



FRANCHISE DISCLOSURE DOCUMENT

KLA FRANCHISE, LLC
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Miami, Florida 33145
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www.klaschoolsfranchise.com

As a KLA Schools franchisee, you will operate an upscale childcare/pre-school center providing educational programs to children that emphasize the child's curiosity about the world in a secure and safe environment ("KLA School(s)®") using our System and Marks. Under the Single School Program, the total investment necessary to begin operation of a KLA School franchised business is \$1,121,000 to \$5,804,750. This includes \$78,500 to \$98,500 that must be paid to the franchisor or its affiliates. Under the Center Development Program, the total investment necessary to begin operation of a KLA School franchised business is \$1,271,000 to \$5,954,750. This includes \$228,500 to \$248,500 that must be paid to the franchisor or its affiliates. In addition, if you sign an Area Development Agreement, you must pay us a development fee equal to \$20,000 for each additional KLA School that you agree to develop; \$20,000 will be credited towards the initial franchise fee for each additional KLA School as described in the Area Development Agreement. A minimum of two KLA Schools must be opened under the Area Development Agreement.

This Disclosure Document summarizes certain provisions of your Franchise Agreement, Center Development Agreement, Area 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 disclosures in different formats, contact KLA Schools, Roberto Ortega, President and Chief Executive Officer, 1750 Coral Way, Suite 301, Miami, Florida 33145, telephone (305) 912-5521 EXT 1235.

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

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

Date of Issuance: March 16, 2022.

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 Exhibit J-1.
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?	Exhibit I 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 KLA Schools 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 KLA Schools franchisee?	Exhibits J-1 and J-2 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 A.

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

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, center development agreement and area development agreement require you to resolve disputes with the franchisor by arbitration or litigation only in Florida. 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, arbitration, or litigation with franchisor in Florida than in your home state.

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.

FOR THE STATE OF MICHIGAN

1. 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 prohibition of your right to join an association of Franchisees.
- A requirement that you assent to a release, assignment, novation, waiver or estoppel that deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- A provision that permits us to terminate a franchise before the expiration of this term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice of the failure and a reasonable opportunity, which in no event need be more than 30 days, to cure the failure.
- A provision that permits us to refuse to renew a franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to us and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (a) the term of the franchise is less than 5 years, and (b) you are prohibited by the Franchise Agreement 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 you do not receive at least 6 months advance notice of our intent not to renew the franchise.
- A provision that permits us 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.
- A provision requiring that litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of litigation, to conduct litigation at a location outside this state.
- A provision that permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

1. The failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
 2. The fact that the proposed transferee is our or Sub-franchisor's competitor.
 3. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 4. Your or proposed transferee's failure to pay us any sums or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants us 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 us the right to acquire the assets of a franchise for the market or appraised value and has failed to cure the breach in the manner provided in Item 17 (g).
 - A provision that permits us to directly or indirectly convey, assign or otherwise transfer our obligations to fulfill contractual obligations to you unless a provision has been made for providing the required contractual services.

2. If our most recent financial statements are unaudited and show a net worth of less than \$100,000.00, you may request that we arrange for the escrow of initial investment and other funds you paid until our obligations, if any, to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At our option, a surety bond may be provided in place of escrow.

3. 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.

4. Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise Bureau
525 West Ottawa Street
G. Mennen Williams Building, 6th Floor
Lansing, MI 48933
(517) 373-7117

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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES (IF ANY) APPEAR IN EXHIBIT L.

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

The Franchisor and any Parents, Predecessors, and Affiliates

To simplify the language in this Disclosure Document, the words “**we**,” “**our**” and “**us**” refer to KLA Franchise, LLC, the franchisor. “**You**” and “**your**” refer to the person who buys the franchise, whether you are an entity. If you are an entity, certain provisions of this Disclosure Document also apply to your owners and will be noted. You must also appoint an individual owner to act as your “**Operating Principal**”, who must have authority over all business decisions related to the franchise and the power to bind you in your dealings with us.

We were formed as a limited liability company in Florida on April 17, 2008 to offer KLA Schools® franchises. Our principal business address is 1750 Coral Way, Suite 301, Miami, Florida 33145. We do business under our company name and under the trade and service marks “**KLA SCHOOLS®**” and “**KLA®**” and associated logos. Our agents for service of process are listed on Exhibit A to this Disclosure Document. We have offered franchises since July 15, 2009. We do not engage in other business activities and have not offered franchises in other lines of business. We do not operate a business of the type being franchised; however, certain of the KLA Affiliates (defined in Item 2) operate Schools.

