctive or other extraordinary relief, without the necessity of posting any bond (and if bond shall nevertheless be required by a court of competent jurisdiction, the parties agree that the sum of $100 shall be sufficient bond), as the Company or the Developer deem necessary or appropriate to (A) protect the Company's Marks or confidential or proprietary information; (B) compel the other to comply with its obligations upon termination or expiration of this Agreement; and (C) prohibit any act or omission by the other, or their respective employees, that constitutes a violation of applicable law, is dishonest or misleading, or constitutes a danger to the public, or may impair the good will associated with the Marks or the Young Rembrandts System. The parties agree to arbitrate any such dispute concurrently with and subsequent to the grant or denial of such injunctive relief.

20. Choice of Forum. The Company and Developer agree that any action brought by one of them against the other (which is not to be arbitrated pursuant hereto or pursuant to law) shall be instituted exclusively in the state or federal court having subject matter jurisdiction over the county within which the principal office of the Company is located. Each party hereby irrevocably waives any objection they may have to the jurisdiction or the venue of such court(s).

21. Attorneys' Fees and Costs. In the event the Company or Developer institutes a suit, action or arbitration proceeding to enforce any provision of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party reasonable attorneys' fees to be set by the court in addition to reasonable costs or disbursements incurred by the party.

22. ACKNOWLEDGEMENTS

A. Developer represents and acknowledges that it has received, read and understood this Agreement and the Company's Franchise Disclosure Document; and that the Company has fully and adequately explained the provisions of each to Developer's satisfaction; and that the Company has accorded Developer ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

B. Developer acknowledges that it has received a copy of this Agreement and any attachments thereto, at least seven (7) calendar days prior to the date on which this Agreement was executed or the date on which Development made any payment to the Company. Developer further

acknowledges that Developer has received the Company's Franchise Disclosure Document at least fourteen (14) calendar days to the date on which this Agreement was executed or the date on which Developer made any payment to the Company.

C. No representations have been made by the Company or any of its officers, directors, employees or agents, and relied upon by Developer as to the future or past income, expenses, sales volume or potential profitability, earnings or income of a Young Rembrandts business, whether franchised or operated by the Company or an affiliate, other than as provided in Item 19 of the Company's Franchise Disclosure Document.

D. Developer has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, an investment in a Young Rembrandts franchise involves business risks and that the success of the venture is primarily dependent upon the business abilities and efforts of Developer.

IN WITNESS WHEREOF, this Agreement has been executed by the Company and Developer on the dates below the signatures.

DEVELOPER:	COMPANY:
_____	**YOUNG REMBRANDTS FRANCHISE, INC.**
By _____	By_____
Its _____	Its _____
Date _____	Date: _____

EXHIBIT C

GUARANTY

PERSONAL GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, Young Rembrandts Franchise, Inc. execution of that certain Franchise Agreement (the "Agreement") by and between the franchisee named therein (the "Franchisee") and Young Rembrandts Franchise, Inc. (the "Company") of even date herewith, each of the undersigned hereby personally and unconditionally: (1) guarantees to the Company, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives:

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

(2) notice of demand for (a) payment of any indebtedness, or (b) performance of any obligations hereby guaranteed;

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

(4) any right they may have to require that an action be brought against Franchisee or any other person as a condition of liability; and

(5) any and all other notices and legal or equitable defenses to which they may be entitled.

Each of the undersigned consents and agrees that:

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

(2) any payment or performance required under the Agreement shall be rendered upon demand if Franchisee fails or refuses punctually to do so;

(3) such liability shall not be contingent or conditioned upon pursuit by the Company of any remedies against Franchisee or any other person; and

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Company may occasionally grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

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

GUARANTORS	% OF INTEREST IN FRANCHISEE
_____	_____
Signature Print Name: _____ Address: _____ _____	
_____	_____
Signature Print Name: _____ Address: _____ _____	
_____	_____
Signature Print Name: _____ Address: _____ _____	

(Percentage must equal 100)

EXHIBIT D

FINANCIAL STATEMENTS

YOUNG REMBRANDTS FRANCHISE, INC.

Audited Financial Statements

For the Years Ended December 31, 2022 and 2021

Young Rembrandts

(With Independent Auditor's Report Thereon)

Young Rembrandts Franchise, Inc.

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Independent Auditor's Report

To the Board of Directors and Shareholders of
Young Rembrandts Franchise, Inc.
Elgin, Illinois 60123

Opinion

We have audited the accompanying financial statements of Young Rembrandts Franchise, Inc. (an Illinois corporation) (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2001 LARKIN AVENUE • SUITE 202 • ELGIN, IL 60123 • P: 847.695.2700 • F: 847.695.2748 • WWW.TKOCPA.COM
CHICAGO ELGIN ST. CHARLES

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 11 to the financial statements, the Company's retained earnings has continued to be negative that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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.

Tighe Kress & Orr, PC

Elgin, Illinois
March 3, 2023

Young Rembrandts Franchise, Inc.
Balance Sheets
December 31, 2022 and 2021

	2022	Restated 2021
Assets		
Current Assets		
Cash	$ 217,859	$ 109,048
Accrued royalty income	16,309	16,309
Accounts receivable	67,361	18,718
Employee retention tax credit receivable	94,019	94,019
Due from related parties	97,640	173,048
Prepaid expenses	1,400	1,400
Total Current Assets	494,588	412,542
Long-term Assets		
Property and equipment, net	2,455	3,496
Operating lease right-of-use assets	2,601	-
Repurchase of franchise territory	5,000	5,000
Software development, net of accumulated amortization of $57,619 and $57,262, respectively	179	536
Total Long-term Assets	10,235	9,032
Total Assets	$ 504,823	$ 421,574
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable and accrued expenses	98,929	$ 102,985
Current portion of deferred franchise fees	163,373	175,816
Deferred royalty income	1,792	1,792
Line of credit debt	15,831	37,390
Held for marketing fund	28,563	3,551
Taxes payable	84,664	79,944
Current portion of long-term debt	10,427	23,866
Current portion of operating lease liabilities	1,974	-
Total Current Liabilities	405,553	425,344
Long-term Liabilities		
Deferred income tax	1,718	1,735
Deferred franchise fees	531,285	460,456
Debt, net of current portion	12,943	23,337
Due to related party	105,894	124,394
Operating lease liabilities, net of current portion	627	-
Total Long-term Liabilities	652,467	609,922
Total Liabilities	$ 1,058,020	$ 1,035,266
Stockholder's Equity		
Common stock, no par value, authorized and issued 1,000 shares	1,000	1,000
Accumulated Deficit	(554,197)	(614,692)
Total Stockholder's Equity	(553,197)	(613,692)
Total Liabilities and Stockholder's Equity	$ 504,823	$ 421,574

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

Young Rembrandts Franchise, Inc.
Statements of Income
For the Years Ended December 31, 2022 and 2021

	2022	2021
Income		
Franchise fee income	$ 204,616	$ 229,735
Royalty income	698,524	489,409
Other program income	147,666	53,732
Interest income	-	337
NMF revenue	8,966	8,146
Total Income	1,059,772	781,359
Operating Expenses		
Payroll expenses		
Wage and salaries	436,097	265,527
Payroll taxes	31,594	33,799
Employee benefits	28,218	28,646
Training and conference - staff	138	-
Consulting fees	83,170	70,920
Insurance	7,219	6,604
Occupancy	77,829	75,667
Marketing		
Public relations and marketing	8,540	22,337
Website	26,985	5,474
Gifts and promotional	2,166	162
Franchisee		
Supplies and recognition	3,822	855
Training	586	97
Compliance technology	35,873	32,390
Legal and registration fees	48,971	17,753
Computer expense	56,281	50,830
Interest expense	10,649	13,380
Communications	7,746	5,967
Loss on currency exchange	15,993	7,634
Contributions	3,092	3,000
Auto expense	15,696	13,687
Accounting fees	13,747	22,446
Travel	1,579	46
Meetings	4,530	64
Office expense	11,081	998
Copier expense	2,764	2,416
Education materials/fees	-	225
Dues and publications	256	-
Bank service charges	8,055	5,093
Depreciation expense	1,041	2,087
Reproduction	1,721	1,979
Postage and delivery	592	805
Amortization expense	357	714
Other expenses	20,354	14,060
Bad debt expense	-	11,569
Discontinued operations	176	270
Venue expense	24,120	-
Income tax expense	127	-
Subscription expense	491	-
Entertainment/Food expense	377	-
Total Operating Expenses	992,033	717,501
Income from Operations	67,739	63,858
Other Income		
Payroll Protection Program grant revenue	-	168,407
Employee retention credit	-	27,306
SBA loan payments	-	19,634
Total Other Income	-	215,347
Net Income	$ 67,739	$ 279,205

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

Young Rembrandts Franchise, Inc.
Statements of Retained Earnings
For the Years Ended December 31, 2022 and 2021

	2022	Restated 2021
Balance at Beginning of Year	$ (614,692)	$ (887,605)
Net income	67,739	279,205
Foreign tax attributes distributed	(7,244)	(6,292)
Balance at End of Year	$ (554,197)	$ (614,692)

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

Young Rembrandts Franchise, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	Restated 2021
Cash Flows from Operating Activities:		
Net income	$ 67,739	$ 279,205
Noncash items included in net income:		
Depreciation and amortization	1,397	2,801
SBA loan payments	-	(19,634)
Foreign tax paid	(7,244)	(6,293)
Changes in operating assets and liabilities:		
Accrued royalty income	-	30,081
Accounts receivable	(48,643)	(6,195)
Employee retention tax credit receivable	-	(27,306)
Due from related parties	75,408	33,301
Taxes payable	4,704	1,861
Accounts payable and accrued expenses	(4,056)	(29,781)
Deferred franchise fees	58,386	(221,193)
Due to marketing fund	25,012	22,501
Net cash provided by operating activities	172,703	59,348
Cash Flows from Investing Activities:		
Net cash used in investing activities	-	-
Cash Flows from Financing Activities:		
Payments on line of credit	(21,559)	(10,532)
Payments on installment note payable	(23,833)	(13,276)
Payment to related party	(18,500)	-
Net cash used in investing activities	(63,892)	(23,808)
Net Increase in Cash and Cash Equivalents	108,811	35,540
Cash and Cash Equivalents:		
Beginning of year	109,048	73,508
End of year	$ 217,859	$ 109,048
Supplementary Information:		
Interest received	$ -	$ 337
Interest paid	10,649	13,380

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

Note 1 – Summary of Significant Accounting Policies

Nature of Activities and Organization: Young Rembrandts Franchise, Inc., an S-Corporation (the "Company") is a franchisor providing curriculum and teaching systems for children's art education. Franchises are located both domestically and internationally.

Basis of Accounting: The accompanying financial statements have been prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition: Revenue is measured based on a consideration specified in a contract with a franchisee. The Company typically awards franchise sales agreements with buyers for ten years. Revenue will be earned throughout the life of the contract. Franchise transfer fees will be recognized over the life of the transfer agreement. Franchise royalties are recognized when earned.

In the following table, revenue is disaggregated by major service lines and timing of revenue recognition:

	2022	2021
Major service lines		
Franchise Fees	$ 204,616	$ 229,735
Royalty Payments	698,524	489,409
National Marketing Fund	8,966	8,146
Conferences and other	147,666	54,069
	$1,059,772	$ 781,359
Timing of revenue recognition		
Performance obligations satisfied at a point in time	$ 855,156	$ 551,624
Performance obligations satisfied over time	204,616	229,735
	$1,059,772	$ 781,359

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

Cash Equivalents: The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Advertising: The Company expenses advertising costs as incurred. Advertising expense was $7,560 and $6,041 for the years ended December 31, 2022 and 2021, respectively.

Note 1 – Summary of Significant Accounting Policies (continued)

Furniture, Fixtures and Equipment: These assets are recorded in the accounts at cost. Depreciation is computed using straight line methods based upon estimated useful lives of the assets. Maintenance and repair costs are charged to expense as incurred. Depreciation expense of furniture fixtures and equipment charged to operations was $1,041 and $2,087 for the years ended December 31, 2022 and 2021, respectively.

Other Assets: Other assets include software tools and the development cost for the Young Rembrandts enrollment database application. These costs are being amortized over an estimated useful life of 7 years. License fees related to this application are required by the franchise agreement. Amortization expense of software tools and development costs charged to operations was $357 and $714 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes: The Company has elected to be an S-corporation whereby the Company's taxable income is included on a pro rata basis in the shareholder's federal income tax returns rather than being taxed at the corporate level. There is no provision therefore, for federal income tax and the income tax provision and related corporate tax due and deferred are based upon a state corporate tax of 1.5%. The deferral of replacement tax is derived from the temporary differences between cash basis for income tax purposes and accrual basis for GAAP purposes net income, as well as accelerated depreciation and elections for income tax purposes. Deferred replacement tax liabilities were $1,718 and $1,735 at December 31, 2022 and 2021, respectively.

The Company adopted the implementation of FASB ASC 740 (formerly FIN 48, Accounting for Uncertainty in Income Taxes). Under FASB ASC 740, management must evaluate the positions it has taken on tax returns. Management has determined that there are no tax positions that would result in a more likely than not (50% chance) of being sustained under a potential audit or examination. Currently, the 2019, 2020, and 2021 tax years are open and subject to examination by the Internal Revenue Service and the Illinois Department of Revenue; however, the Company is not currently under audit nor has the Company been contacted by any of these jurisdictions.

Concentration of Credit Risk: The Company maintains cash balances in several bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balances in these accounts at times may exceed the FDIC insured limits. The Company believes that it is not exposed to any significant credit risk on its cash accounts. At December 31, 2022 and 2021, the Company did not have accounts in excess of the FDIC insured limits.

Leases: In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases are classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of income. The Company adopted this update in the year ending December 31, 2022, using a modified retrospective transition method with January 1, 2022, as the date of initial adoption. The Company elected the package of practical expedients permitted under the transition guidance with the new standard, which, among other things, allowed the Company to carry forward the historical lease classification. Adoption of the standard resulted in an increase in operating lease right-of-use assets of $2,601, and an increase in operating lease liabilities of $2,601

Note 2 – Property and Equipment

Major classes of property and equipment are as follows:

	2021	Additions/ (Disposals)	2022	Useful Lives
Equipment	$ 31,968	$ -	$ 31,968	3 - 7
Furnishings	10,352	-	10,352	3 - 7
Total Property and Equipment	42,320	-	42,320	
Less: accumulated depreciation	(38,824)	(1,041)	(39,865)	
Net property and equipment	$ 3,496	$ (1,041)	$ 2,455	

Note 3 – Accrued Income and Accounts Receivable

Accrued royalty income consists primarily of the royalties due from franchisees based upon the previous month's income. The allowance for unrecovered balances at December 31, 2022 and 2021 was $0. Royalties receivable at December 31, 2022 and 2021 were $16,061 and $16,310, respectively. Issues of noncompliance to the terms of the franchise agreement may ultimately result in the recovery of the franchise territory and its availability for resale, future sales value for these recovered territories are not recorded.

Note 4 – Line of Credit

Debt includes a $100,000 commercial line of credit under which $15,831 and $37,390 was outstanding at December 31, 2022 and 2021, respectively. The terms of the note include interest of 1% over the index rate (Wall Street Journal Prime Rate for domestic banks), resulting in a total interest rate of 7.50% at December 31, 2022 and 2021. The loan is guaranteed by the shareholder.

Note 5 – Installment Note

In 2018, the Company entered into an installment loan with a local bank. The initial amount of the loan was $150,000 with an interest rate of 5.50%. Monthly payments of principal and interest of $2,156 began on April 5, 2018, and are due monthly with the final payment due February 27, 2025. These monthly payments are immediately repaid to the Company by a related company. The outstanding balance at December 31, 2022 and 2021 is $23,516 and $47,203, respectively. In 2021, payments were made by the SBA on-behalf of the Company under the CARES Act. These principal amounts totaled $19,634 and are classified as Other Income on the Statements of Income.

Note 5 – Installment Note (continued)

Future minimum loan payments are as follows:

2023	$	10,427
2024		11,015
2025		1,895
Total	$	23,337

Note 6 – Income Taxes Payable

Taxes payable consists of taxes due to Canada for unfiled returns and payroll taxes payable. Canadian taxes due have been accrued, but penalties and interest have not been estimated. At December 31, 2022 and 2021, the accrual was $84,233 and $79,666, respectively. Payroll taxes payable at December 31, 2022 and 2021 were $431 and $279, respectively.

Note 7 – Franchise Sales

The Company has granted rights under franchise contracts to use trade name and services for a period of originally 15 years and more recently 10 years. These contracts provide for royalty fees based upon 8 to 10% of franchise income. As of December 31, 2022, there were 38 owners in 43 territories, which includes 1 affiliate-owned unit.

	2022	2021
Franchised/Affiliate Owned, beginning of year	48	64
Franchise:		
Sales - 1st territory	2	0
Sales - 2nd territory	0	0
Sales - 3rd territory	0	0
Transfers	1	0
Affiliate re-acquired	0	0
Terminated/ceased operations	7	16
Franchised/Affiliate Owned, end of year	43	48

Additionally, the Company has granted rights under three master franchise contracts in South Korea, the Middle East, and Taiwan. These contracts provide for royalty fees based upon 1.5% of franchise income in South Korea, 2% of franchise income in the Middle East, and 10% of franchise income in Taiwan. The Company has also granted rights under franchise contracts to 4 franchise owners in Canada. These contracts provide for royalty fees based upon 8 to 10% of franchise income. The Company has also a franchise unit in India that provides royalty fees based on 10% of franchise income.