We do not have any predecessors. Our parent company, KLA Holding, LLC (our “**Parent**”) is a Florida limited liability company formed on March 28, 2007. Its principal business address is 1750 Coral Way, Suite 301, Miami, Florida 33145. Our Parent is our holding company and is the owner of the Marks (as defined below), and the holding company of certain of the KLA Affiliates that own and operate schools under the System and Marks.

Except as described above, we have no affiliates that provide products or services to our franchisees and no affiliates that have offered franchises in other lines of businesses.

The KLA Schools Franchise

We franchise the right to operate an upscale childcare/pre-school center that provides educational programs to children that emphasize the child’s curiosity about the world in a secure and safe environment under the System (as defined) and the Marks (as defined) (each, a “**School**”). Schools typically require between 7,000 to 17,000 square feet of space with a fenced outside play area and suitable parking spaces, and are usually located in a residential or commercial area with a population of families with young children. Schools are environments where each child’s abilities, competences, and natural aptitudes, are nurtured in ways that develop new and inherent talents.

The KLA curriculum is based on the Reggio Emilia educational philosophy founded by lifelong educator, innovator and creative philosopher Loris Malaguzzi in the Italian province of Reggio Emilia. Loris Malaguzzi believed that: “[T]he wider the range of possibilities we offer children, the more intense will be their motivations and the richer their experiences. We must widen the range of topics and goals, the types of situations we offer and their degree of structure, the kinds and combinations of resources and materials, and the possible interactions with things, peers, and adults.”

Schools are constructed and operate according to our distinctive business formats, methods, procedures, designs, layouts, signs, equipment, curricula, daily journals, educational programs, trade dress, standards and specifications (the “**System**”). Our Parent owns the service marks KLA SCHOOLS® and KLA® and other associated names, marks, logos, designs, trade dress, artwork, e-names and other

commercial symbols now existing or that may be developed in the future for use in the operation of Schools (the “**Marks**”).

Single School Program

Under the single school program, we grant to persons who meet our qualifications, and who are willing to undertake the investment and effort, the right to operate a School at a single location in accordance with our Franchise Agreement. Our current form of the Franchise Agreement is attached to this Disclosure Document as Exhibit C.

Unless you sign an Area Development Agreement, you have no obligation, nor any right, to open any additional Schools.

Center Development Agreement

Under the center development program (the “**Center Development Program**”), we will improve and develop your site according to our standard plans and specifications for the development of a School, including exterior and interior design and layout, fixtures, equipment, décor and signs. The current form of the Center Development Agreement is attached as Exhibit D to the Franchise Disclosure Document.

Area Development Program

In addition, for qualified franchisees who desire the right to develop multiple Schools within a designated area (the “**Development Area**”), we offer the opportunity to enter into an Area Development Agreement with us (the “**Area Development Agreement**”) to develop a mutually agreed upon number of Schools in accordance with a development schedule specified in the Area Development Agreement (the “**Development Schedule**”). Our current form of Area Development Agreement is attached as Exhibit E to this Disclosure Document. A minimum of two Schools must be opened under the Area Development Agreement.

You will sign our then-current form of Franchise Agreement for each School to be opened under the Area Development Agreement, which may differ from the current Franchise Agreement included within this Disclosure Document. If you fail to open the required number of Schools on the mutually agreed Development Schedule, we will have the right to terminate the Area Development Agreement. If the Area Development Agreement is terminated, you will lose all of your rights to develop the Development Area, and we will retain the full amount of the remaining area development fee. However, the Franchise Agreement for each School which has been opened will not be terminated solely due to your failure to comply with the Development Schedule.

General Description of the Market and Competition

You may have to compete with other businesses, including franchises, national chains and independently owned companies offering day care/pre-school services to children. The market for childcare services is well-developed in most areas.

Regulations Specific to the Industry

The regulations vary from state to state and locality to locality. Most states and localities have specific regulations that may affect businesses offering educational and childcare services. For example, if the School is classified by state or local agencies to be a “school,” the jurisdiction may impose requirements concerning licensing, tuition, curriculum and teacher certification. Classification of your School as a school

may entail requirements such as separate restroom facilities for boys and girls, drinking water fountains and special exit doors equipped with panic bars. Childcare programs may be required to meet local and state requirements regarding licensing, certification, training, and child-to-staff ratios.

Additionally, most states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your School, including those that: (a) require a permit, certificate or other license; (b) require you to conduct background checks on your employees and independent contractors; (c) establish general standards, specifications and requirements for the construction, design and maintenance of the premises; (d) regulate matters affecting the health, safety and welfare of your customers; including restrictions on smoking and availability of and requirements for public accommodations, including restrooms; (e) set standards pertaining to employee health and safety; (f) regulate matters affecting requirements for accommodations for disabled persons; (g) set standards and requirements for fire safety and general emergency preparedness; and (h) regulate the proper use, storage and disposal of waste. You must investigate and comply with all applicable laws and regulations.

You must comply with all federal, state and local government industry-specific requirements and guidance that has been and could be enacted in the future in response to the COVID-19 pandemic and develop an opening plan consistent with the Center for Disease Control Guidelines for Schools, the Center for Disease Control Guidelines for Child Care and Strategies for Protecting K-12 Staff from COVID-19 and OSHA Guidance on Preparing Workplaces for COVID-19. State and local requirements vary by jurisdiction. Requirements include increased disinfecting practices, additional hand-washing procedures, social distancing to limit exposure, new drop-off and pick up procedures, health screening for all students, parents and staff prior to entering any School, COVID-19 testing for all staff members, screening children upon arrival, lower classroom and group sizes, mandatory face coverings, pausing school events, providing virtual classroom attendance as requested and providing additional training for staff member on new policies, procedures and best practices as they become available.

We recommend that you consult with your attorney and state licensing authorities concerning special requirements that may apply to your School.

Item 2. **BUSINESS EXPERIENCE**

Chief Executive Officer and President: Roberto Ortega

Mr. Roberto Ortega has been our Chief Executive Officer and President since April 2008 and the Chief Executive Officer and President of our Parent since March 2007. He has also served as the Chief Executive Officer and President of KLABRICKELL, LLC since February 2008, KLACORALGABLES, LLC since October 2008, KLA AVENTURA, LLC since December 2009, Rio Preschools, LLC since April 2010, Palmetto Bay Early Childhood Center LLC since January 2015, KLAPROSPECT LLC since December 2015, KLA WALLINGFORD LLC since April 2017, KLA ELEMENTARY LLC since inception January 2018, and KLA HUNTSVILLE LLC since October 2018 (collectively, these affiliated entities are referred to herein as the “**KLA Affiliates**”). In addition, Mr. Ortega has served as the President of ROCA Preschools, LLC since September 2011, the franchisee of the School located in Walnut Creek, California. Finally, he serves as the Manager of KLAINVESTMENTS, LLC, a position he has held since June 2010, and the President of KLAINVESTMENTS II, LLC, a position he has held since August 2011. He has held these positions in Miami, Florida.

Executive Vice President: Pamela S. Kamesch

Mrs. Pamela Kamesch has served as our Executive Vice President since September 2021. Prior to that, she was the Manager of Field Training and School Business Consultant for Primrose Schools Franchising Company, from January 2009 to July 2021. She has held these positions in Grand Prairie, Texas.

Pedagogical Director: Candelaria Arocena

Mrs. Candelaria Arocena has been the Pedagogical Director of KLA Schools of Brickell since its opening in 2008. Mrs. Arocena also became the Pedagogical Director of the KLA Affiliates and our Pedagogical Director in 2010. She has held these positions in Miami, Florida.

Vice President of Marketing: Sally Ann Dehm

Ms. Sally Dehm has been our Vice President of Marketing since December 2020 in Miami, Florida. Prior to that, she was the Director of Marketing for Spring Education Group in West Chester, Pennsylvania, a position she held from March 2016 to November 2020.

Director of Finance: Dana Grimes

Mrs. Dana Grimes has supervised the accounting and finance department of the KLA Affiliates since November 2008 and has served as our Director of Finance since November 2008. She has held these positions in Miami, Florida.