Note 8 – Related Companies

One related company is a retail product distribution company. At December 31, 2022 and 2021, there was a total outstanding from the retail product company for reimbursable expenses in the amount of $31,844 and $31,844, respectively. Another related company will be operating a territory in the franchise system and there was a total outstanding to the Company from that entity in the amount of $71,031 and $96,271 at December 31, 2022 and 2021, respectively.

The Company manages a National Marketing Fund and at December 31, 2022 and 2021 was reserving cash deposits totaling $22,417 and $5,278, respectively.

Note 9 – Operating Leases

The Company had a lease agreement for its operating facilities from an unrelated company that ran January 1, 2018, through December 31, 2020. The lease subsequently became month-to-month without a signed formal lease agreement. Monthly payments of $5,000 are due on the first of the month. For the years ended December 31, 2022 and 2021, rent expense included in operations under this lease agreement totaled $62,025 and $63,196, respectively. No formal agreement has been signed at the date of the report.

The Company leases a copier under an operating lease which requires monthly rental payments of $158 and expires April 2024. Rent expense including service and maintenance fees under this lease agreement totaled $2,764 and $2,413 for the years ended December 31, 2022 and 2021, respectively.

The Company also leases a postage meter under an operating lease which requires monthly rental payments of $16 and expires December 2023. Rent expense including the applicable taxes under this lease agreement totaled $592 and $805 for the years ended December 31, 2022 and 2021, respectively.

The Company has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that are reasonably certain to be exercised, are not recorded on the balance sheet.

At December 31, 2022, the Company has operating lease right-of-use assets and liabilities on the balance sheets in the amount of $2,601, respectively, for the lease of copier and postage meter. The remaining lease terms are 16 months and 12 months, respectively, as of December 31, 2022, and the discount rate used is 8%, respectively.

At December 31, 2022, future minimum lease payments under the operating leases are as follows:

2023	$	2,096
2024		633
		2,729

Note 10 – Paycheck Protection Program Grant

On January 29, 2021, the Company was awarded a PPP Round 2 grant in the aggregate amount of $168,407, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The grant was used for qualified expenses and other conditions of the grant were met through December 31, 2021. Thus, the grant is presented on the Statements of Income as Paycheck Protection Program grant revenue in the other income and expenses section.

Note 11 – Going Concern

As of December 31, 2022, the Company has suffered continued negative retained earnings. This factor creates an uncertainty about the Company's ability to continue as a going concern.

The Company is continuing to explore cost-cutting initiatives wherever possible and work on contracts with corporations to provide On Demand classes for children and schools in economically challenged areas.

Note 12 – Employee Retention Credit

The provisions of the CARES Act provide an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes for eligible employers. Management determined the Company qualifies for the ERC and has elected to treat the credit in accordance with the conditional government grants model. The Company has recognized $27,306 as other income for the year ended December 31, 2021, and $66,713 is in retained earnings. The Company has a related receivable balance of $94,019 as of December 31, 2022 and 2021.

Note 13 – Restatement

The Company has restated the 2021 financial statements for the ERTC of $66,713 from prior year as noted in Note 12. The restatement has no effect on the current year's operations. The effect of the restatement on the 2021 financial statements is as follows:

	As previously reported	Restated
Balance Sheet		
Employee retention tax credit receivab	$ 27,306	$ 94,019
Total Current Assets	$ 315,835	$ 382,548
Total Assets	$ 324,867	$ 391,580
Accumulated Deficit	$ (681,405)	$ (614,692)
Stockholder's Equity	$ (680,405)	$ (613,692)

Note 13 – Restatement (continued)

	As previously reported	Restated
Statement of Retained Earnings		
Balance at Beginning of Year	$ (954,318)	$ (887,605)
Balance at End of Year	$ (681,405)	$ (614,692)

Note 14 – Changes in Presentation

Certain reclassifications have been made to the 2021 combined financial statement presentation to correspond to the current year's format. In total, retained earnings are unchanged due to these reclassifications.

Note 15 – Date of Management's Review

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued. It was concluded that there are no subsequent events required to be disclosed.

YOUNG REMBRANDTS FRANCHISE, INC.

Audited Financial Statements

For the Years Ended December 31, 2021 and 2020

Young Rembrandts

(With Independent Auditor's Report Thereon)

Young Rembrandts Franchise, Inc.

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Independent Auditor's Report

To the Board of Directors and Shareholders
of Young Rembrandts Franchise, Inc.
Elgin, Illinois 60123

Opinion

We have audited the accompanying financial statements of Young Rembrandts Franchise, Inc. (an Illinois corporation) (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020 and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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CHICAGO ELGIN ST. CHARLES

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 11 to the financial statements, the Company has suffered recurring significant reductions in revenue and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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.

Tighe Kress & Orr, PC

Elgin, Illinois
February 28, 2022

Young Rembrandts Franchise, Inc.
Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 109,048	$ 73,508
Accrued royalty income	16,309	46,390
Accounts receivable	18,718	12,523
Employer retention tax credit receivable	27,306	-
Due from related parties	143,054	176,355
Prepaid expenses	1,400	1,400
Total Current Assets	315,835	310,176
Noncurrent Assets		
Property and equipment, net	3,496	5,583
Repurchase of franchise territory	5,000	5,000
Software development, net of accumulated amortization of $57,262 and $56,547, respectively	536	1,250
Due from marketing fund	-	18,950
Total Noncurrent Assets	5,536	25,200
Total Assets	$ 324,867	$ 340,959
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 102,985	$ 132,766
Current portion of deferred franchise fees	175,816	222,985
Deferred royalty income	1,792	-
Line of credit debt	37,390	58,240
Held for marketing fund	3,551	-
Taxes payable	79,944	78,084
Current portion of long-term debt	23,866	22,585
Total Current Liabilities	425,344	514,660
Long-term Liabilities		
Deferred income tax	1,735	1,735
Deferred franchise fees	460,456	636,272
Long-term debt, net of current portion	117,737	141,610
Total Long-term Liabilities	579,928	779,617
Stockholder's Equity		
Common stock, $1.00 par value, authorized and issued 1,000 shares	1,000	1,000
Retained earnings	(681,405)	(954,318)
Total Stockholder's Equity	(680,405)	(953,318)
Total Liabilities and Stockholder's Equity	$ 324,867	$ 340,959

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

Young Rembrandts Franchise, Inc.
Statements of Income
For the Years Ended December 31, 2021 and 2020

	2021	2020
Income:		
Franchise fee income	229,735	$ 291,364
Royalty income	489,409	560,488
Other program income	53,732	71,182
Interest income	337	4,741
NMF revenue	8,146	27,343
Total Income	781,359	955,118
Operating Expenses:		
Commissions and referral fees	-	26,600
Payroll expenses		
Wage and salaries	265,527	472,158
Payroll taxes	33,799	39,597
Employee benefits	28,646	45,190
Payroll processing	-	562
Training and conference - staff	-	11,203
Consulting fees	70,920	81,227
Insurance	6,604	6,767
Occupancy	75,667	72,703
Marketing		
Public relations and marketing	22,337	46,738
Website	5,474	14,783
Gifts and promotional	162	1,145
Franchisee		
Supplies and recognition	855	2,135
Training	97	820
Compliance technology	32,390	33,340
Legal and registration fees	17,753	27,601
Licensing fees	-	24,000
Computer expense	50,830	54,824
Interest expense	13,380	20,312
Communications	5,967	7,386
Loss on currency exchange	7,634	13,988
Contributions	3,000	7,500
Auto expense	13,687	13,747
Accounting fees	22,446	14,876
Travel	46	1,948
Meetings	64	288
Office expense	998	-
Copier expense	2,416	2,470
Education materials/fees	225	378
Dues and publications	-	3,650
Bank service charges	5,093	5,738
Depreciation expense	2,087	2,971
Reproduction	1,979	3,166
Postage and delivery	805	1,755
Amortization expense	714	1,072
Other expenses	14,060	-
Bad debt expense	11,569	-
Discontinued operations	270	-
Total Operating Expenses	717,501	1,062,638
Income from Operations	63,858	(107,520)
Other Income		
Payroll Protection Program grant revenue	168,407	138,375
Employer retention credit	27,306	-
SBA loan payments	19,634	28,277
Total Other Income	215,347	166,652
Net Income	$ 279,205	$ 59,132

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

Young Rembrandts Franchise, Inc.
Statements of Retained Earnings
For the Years Ended December 31, 2021 and 2020

	2021	2020
Balance at Beginning of Year	$ (954,318)	(1,010,264)
Net income for year	279,205	59,132
Foreign tax attributes distributed	(6,292)	(3,186)
Balance at End of Year	$ (681,405)	$ (954,318)

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

Young Rembrandts Franchise, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Net income	$ 279,205	$ 59,132
Noncash items included in net income:		
Depreciation and amortization	2,801	4,043
SBA loan payments	(19,634)	(28,277)
Foreign tax paid	(6,293)	(3,186)
Changes in:		
Accrued royalty income	30,081	70,122
Accounts receivable	(6,195)	14,267
Employer retention tax credit receivable	(27,306)	-
Due from related company	33,301	(5,705)
Taxes payable	1,861	(39,035)
Accounts payable	(29,781)	31,208
Deferred franchise fees	(221,193)	(164,364)
Due to marketing fund	22,501	(35,980)
Net cash provided by (used in) operating activities	59,348	(97,775)
Cash Flows from Investing Activities:		
Net cash used in investing activities	-	-
Cash Flows from Financing Activities:		
Payments on capital lease	-	(1,151)
Payments on line of credit	(10,532)	(15,681)
Proceeds from line of credit	-	94,400
Payments on installment note payable	(13,276)	(12,859)
Net cash provided by (used in) financing activities	(23,808)	64,709
Net Increase (Decrease) in Cash and Cash Equivalents	35,540	(33,066)
Cash and Cash Equivalents:		
Beginning of year	73,508	106,574
End of year	$ 109,048	$ 73,508
Supplementary Information:		
Interest received	$ 337	$ 4,741
Interest paid	13,380	20,312

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

Note 1 – Summary of Significant Accounting Policies

Nature of Activities and Organization: Young Rembrandts Franchise, Inc., an S-Corporation (the "Company") is a franchisor providing curriculum and teaching systems for children's art education. Franchises are located both domestically and internationally.

Basis of Accounting: The accompanying financial statements have been prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition: Revenue is measured based on a consideration specified in a contract with a franchisee. The Company typically awards franchise sales agreements with buyers for ten years. Revenue will be earned throughout the life of the contract. Franchise transfer fees will be recognized over the life of the transfer agreement. Franchise royalties are recognized when earned.

In the following table, revenue is disaggregated by major service lines and timing of revenue recognition:

	2021	2020
Major service lines		
Franchise Fees	$ 229,735	$ 291,364
Royalty Payments	489,409	560,488
National Marketing Fund	8,146	27,343
Conferences and other	54,069	75,923
	$ 781,359	$ 955,118
Timing of revenue recognition		
Performance obligations satisfied at a point in time	$ 551,624	$ 663,754
Performance obligations satisfied over time	229,735	291,364
	$ 781,359	$ 955,118

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

Cash Equivalents: The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Advertising: The Company expenses advertising costs as incurred. Advertising expense was $6,041 and $4,325 for the years ended December 31, 2021 and 2020, respectively.

Note 1 – Summary of Significant Accounting Policies (continued)

Furniture, Fixtures and Equipment: These assets are recorded in the accounts at cost. Depreciation is computed using straight line methods based upon estimated useful lives of the assets. Maintenance and repair costs are charged to expense as incurred. Depreciation expense of furniture fixtures and equipment charged to operations was $2,087 and $2,971 for the years ended December 31, 2021 and 2020, respectively.

Other Assets: Other assets include software tools and the development cost for the Young Rembrandts enrollment database application. These costs are being amortized over an estimated useful life of 7 years. License fees related to this application are required by the franchise agreement. Amortization expense of software tools and development costs charged to operations was $714 and $1,072 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes: The Company has elected to be an S-corporation whereby the Company's taxable income is included on a pro rata basis in the shareholder's federal income tax returns rather than being taxed at the corporate level. There is no provision therefore, for federal income tax and the income tax provision and related corporate tax due and deferred are based upon a state corporate tax of 1.5%. The deferral of replacement tax is derived from the temporary differences between cash basis for income tax purposes and accrual basis for GAAP purposes net income, as well as accelerated depreciation and elections for income tax purposes. Deferred replacement tax liabilities were $1,735 and $1,735 at December 31, 2021 and 2020, respectively.

The Company adopted the implementation of FASB ASC 740 (formerly FIN 48, Accounting for Uncertainty in Income Taxes). Under FASB ASC 740, management must evaluate the positions it has taken on tax returns. Management has determined that there are no tax positions that would result in a more likely than not (50% chance) of being sustained under a potential audit or examination. Currently, the 2018, 2019, and 2020 tax years are open and subject to examination by the Internal Revenue Service and the Illinois Department of Revenue; however, the Company is not currently under audit nor has the Company been contacted by any of these jurisdictions.

Concentration of Credit Risk: The Company maintains cash balances in several bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balances in these accounts at times may exceed the FDIC insured limits. The Company believes that it is not exposed to any significant credit risk on its cash accounts. At December 31, 2021 and 2020, the Company did not have accounts in excess of the FDIC insured limits.

Note 1 – Summary of Significant Accounting Policies (continued)

Pending Accounting Changes: In February 2016, the FASB issued ASU No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease reported expenses in the statement of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Company's year beginning after December 15, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

The new lease standard is expected to result in corresponding increased to assets and liabilities resulting from the Company's current operating leases; however, the amount has not been quantified. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 – Property and Equipment

Major classes of property and equipment are as follows:

	2020	Additions/ (Disposals)	2021
Equipment	$ 31,968	$ -	$ 31,968
Furnishings	10,352	-	10,352
Total Property and Equipment	42,320	-	42,320
Less: accumulated depreciation	(36,737)	(2,087)	(38,824)
Net property and equipment	$ 5,583	$ (2,087)	$ 3,496

Note 3 – Accrued Income and Accounts Receivable

Accrued royalty income consists primarily of the royalties due from franchisees based upon the previous month's income. The allowance for unrecovered balances at December 31, 2021 and 2020 was $0. Royalties receivable at December 31, 2021 and 2020 were $16,061 and $46,141, respectively. Issues of noncompliance to the terms of the franchise agreement may ultimately result in the recovery of the franchise territory and its availability for resale, future sales value for these recovered territories are not recorded.

Note 4 – Line of Credit

Debt includes a $100,000 commercial line of credit under which $37,390 and $58,240 was outstanding at December 31, 2021 and 2020, respectively. The terms of the note include interest of 1% over the index rate (Wall Street Journal Prime Rate for domestic banks), resulting in a total interest rate of 4.25% at December 31, 2021 and 2020. The loan is guaranteed by the shareholder.

Note 5 – Installment Note

In 2018, the Company entered into an installment loan with a local bank. The initial amount of the loan was $150,000 with an interest rate of 5.50%. Monthly payments of principal and interest of $2,156 began on April 5, 2018 and are due monthly with the final payment due February 27, 2025. These monthly payments are immediately repaid to the Company by a related company. The outstanding balance at December 31, 2021 and 2020 is $47,203 and $69,795, respectively. During the year, payments were made by the SBA on-behalf of the Company under the CARES Act. These principal amounts totaled $19,634 and are classified as Other Income on the Statements of Income.

Future minimum loan payments are as follows:

2022	$	23,866
2023		23,338
Total	$	47,203

Note 6 – Income Taxes Payable

Taxes payable consists of taxes due to Canada for unfiled returns and payroll taxes payable. Canadian taxes due have been accrued, but penalties and interest have not been estimated. At December 31, 2021 and 2020 the accrual was $79,666 and $77,862, respectively. Payroll taxes payable at December 31, 2021 and 2020 were $837 and $222, respectively.

Note 7 – Franchise Sales

The Company has granted rights under franchise contracts to use trade name and services for a period of originally 15 years and more recently 10 years. These contracts provide for royalty fees based upon 8 to 10% of franchise income. As of December 31, 2021, a total of 48 franchise owners are operating in 52 territories. There was also 1 affiliate-owned unit as of December 31, 2021.

Note 7 – Franchise Sales (continued)

	2021	2020
Franchised/Affiliate Owned, beginning of year	64	85
Franchise:		
Sales - 1st territory	0	3
Sales - 2nd territory	0	0
Sales - 3rd territory	0	0
Transfers	0	0
Affiliate re-acquired	0	0
Terminated/ceased operations	16	24
Franchised/Affiliate Owned, end of year	48	64

Additionally, the Company has granted rights under two master franchise contracts in South Korea and the Middle East. These contracts provide for royalty fees based upon 1.5% of franchise income in South Korea and 2% of franchise income in the Middle East. The Company has also granted rights under franchise contracts to 4 franchise owners in Canada. These contracts provide for royalty fees based upon 8 to 10% of franchise income. The Company has also a franchise unit in India that provides royalty fees based on 10% of franchise income.

Note 8 – Related Companies

In 2020 the Company paid a related company, owning the copyrights, $24,000 in license fees for the use of curriculum art.

Another related company is a retail product distribution company. At December 31, 2021 and 2020 there was a total outstanding from the retail product company for reimbursable expenses in the amount of $31,844 and $31,844, respectively. Another related company will be operating a territory in the franchise system and there was a total outstanding to the Company from that entity in the amount of $96,271 and $135,845 at December 31, 2021 and 2020, respectively.

The Company manages a National Marketing Fund and at December 31, 2021 and 2020 was reserving cash deposits totaling $5,278 and $2,593, respectively.

Note 9 – Operating Lease

The Company leased its operating facilities from an unrelated company under a lease agreement that ran January 1, 2018 through December 31, 2020. Monthly payments of $5,000 are due on the first of the month. For the years ended December 31, 2021 and 2020, rent expense included in operations under this lease agreement totaled $61,236 and $60,228, respectively. No formal lease extension has been signed at the date of the report and the lease will be considered month to month.