Director of Pedagogy and School Development: Claudia Carmona

Mrs. Claudia Carmona has been part of the KLA Pedagogical Team as Director of Pedagogy and School Development since August 2019. Mrs. Carmona has also been the owner and creative director of Play Works, an Educational Consultant Company, serving KLA from October 2018 to August 2019. She has also served as Educational Consultant and the Director of Pedagogy at Bottega Child Development Center from June 2013 through June 2018. She has held these positions in Miami, Florida.

Pedagogical Consultant and Director of Professional Development: Claudia Chaustre

Ms. Claudia Chaustre has been our Pedagogical Consultant and Director of Professional Development since January 2015. She has held these positions in Miami, Florida.

Director of Franchise & Corporate Development: Jean-Michel Sada

Mr. Jean-Michel Sada has been our Director of Franchise & Corporate Development in Miami, Florida since January 2019. Mr. Sada started as the General Manager of the KLA Schools of North Bay

Village in January 2013, a position he held until December 2018. He is also the General Manager of KLA Schools of Lake Worth, a position he has held since October 2019.

Director of Branding: Maria Jose Morla de Guzman

Ms. Maria Jose Morla de Guzman works for the KLA Affiliates as the Director of Branding, a position she has held since June 2017. She holds this position in the Miami, Florida area.

Assistant Director of Professional Development: Raquel Roa

Ms. Raquel Roa has been our Assistant Director of Professional Development since November 2017. She has held these positions in the Miami, Florida area.

Assistant Director of Finance: Andrea Carolina Fajardo

Ms. Andrea Carolina Fajardo has served as our Assistant Director of Finance since April 2018 in Miami, Florida. From October 2012 to May 2018, she was a homemaker.

Operations Consultant: Jose Loor

Mr. Jose Loor has been our Operations Consultant since September 2021. Prior to that, he served as our our Direct of Marketing from April 2013 to April 2019. He has worked with the KLA Affiliates since 2008 as an operations manager. He holds these positions in the Miami, Florida area. Mr. Jose Loor has held the position of Operations Consultant of the KLA Affiliates since September 2021. Prior to that, he was the Director of Marketing of the KLA Affiliates from April 2013 to April 2019. He has worked with the KLA Affiliates since 2008 as an operations manager. He has held these positions in Miami, Florida.

Operations Specialist: Holly Harris

Ms. Holly Harris has been our Operations Specialist since February 2022. Prior to that, she was the owner and a consultant for Harris Training and Consulting. She has held these positions in Prairieville, Louisiana.

Database Director: Carrie L. Martin

Ms. Martin has been our Database Director since March 2021 in Miami, Florida. Prior to that, she was Senior Director of Digital Communications and Research for Clarus Broadband in Austin, Texas from April 2018 to May 2019 and on the branch management team for A Plus Federal Credit Union in Austin, Texas from May 2015 to March 2017. She has held these positions in Austin, Texas and Miami, Florida.

Item 3.
LITIGATION

No litigation is required to be disclosed in this Item.

Item 4.
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

Item 5. INITIAL FEES

Franchise Fee

You pay us \$78,500 when you sign the Franchise Agreement. We will refund 50% of the franchise fee if we terminate the franchise for failure to satisfactorily complete the Initial Training Program (as defined in Item 11). To obtain this refund, you must sign a general release, which is subject to state law. We do not provide refunds under any other circumstances.

If you are a qualifying veteran or member of the U.S. armed forces, the initial franchise fee for your first School will be 15% less or \$66,725.

If you would like to purchase additional franchises, and we permit you to do so, you must pay us an amount equal to 90% of our then-current franchise fee when you sign the Franchise Agreement for a second and any subsequent franchise.

In our past fiscal year, we charged initial franchise fees ranging from \$54,950 to \$78,500. A reduced initial franchise fee was charged to an existing franchisee opening a third School.

Site Selection and Development Fee

You will pay us a Site Selection and Development Fee of \$20,000; \$10,000 of the Site Selection and Development Fee must be paid when you sign the Franchise Agreement, and the remaining \$10,000 must be paid on the earlier of your acceptance of a suitable site or when we have presented you with a minimum of two suitable sites. We may refund or waive the Site Selection and Development Fee if you identify your Site (which we accept) without our assistance. The Site Selection and Development Fee is not otherwise refundable. In the past fiscal year, we charged Site Selection and Development Fees ranging between \$0 and \$20,000.