Note 10 – Paycheck Protection Program Grant

On April 14, 2020, the Company was awarded a grant in the aggregate amount of $138,375, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Under the terms of the PPP, as modified by the Paycheck Protection Program Flexibility Act (PPPFA), funds from the grant may be used for qualifying expenses through February 15, 2021 ("spending window"), which include payroll costs, group health care benefit costs, rent, and utilities, as described in the CARES Act. The Company used the entire loan amount for qualifying expenses and to meet other conditions of the grant document. The amount of the grant is presented on the Statements of Income as Paycheck Protection Program grant revenue in the other income and expenses section.

On January 29, 2021, the Company was awarded a PPP Round 2 grant in the aggregate amount of $168,407. The grant was used for qualified expenses and other conditions of the grant were met through December 31, 2021. Thus, the grant is presented on the Statements of Income as Paycheck Protection Program grant revenue in the other income and expenses section.

Note 11 – Going Concern

In fiscal year ending December 31, 2021, the Company has current assets of $315,835 and current liabilities of $425,344. As of December 31, 2021, the Company's current liabilities exceeded its current assets by $109,509. Those factors create an uncertainty about the Company's ability to continue as a going concern.

The Company is continuing to explore cost-cutting initiatives wherever possible and work on contracts with corporations to provide On Demand classes for children and schools in economically challenged areas. During the year ended December 31, 2021, the Company applied for and received PPP round 2 in the amount of $168,407 as discussed in Note 10.

Note 12 – Employee Retention Credit

The provisions of the CARES Act provide an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes for eligible employers. Management determined the Company qualifies for the ERC and has elected to treat the credit in accordance with the conditional government grants model. The Company has recognized $27,306 as other income for the year ended December 31, 2021. The Company has a related receivable balance of $27,306 as of December 31, 2021.

Note 13 – Date of Management's Review

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued. It was concluded that there are no subsequent events required to be disclosed.

EXHIBIT E

LIST OF FRANCHISEES, AFFILIATE-OWNED UNITS AND FORMER FRANCHISEES

LIST OF FRANCHISEES AS OF FEBRUARY 28, 2023

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Franchise Agreement Signed But Franchise Not Yet Opened as of February 28, 2023

Maryland

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5 Warrior Brooke Court
Germantown, MD 20874
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LIST OF AFFILIATE-OWNED UNITS AS OF FEBRUARY 28, 2023

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(224) 227-5700

LIST OF FORMER FRANCHISEES
For the Periods January 1, 2022-December 31, 2022 and January 1, 2023-February 28, 2023

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Stephanie Burgard
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Padma Rani
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Padma Rani
Fremont, CA
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Poonam Patel
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List of Former Developers
For Period January 1, 2022-December 31, 2022 and January 1, 2023-February 28, 2023

None.

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EXHIBIT G

FRANCHISEE DISCLOSURE QUESTIONNAIRE

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, Young Rembrandts Franchise, Inc. ("Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a Young Rembrandts Franchise. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received the Young Rembrandts Franchise Disclosure Document which was provided to you?

   Yes____ No_____

2. On what date did you receive the Franchise Disclosure Document?

   _____

3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

   Yes____ No____

4. Before receiving the Franchise Disclosure Document, were you advised by the Franchisor of the formats in which the Franchise Disclosure Document is made available to prospective franchisees and any prerequisites or conditions for obtaining the disclosure document in a particular format?

   Yes _____ No _____

5. Have you received the Franchise Agreement and each exhibit attached to it?

   Yes____ No____

6. Have you received execution copies of the Franchise Agreement that were completed with all of the blanks filled in?

   Yes____ No____

   If so, on what date did you receive the completed Franchise Agreement?

   _____

7. Have you had the opportunity to investigate what federal, state and local laws, regulations and licensing requirements will apply to the operation of a Young Rembrandts franchise in your territory?

   Yes____ No _____

8. Have you had the opportunity to investigate what kind of competition for your Young Rembrandts business currently exists in your territory?

Yes____ No _____

9. IF YOU HAVE ANSWERED "NO" TO ANY OF QUESTIONS 1 THROUGH 8 ABOVE, PLEASE INDICATE THE NUMBER OF THE QUESTION(S) AND A FURTHER EXPLANATION OF YOUR ANSWER(S) IN THE SPACE PROVIDED BELOW OR ATTACH AN ADDITIONAL SHEET IF NECESSARY. IF YOU HAVE ANSWERED "YES" TO ALL OF QUESTIONS 1 THROUGH 8 ABOVE, PLEASE LEAVE THE FOLLOWING LINES BLANK.

Question No. Explanation

_____

_____

_____

Note for Maryland franchisees: 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.

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 any 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.

You understand that your answers are important to us and that we will rely on them in making a decision to award a Young Rembrandts franchise. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

Date:_____ _____

Prospective Franchisee

EXHIBIT H

LIST OF STATE ADMINISTRATORS

AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

California

Clothilde V. Hewlett
California Department of Financial Protection and Innovation
320 West Fourth Street
Los Angeles, CA 90013-2344
(866) 275-2677

For service of process:
California Commissioner of
Department of Financial Protection and Innovation
320 West Fourth Street
Los Angeles, CA 90013-2344

Hawaii

Corinna M. Wong
Hawaii Commissioner of Securities
Department of Commerce and
Consumer Affairs
335 Merchant Street, Room 203
Honolulu, HI 96813
(808)586-2722

For service of process:

Hawaii Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois

Kwame Raoul
Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217)782-4465

For service of process:

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Indiana

Alex Glass
Securities Commissioner
State of Indiana
Securities Division
302 W. Washington Street, Room E-111
Indianapolis, IN 46204
(317)232-6681

For service of process:

Secretary of State
201 State House
Indianapolis, IN 46204

Maryland

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202
(410)576-6360

For service of process:

Maryland Securities Commissioner
Securities Division
200 St. Paul Place
Baltimore, MD 21202

Michigan

Consumer Protection Division
Franchise Section
Michigan Department of Attorney General
G. Mennen Williams Building, 1st Floor
Lansing, MI 48913
(517)335-7567

For service of process:

Michigan Department of Commerce
Corporations and Securities Bureau
525 W. Ottawa Street
G. Mennen Williams Building
Lansing, MI 48913

Minnesota

Jessica Looman
Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101
(651)539-1500

For service of process:

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

New York

New York State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212)416-8285

For service of process:
New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Ave., 6th Fl.
Albany, NY 12231
(518)473-2492

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701)328-4712

For service of process:

North Dakota Securities Commissioner
600 East Boulevard Avenue
State Capitol – 5th Floor, Dept. 414
Bismarck, ND 58505-0510

Rhode Island

Joanne Sullivan
Principal Securities Examiner
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Bldg. 69-1
Cranston, RI 02920
(401)462-9527

For service of process:

Director of Rhode Island Department of
Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Bldg. 69-1
Cranston, RI 02920

South Dakota

Director
Division of Insurance
Securities Regulation
124 S. Euclid, Ste. 104
Pierre, SD 57501
(605)773-3563

For service of process:

Director
Division of Insurance
Securities Regulation
124 S. Euclid, Ste. 104
Pierre, SD 57501

Virginia

Ronald W. Thomas
Director, Division of Securities
and Retail Franchising
State Corporation Commission
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804)371-9051

For service of process:

Clerk of the State
Corporation Commission
1300 E. Main Street, 1st Floor
Richmond, VA 23219

Washington

Bill Beatty
Securities Administrator
Dept. of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501
(360)902-8760

For service of process:

Director
Washington Dept. of Financial
Institutions, Securities Division
150 Israel Road SW
Tumwater, WA 98501

Wisconsin

Division of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, WI 53701-9033
(608)266-0448

For service of process:

Wisconsin Commissioner of Securities
201 W. Washington, Suite 300
Madison, WI 53703

EXHIBIT I

ACTIVE NETWORK SOFTWARE AGREEMENT

PRODUCT AND SERVICES AGREEMENT

CLIENT INFORMATION			
ORGANIZATION FULL LEGAL NAME:	Young Rembrandts	**ADDRESS:**	
CONTACT NAME:		**TELEPHONE:**	
EMAIL:			

OVERVIEW OF AGREEMENT
This Agreement consists of this cover page, the Schedule, the General Terms, and the following Product Attachments:
Youth and Education Product Attachment
Gateway API Product Attachment

NOTE: If Client is tax exempt, certificate must be provided along with signed contract.

In consideration of the mutual promises and covenants contained in this Agreement, Client and Active hereby agree to be bound by this Agreement. By signing below, Client acknowledges and confirms that it has read this Agreement.

CLIENT	ACTIVE NETWORK, LLC
Signature: _____	Signature: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

Active Network, LLC
5850 Granite Parkway, Suite 1200, Plano, TX 75024
Telephone: (469) 291-0300

Products and Services General Terms

Client's relationship with Active and Client's use of Active's products and services (including Client's licensing of Active's SaaS, Client's use of Services, and/or Client's purchase or leasing of Hardware) are subject to the terms and conditions set forth herein and are between Client and Active. Capitalized terms are defined in Section 7 below, unless otherwise defined within the body of this Agreement, the applicable Product Attachment, or Schedule. In order for Client to use the Products, Client must first agree to this Agreement. Client represents and warrants that Client has the necessary and full right, power, authority, and capability to accept this Agreement, to bind Client's organization, and to perform Client's obligations hereunder. Client can accept this Agreement by: (a) clicking to accept or agree to this Agreement, where this option is made available to Client by Active in the user interface for any Product; (b) signing a document where a link to this Agreement appears in an order form, Schedule, or other document provided to Client by Active; (c) by signing this Agreement, if there is a designated area to sign; or (d) by actually using the Products. In the case of (d), Client understands and agrees that Active will treat Client's use of the Products as acceptance of this Agreement from that point onwards. Client may not use the Products and may not accept this Agreement if (i) Client is not of legal age to form a binding contract with Active, or (ii) Client is a person barred from receiving the Products under the laws of the United States or other countries, including the country in which Client is a resident or from which Client uses the Products. Client may not use the Products if Client does not accept this Agreement. By accepting this Agreement, Client agrees as follows:

1. AGREEMENT STRUCTURE AND SCOPE.

1.1. General Terms and Incorporation of Product Terms. This Agreement establishes the general terms and conditions to which the parties have agreed to in order to facilitate the licensing of SaaS and the provision of Products. Additional Product-specific terms and conditions are set forth in one or more documents referenced in the applicable Schedule, each of which is incorporated herein (each, a "**Product Attachment**"). All references to the "**General Terms**" mean this document, exclusive of Product Attachments and Schedules.

1.2. Incorporation of Schedules. The parties may enter into new Schedules from time to time. Each Schedule incorporates the terms of these General Terms and the applicable Product Attachment.

1.3. Incorporation of EULAs. Client's use of any Third Party Products hereunder may be subject to, and Client will comply with, this Agreement and any applicable Third Party EULA(s).

1.4. Incorporation of Exhibits. Client's use of any payment processing services hereunder will be subject to, and Client will comply with, this Agreement and an applicable Exhibit(s).

1.5. Affiliates. Client's Affiliates may order Products from Active (or one of Active's Affiliates) by entering into a Schedule. In the event that a Client Affiliate enters into a Schedule with Active (or an Affiliate of Active), reference in this Agreement to "**Client**" and "**Active**" will mean the respective entity that accepts (as described in the Preamble) the applicable Schedule. Each such Schedule will be deemed to be a separate agreement.

2. FINANCIAL TERMS.

2.1. Fees; Payment Terms; Currency. Fees, currency, and payment terms are specified in the applicable Schedule. Unless otherwise specified in the Schedule, all amounts owed by Client that are not directly collected by Active are due from Client within 30 days from either (a) the end of the remittance cycle during which the fees accrued (if related to registrations or transaction processing), or (b) the date of the applicable invoice. Past due fees will accrue interest at the lesser of the annual rate of 10% per annum or the maximum amount permitted by applicable law. In the event of any non-payment or delay of Client in paying a fee, Client agrees to reimburse Active for any fees and expenses incurred in its collection efforts. Payment of fees is under no circumstances subject to, or conditioned upon, the delivery of future Products or functionality. Except as otherwise expressly provided in a Schedule, Active may modify the fees once per calendar year upon sixty 60 days' notice, provided that any such increase will not exceed 3% over the then-current transaction fees or 3% over the then-current subscription fees. Notwithstanding the foregoing, Active may not modify Client's fees for twelve (12) months following the Effective Date of this Agreement.

2.2. Additional Payment Terms. If Active reasonably believes that a transaction by Client, Licensee, or End User, as applicable, may be fraudulent or otherwise contrary to law, Active may issue an invoice or offset an equivalent amount from Client's account or any payment Active owes to Client and return the value to the End User (as set forth below) and if sufficient funds are not available, Client must reimburse Active on demand. Active will notify Client of the reason for such offset provided that it is lawful to do so.

2.3. Credit Card Surcharging. All fees described in the applicable Schedule are in consideration of the SaaS and Services that Active provides. Active and Client acknowledge that certain credit card network rules and laws prohibit imposing a surcharge that is based on the type of payment method used (e.g., having a different fee for the use of a credit card vs. debit card), and therefore, each agrees not to impose such a surcharge on any End User.

2.4. Taxes. The prices stated in this Agreement do not include Taxes. Client is responsible for, and agrees to pay, any and all required Taxes which may be assessed on Client's invoices. If Client is tax-exempt, Client will send Active a copy of its valid tax-exempt certificate (or, as applicable, its reseller's certificate) prior to execution of any Schedule. Client is solely responsible for determining which, if any, Taxes apply to End Users or Licensees in connection with Client's use of the Products and for collecting, remitting, and reporting the correct amounts of all such Taxes to the applicable governmental authorities, even if Active provides Client with tools that assist Client in doing so. In the event that a governmental authority requires Active to pay any Taxes attributable to Client's use of the Products, to the extent not prohibited by law, to the extent not prohibited by law, Client agrees to defend, indemnify, and hold Active harmless from all such Taxes and all costs and expenses related thereto. Active reserves the right to modify this section and apply all required Taxes to this Agreement upon providing a thirty (30) day written notice to Client in order to comply with applicable laws. When Active is acting as the payment facilitator and Client elects to include an additional fee in the End Users' cart that is identified as a "sales tax" or similar designation, then, no more frequently than once per calendar year during the Term of the Agreement, Active may, upon at least five (5) business days' prior written notice, (a) require Client to send to Active Client's books and records related to its sales tax payments, and/or (b) visit Client's premises during Client's normal business hours to review Client's sales tax payments.

3. LIMITED RIGHTS AND OWNERSHIP; INDEMNIFICATION.

3.1. Reservation of Rights. All rights not expressly granted in this Agreement are reserved by Active and its licensors. Client acknowledges that: (a) all Protected Materials are licensed and not sold; (b) Client acquires only the right to use the Products in accordance with this Agreement, and Active and/or its licensors will retain sole and exclusive ownership of and all right, title, and interest in the Products, including the following: (i) all Intellectual Property embodied or associated with the Products, (ii) all deliverables and work product associated with the Products, and (iii) all copies and derivative works thereof; and (c) the Products, including the source and object codes, logic, and structure, contain and constitute valuable trade secrets of Active and its licensors.

3.2. Restrictions. Unless otherwise set forth in a EULA, Product Attachment, or Schedule, Client will not itself, or through any Affiliate, employee, consultant, contractor, agent, or other third party: (a) sell, resell, distribute, host, lease, rent, license, or sublicense, in whole or in part, the Protected Materials; (b) decipher, decompile, disassemble, reverse assemble, modify, translate, reverse engineer, or otherwise attempt to derive source code, algorithms, tags, specifications, architecture, structure, or other elements of the Products in whole or in part, for competitive purposes or otherwise; (c) allow access to, provide, divulge, or make available the Protected Materials to any user other than those who are licensed pursuant to this Agreement to have such access; (d) write or develop any derivative works based upon the Products; (e) modify, adapt, translate, or otherwise make any changes to the Products or any part thereof; (f) use the Protected Materials to provide processing services to third parties, or otherwise use the same on a service bureau basis; (g) disclose or publish, without Active's prior written consent, (i) performance or capacity statistics, or the results of any benchmark test performed on the Products, or (ii) the terms (but not the existence) of this Agreement or other valuable trade secrets of Active or its licensors; (h) without Active's prior written consent, perform or disclose or cause to be performed or disclosed any information related to any security penetration or similar tests; (i) disclose or otherwise use or copy the Protected Materials except as expressly permitted herein; (j) remove from any Products identification, patent, copyright, trademark, or other notices or circumvent or disable any security devices' functionality or features; (k) contest or do or aid others in contesting or doing anything which impairs the validity of any proprietary or Intellectual Property rights, title, or interests of Active in and to any Products; (l) use the Products for other than authorized and legal purposes, consistent with this Agreement and all applicable laws, regulations, and the rights of others; (m) take any steps to avoid or defeat the purpose of security measures associated with the Products, such as sharing of login and password information, or attempt to circumvent any use restrictions; or (n) except as expressly permitted by this Agreement, use the Protected Materials for hosting purposes. Further, Client will: (o) not use the SaaS to transmit, publish, or distribute any material or information: (i) for which Client does not have all necessary rights and licenses, including any material or information that infringes, violates, or misappropriates the intellectual property rights of any third party; (ii) that contains a computer virus or other code, files, or programs designed to disrupt or interfere with the functioning of the SaaS; (iii) that is inaccurate or misleading; (iv) that is or that may reasonably be perceived as being harmful, threatening, offensive, obscene, or otherwise objectionable; (v) that contains a virus or malicious code; or (vi) that includes the private information of another without express permission, including but not limited to contact information, social security numbers, credit card numbers or other information which a reasonable person would consider private in nature; (p) not attempt to gain access to any systems or networks that connect to the Services or SaaS except for the express purpose of using the SaaS for their intended use; (q) not engage in any activity that interferes with or disrupts the SaaS; and (r) not use the SaaS in violation of the CAN-SPAM Act, Canadian Anti-Spam Legislation, or any other applicable laws pertaining to unsolicited email, SMS, text messaging or other electronic communications.