Center Development Fee

You will have the option to enter into a Center Development Agreement. The non-refundable fee under the Center Development Agreement is \$150,000 (the “**Center Development Fee**”) and is payable in three installments. The first \$50,000 installment of the Center Development Fee is payable upon signing the Center Development Agreement; \$50,000 is due 90 days after signing, and \$50,000 is due on the date that the Certificate of Occupancy is issued. The Center Development Fee is uniform to all franchisees.

Area Development Fee

If you sign an Area Development Agreement, you must pay us a non-refundable development fee (the “**Development Fee**”) equal to \$20,000 for each School that you agree to develop within the Development Area. \$20,000 of the Development Fee will be credited towards the initial franchise fee for each School as described in the Area Development Agreement. The Development Fee is due in lump sum upon signing the Area Development Agreement. A minimum of two Schools must be opened under the Area Development Agreement.

Training Fees

We will provide our Initial Training Program for your Operating Principal, Director (as defined in Item 15) and other individuals designated by us as required attendees. We will cover the costs of

instructions and materials for all required attendees, but we may charge a reasonable fee for additional individuals that you request attend our Initial Training Program (which attendance is subject to our approval). Currently, the fee for additional individuals attending Initial Training is \$1,000 per person.

Item 6.
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	6% of gross sales	Payable monthly by the 10 th day of every month	You must pay your royalty fee directly to us. See definition of gross sales. ¹ (Section 3.2 of the Franchise Agreement)
Marketing Fund Contribution	Up to 1.5% of gross sales	Payable monthly by the 10 th day of every month	We may require that you contribute up to 1.5% of gross sales to the Marketing Fund when the Marketing Fund is established. (Section 11.3 of the Franchise Agreement) (See Item 11).
Local Advertising	Currently, \$2,500 per month	Quarterly	We may require that you spend an amount designated by us that will not exceed \$2,500 per month on local advertising beginning in the month that is 90 days after the grand opening of your franchise. ² You pay directly to vendors, subject to our approval. We may collect and designate all or a portion of local advertising to payments or contributions for the funding of a cooperative advertising program. See below. Further information about advertising programs is included in Item 11. (Section 11.2 of the Franchise Agreement)
Cooperative Advertising	As determined by the advertising cooperative	As determined by the advertising cooperative	We have the right to require that you participate in the advertising cooperative if one is established within your region. There is no maximum amount that will be charged; the amount will be determined by the majority vote of the cooperative members with each School for the region having one vote. ³ Your local advertising expenditure will be reduced by the amount of the required cooperative contribution. <i>As of the date of this disclosure document, there are no advertising cooperatives.</i> (Section 11.4 of the Franchise Agreement)
Audit Expenses ⁴	All costs and expenses associated with audit	Upon demand	Audit costs are payable by you only if the audit shows you have not spent the minimum required amount on local advertising or if you underreported amounts you owe us by 3% or more. (Section 12.6 of the Franchise Agreement)

Type of Fee	Amount	Due Date	Remarks
Interest and Late Fees ⁵	1.5% per month (18% per annum) or the highest rate allowed by the state where the franchisee is located, whichever is lower. For late payments under the Center Development Agreement, a late fee of \$100 per day applies for each day that an installment of the Center Development Fee is paid late	Upon demand	Applies to all overdue fees you owe us under the Franchise Agreement and the Center Development Agreement. (Section 3.7 of the Franchise Agreement and Section 2(B) of the Center Development Agreement). Also applies to any understatement in amounts due revealed by an audit under the Franchise Agreement. (Section 12.6 of the Franchise Agreement).
Approval of Products or Suppliers ⁶	All reasonable costs of evaluation	Time of evaluation	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase. (Sections 12.5.2 and 13.1 of the Franchise Agreement)
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable to us only if you fail to maintain required insurance coverage and we elect to obtain coverage for you. (Section 15.5 of the Franchise Agreement).
Transfer Fee	\$20,000	At the time of transfer	The transfer fee is subject to state law. Payable to us if you choose to transfer the ownership of the franchise to a new entity. Does not apply, or fee is reduced, in certain instances. For example, if the franchisee is transferred due to death or incapacity of a controlling owner, the transfer fee is reduced to \$5,000 except for a transfer of interest that exceeds 50% of the legal or equitable interests in the franchisee. See Section 18 of the Franchise Agreement.
Relocation Assistance	Costs of providing relocation assistance	Time of assistance	If you need our assistance to relocate, you must reimburse our costs to assist you. (Section 5.10 of the Franchise Agreement)
Replacement Operating Principal/Director Training	Currently, \$600 per day, plus your expenses in attending	Time of training	After beginning operations, should you name a new Operating Principal or Director, the Operating Principal/Director must be approved by us and must complete required training, the cost of which is payable by you to us. (Section 8.6 of the Franchise Agreement)