3.3. Enforcement. Client will (a) ensure that all Client users of Products who are employed or contracted by Client comply with the terms and conditions of this Agreement; (b) promptly notify Active of any actual or suspected violation thereof; and (c) cooperate with Active with respect to any investigation and enforcement of this Agreement.

3.4. Active Indemnification. Active agrees to defend, settle, and pay damages (including reasonable attorneys' fees) relating to any third party claim, demand, cause of action, or proceedings (whether threatened, asserted, or filed) ("**Claims**") against Client to the extent that such Claim is based upon Active's proprietary Products (excluding Professional Services and Third Party Products) directly infringing a United States patent, registered United States copyright, or registered United States trademark, provided that the Products are used in compliance with this Agreement.

3.5. Client Indemnification. To the extent not prohibited by law, Client will defend, indemnify, and hold Active harmless from and against any and all third party claims, demands, causes of action or proceedings (whether threatened, asserted, or filed) ("**Claims**") against Active to the extent that such Claim is based upon (a) any actual, alleged or anticipated breach by Client of this Agreement; (b) injury or death to a person or damage to property resulting from the participation in an Event operated by Client in connection with the Services and/or SaaS; (c) Client's provision to Active of materials, products, or services as part of Client's obligations hereunder that infringe the intellectual property rights of any third party provided that such materials, products, or services are used by Active in accordance with the Agreement; (d) use or unauthorized disclosure of Participant Information (as defined in the Product Attachment) by Client or other third parties to whom access is given to Participant Information as provided hereunder; (e) Client's use of the Services and/or SaaS in violation of Section 3.2 of these General Terms; and/or (f) any claims for refunds or chargeback requests from End Users.

4. DISCLAIMERS AND LIMITATION OF LIABILITY.

4.1 EXCEPT AS OTHERWISE SET FORTH HEREIN AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, CLIENT ACKNOWLEDGES AND AGREES THAT THE PRODUCTS ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS. THE WARRANTIES, IF ANY, SET FORTH HEREIN AND IN THE PRODUCT ATTACHMENTS ARE LIMITED TO THEIR EXPRESS TERMS AND ARE IN LIEU OF, AND ACTIVE, ITS LICENSORS, AND SUPPLIERS EXPRESSLY DISCLAIM TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, ORAL OR WRITTEN, INCLUDING ANY (a) WARRANTY THAT THE PRODUCTS ARE ERROR-FREE OR "BUG"-FREE, ACCURATE, SECURE, OR RELIABLE; (b) WARRANTY THAT THE PRODUCTS WILL OPERATE WITHOUT INTERRUPTION; (c) WARRANTY THAT ALL ERRORS WILL BE CORRECTED OR THAT THE PRODUCTS WILL COMPLY WITH ANY LAW, RULE, OR REGULATION; (d) IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, OR NON-INFRINGEMENT; (e) IMPLIED WARRANTIES ARISING FROM STATUTE, COURSE OF DEALING, COURSE OF PERFORMANCE, OR USAGE OF TRADE; AND (f) WARRANTY THAT THE PRODUCTS WILL MEET CLIENT'S REQUIREMENTS. ACTIVE WILL NOT BE LIABLE FOR INDIRECT DAMAGES OR LOSSES (IN CONTRACT, STATUTE, TORT, OR OTHERWISE), INCLUDING DAMAGES FOR LOST PROFITS, LOST SAVINGS, COST OF REPLACEMENT SERVICES, LOST DATA, LOSS OF USE OF INFORMATION OR SERVICES, OR ANY INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE, OR SPECIAL DAMAGES, WHETHER OR NOT ACTIVE HAS PREVIOUSLY BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. HOWEVER, SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OR LIMITATION OF LIABILITY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES, SO THE ABOVE LIMITATION ONLY APPLIES WHERE ALLOWED. TO THE EXTENT PERMITTED BY APPLICABLE LAW, ACTIVE'S TOTAL AGGREGATE LIABILITY FOR ALL MATTERS ARISING FROM OR RELATED TO THIS AGREEMENT IS LIMITED TO (I)THE AMOUNT OF FEES ACTUALLY PAID BY CLIENT AS CONSIDERATION FOR THE SPECIFIC PRODUCT UNDER THE APPLICABLE SCHEDULE GIVING RISE TO SUCH CLAIMS DURING THE 12 MONTH PERIOD PRECEDING THE DATE ON WHICH THE FIRST CAUSE OF ACTION AROSE LESS ANY AMOUNTS PAID BY ACTIVE WITH RESPECTIVE TO LIABILITIES UNDER THIS AGREEMENT, OR (II) IF NO SUCH PAYMENTS

HAVE BEEN MADE OR SUCH AMOUNTS CANNOT BE CALCULATED, 10,000 U.S. DOLLARS (OR THE EQUIVALENT THERETO AS DETERMINED BY THE APPLICABLE COUNTRY'S CURRENCY), AS APPLICABLE. NOTWITHSTANDING THE ABOVE, IF CLIENT RESIDES OUTSIDE OF THE U.S., THIS DOES NOT AFFECT ACTIVE'S LIABILITY FOR DEATH OR PERSONAL INJURY ARISING FROM ITS NEGLIGENCE, NOR FOR FRAUDULENT MISREPRESENTATION, MISREPRESENTATION AS TO A FUNDAMENTAL MATTER, OR ANY OTHER LIABILITY WHICH CANNOT BE EXCLUDED OR LIMITED UNDER APPLICABLE LAW.

4.2 TO THE EXTENT THIS AGREEMENT IS GOVERNED BY ENGLISH LAW, THE FOLLOWING APPLIES: ACTIVE IS LIABLE UNDER APPLICABLE STATUTORY PROVISIONS FOR INTENT AND GROSS NEGLIGENCE. THE SAME APPLIES TO ASSUMPTIONS OF GUARANTEES, STRICT LIABILITY, OR INJURY TO LIFE, LIMB, OR HEALTH. ACTIVE IS LIABLE FOR ANY NEGLIGENT BREACHES OF ESSENTIAL CONTRACTUAL OBLIGATIONS BY ACTIVE BUT THE AMOUNT SHALL BE LIMITED TO THE TYPICALLY OCCURRING FORESEEABLE DAMAGE. ANY ADDITIONAL LIABILITY OF ACTIVE IS EXCLUDED.

4.3 TO THE EXTENT THIS AGREEMENT IS GOVERNED BY AUSTRALIAN LAW, THE FOLLOWING APPLIES: EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND EXCEPT FOR ANY CONDITION OR WARRANTY, THE EXCLUSION OF WHICH COULD BE VOID OR OTHERWISE CONTRAVENE THE TRADE PRACTICES ACT 1974 (CTH) OR ANY OTHER APPLICABLE LAW ("NON EXCLUDABLE CONDITION"), ALL SOFTWARE AND SERVICES OF ACTIVE ARE PROVIDED TO CLIENT ON AN "AS-IS" BASIS WITHOUT WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. EXCEPT FOR ANY NON-EXCLUDABLE CONDITION OR OTHERWISE AS CONTAINED IN THIS AGREEMENT, ACTIVE EXPRESSLY DISCLAIMS ANY WARRANTY THAT THE USE OF ITS SOFTWARE OR SERVICES WILL BE UNINTERRUPTED OR ERROR FREE OR THAT THE SPECIFICATIONS WILL MEET CLIENT'S REQUIREMENTS. WHERE LEGISLATION IMPLIES INTO THIS AGREEMENT ANY NON-EXCLUDABLE CONDITION, ACTIVE'S LIABILITY FOR ANY BREACH OF SUCH NON-EXCLUDABLE CONDITION WILL BE LIMITED AT ACTIVE'S SOLE DISCRETION TO ONE OR MORE OF THE FOLLOWING: (1) IN THE CASE OF GOODS, ANY ONE OR MORE OF THE FOLLOWING: (I) THE REPLACEMENT OF THE GOODS OR THE SUPPLY OF EQUIVALENT GOODS; (II) THE REPAIR OF THE GOODS; (III) THE PAYMENT OF THE COST OF REPLACING THE GOODS OR OF ACQUIRING EQUIVALENT GOODS; OR (IV) THE PAYMENT OF THE COST OF HAVING THE GOODS REPAIRED; (2) IN THE CASE OF SERVICES: (I) THE SUPPLYING OF THE SERVICES AGAIN; OR (II) THE PAYMENT OF THE COST OF HAVING THE SERVICES SUPPLIED AGAIN. (B) ACTIVE SHALL NOT BE LIABLE FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL OR PUNITIVE DAMAGES INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFIT, LOSS OF GOODWILL, WORK STOPPAGE, DATA LOSS, ANTICIPATED SAVINGS OR COMPUTER FAILURE WHETHER IN AN ACTION IN CONTRACT OR TORT, EVEN IF ACTIVE OR ANY OTHER PERSON HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR IF SUCH LOSS OUGHT REASONABLY TO HAVE BEEN IN THE CONTEMPLATION OF THE PARTIES AT THE AGREEMENT DATE. DESPITE ANY OTHER PROVISION CONTAINED IN THIS AGREEMENT, ACTIVE'S TOTAL AGGREGATE LIABILITY FOR ALL MATTERS ARISING FROM OR RELATED TO THIS AGREEMENT IS LIMITED TO THE AMOUNT OF FEES ACTUALLY PAID BY CLIENT AS CONSIDERATION FOR THE SOFTWARE AND SERVICES GIVING RISE TO SUCH CLAIM DURING THE TWELVE (12) MONTH PERIOD PRECEDING THE DATE ON WHICH THE CAUSE OF ACTION AROSE LESS ANY AMOUNTS PAID BY ACTIVE WITH RESPECTIVE TO LIABILITIES UNDER THIS AGREEMENT.

4.4 FOR THE PURPOSES OF THIS SECTION 4 AND ANY INDEMNIFICATION PROTECTING ACTIVE UNDER THIS AGREEMENT, REFERENCE TO ACTIVE WILL ALSO INCLUDE ITS SUPPLIERS AND LICENSORS.

5. TERM AND TERMINATION.

5.1. Term. The Term for each Product or Service offered under this Agreement will be as set forth in the applicable Product Attachment. This Agreement will continue until either party terminates all Schedules and Product Attachment as provided hereunder.

5.2. Termination. Either party may terminate this Agreement, including any or all Product Attachments and Schedules executed hereunder, immediately upon written notice: (a) in the event that the other party commits a material breach of this Agreement and/or the applicable Product Attachment or Schedule and fails to cure such material breach or provide a written plan of cure acceptable to the non-breaching party within 30 days of being notified in writing of such breach; or (b) in the event of institution of bankruptcy, receivership, insolvency, reorganization, or other similar proceedings by or against either party under any section or chapter of the United States Bankruptcy Code, as amended, or under any similar laws or statutes of the United States or any state thereof, if such proceedings have not been dismissed or discharged within sixty (60) days after they are instituted; or the insolvency or making of an assignment for the benefit of creditors or the admittance by either party of any involuntary debts as they mature or the institution of any reorganization arrangement or other readjustment of debt plan of either party not involving the United States Bankruptcy Code. Where a party has the right to terminate this Agreement, such party may at its discretion either terminate the entire Agreement or the applicable Product Attachment or Schedule; provided however, that termination of a Product Attachment will automatically terminate all Schedules entered into pursuant to such Product Attachment. Product Attachments and Schedules that are not terminated will continue in full force and effect under the terms of these General Terms. Following termination of this Agreement or a Product Attachment (for whatever reason), if requested by Active, Client will certify that it has returned or destroyed all copies of the applicable Protected Materials and acknowledges that its rights to use the same are relinquished. Termination for any reason will not excuse Client's obligation to pay in full any and all amounts due, nor will termination by Active result in a refund of fees paid.

5.3. Suspension. Active will be entitled to suspend any or all Services or deactivate Client's account, including suspending its performance and obligation to remit payments hereunder, upon 10 days' written notice to Client in the event Active reasonably believes that Client is in breach of this Agreement, Client's use of the Services or SaaS is not in compliance with applicable law or the Agreement, is fraudulent, or is otherwise suspect, or if there is a dispute as to the legal authority of a Client-associated party to perform hereunder. Further, Active, in its sole discretion, may terminate Client's password, accounts (or any part thereof), and/or Client's right to use the Services, and remove and discard any and all of Client's content within the Services, at any time for any reason or no reason, including, without limitation, for lack of use, failure to timely pay any fees or other monies due Active, or if Active believes Client has violated or acted inconsistently with the letter or sprit of this Agreement. Client agrees that any termination of its use of the Services may be effected without prior notice, and acknowledges and agrees that Active may immediately deactivate or delete Client's account and all related content and files related to Client's account and/or bar any further access to such files or Services. Further, Client agrees that Active shall not be liable to Client or any third party for any termination of use of or access to the Services. All provisions of this Agreement that by their nature should survive termination of Client's right to use the Services shall survive (including, without limitation, all limitations of liability, releases, indemnification obligations, disclaimers of warranties and intellectual property protections and licenses).

6. GENERAL PROVISIONS.

6.1. Force Majeure. Neither party will incur any liability to the other party on account of any loss, claim, damage, or liability to the extent resulting from any delay or failure to perform all or any part of this Agreement, if and to the extent such delay or failure is caused, in whole or in part, by events, occurrences, or causes beyond the reasonable control and without any negligence on the part of the party seeking protection under this subsection, including internet service provider or third party payment delays or failures, acts of God, strikes, lockouts, riots, acts of war, terrorism, earthquake, fire, or explosions. Dates by which performance obligations are scheduled to be met will be extended for a time equal to the time lost due to the delay so caused.

6.2. Assignment. Active may assign this Agreement and any or all of its rights and obligations herein without Client's approval. Client may not resell, assign, or transfer any of its rights or obligations under this Agreement except as expressly provided herein, and any attempt to resell, assign, or transfer such rights or obligations without the prior written consent of Active will be null and void.

6.3. Change of Control. Client will cause each Schedule hereunder to be assigned to (a) the purchaser of all or substantially all of Client's assets or equity securities or (b) to any successor by way of merger, consolidation, or other corporate reorganization of Client ((a) and (b) together, a "**Change of Control**"). Client will provide written notice to Active of any proposed or completed Change of Control as soon as permissible and in any event within 5 days of the public announcement or close of the transaction, whichever occurs first. Within the 30 day period following such notice, Active will have the right to immediately terminate each applicable Schedule if Active determines, in its reasonable good faith discretion that the purchaser or assignee is a competitor of Active or a party with whom Active does not want to do business. Client agrees to require that the purchaser or assignee (as outlined in this Section 6.3) agree, in writing, to be bound by the terms and conditions of the Agreement and each applicable Schedule.

6.4. Export; Anti-Bribery. The Products may include encryption software or other encryption technologies that may be controlled for import, transfer, export, or other purposes under Export Laws. Client may not export, re-export, transfer, or re-transfer or assist or facilitate in any manner the export, re-export, transfer, or re-transfer of, or provide access to, any portion of the Products in violation of Export Laws, as determined by the laws under which Client operates, including: (a) to any country on Canada's Area Control List; (b) to any country subject to U.N. Security Council embargo or action; (c) contrary to Canada's Export Control List Item 5505; (d) to countries subject to U.S. economic sanctions and embargoes; and (e) to persons or entities prohibited from receiving U.S. exports or U.S.-origin items, including, to any person or entity appearing on the Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List; the Bureau of Industry and Security's Denied Persons List, Entity List, or Unverified List; or the Department of State Debarred List. Client hereby represents and covenants that: (i) Client is eligible to access the Products under Export laws and all other applicable laws; and (ii) Client will import, export, re-export, transfer, or re-transfer the Products to, or use or access the Products in, any country or territory only in accordance with Export Laws and all other applicable laws. Furthermore, Client hereby represents and covenants that, in connection with its respective activities conducted under this Agreement, it will comply with the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.K. Bribery Act of 2010, as amended, and the Convention on Combating Bribery of Foreign Public Officials and has not, and will not, make or receive, directly or indirectly, any payments or gifts, or offers or promises of payments or gifts or things of value in exchange for anything that may arise out of this Agreement in a manner that would violate these laws and rules or any other applicable anti-corruption or anti-bribery laws or regulations.

6.5. Notices. Any notices required to be given under this Agreement will be in writing sent to the address on file with Active for Client or, in the case of Active, to the address set forth in Section 7 of these General Terms to the attention of Legal Department. Notices will be deemed received the next day if sent via overnight mail or courier with confirmation of receipt, or 3 days after deposited in the mail sent certified or registered.

6.6. Relationship. This Agreement is not intended to create a partnership, franchise, joint venture, agency, or a fiduciary or employment relationship. Neither party may bind the other party or act in a manner which expresses or implies a relationship other than that of independent contractor.

6.7. Severability. If any part or provision of this Agreement is held to be unenforceable, illegal, or invalid by a court of competent jurisdiction for any reason whatsoever, (a) the validity, legality, and enforceability of the remaining provisions of this Agreement (including all portions of any provisions containing any such unenforceable provision that are not themselves unenforceable) will not in any way be affected or impaired thereby, and (b) to the fullest extent possible, the unenforceable, illegal, or invalid provision will be deemed modified and replaced by a provision that approximates the intent and economic effect of the unenforceable, illegal, or invalid provision and this Agreement will be deemed amended accordingly.