Type of Fee	Amount	Due Date	Remarks
Additional Training ⁷	A reasonable fee (currently, \$500 per day), plus your expenses in attending.	Time of program	We may require from time to time that your Operating Principal, Director or other employee complete additional training. (Section 8.7 of the Franchise Agreement)
General Advice and Guidance Fee	Our then-current fee (currently, \$275 per hour)	Upon demand	We will provide you with general guidance with respect to the planning, opening, and operating the School. We reserve the right to charge a general advice and guidance fee if you are utilizing this service too frequently or in an unintended manner. (Section 14.1 of the Franchise Agreement)
Tax Reimbursement	Amount of tax	At the same time that you remit the fee or other amount due to us	You must pay us an amount equal to all sales taxes, excise taxes, withholding taxes, use taxes and similar taxes imposed on the fees payable by you to us and on services or goods furnished to you by us, unless the tax is an income tax assessed on us. (Section 3.5 of the Franchise Agreement)
Conference Registration Fee	Amount determined by us	Prior to the conference	Your Operating Principal must attend national and regional conferences prescribed by us and we may charge a registration fee. (Section 8.9 of the Franchise Agreement)
Management Fee	Reimbursement of the amount by which our expenses exceed your operating cash flow	Upon demand	If we provide you notice of termination due to your default, at our option, we may assume operation of the School until such time as you cure the default. In addition, at our option, we may manage the School upon the death or incapacity of a controlling owner of the franchisee if the director that primarily manages the School does not meet our qualifications. We are entitled to reimbursement for any expenses we incur that are not paid out of the operating cash flow of the School during the management period. (Sections 16.5 and 18.6 of the Franchise Agreement)
Option to Purchase Management Fee	5% of gross sales plus our out-of-pocket expenses	Upon demand	If we exercise our option to purchase your School at termination, at our option, we may manage the School for the period commencing on termination until the date that we purchase the School. (Section 17.4 of the Franchise Agreement)
De-Identification Expenses	Our reasonable expenses incurred in de-identifying the School premises if you fail to deidentify at termination or expiration	Upon demand	You may be required to de-identify the School premises at the termination or expiration of the Franchise Agreement. If you fail to do so, we may make changes that are reasonably needed to de-identify the School at your expense. (Section 17.3 of the Franchise Agreement)

Type of Fee	Amount	Due Date	Remarks
Lease Liquidated Damages	A fee of \$1,000 per day applies for each day that you fail to turn over possession of the premises under the Agreement to Lease	Upon demand	If you purchase the real estate for your School, you are required to enter into the Agreement to Lease (which is attached as Exhibit G to this disclosure document), which provides that you agree to enter into a lease for the premises if the Franchise Agreement is terminated, assigned or transferred in any manner. The liquidated damages fee provision of the Lease applies if you fail to deliver possession in a timely manner. (Section 2 of the Agreement to Lease and Section 1.8 of the Lease)
Lease Foundation and Roof Maintenance and Repair	Our reasonable expenses incurred in maintaining and repairing the foundation and roof of the premises, plus a 15% administrative fee	Upon demand	If you purchase the real estate for your KLA School, you are required to enter into the Agreement to Lease (which is attached as Exhibit G to this disclosure document), which provides that you agree to enter into a lease for the premises if the Franchise Agreement is terminated, assigned or transferred in any manner. If you fail to maintain the foundation and the roof of the premises after our written notice and the failure results or threatens in material disruption of our business, we may undertake steps that are reasonably needed to protect our business. (Section 2 of the Agreement to Lease and Section 5.1 of the Lease)
Cost of Enforcement	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing obligations under the Franchise Agreement if we prevail. (Section 22.4 of Franchise Agreement; Section 10 of the Center Development Agreement; Section 9.7 of the Area Development Agreement)
Indemnification	All costs and liability including reasonable attorneys' fees	Upon demand	Under the Franchise Agreement, you must indemnify and hold us harmless against all costs and liability arising from your operation of your School; under the Area Development Agreement, you must indemnify us against all costs and liability if you make any contract, agreement, warranty, or representation on our behalf; under the Center Development Agreement, you must indemnify and hold us harmless against all costs and liability which arises from or are based upon your breach of the Center Development Agreement or any errors or omissions committed by you in your performance, including any negligent or intentional acts, and any claim made against us by a third party professional. (Sections 6.4 and 21.2 of Franchise Agreement; Section 10.9 of Area Development Agreement and Section 12 of the Center Development Agreement)

We may require that all fees payable to us be paid through an electronic depository transfer account.

All fees are uniformly applied to new System franchisees and are non-refundable. These fees may have been waived or modified for a particular franchisee in the past based on the particular circumstances, and we may do so in the future if we deem appropriate.

NOTES

¹ “**Gross Sales**” means the aggregate of all revenue from the sale of services and products from all sources in connection with the School, whether for check, cash, credit or otherwise, including, without limitation, all proceeds from any business interruption insurance, but excluding (a) any sales and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto; (b) the amount of any discounts or allowances that we have approved as a policy matter as set forth in our Confidential Operations Manual from time to time; and (c) any rebate received by you from a manufacturer or supplier.

² However, as long as your School achieves and maintains a minimum 95% percent capacity compared to capacity on a full time equivalency basis, we will only require that you spend (i) \$500 per month on local advertising during any period in which you have 10 or more children on the waiting list; or (ii) \$1,000 per month on local advertising during any period in which you have less than 10 children on the waiting list. See Section 11.2.3 of the Franchise Agreement. If you fail to make the required local advertising expenditure, we have the right to spend an amount equal to the different between the amount that you’ve spent and \$2,500, and you must reimburse us for such expenses upon demand. See Section 11.2.1 of the Franchise Agreement.

³ Your payments to a cooperative advertising program counts toward meeting the local advertising requirement specified above. We have the right to collect and designate all or a portion of the local advertising to payments or contributions for the funding of a cooperative advertising program. We have the right to determine the composition of all geographic territories and market areas for the implementation of each cooperative advertising program. If a cooperative advertising program is implemented in a particular region, we may establish an advertising council to self-administer the cooperative advertising program. You must participate in the council according to the council’s rules and procedures and you must abide by the council’s decisions. A majority vote of the advertising cooperative will determine the amount of the required cooperative advertising contribution. Each School in the geographic area or market area for the cooperative will have one vote, including company-owned Schools.

⁴ Audit costs vary depending on factors, including prevailing auditor’s rates in your area, the business activity being audited and how well you keep your books and records. You pay our actual costs only. You should be able to investigate these costs by contacting auditors in your area.

⁵ Late fees begin from the date payment was due or date of underpayment. The highest rate allowed by law in California is 10% annually.

⁶ Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. Costs also vary depending on the amount of time spent reviewing the credentials/qualifications of potential service providers for addition to the approved supplier list. You pay our actual costs only.

⁷ Costs vary depending on the number of people attending, how far you travel and the type of accommodations you choose.

Item 7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
(No Center Development Agreement)