6.8. Survival. The following provisions will survive any termination, cancellation, or expiration of this Agreement: Sections 1, 2, 3.2, 3.5, 4, 5.2, 6, and 7 of these General Terms, and such other provisions that should reasonably survive termination, cancellation, or expiration hereof.

6.9. Amendments; No Waiver. No amendment or waiver of any provision of this Agreement will be effective unless it is in writing and signed by both parties.

6.10. Entire Agreement. This Agreement, which includes all attached Schedules and Products Attachments, constitutes the parties' entire agreement relating to its subject matter. It cancels and supersedes all prior or contemporaneous oral or written communications, agreements, requests for proposals, proposals, conditions, representations, and warranties, or other communication between the parties relating to its subject matter as well as any prior contractual agreements between the parties. All pre-printed terms of any Client purchase order, business processing document, or on-line terms will have no effect. There have been no material representations or statements by any person or party to this Agreement as an inducement for a party hereto to accept this Agreement other than what is expressly set forth in writing herein.

6.11. No Third Party Beneficiaries. This Agreement is for the benefit of the parties and their successors and permitted assigns, and does not confer any rights or benefits on any third party, including any employee of a party, any client of a party, or any employee of a client of a party. Notwithstanding the above, the parties acknowledge that all rights and benefits afforded to Active under this Agreement will apply equally to its licensors and suppliers, and the owner of the Third Party Products with respect to the Third Party Products, and such third parties are intended third party beneficiaries of this Agreement, with respect to the Third Party Products as applicable.

6.12. Governing Law and Venue. Except as set forth below, this Agreement will be governed by the laws of the State of Texas, without giving effect to the conflict of law provisions thereof and as applicable under United States federal law. The parties irrevocably agree that any legal action or proceeding relating to this Agreement will be instituted only in any state or federal court in Dallas County, Texas. Neither the United Nations Convention of Contracts for the International Sale of Goods nor the Uniform Computer Information Transactions Act will apply to this Agreement. THE PARTIES HERETO IRREVOCABLY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. Notwithstanding the above, for purposes of this Agreement,

certain of the terms and conditions will vary depending on the location of the Client. If a country or term is not specified below, then the Governing Law and Venue set forth above shall apply.

If Client's principal place of business is in:	The governing law is:	The courts having exclusive jurisdiction are:
Canada	Province of British Columbia	Province of British Columbia
United Kingdom, Ireland, Germany, France, or Austria	England	England
Singapore	Singapore	Singapore
New Zealand	England	England
Hong Kong	Hong Kong	Hong Kong
Australia	New South Wales	Sydney, New South Wales
Switzerland	England	England
Denmark	England	England
Netherlands	England	England
Spain	England	England
Sweden	England	England

6.13 **Order of Precedence.** To the extent any terms and conditions of these General Terms conflict with the terms and conditions of any Product Attachment, the provisions of the Product Attachment will control. To the extent any provision of these General Terms or any Product Attachment conflict with the provisions of a Third Party EULA, the Third Party EULA will control. In the event of a conflict between a Schedule and these General Terms or the applicable Product Attachment, the General Terms or the applicable Product Attachment will control, provided, however, that such standard variable terms such as price, quantity, license scope, payment terms, shipping instructions, and the like will be specified on each Schedule. Further, Client agrees and acknowledges that it shall not itself, or through any Affiliate, employee, consultant, contractor, agent, or other third party, amend, alter, or contract away (or seek to amend, alter, or contract away) any of its rights, liabilities, or obligations under this Agreement through any means (including, but not limited to, through any waiver, contract, terms, or communication with End Users (individually and collectively, "Client Terms")). Client agrees and acknowledges that any such amendment, alteration, or contracting away of any such liabilities, or obligations under this Agreement shall be void, and of no force or effect. Active shall bear no liability or obligation to any End User under any Client Terms, and any provision of any Client Terms that is inconsistent with this Agreement, or that expressly, implicitly, or effectively imputes any liability or obligation upon Active to any End User or to any other third party shall be void, and of no force or effect.

6.14 Interpretation. Any reference to a statutory provision includes a reference to any modification or re-enactment of it from time to time. The headings and pronouns contained herein are for convenience and ease of reference only and will not affect the construction or interpretation of this Agreement. The word "including" in this Agreement means "including, without limitation." All references to days means calendar days. This Agreement will not be construed in favor of or against a party based on the author of the document.

6.15 **Counterparts.** These General Terms and each Product Attachment, Schedule, and any exhibits thereto may be executed in one or more counterparts, each of which will constitute an enforceable original of this Agreement, and the parties agree that electronic or digital signatures, as well as pdf scanned copies of signatures, will be as effective and binding as original signatures.

6.16 **Remedies Cumulative; Injunctive Relief.** All rights and remedies provided in this Agreement are cumulative and not exclusive of any other rights or remedies that may be available to the parties, whether provided by law, equity, statute, in any other agreement between the parties or otherwise. Furthermore, in the event of a breach or threatened breach of the intellectual property obligations in this Agreement, Active, in addition to any and all other rights (at law or in equity) which may be available, will have the right of injunctive relief and other appropriate equitable remedies to restrain any such breach or threatened breach, without the requirement of posting a bond.

6.17 **U.S. Government Restricted Rights.** The Products are provided with restricted rights. Use, duplication, or disclosure by the U.S. Government is subject to restrictions as set forth in subparagraph (c) of The Rights in Technical Data and Computer Software clause at DFARS 252.227-7013, or subparagraphs (b)(1) and (2) of the Commercial Computer Software - Restricted Rights at 48 CFR 52.227-19, as applicable. The Manufacturer is Active Network, LLC or one of its Affiliates or subsidiaries.

6.18 **Information Security**. Active will implement appropriate administrative, physical, and technical safeguards to secure Client Data from unauthorized access, disclosure, alteration, and use. Active will maintain such Client Data in compliance with applicable laws. Active will maintain a written information security program including documented policies, standards, and operational practices consistent with regulatory and industry requirements. Upon written request from Client and the execution of Active's non-disclosure agreement relating thereto, and no more frequently than once every twelve (12) months, Active will provide Client with a copy of its then-current Attestation of Compliance ("**AoC**").

7. DEFINITIONS.

"**Active**" means Active Network, LLC, or, if Client's principal place of business is in Canada, The Active Network, Ltd., together with their Affiliates, with a principal place of business at 5850 Granite Parkway, Suite 1200, Plano, TX 75024.

"**Affiliates**" of a designated corporation, company, partnership, or other entity means all entities which control, are controlled by, or are under common control with the named entity, whether directly or through one or more intermediaries. For purposes of this definition "controlled" and "control" mean ownership of more than 50% of the voting capital stock or other interest having voting rights with respect to the election of the board of directors or similar governing authority.

"**Agreement**" means these General Terms, together with all Product Attachments and Schedules accepted by the parties (as described in the Preamble).

"**Client**" means the business entity that accepts this Agreement (as described in the Preamble).

"**Client Data**" means information obtained from Client that is not generally available to the public and which is marked "Confidential," including business, administrative and financial data, intellectual property, and personnel data.

"**Documentation**" means the user instructions, release notes, manuals, or on-line help files in the form generally made available by Active, regarding the use of the applicable SaaS or Services, as updated by Active from time to time.

"**Effective Date**" means the date of last signature on page one of this Agreement.

"**Export Laws**" means export control laws and regulations of the countries and/or territories in which Active operates or in which the Products are used, accessed, or from which the Products are provided.

"**Hardware**" means computer hardware, equipment, and/or utilities supplied by Active pursuant to a Schedule.

"**Intellectual Property**" means any and all intellectual property and proprietary rights (in whole or in part) recognized in any country or jurisdiction in the world, now or hereafter existing, and whether or not perfected, filed, or recorded, including inventions, technology, patent rights (including patent applications, divisions, and disclosures), copyrights and all works of authorship (whether or not copyrightable), moral rights, trade secrets, trademarks and other indicators of source (and the goodwill associated therewith), service marks, trade dress, logos, methodologies, procedures, processes, know-how, tools, utilities, techniques, protocols, various concepts, ideas, methods, models, templates, software, source code, algorithms, tools, utilities, the generalized features of the structure, sequence and organization of software, user interfaces and screen designs, layouts, general purpose consulting and software tools, utilities and routines, and logic, coherence and methods of operation of systems, training methodology and materials, which Active has created, acquired, or otherwise has rights in, and may, in connection with the Products or the performance of Services hereunder, create, employ, provide, modify, create, acquire, or otherwise obtain rights in, and in each case includes any derivative works, alterations, and other modifications using, incorporating, based on, or derived from the foregoing.

"**Maintenance Services**" means the provision of Updates and Upgrades related to the SaaS all as more particularly set out in the applicable Product Attachment and/or Schedule.

"**Preamble**" means the first paragraph of these General Terms.

"**Products**" means, collectively, SaaS, Services, Hardware, and all other services, products, or materials provided by Active to Client under the terms of this Agreement.

"**Professional Services**" means the implementation, site planning, configuration, integration, and deployment of the SaaS, training, project management, or other consulting services.

"**Protected Materials**" means Products, except for Hardware.

"**SaaS**" means (a) the software as a service which is hosted by Active or its hosting providers and which is accessed by Client and its users via the internet; (b) Active's web sites; and (c) associated services, as more fully described in the applicable Product Attachment. SaaS functionality is subject to change from time to time at Active's sole discretion.

"**Services**" means, collectively, (a) Professional Services; (b) Maintenance Services; (c) Support Services; and (d) any other services set forth in a Schedule.

"**Schedule**" means the document, schedule, quote, pricing form, web page, order form, or similar document and the terms and conditions contained therein "accepted" (as described in the Preamble) by the parties that describes order-specific information, such as a description of Products ordered, features, options, license details, and fees.

"**Support Services**" means the provision of technical assistance for SaaS or Hardware as further described in an applicable Product Attachment and/or Schedule.

"**Taxes**" means any and all applicable taxes, including sales, use, excise, withholding, assessments, stamp, transfer, value-added, duties, tariffs, export charges, import charges, and other taxes or assessments (however designated) imposed by any foreign, federal, provincial, state, or local governmental authority upon or applicable to Products arising out of this Agreement, other than those based on Active's net income.

"**Third Party EULA**" means the end user license agreement, if any, that accompanies the Third Party Products, which governs the use of or access by Client to the applicable Third Party Products.

"**Third Party Products**" means those hardware, firmware and/or software products, including updates and enhancements thereto, if any, owned by third parties, together with all user manuals and other documents accompanying the delivery of the Third Party Products.

"**Updates**" means bug fixes, patches, error corrections, minor releases, or modifications or revisions that enhance existing performance of the SaaS that are provided as part of Maintenance Services. Updates exclude Upgrades.

"**Upgrades**" means a new SaaS release that contains major functionality enhancements or improvements; and which is designated by an incremental increase in the release number to the left of the decimal point (by way of example only, release 5.0 designates an Upgrade from release 4.x). Upgrades exclude new products, modules or functionality for which Active generally charges a separate fee.

Youth and Education Product Attachment

This document is a "Product Attachment" as defined in the General Terms entered into by Client and Active and is subject to and incorporates by reference the provisions of the General Terms. This Product Attachment is effective as of the date it is "accepted" (in accordance with the Preamble to the General Terms). Any capitalized terms not defined herein have the meaning ascribed to them in the General Terms.

1.1. **SERVICES**. Active will provide Products and Services related to the events, camps, classes, transactions, sales, memberships, and/or activities (together, "**Events**"), including without limitation access to its SaaS. Client agrees to cooperate with Active and to provide Active with certain information relating to Client's organization as necessary for Active to provide the Services and SaaS. SaaS provided hereunder are deemed delivered when access is made available to Client.

2. LICENSE TO INTELLECTUAL PROPERTY/PROMOTION.

2.1. Active hereby grants to Client a limited, non-exclusive, non-transferable, non-sublicensable license during the Term of this Product Attachment (a) to use the SaaS for the purposes of offering, promoting, managing, tracking, and collecting fees in connection with Client's Event(s) solely in accordance with the Agreement and the Schedule, which for purposes hereof will include the support and maintenance handbook applicable to the Products (available for review in the Client portal), as may be updated from time to time, and (b) to display, reproduce, distribute, and transmit in digital form Active's name and logo solely for the purposes set forth in this Section 2. Client hereby grants to Active a limited license to use information provided by Client relating to Client's organization and Events, which may include content regarding the Events, Client's organization's name, trademarks, service marks, and logo (collectively, the "**Marks**"), in connection with the promotion of Client's organization or Events and the Services that Active provides.

2.2. Client will make reasonable efforts to promote and encourage the use and availability of the SaaS in connection with the promotion of Events. During the Term of this Product Attachment, Active will be the sole and exclusive provider of registration software and other services similar to the SaaS and Services provided to Client hereunder for all of Client's Events for which registration begins during the Term of this Product Attachment until the Event occurs. For clarity, if an Event occurs after this Agreement is terminated, other than for Active's uncured material breach, and registration for such Event begins during the Term of this Agreement, then Active SaaS shall be used under this Agreement, Product Attachment, and Schedule. Client expressly understands and agrees that the exclusivity set forth in this Section 2.2 is consideration in exchange for the pricing and other benefits being provided to Client hereunder. Without limiting the foregoing, Client will not enter into any agreement, arrangement, or relationship with any other party that offers online registration or transaction processing services similar to the SaaS provided to Client hereunder.

2.3. To the extent that Client acquires Events following the Effective Date that, when acquired, are using online registration or transaction processing services similar to the SaaS provided to Client hereunder, Client will cause such Events to immediately transition to the SaaS, and such Events will be subject to this Product Attachment; provided however, Client will be relieved of its foregoing transition obligations if an Event is subject to a contract with another service provider existing prior to the Event's acquisition, in which case, such preexisting agreement may be observed but will not be renewed or extended by Client. If an acquired Event has an existing agreement with Active prior to its being acquired, Active will terminate such existing agreement, and such acquired Event will be added to and governed by this Product Attachment.

2.4. Active may present commerce offers to users who register for, sign up, or otherwise use the SaaS in connection with the Events ("**End Users**"). Any such End Users may opt in to receive information, items, or promotions/deals from Active or third parties, in which case, Active or such third party will be responsible for fulfillment and providing customer service for any such offers. Client will not present any competing offers to End Users.

3. INFORMATION COLLECTION.

3.1. Active collects certain information from End Users and individuals as part of the registration process for Events (collectively, "**Participant Information**"). Client may login to Active's data management system to access the Participant Information. Client is responsible for the security of its login information and for the use or misuse of such information. Client will immediately disable a user's access who is using the SaaS on its behalf or notify Active in writing if any such user is no longer authorized or is using such information without Client's consent. Active may rely, without independent verification, on such notice, and Client, inclusive of Client's parent, subsidiaries, affiliated entities, and Licensees, as applicable, and each of their respective officers, directors, managers, shareholders, owners, agents, employees, contractors, and representatives, to the extent not prohibited by law, covenant not to sue and agree to defend, indemnify, and hold harmless Active from any claims arising from Active providing, denying, suspending, or modifying access to or use of the SaaS and Services of any individual as directed by Client or by someone who Active reasonably, under the circumstances, believes is authorized to act on behalf of Client. In the event of any dispute between two or more parties as to account ownership, Client agrees that Active will be the sole arbiter of such dispute in its sole discretion and that Active's decision (which may include termination or suspension of any account subject to dispute) will be final and binding on all parties. Client agrees not to use the SaaS to collect or elicit (a) any special categories of data (as defined in the General Data Protection Regulation, as may be amended from time to time), including, but not limited to, data revealing racial or ethnic origin, political opinions, religious or other beliefs, trade-union membership, as well as personal data concerning health or sexual life or criminal convictions other than as expressly directed by Active, and in such event, only in pre-defined fields within the SaaS that are intended for that purpose; or (b) credit card information other than in pre-defined fields within the SaaS that are intended for that purpose.

3.2. Both parties agree to use the collected information in compliance with (a) all applicable laws, rules and regulations, including, without limitation, those governing privacy and personal information (e.g., by including an appropriate CAN-SPAM Act and Canadian Anti-Spam Legislation opt out mechanism in email communications) and the use of credit card data (e.g., using credit card information only for purposes authorized by the cardholder); (b) applicable credit card network rules and Payment Card Industry Data Security Standards; and (c) Active's privacy policy, as published on its website or otherwise provided by Active from time to time.

3.3. Client acknowledges and agrees that Active and another entity from whom Client has received a license to hold its Event(s) (each, a "**Franchisor**") may have previously entered into an agreement pursuant to which Licensor requires access to Participant Information and administrative access to Client's account with Active. Client hereby consents to Active providing each such Franchisor with such Participant Information and access to Client's account.

4. FEES.

4.1. Client will pay the fees as more fully described in the applicable Schedule. Unless otherwise set forth in the applicable Schedule, Active will charge registration fees to individuals who register for the Events or purchase goods or services online, and will process and collect such fees as a payment facilitator according to the card networks. On a bi-weekly basis, unless otherwise set forth in the applicable Schedule, Active will pay sums due to Client based on the total fees collected, net of Active's service fees as set forth in the applicable Schedule and any other deductions provided herein. The applicable currency will be set forth in the Schedule.

4.2. There are no minimum volume commitments under this Agreement. If the Schedule indicates that Client is paying on a subscription basis, Client will be invoiced for the first month of subscription fees two months following the Go-Live Date, with subsequent subscription fees being invoiced monthly following the date of the first live operational use of the SaaS ("**Go-Live Date**").

4.3. INTENTIONALLY DELETED.

4.4. If (a) there are any overdue or overage amounts owed by Client; or (b) there are returned charges or items, including those resulting from any error or complaint related to an Event, Active has the right to charge fees owed to Active by Client by issuing an invoice, or by offsetting the deficiency from any account balance Client maintains with Active or any payment Active owes Client.

4.5. All fees described in the applicable Schedule are in consideration of the SaaS and Services that Active provides. Active and Client acknowledge that certain credit card network rules and laws prohibit imposing a surcharge that is based on the type of payment method used (e.g., having a different fee for the use of a credit card vs. debit card), and therefore, each agrees not to impose such a surcharge on any End User.

4.6. INTENTIONALLY DELETED.

4.7. It is Client's responsibility to notify End Users of Client's refund policy. Client must ensure that Client's refund policies are consistent with the Agreement. Client agrees that all fees for a given Event are earned by Client only following either the conclusion or delivery of the applicable Event (as applicable) and all amounts ultimately due to Client will be net of all service fees, reversals, refunds, disputed charges, chargebacks and other deductions whether due to customer complaints, allegations of fraud, discrepancies related to the applicable Event or otherwise. No payments will be made to Client with respect to any Event that is cancelled. If payments have already been made by Active to Client for a cancelled Event or if Active reasonably determines that it is prudent or otherwise necessary to pay a refund to or honor a chargeback request from an End User, Active may issue an invoice or offset an equivalent amount from Client's account or payment owed by Active to Client and return the value to the End User, and if sufficient funds are not available, Client's Franchisee must reimburse Active on demand. Active will notify Client of the reason for such offset provided that it is lawful to do so.

5. TERM AND TERMINATION.

5.1. Unless otherwise set forth in the applicable Schedule, this Product Attachment will commence on the Effective Date and will continue in effect until the earlier to occur of (i) its termination in accordance with the terms and conditions below and (ii) the third anniversary of the Effective Date (the "**Initial Term**"). This Product Attachment shall renew automatically following the Initial Term for subsequent renewal terms thereafter of three (3) years (the "**Renewal Term(s)**", and, together with the Initial Term, the "**Term**") unless either Party delivers written notice to the other Party at least 12 months prior to the expiration of the then-current Term of its intent to terminate this Product Attachment upon the completion of the Initial Term or any Renewal Term. Unless otherwise set forth in the applicable Schedule, to the extent that Client enters into a Schedule for additional Services and/or SaaS that are related to or interoperable with Services or SaaS set forth in a previously entered into Schedule, the Term of such subsequent Schedule will be concurrent and coterminous with the Term of the previously entered into Schedule.

5.2. If Client has entered into a sub-merchant agreement for payment processing services, and such agreement is terminated by the applicable acquiring bank, Active may terminate this Product Attachment and the effected Schedule.

6. MISCELLANEOUS.

6.1. Sections 5, 6, and 8 of this Product Attachment and any fees owed by Client will survive any termination or expiration of the Agreement.

6.2. The "**Liquidated Damage Amount**" equals the "Annual Projected Contract Value" (to the extent such amount is specified in the applicable Schedule(s)) times the number of years in the-then current Term, minus the amount of revenue already paid to Active during the then-current Term, net of all refunds, credit card chargebacks, and all other deducted amounts. Client agrees that (a) it will pay Liquidated Damages to Active if (i) Client breaches its exclusivity obligations under Section 2.2 of this Product Attachment; (ii) Active terminates a Schedule and/or the Agreement in accordance with Section 5.2 of the General Terms; (iii) Client fails to cause an assignment as specified in Section 6.2 of the General Terms; and/or (iv) Active terminates a Schedule and/or the Agreement pursuant to Section 6.3 of the General Terms; (b) all Liquidated Damage Amounts set forth in the Agreement will automatically reset during each Renewal Term; (c) Active may offset any Liquidated Damages Amount set forth in the Agreement from any account balance Client maintains with Active or any payment Active owes Client; (d) because of the difficulty in making a precise determination of actual damages incurred by Active, the Liquidated Damage Amount will be assessed, not as a penalty, but as a reasonable approximation of costs incurred by Active and Active's loss of revenue; and (e) that in any suit or other action or proceeding involving the assessment or recovery of liquidated damages, the reasonableness of the Liquidated Damage Amount will be presumed and the liquidated damages assessed will be in addition to every other remedy now or hereinafter enforceable at law, in equity, by statute, or under the Agreement.

Gateway API Product Attachment

This document is a "Product Attachment" as defined in the General Terms entered into by Client and Active and is subject to, and incorporates by reference, the provisions of the General Terms. This Product Attachment is effective as of the date it is "accepted" (in accordance with the Preamble to the General Terms). Any capitalized terms not defined herein have the meaning ascribed to them in the General Terms.

1. SERVICES AND LICENSE GRANT.

1.1 Active hereby grants Client a limited, non-exclusive, revocable, non-transferable, royalty free license (without the right to sublicense) to use the Gateway API, which includes access to Access Codes (as defined below), (the "**API Service(s)**") solely for the purpose of Client's internal development efforts to develop applications to work in conjunction with Active Products ("**Client Interface**"). For further clarification, "**API**" means Active's application programming interface, which may include object code, software libraries, software tools, sample source code, published specifications and other documentation. Client acknowledges that the API gives Client access to Client data stored in the applicable Product(s) to which Client will be integrating using the API Service (use thereof subject to the applicable Products terms and conditions) and that portions of that data may be sensitive ("**Data**"). As such, the Client understands and acknowledges that Client has a defined security and privacy program that must be in place in order to use the API Service and transfer and hold any Data, and Client agrees to be responsible for any access to the API. Upon request, Client will provide Active with evidence that Client has a defined security and privacy program in place. While Active strives to have its APIs available continuously, it cannot guarantee any up-time or other reliability measurements. API Services provided hereunder are deemed delivered when access is made available to Client.

1.2 Notwithstanding anything contrary in the Agreement, this Product Attachment, or a Schedule, Active reserves the right at any time to amend, limit, or restrict usage and access to the APIs for applicable legal, security, or regulatory purposes, or for any other reason in Active's reasonable discretion.

2. REPRESENTATIONS AND WARRANTIES. Client is responsible for any and all access to the API Service and the Access Codes. Client represents and warrants that it complies, and will continue to comply for the Term of this Product Attachment, with all applicable laws, that it will encrypt Data to then-current industry standard levels, and that it conducts, and will continue to conduct during the Term of this Product Attachment, periodic risk assessments and testing, by a qualified entity, of its safeguards to ensure the security, confidentiality and integrity of its System in compliance with then-current industry standard levels and applicable law. Upon request, Client shall provide Active evidence that Client has conducted a risk assessment or test by a qualified entity. Client shall: (i) use the API, Access Codes, and Data exclusively for its own internal purposes (i.e., not on behalf of a third party), consistent with all applicable laws, regulations, and the rights of others, including privacy and anti-spamming laws; (ii) not use the API Service to transmit, publish, or distribute any material or information: (a) for which Client does not have all necessary rights and licenses, including any material or information that infringes, violates, or misappropriates the intellectual property rights of any third party (including contractual rights, copyrights, trademarks, patents, trade dress, trade secret, common law rights, rights of publicity, privacy or moral rights); (b) that contains a computer virus, spyware, "Trojan horse", or other malware or harmful code, files, or programs designed to disrupt or interfere with the functioning of the API Service; or (c) that is or that may reasonably be perceived as being harmful, threatening, offensive, obscene, or otherwise objectionable; (iii) keep confidential and not disclose to any third parties, and shall ensure that users keep confidential and do not disclose, any user identifications, account numbers, and account profiles; (iv) not attempt to gain access to any systems or networks that connect thereto except for the express purpose of using the API Service and/or Data for their intended use; (v) not allow access to the API Service by anyone other than Client's users; (vii) not rent, lease, sublicense, resell, or provide access to the API Service on a time-share or service bureau basis; (viii) obtain all third-party rights necessary to develop and use the Client Interface (as defined in Section 14.1) and permit the Client Interface to connect with Active's systems pursuant to this Product Attachment and/or Agreement and the Client will be solely responsible for, and will pay licensors or co-owners any royalties or other monies due to them related to such Client Interface; (ix) ensure that none of the materials embodied in the Client Interface or use of the Client Interface in accordance with the terms and conditions of the Agreement and this Product Attachment violate Section 2 (i) and 2 (ii)(a); (x) include any attributions, copyright information and other notices, terms, and conditions that may be required to be provided to end users (e.g., as part of the Client EULA) based on Client's use of third party "open source" software or third party intellectual property in the Client Interface. Client shall promptly make available to Active, end users and any other third party that is entitled to it, the source code corresponding to any Client Interface or portion thereof if and in the manner required by applicable third party terms and conditions (e.g. open source software license). Client shall notify Active immediately of any unauthorized use of the Access Codes and use best efforts to immediately stop any unauthorized access.

3. OWNERSHIP. Client acknowledges and agrees that Client acquires only a license to use the API in accordance with this Agreement, and Active and/or its licensors will retain sole and exclusive ownership of and all rights, title, and interests in the API, including the following: (i) all Intellectual Property embodied or associated with the API, (ii) all deliverables and work product associated with the API, and (iii) all copies and derivative works thereof; and (iv) the API, including the source and object codes, logic, and structure, which contain and constitute valuable trade secrets of Active and its licensors.

4. TERM. The Term of this Product Attachment shall commence on the Effective Date and shall continue in force thereafter for the duration set forth in the applicable Schedule, unless modified or terminated as provided herein.

5. INDEMNITY AND RELEASE. Client understands that as the holder of the Access Codes it accepts all responsibility for the same and further releases Active from any and all liability with regard to Client's access to, and use of, the API, as well as access to, and use and/or disclosure of, the Data and any transfer thereof. To the extent not prohibited by law, Client hereby releases, relieves, forever discharges Active from any and all liability whatsoever and Client agrees, at its own expense, to indemnify, defend and hold harmless Active, its subsidiaries, parents, affiliates and assigns, and its and their directors, officers, employees and agents (collectively, the "Indemnified Parties") from and against any claim, loss, demand, cause of action, debt or liability, including attorneys' fees (collectively, "Losses"), arising out of or related to: (a) any breach or alleged breach of Client's obligations, covenants, representations and warranties under the Agreement and this Product Attachment; (b) Active's use of the API Services and any connection between the Client Interface and Active's systems permitted by Active; (c) Client's products and services, including any Client development application using the API Services and other materials developed using the API Services, including any claims that Client's development application (using the API Services) or the use thereof infringes any intellectual property rights of such third party; and (d) Client's gross negligence or willful misconduct. In connection with this Section, Client shall have the sole responsibility, at its expense, to defend and, at its sole discretion, to settle an applicable claim, provided that any such settlement shall require Active's prior written consent, which consent will not be unreasonably withheld. Active will: (i) give Client prompt written notice of the

applicable claim; (ii) cooperate reasonably with Client (at Client's expense) in connection with the defense and settlement of the claim; and (iii) permit Client to control the defense and settlement of the claim, subject to the requirements stated above in this Section.

6. FEES. Fees, currency, and payment terms are specified in the applicable Schedule.

7. USAGE LIMITATIONS. Active may limit the number of network calls that Client may make via the APIs. Usage limits are based on the subscription plan as set forth on the applicable Schedule. In addition to its other rights under this Product Attachment, Active may utilize technical measures to prevent over-usage and/or stop usage of the APIs after any usage limitations are exceeded. If no limits are stated in the Schedule, Client nevertheless agrees to use the APIs in a manner that, as determined by Active in its sole discretion, does not exceed reasonable request volume or does not constitute excessive or abusive usage.

8. SECURITY MEASURES. Client acknowledges and agrees that Client's networks, operating system and the software of Client's web server(s), routers, databases, and computer systems (collectively, "**System**" or "**Systems**") must be configured to Internet industry standards to securely and properly operate. Client agrees to access and handle the API Service in a secure manner. Client agrees to promptly report to Active in writing any security deficiencies in, or intrusions to, Client's Systems that Client discovers and will work with Active to immediately correct any security deficiency, and will disconnect immediately any intrusions or intruder. In the event of security deficiency or intrusion involving the API Service, Client will make no public statements (i.e., press, blogs, bulletin boards, etc.) without prior written and express permission from Active in each instance.

9. LICENSE RESTRICTIONS. Except as permitted in this Agreement, Client's use of the API Services shall be subject to the following restrictions:

- **a)** Client agrees to use the API Services only in accordance with the license set forth in Section 1, and in compliance with all applicable laws, regulations or guidelines in the point of sale, customer engagement, CRM, gift card and payments processing industry or any other applicable industry;
- **b)** Client shall not disclose, in any manner, the API Services or any portion thereof to any third party, except as required by law, rule or regulation, or to affect an integration otherwise allowed by this Product Attachment or Agreement;
- **c)** Client shall not cause the API Services, or any part thereof, in any way to be disassembled, decoded, decompiled or reverse engineered, nor shall any attempt to do so be undertaken or permitted;
- **d)** Client shall not assign, sell, resell, rent, sublicense, transfer, distribute, disclose, or otherwise commercially exploit or make available to any third party the API Service in any way without Active's prior written consent;
- **e)** Client shall not (i) modify, (ii) create derivative works of or (iii) use for general application development purposes the API Service, or any part thereof;
- **f)** Client shall not create Internet "links" to the API Service or "frame" or "mirror" any content on any other server or wireless or Internet-based device;
- **g)** Client shall not build a competitive product or service;
- **h)** Client shall not build a product using similar ideas, features, functions or graphics of the API Service;
- **i)** Client shall not copy any ideas, features, functions or graphics of the API Service;
- **j)** Client agrees not to attempt to connect to the Active's network other than through the API Services provided hereunder;
- **k)** Client may make a reasonable number of copies of the API Services only to the extent required to use the API Services for the limited purposes set forth in this Agreement; provided that Client must reproduce and include the copyright, trademark symbols or other restrictive and proprietary notices and markings from the original on all copies. All copies will be subject to the terms of this Agreement; and
- **l)** Except as otherwise expressly permitted by Active in the API Services or as otherwise approved by Active in writing, Client shall not use any Open Source Materials in connection with the Developer Application, in any manner that would cause the Technical Information to be subject to any licensing terms or obligations applicable to Open Source Materials. For the purposes of the preceding sentence, the term "Open Source Materials" means any software that is subject to terms that, as a condition of use, copying, modification or redistribution, require such software and derivative works thereof to be disclosed or distributed in source code form, to be licensed for the purpose of making derivative works, or to be redistributed free of charge, including, without limitation, software distributed under the GNU General Public License or GNU Lesser/Library GPL.

10. API KEYS. In order to access the API Services, Active may require Client to register for a unique security key or other security mechanism. Any information provided by Client in connection with such registration must be accurate, current and complete. Active may then issue Client one or more unique security keys, tokens, passwords and/or other credentials (collectively, "**Access Codes**") for accessing the API Services. Client may only access the API Services with the Access Codes issued by Active. Client may not sell, transfer, sublicense or otherwise disclose Access Codes to any third party or use such Access Codes with any third-party product or service except to affect an integration otherwise allowed by this Product Attachment or Agreement. Client is responsible for maintaining the secrecy and security of the Access Codes and for all activities that occur using its Access Codes, regardless of whether such activities are undertaken by Client or a third party and will notify Active of any unauthorized use of the Access Codes.

11. MODIFICATIONS. Client acknowledges and agrees that Active retains the right to modify and release subsequent versions of the API Services. Developer may be required to obtain and use the most recent version of the API Services in order for the API Services to continue to be compatible with Active's Products. The features, functionality, form and components of the API Services may change without prior notice to Client and Client acknowledges and agrees that future versions of the API Services may be incompatible with any Client development application developed on previous versions of the API Services. Furthermore, Client understands and agrees that updates to the API Services may include necessary functionality and/or fixes to protect the security of the API Services and that Client's failure to promptly obtain and use such updates may compromise Client's ability to use the API Services and/or result in the disabling of Client's access to such API Services. Active shall have no liability to Client for any loss or damage resulting from Client's failure to timely obtain and use such updates. If the API Service is currently provided on a royalty-free basis, Active reserves the right to charge for the API Services (or additional features or functionality) in the future.

12. **SUPPORT ACKNOWLEDGEMENT.** Client acknowledges and agrees that Active has no obligation to provide Client with software upgrades or updates, enhancements or modifications to the API Services ("**Support**"). If Active elects at any time to provide Support, Active may terminate the Support at any time without notice to Client for any or no reason.

13. **EXPORT LAW**. TO THE EXTENT THAT THE CLIENT'S DEVELOPMENT APPLICATION, USING THE API SERVICES, IS SUBJECT TO UNITED STATES EXPORT LAWS AND REGULATIONS, CUSTOMER AGREES TO COMPLY THEREWITH, WHICH COMPLIANCE MAY INCLUDE RESTRICTIONS ON USE, USERS AND DESTINATIONS.

14. **CLIENT INTERFACE**

14.1 **EVALUATION**. Client will provide Active with written notification at such time that, in Client's determination, the Client Interface is ready to connect with Active's system. Upon receipt of such notification, Active may, in its sole discretion, provide Client with testing data, information and materials necessary to permit the Client Interface to connect with Active's systems for the purposes of processing "dummy" (i.e., not actual) transactions. Active may, in its sole discretion, but shall not be obligated to, review the output of such "dummy" transactions in order to evaluate whether to permit the Client Interface to connect with Client's systems in a production environment (i.e., one that processes actual transactions).

14.2 **CRITERIA.** The following reflects a non-exclusive list of criteria that Active may, in its sole discretion, consider when undertaking any review provided for above, and for which Client may be denied access to Active's systems:

- **a.** Client Interfaces that themselves crash, or that cause any Active or third-party hardware, software or systems to crash.
- **b.** Client Interfaces that exhibit bugs which could cause a system to degrade and/or corrupt data.
- **c.** Client Interfaces that do not perform as advertised by the Client.
- **d.** Client Interfaces that include undocumented or hidden features inconsistent with the description of the Client Interface.
- **e.** Client Interfaces that store or write data to Active's systems or applications purchased by and for use by Active (e.g. embedded code which tracks transactions passing through a payment gateway).
- **f.** Client Interfaces that provide incorrect diagnostic or other inaccurate device data.
- **g.** Client Interfaces from any client who Active determines to be "spamming" Active with many versions of similar Client Interfaces.
- **h.** Client Interfaces that suggest or infer that Active is a source or supplier of the Client Interface, or that Active endorses any particular representation regarding quality or functionality.
- **i.** To the extent that a Client Interface uses protected third-party material (e.g., trademarks, copyrights, trade secrets, inventions, or otherwise proprietary content), Client must provide Active, upon request, with reasonable evidence that all necessary third-party rights have been obtained. If Client does not have the necessary third-party rights to permit a Client Interface to interface with Active's systems, Client should not permit Active to evaluate such Client Interface under this Agreement.
- **j.** Client Interfaces must comply with all legal requirements in any location where they are made available to users. Active prohibits Client Interfaces that promote or may lead to the production of an illegal item or illegal activity. Client shall be responsible for researching to ensure that each Client Interface is in compliance with all local, state, national and international laws.

14.3 **CONTINUING EVALUATION.** In the event that Active permits the Client Interface to connect with Active's systems, Active retains the right, in its sole discretion, but shall not be obligated, to review the operation of the Client Interface to determine, in its sole discretion, whether (i) to continue to permit such connection; (ii) the Client Interface functions as outlined in Client's product description, (iii) the Client Interface continues to meet the criteria set forth above; (iv) the Client Interface puts any Active or consumer or any other third party data at risk; and (v) the Client Interface complies with the terms of the Agreement.

14.4 **CLIENT EVALUATION.** Notwithstanding any evaluation conducted by Active, any such evaluation is not intended to take the place of Client's pre-release testing. Client should complete any and all pre-release testing before providing Active with written notification that Client's Client Interface is ready to connect with Active's systems.

14.5 **COMMUNICATION.** In the event that Active has a question about the Client Interface during Active's evaluative process, or if Active determines, in its sole discretion, that one of the criteria is not met, Active may notify Client using the email address or telephone number associated with Client's account and may provide guidance on next steps. Active will also notify Client once a Client Interface is permitted to connect, or if Active determines that a Client Interface is not permitted to connect, with Active's systems. If a Client Interface is not permitted to connect with Active's systems, Active may provide Client with details on the reason(s) therefore and guidance on necessary revisions.

14.6 **ACTIVE DISCRETION.** Active reserves the right to determine the appropriateness of permitting a Client Interface to interface with Active's systems in Active's sole and absolute discretion. Active may also determine, in its sole discretion, to permit any third-party application to interface with Active's systems. Active may terminate any transaction, or take other actions as needed to restrict access to or availability of any content, product or service that does not comply with this Agreement and/or Product Attachment or that otherwise might adversely affect Active, and as applicable, merchants, consumers, end users or other third parties. Permitting a Client Interface to interface with Active's systems, or withdrawing any such permission previously granted, does not relieve Client of responsibility to ensure the Client Interface complies with this Agreement and/or Product Attachment or to perform other obligations under this Agreement and/or Product Attachment. For the avoidance of doubt, and notwithstanding anything in the Agreement, the Product Attachment or any other additional agreement to the contrary, Active shall have no liability, whether to Client, and as applicable, any merchant or any other third party, arising out of, relating to, or as a result of Active's acts or omissions pursuant to this Section 14.7.

14.7 CLIENT FEEDBACK. If Client provides suggestions, ideas or other feedback to Active, Active will be free to exercise all rights in such feedback without restriction and without owing any compensation to Client.

14.8 CLIENT END USER LICENSE AGREEMENT. Any license or other agreement between Client, and as applicable, any merchant or other third party relating to a Client Interface and/or a Client Interface's connection with Active's systems ("Client EULA") shall not be inconsistent with the terms of the Agreement and/or Product Attachment. Client agrees that Active's agreements with its clients and other third parties ("Active Agreements") may involve such third parties' use of the Client Interface. The Active Agreements may specify, among other terms and conditions, that Active is not the licensor of any Client Interface and that Active is not a party to the Client EULA. If there are any conflicts between any Active Agreement and the Client EULA, then to the extent of such conflict, the Active Agreement will control. Active does not have any responsibility or liability related to compliance or non-compliance by Client, or as applicable, any merchant, consumer, end user or other third party under any Active Agreement or Client EULA.

14.9 PROHIBITED ACTIONS. Neither Client nor the Client Interface shall interfere with damage, access, or use in any unauthorized manner, the hardware, software, networks, technologies or other properties or Products of Active.

14.10 SUPPORT. Client will provide reasonable (and, as between Client and Active, Client will be solely responsible for providing) technical and product support for Client Interfaces as requested by, as applicable, any merchant, consumer, end user or other third party. Client will also be solely responsible for receiving and responding to complaints from any of the foregoing relating to the Client Interface.

15. DISCLAIMER. CLIENT ACKNOWLEDGES AND AGREES THAT THE API SERVICE IS PROVIDED "AS IS", "WITH ALL FAULTS", "AS AVAILABLE" AND WITHOUT WARRANTY OF ANY KIND. TO THE FULLEST EXTENT PERMITTED BY LAW, ACTIVE EXPRESSLY DISCLAIMS ALL WARRANTIES AND CONDITIONS OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE ARISING IN LAW, FROM A COURSE OF DEALING OR USAGE OR TRADE, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF TITLE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT. ACTIVE DOES NOT WARRANT THAT THE API SERVICE WILL MEET CLIENT'S REQUIREMENTS OR THAT THE API SERVICE IS COMPATIBLE WITH ANY PARTICULAR HARDWARE OR SOFTWARE PLATFORM. CLIENT FURTHER ACKNOWLEDGES AND AGREES THAT ACTIVE IS NOT RESPONSIBLE FOR, AND EXPRESSLY DISCLAIMS ALL LIABILITY ARISING OUT OF, EXPLOITATION OF SECURITY VULNERABILITIES IN NON-ACTIVE TECHNOLOGIES (SUCH AS APIS AND PLUGINS), EVEN WHEN THOSE SECURITY VULNERABILITIES CAUSE HARM THROUGH, OR BY WAY OF, THE API SERVICE.

16. ACTIVE APPLICATION DEVELOPMENT. Client acknowledges and agrees that Active, whether on its own behalf or in connection with a third party, may be independently creating applications, content and other products or services that may be similar to, or competitive with, the Client Interface. Nothing in this Agreement or Product Attachment will be construed as restricting or preventing Active from creating and fully exploiting such applications, content and other items without any obligation to Client.

EXHIBIT J

RENEWAL ADDENDUM

YOUNG REMBRANDTS FRANCHISE, INC.
RENEWAL ADDENDUM TO THE FRANCHISE AGREEMENT

This Addendum is to a Franchise Agreement executed contemporaneously with this Renewal Addendum, and is by and between Young Rembrandts Franchise, Inc. (the "Company") an Illinois corporation having its principal office at 23 North Union Street, Elgin, IL 60123 and (the "Franchisee") having its principal office at _____
to amend said Franchise Agreement as follows:

WHEREAS, Franchisee has owned and operated a Young Rembrandts franchise business pursuant to a Franchise Agreement dated _____, 20 ___ ("Initial Franchise Agreement");

WHEREAS, the Initial Franchise Agreement was for a term of ten (10) years from the date of the opening of the franchise business, and expires on _____, ____;

WHEREAS, the Initial Franchise Agreement provided for the option to enter into a successor franchise agreement for one additional ten (10) year franchise term provided that certain terms and conditions were met by Franchisee; and

WHEREAS, Franchisee desires to continue to own and operate its Young Rembrandts franchise business and to enter into a successor franchise agreement to extend the franchise relationship;

WHEREAS, by the terms of the Initial Franchise Agreement, in order to obtain a successor franchise, Franchisee must execute the form of Franchise Agreement currently being offered by Company, which agreement is being executed contemporaneously with this Renewal Addendum ("Franchise Agreement") and must meet certain conditions as set forth in the Initial Franchise Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

1. The above recitals are incorporated herein and made a part of this Renewal Addendum to the Franchise Agreement.

2. Paragraph 4.1 of the Franchise Agreement is revised in its entirety to read as follows: "The term of this Agreement shall be ten (10) years (the "Term") from _____, 20___, which is the date of expiration of the Initial Franchise Agreement.

3. Paragraph 9.1. (Initial Franchise Fee) is deleted in its entirety. Upon the execution of this Renewal Addendum, Franchisee shall pay the Renewal Fee as set forth in Franchisee's Initial Franchise Agreement.

4. Paragraphs 5.1 (Initial Training; Post-Training Conference Calls) and 5.4 (Pre-Opening Advertising) are hereby deleted as inapplicable.

5. Paragraph 6.2 (Opening) of the Franchise Agreement is hereby deleted as

inapplicable.

6. The last sentence of Paragraph 9.2 (Royalty and Other Fees) of the Franchise Agreement is deleted and replaced by the following:

> Notwithstanding the foregoing, from the date of this Agreement and through the end of the Term, Franchisee must pay a minimum Royalty Fee in the amount of Five Hundred Dollars ($500.00) per month ("Minimum Royalty Payment").

7. In all other respects, the Franchise Agreement shall be construed and enforced as it is written.

8. In consideration of the mutual and several agreements recited above and the Company's issuance of a successor Franchise Agreement to Franchisee, Franchisee does forever release and discharge Company, its officers, directors, shareholders, employees, agents and representatives, in that capacity and individually, its guarantors, successors, and assigns on behalf of his or her heirs and its successors and assigns from all manner of actions, cause, causes of action, suits, debts, sums of money, accounts, promises, variances, trespasses, damages, judgments, execution, claims and demands, whatsoever, in law or in equity, arising out of any relationship between Franchisee and Company whether contractual or otherwise which he, she and/or it now has, or has had, or which his and heir heirs and executors and its successors and assigns hereafter can, shall or may have, for upon or by reason of any matter, cause or thing whatsoever at any time prior to the date of this Agreement.

9. Franchisee, and each of them, acknowledges and represents that he, she and/or it has entered into this Renewal Addendum freely and voluntarily and not as the result of any undue influence, constraint or distress.

In witness whereof, the parties hereto, intending to be legally bound, hereby have duly executed, sealed and delivered this Renewal Addendum to the Franchise Agreement on the dates set forth below each signature.

"FRANCHISEE"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC.
By:_____	By: _____
Its:_____	Its:_____
Date: _____	Date: _____

EXHIBIT K

STATE ADDENDA

Some administrators of franchise registration states may require us to enter into an addendum to the Franchise Disclosure Document and franchise agreement describing certain state laws or regulations which may supersede the Franchise Disclosure Document or franchise agreement. If you are in a registration state which requires an addendum, it will be in this Exhibit K.

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

The Young Rembrandts Franchise, Inc. Franchise Disclosure Document Circular for use in the State of California is modified in accordance with the following:

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 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

2. Item 3 of the Disclosure Document on "Litigation" is amended by the addition of the following:

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

3. Item 17 of the Disclosure Document on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

> California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
>
> The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
>
> The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
>
> The Franchise Agreement requires binding arbitration. The arbitration will occur in the State of Illinois with the costs being borne by the losing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as the Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside of the State of California.
>
> The Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law.
>
> Section 31125 of the Franchise Investment Law requires us to give to 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 Franchise Agreement.

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

4. The Company's website address is www.youngrembrandts.com.

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

5. Item 5 of the Franchise Disclosure Document on Initial Fees is amended as follows:

Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

6. Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property state such as California.

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

8. #8 of the Franchisee Disclosure Questionnaire is deleted in its entirety.

9. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

This Addendum is to a Franchise Agreement between Young Rembrandts Franchise, Inc. (Company) and _____(Franchisee), to amend said Agreement as follows:

1. Paragraph 9.1 is revised in its entirety to read as follows:

9.1 Initial Franchise Fee. The Franchisee shall pay to the Company the Initial Franchise Fee in the amount of _____ Dollars ($_____) by certified or cashier's check once Franchisor's initial obligations to Franchisee are completed and Franchisee is open for business. The Initial Franchise Fee shall be non-refundable and deemed fully earned by the Company when paid, except as otherwise expressly stated to the contrary in this Agreement.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective on the date below the signatures.

"FRANCHISEE"

_____

By:_____

Its: _____

Date: _____

"COMPANY"

YOUNG REMBRANDTS FRANCHISE, INC., an Illinois corporation

By: _____

Its: _____

Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII

The Young Rembrandts Franchise, Inc. Disclosure Document for use in the State of Hawaii is modified in accordance with the following:

1. For Hawaii franchisees, the conditions under which the franchise can be terminated and rights upon nonrenewal may be affected by Hawaii Revised Statutes, Section 482E-6.

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

The Young Rembrandts Franchise Disclosure Document for use in the State of Illinois is modified in accordance with the following:

Illinois law shall apply to and govern the Franchise Agreement.

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

Franchisee's rights upon Termination and Non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

Payment of the Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

This addendum is entered into between Young Rembrandts Franchise, Inc. ("Company") and _____ (Franchisee); is made a part of; and where relevant, qualifies or supersedes certain provisions of the Franchise Disclosure Document and the Franchise Agreement between the parties, which are amended as follows:

1. Nothing herein may be interpreted or deemed to negate any contrary provision of the Illinois Franchise Disclosure Act of 1987.

2. The conditions under which this Franchise can be terminated and the Franchisee's rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

3. Section 2.3 is deleted in its entirety and Sections 2.6 and 2.8 are restated as follows:

2.6 Franchise Disclosure Document. The Franchisee has received from the Company a copy of the Company's Franchise Disclosure Document, together with a copy of all proposed Exhibits and Agreements relating to the sale of the franchise.

2.8 The Company's Rights to Sell. The Franchisee affirms and agrees that the Company may sell any or all of its assets, the Marks or the System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other entities, or be acquired by another entity; may undertake a refinancing, recapitalization, leveraged buyout or other restructuring; and, with regard to any or all of the above transactions (which may involve an entity which is in the business of franchising or sale of services or products similar or identical to such as provided by the Business).

4. Paragraph 20.5 on Governing Law is amended by the addition of the following:

"To the extent this provision could be applied so that this Agreement would be interpreted and construed under the laws of a state other than Illinois based on the current location of the principal office of the Company, this provision shall not apply to any cause of action which is otherwise is enforceable in Illinois pursuant to Section 4 of the Illinois Franchise Disclosure Act."

5. Paragraph 20.6 on Choice of Forum is amended by the addition of the following:

"To the extent this provision could be applied to provide for a forum in a state other than the State of Illinois based on the current location of the principal office of the Company, this provision is void with respect to any cause of action which otherwise is enforceable in Illinois."

6. Any condition, stipulation or provision in this Agreement or in the Franchisee Disclosure Questionnaire purporting to bind Franchisee to waive compliance with any provision of the

Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

7. Section 9.1 is amended by the addition of the following:

Payment of the Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

This addendum is entered into on the date below the signatures

YOUNG REMBRANDTS FRANCHISE, INC., an Illinois corporation

_____
(Franchisee)

By: _____ By: _____

Its: _____ Its: _____

Date: _____ Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE TERRITORY DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS

This addendum is entered into between Young Rembrandts Franchise, Inc. ("Company") and _____ (Developer); is made a part of; and where relevant, qualifies or supersedes certain provisions of the Franchise Disclosure Document and the Territory Development Agreement between the parties, which are amended as follows:

1. Nothing herein may be interpreted or deemed to negate any contrary provision of the Illinois Franchise Disclosure Act of 1987.

2. The conditions under which this Agreement can be terminated may be affected by Illinois law, 815 ILCS 705/19.

3. Section 21.C is deleted in its entirety and Section 21.B is restated as follows:

   B. Developer acknowledges that it has received a copy of this Agreement and attachments thereto. Developer further acknowledges that Developer has received the Company's Franchise Disclosure Document.

   C.

4. Any condition, stipulation or provision in this Agreement purporting to bind Franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

5. Section 2 of the Territory Development Agreement is amended by the addition of the following:

   Payment of the Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

This addendum is entered into on the date below the signatures.

YOUNG REMBRANDTS FRANCHISE, INC., an Illinois corporation

_____
(Developer)

By: _____

Its: _____

Date: _____

By: _____

Its: _____

Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA

This addendum to the Franchise Agreement is by and between Young Rembrandts Franchise, Inc. (Franchisor) and _____ (Franchisee) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Franchise Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective as of the date below the signatures.

YOUNG REMBRANDTS FRANCHISE, INC., an Illinois corporation

By: _____

Its: _____

Date: _____

FRANCHISEE

_____
[Insert individual name or company]

By: _____

Its: _____

Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

1. Item 17.h of the Disclosure Document is amended by the addition of the following language:

"Termination upon bankruptcy of the Franchisor may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)."

2. Item 17.c. and 17.m. of the Disclosure Document are amended by the addition of the following language:

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

3. Item 17.v. of the Disclosure Document is amended by the addition of the following language:

"Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

4. Item 5 of the Disclosure Document is amended by the addition of the following language:

"Payment of the Initial Franchise Fee and the Territory Development Fee shall be deferred until Franchisor has satisfied all of its pre-opening obligations to Franchisee."

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

This Addendum is to a Franchise Agreement between Young Rembrandts Franchise, Inc. and _____(Franchisee) to amend said Agreement as follows:

1. Section 4.2 of the Franchise Agreement on Right to Obtain Successor Franchise Agreements, Section 5.1.B of the Franchise Agreement on refund of fees upon failure to satisfactorily complete training, and Section 14.3 of the Franchise Agreement on Transfer by the Franchisee are amended by the addition of the following language to the original language that appears therein:

   "Any provision requiring Franchisee to execute a general release of any and all claims against Franchisor as a condition of renewal, sale, and/or assignment/transfer shall not apply under Maryland Franchise Registration and Disclosure Law."

2. Section 16.2 of the Franchise Agreement on The Company's Right to Terminate After Opening is amended by the addition of the following language to the original language that appears therein:

   "Termination upon bankruptcy of the Franchisor may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

3. Section 20.6 of the Franchise Agreement on Choice of Forum shall be amended by the addition of the following language to the original language that appears therein:

   "Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

4. Article II of the Franchise Agreement on Acknowledgements shall be amended by the addition of the following language to the original language that appears therein:

   "The representations of this section 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."

5. The Franchise Agreement is amended by the addition of the following:

   "Any limitation of claims provisions shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

6. Section 9.1 of the Franchise Agreement is revised in part as follows:

"Payment of the Initial Franchise Fee shall be deferred until Franchisor has satisfied all of its pre-opening obligations to Franchisee."

IN WITNESS HEREOF, the parties have signed this Agreement as of the date below the signatures.

"FRANCHISEE"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC.
By_____	By_____
Its_____	Its_____
Date _____	Date _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE TERRITORY DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND

This Addendum is to a Territory Development Agreement between Young Rembrandts Franchise, Inc. and _____(Developer) to amend said Agreement as follows:

1. Section 6 of the Territory Development Agreement is amended by the addition of the following language to the original language that appears therein:

> "Termination upon bankruptcy of the Franchisor may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Section 20 of the Territory Development Agreement on Choice of Forum shall be amended by the addition of the following language to the original language that appears therein:

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

3. Section 21 of the Territory Development Agreement on Acknowledgements shall be amended by the addition of the following language to the original language that appears therein:

> "The representations of this section 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."

4. The Territory Development Agreement is amended by the addition of the following:

> "Any limitation of claims provisions shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

5. Section 2 of the Territory Development Agreement is revised in part as follows:

> "Payment of the Development Fee shall be deferred until Franchisor has satisfied all of its pre-opening obligations to Developer."

IN WITNESS HEREOF, the parties have signed this Agreement on the dates below the signatures.

"DEVELOPER"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC.
By:_____	By:_____
Its:_____	Its: _____
Date: _____	Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The Young Rembrandts Franchise, Inc. Franchise Disclosure Document for use in the State of Minnesota is modified in accordance with the following:

1. Item 13 of the Disclosure Document on "Trademarks" is amended by the addition of the following language to the original language that appears therein:

> "In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Company shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:
>
> A. delivers to Company prompt written notice of the threat;
> B. grants Company written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
> C. did not cause or give rise to the threat due to a material failure to comply with Company's previously communicated trademark usage requirements;
> D. cooperates promptly and fully with Company in the defense, mitigation, and/or settlement of the threat; and
> E. does not jeopardize or compromise any right, defense, obligation or liability of Company, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Company, unless required by applicable law."

2. Item 17 of the Disclosure Document is amended by the addition of the following language to the original language that appears therein:

> "With respect to franchises governed by Minnesota law, Company will comply with Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 which require, except in certain specified cases, 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."

3. Item 17 of the Disclosure Document is amended by the addition of the following language to the original language that appears therein:

> "The execution of a general release as a condition for renewal or for assignment of the franchise shall be inapplicable to franchises operating in Minnesota."

4. Item 17 of the Disclosure Document is amended by the addition of the following language to the original language that appears therein:

> "Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Disclosure

Document or agreement can abrogate or reduce any your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction."

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

This Addendum is to a Franchise Agreement between Young Rembrandts Franchise, Inc. (Company) and _____(Franchisee) to amend said Agreement as follows:

1. Sections 5.2 and 5.3 of the Franchise Agreement on Right to Obtain Successor Franchise Agreements and Section 16.1 and 16.2. of the Franchise Agreement on termination by Company are amended by the addition of the following language to the original language that appears therein:

> "Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, 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. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."

2. Section 5.2. of the Franchise Agreement on Right to Obtain Successor Franchise Agreements and Section 14.3. of the Franchise Agreement on Transfer are amended by the addition of the following language to the original language that appears therein:

> "The execution of a general release upon transfer shall be inapplicable to franchises operating in Minnesota."

3. Article VIII of the Franchise Agreement on Trademarks is amended by the addition of the following language to the original language that appears therein:

> "In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Company shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:
>
> A. delivers to Company prompt written notice of the threat;
> B. grants Company written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
> C. did not cause or give rise to the threat due to a material failure to comply with Company's previously communicated trademark usage requirements;
> D. cooperates promptly and fully with Company in the defense, mitigation, and/or settlement of the threat; and
> E. does not jeopardize or compromise any right, defense, obligation or liability of Company, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Company, unless required by applicable law."

4. Sections 20.5 and 20.6 of the Franchise Agreement on Governing Law and Choice of Forum are amended by the addition of the following language to the original language that appears therein:

> "Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective as of the date below the signatures.

"FRANCHISEE"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC., an Illinois corporation
By:_____	By: _____
Its: _____	Its: _____
Date: _____	Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

The Young Rembrandts Franchise, Inc. Offering Prospectus for use in the State of New York is modified in accordance with the following:

The following is added to the page **Special Risks to Consider About *This* Franchise**:

The franchisor's financial condition, as reflected in its financial statements (see Item 21) calls into question the franchisor's ability to provide services and support to you.

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 SOURCES OF 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 THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21st FLOOR, NEW YORK, NEW YORK 10005-1495. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

   Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

   (a) No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

   (b) No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

(c) No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been 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 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 Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer of general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

> However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled **"Assignment of contract by franchisor"**:

   However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled **"Choice of Forum"**, and Item 17(w), titled **"Choice of law"**:

   The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND

1. Item 17 of the Franchise Disclosure Document is amended by the addition of the following:

> "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 application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.'"

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

This addendum to the Franchise Agreement is by and between Young Rembrandts Franchise, Inc. and _____ (Franchisee) to amend said Agreement as follows:

1. Section 19.1 of the Franchise Agreement on Arbitration is amended by the addition of the following language to the original language that appears therein:

> "Rhode Island law provides with respect to a claim enforceable under the Rhode Island Franchise Investment Act, that any provision in a franchise agreement which restricts jurisdiction or venue outside of Rhode Island is void. Accordingly, arbitration of a claim enforceable under the Act will be conducted in Rhode Island unless the franchisee agrees otherwise."

2. Section 20.5 of the Franchise Agreement on Governing Law and Section 20.6 of the Franchise Agreement on Choice of Forum is amended by the addition of the following language to the original language that appears therein:

> "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 application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.'"

IN WITNESS HEREOF, the parties have signed this Agreement as of the date below the signatures.

"FRANCHISEE"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC.
By_____	By _____
Its_____	Its_____
Date: _____	Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE TERRITORY DEVELOPMENT AGREEMENT
FOR THE STATE OF RHODE ISLAND

This addendum to the Territory Development Agreement is by and between Young Rembrandts Franchise, Inc. and _____ (Developer) to amend said Agreement as follows:

1. Section 16 of the Territory Development Agreement on Governing Law and Section 20 of the Territory Development Agreement on Choice of Forum is amended by the addition of the following language to the original language that appears therein:

> "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 application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.'"

2. Section 17 of the Territory Development Agreement on Agreement to Arbitrate is amended by the addition of the following language to the original language that appears therein:

> "Rhode Island law provides with respect to a claim enforceable under the Rhode Island Franchise Investment Act, that any provision in a franchise agreement which restricts jurisdiction or venue outside of Rhode Island is void. Accordingly, arbitration of a claim enforceable under the Act will be conducted in Rhode Island unless the franchisee agrees otherwise."

IN WITNESS WHEREOF, this Agreement has been executed by the Company and Developer on the date below the signatures.

_____	**YOUNG REMBRANDTS FRANCHISE, INC.**
[DEVELOPER]	
By: _____	By: _____
Its: _____	Its: _____
Date: _____	Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF SOUTH DAKOTA

The Young Rembrandts Franchise, Inc. Franchise Disclosure Document for use in the State of South Dakota is modified in accordance with the following:

1. The South Dakota Department of Labor and Regulation requires the Franchisor to defer all initial franchise fees until the franchise is operational. This deferral of the initial franchise fees is required based on the Franchisor's financial condition.

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO FRANCHISE AGREEMENT
FOR USE IN STATE OF SOUTH DAKOTA

This addendum to the Franchise Agreement is by and between Young Rembrandts Franchise, Inc. (Company) and _____ (Franchisee) to amend said Agreement as follows:

1. Section 9.1 of the Franchise Agreement on "Initial Franchise Fee" is amended by the addition of the following:

> Notwithstanding the language in Section 9.1, payment of the initial franchise fee is deferred until Franchisee's Young Rembrandts franchise is open for business.

2. Except as expressly modified hereby, the Franchise Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF the parties hereto have executed, sealed and delivered this Agreement in counterparts on the day and year first above written.

"FRANCHISEE"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC.
By:_____	By: _____
Its:_____	Its:_____
Date: _____	Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE TERRITORY DEVELOPMENT AGREEMENT
FOR THE STATE OF SOUTH DAKOTA

This addendum to the Territory Development Agreement is by and between Young Rembrandts Franchise, Inc. ("Company") and _____ ("Developer") to amend said Agreement as follows:

1. Section 2 of the Territory Development Agreement is amended by the addition of the following:

> Notwithstanding the language in Section 2, payment of any portion of the initial franchise fees is deferred until each of Developer's Young Rembrandts franchises is open for business.

2. Except as expressly modified hereby, the Territory Development Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF the parties hereto have executed, sealed and delivered this Agreement in counterparts on the date below the signatures.

YOUNG REMBRANDTS FRANCHISE, INC., an Illinois corporation

By: _____

Its: _____

Date: _____

_____
(Developer)

By: _____

Its: _____

Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE COMMONWEALTH OF VIRGINIA

The following is added to the page **Special Risks to Consider About *This* Franchise**:

> Your exclusive rights to the assigned territory and your right to continue to operate the franchise are dependent upon you maintaining gross revenues sufficient to generate an average monthly royalty payment of at least $500.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Young Rembrandts Franchise, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following is added to Item 5:

The Virginial State Corporate Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owned by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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

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

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO FRANCHISE AGREEMENT
FOR USE IN COMMONWEALTH OF VIRGINIA

This addendum to the Franchise Agreement is by and between Young Rembrandts Franchise, Inc. (Company) and _____ (Franchisee) to amend said Agreement as follows:

1. Section 9.1 of the Franchise Agreement on "Initial Franchise Fee" is amended by the addition of the following:

> The Virginial State Corporate Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owned by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. Except as expressly modified hereby, the Franchise Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF the parties hereto have executed, sealed and delivered this Agreement in counterparts on the date below the signatures.

"FRANCHISEE"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC.
By:_____	By: _____
Its:_____	Its:_____
Date: _____	Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE TERRITORY DEVELOPMENT AGREEMENT
FOR THE COMMONWEATLH OF VIRGINIA

This addendum to the Territory Development Agreement is by and between Young Rembrandts Franchise, Inc. ("Company") and _____ ("Developer") to amend said Agreement as follows:

1. Section 2 of the Territory Development Agreement is amended by the addition of the following:

> The Virginial State Corporate Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owned by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. Except as expressly modified hereby, the Territory Development Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF the parties hereto have executed, sealed and delivered this Agreement in counterparts on the date below the signatures.

YOUNG REMBRANDTS FRANCHISE, INC., an Illinois corporation

By: _____

Its: _____

Date: _____

_____
(Developer)

By: _____

Its: _____

Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON

Item 1 of the Franchise Disclosure Document is amended by the addition of the following:

> Franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington state.

Item 5 of the Franchise Disclosure Document is amended by the addition of the following:

> The collection of the initial franchise fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business.

Item 17 of the Franchise Disclosure Document is amended by the addition of the following to 17.d. of the Territory Development Agreement table:

> Developer may terminate the Territory Development Agreement under any grounds permitted by law.

The Franchise Disclosure Document is amended by the addition of the following:

> "In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
>
> RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
>
> In any arbitration 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.
>
> A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
>
> Transfer fees are collectable to the extent that they reflect the franchisor's reasonable

estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable by a franchisor against an employee of the franchisee unless the employee's earnings from the party seeking enforcement, when annualized, exceed one hundred thousand dollars per year (an amount that will be adjusted annually for inflation). Pursuant to RCW 49.62.030, a noncompetition covenant is void and unenforceable by a franchisor against an independent contractor of the franchisee unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed two hundred fifty thousand dollars per year (an amount that will be adjusted annually for inflation). As a result, the franchisor will not require franchisees to have their employees and independent contractors sign any agreement that contains noncompetition covenants or the franchisor will direct franchisees to remove noncompetition covenants from agreements employees are required to sign.

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 a franchisee or (ii) soliciting or hiring any employee of the franchisor. As a result, the franchisor will not require franchisees to sign any non-solicitation agreement or the franchisor will remove non-solicitation covenants from agreements franchisees are required to sign.

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT AND FRANCHISEE DISCLOSURE QUESTIONNAIRE FOR THE STATE OF WASHINGTON

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration 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.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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.

Section 9.1 of the Franchise Agreement on "Initial Franchise Fee" is amended by the addition of the

following:

> Notwithstanding the language in Section 9.1, payment of the initial franchise fee is deferred until Franchisee's Young Rembrandts franchise is open for business.

#9, #14, and #15 of the Franchisee Disclosure Questionnaire are deleted in their entirety.

The undersigned does hereby acknowledge receipt of this addendum.

"FRANCHISEE"	**"COMPANY"**
_____	YOUNG REMBRANDTS FRANCHISE, INC.
By:_____	By: _____
Its:_____	Its: _____
Date: _____	Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE TERRITORY DEVELOPMENT AGREEMENT AND FRANCHISEE DISCLOSURE QUESTIONNAIRE FOR THE STATE OF WASHINGTON

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

RCW 19.100.180 may supersede the territory development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the territory development agreement in your relationship with the
franchisor including the areas of termination and renewal of your franchise.

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.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the territory development agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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 territory development agreement or elsewhere are void and unenforceable in Washington.

Because the Franchisor has material pre-opening obligations with respect to each franchise business the franchisee opens under the Territory Development Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

#9, #14, and #15 of the Franchisee Disclosure Questionnaire are deleted in their entirety.

The undersigned does hereby acknowledge receipt of this addendum.

DEVELOPER:	**COMPANY:**
_____	**YOUNG REMBRANDTS FRANCHISE, INC.**
By _____	By _____
Its _____	Its _____
Date: _____	Date: _____

YOUNG REMBRANDTS FRANCHISE, INC.
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN

This Addendum is to a Franchise Agreementbetween Young Rembrandts Franchise, Inc. and (Franchisee) to amend said Agreement by including the following language:

> The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective as of the date below the signatures.

YOUNG REMBRANTS FRANCHISE, INC., an Illinois corporation	FRANCHISEE: _____ [Insert individual name or company]
By: _____	By: _____
Its: _____	Its: _____
Date: _____	Date: _____

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
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.

Copy for You

FRANCHISE DISCLOSURE DOCUMENT RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Young Rembrandts Franchise, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days (and 10 business days in MI and NY) before you sign a binding Agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Young Rembrandts Franchise, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit H.

The name, principal business address and telephone number of each franchise seller offering the franchise:
[Check as applicable]

□ Bette Fetter, 23 North Union Street, Elgin, IL 60123 (847)742-6966
□ Kim Swanson, 23 North Union Street, Elgin, IL 60123 (847)742-6966
□ Camille Wilson, 23 North Union Street, Elgin, IL 60123 (847)742-6966
□ Liz Wahl, 23 North Union Street, Elgin, IL 60123 (847)742-6966
□ Pam Murdoch, 23 North Union Street, Elgin, IL 60123 (847)742-6966
□ Kathleen Briscoe-Thompson, 23 North Union Street, Elgin, IL 60123 (847)742-6966
□ Christy Roberson, 23 North Union Street, Elgin, IL 60123 (847)742-6966
□ Jamie Schnell, 23 North Union Street, Elgin, IL 60123 (847)742-6966
□ Maren Celeste Spurgeon, 23 North Union Street, Elgin, IL 60123 (847)742-6966
□ _____

Issuance date: March 6, 2023

See Exhibit H for our registered agents authorized to receive service of process.

I have received a Franchise Disclosure Document dated March 6, 2023 including the following Exhibits:

A	Franchise Agreement
B	Territory Development Agreement
C	Guaranty
D	Financial Statements
E	List of Franchisees, Affiliate-Owned Units and Former Franchisees
F	Table of Contents of Manuals
G	Franchisee Disclosure Questionnaire
H	List of State Administrators and Agents for Service of Process
I	Active Network Software Agreement
J	Renewal Addendum
K	State Addenda

_____ _____
Date individually or as an officer, member or partner of

_____
A _____ (type of entity)

Copy for Company

FRANCHISE DISCLOSURE DOCUMENT RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Young Rembrandts Franchise, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days (and 10 business days in MI and NY) before you sign a binding Agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Young Rembrandts Franchise, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit H.

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I	Active Network Software Agreement
J	Renewal Addendum
K	State Addenda

_____ _____
Date individually or as an officer, member or partner of

_____
A _____ (type of entity)

AFTER YOU SIGN AND DATE THIS RECEIPT, RETURN IT TO US BY MAIL TO 23 NORTH UNION STREET, ELGIN, ILLINOIS OR BY FAX AT 847/742-7197.