Type of Expenditure	Amount (\$)		Method of Payment	When Due	To Whom Payment Is Made
	Low	High			
Initial Franchise Fee ¹	78,500	78,500	As arranged	At signing	Us
Site Selection and Development Fee ²	0	20,000	As arranged	At signing	Us
Signage ³	10,000	15,000	As arranged	Before opening	Suppliers
Furniture, Fixtures & Equipment (Outside) ⁴	50,000	90,000	As arranged	Before opening	Suppliers
Furniture, Fixtures & Equipment (Inside) ⁵	110,000	180,000	As arranged	Before opening	Suppliers
Architecture Fees ⁶	35,000	100,000	As arranged	Before opening	Architect
Rent ⁷	0	54,167	As arranged	As arranged	Lessor
Lease Security Deposit ⁸	0	27,083	As arranged	As arranged	Lessor
Real Property Investment ⁹	0	3,400,000	As arranged	Before opening	Contractor, Suppliers
Improvements ¹⁰	450,000	840,000	As arranged	Before opening	Contractor, Suppliers
Soft Costs ¹¹	0	200,000	As arranged	Before opening	Contractor, Suppliers
Utility Deposits ¹²	10,000	30,000	As arranged	Before opening	Utilities
Initial Inventory (marketing collateral) ¹³	3,000	5,000	As arranged	Before opening	Suppliers
Computer Equipment (Hardware/Software) ¹⁴	25,000	40,000	As arranged	Before opening	Suppliers
Insurance ¹⁵	6,000	18,000	As arranged	As arranged	Insurance Companies
Office Equipment and Supplies ¹⁶	5,000	8,000	As arranged	As arranged	Suppliers
Training Expenses ¹⁷	8,500	14,000	As arranged	As arranged	Airlines, Hotels & Restaurants
Pre-Opening Advertising ¹⁸	50,000	75,000	As arranged	As arranged	Advertising Suppliers
Licenses & Permits ¹⁹ (including construction permit)	25,000	100,000	As arranged	As arranged	Licensing Authorities
Legal & Accounting ²⁰	5,000	10,000	As arranged	As arranged	Attorney, Accountant
Additional Funds-initial period (3 months) ²²	250,000	500,000	As arranged	As arranged	Employees, Utilities, Lessor, Suppliers
TOTAL²³	\$1,121,000	\$5,804,750			

YOUR ESTIMATED INITIAL INVESTMENT
(With Center Development Agreement)

Type of Expenditure	Amount (\$)		Method of Payment	When Due	To Whom Payment Is Made
	Low	High			
Initial Franchise Fee ¹	78,500	78,500	As arranged	At signing	Us
Site Selection and Development Fee ²	0	20,000	As arranged	At signing	Us
Signage ³	10,000	15,000	As arranged	Before opening	Suppliers
Furniture, Fixtures & Equipment (Outside) ⁴	50,000	90,000	As arranged	Before opening	Suppliers
Furniture, Fixtures & Equipment (Inside) ⁵	110,000	180,000	As arranged	Before opening	Suppliers
Architecture Fees ⁶	35,000	100,000	As arranged	Before opening	Architect
Rent ⁷	0	54,167	As arranged	As arranged	Lessor
Lease Security Deposit ⁸	0	27,083	As arranged	As arranged	Lessor
Real Property Investment ⁹	0	3,400,000	As arranged	Before opening	Contractor, Suppliers
Improvements ¹⁰	450,000	840,000	As arranged	Before opening	Contractor, Suppliers
Soft Costs ¹¹	0	200,000	As arranged	Before opening	Contractor, Suppliers
Utility Deposits ¹²	10,000	30,000	As arranged	Before opening	Utilities
Initial Inventory (marketing collateral) ¹³	3,000	5,000	As arranged	Before opening	Suppliers
Computer Equipment (Hardware/Software) ¹⁴	25,000	40,000	As arranged	Before opening	Suppliers
Insurance ¹⁵	6,000	18,000	As arranged	As arranged	Insurance Companies
Office Equipment and Supplies ¹⁶	5,000	8,000	As arranged	As arranged	Suppliers
Training Expenses ¹⁷	8,500	14,000	As arranged	As arranged	Airlines, Hotels & Restaurants
Pre-Opening Advertising ¹⁸	50,000	75,000	As arranged	As arranged	Advertising Suppliers
Licenses & Permits ¹⁹ (including construction permit)	25,000	100,000	As arranged	As arranged	Licensing Authorities
Legal & Accounting ²⁰	5,000	10,000	As arranged	As arranged	Attorney, Accountant
Center Development Fee ²¹	150,000	150,000	As arranged	As signing	Us
Additional Funds-initial period (3 months) ²²	250,000	500,000	As arranged	As arranged	Employees, Utilities, Lessor, Suppliers
TOTAL²³	\$1,271,000	\$5,954,750			

NOTES

- ¹ **Initial Franchise Fee.** The franchise fee for the first School is \$78,500. If you are a qualifying veteran or member of the U.S. armed forces, the initial franchise fee for your first School will be \$66,725. We will refund 50% of the franchise fee if we terminate the franchise for failure to satisfactorily complete initial training. To obtain this refund, you must sign a general release, which is subject to state law.

We do not provide refunds under any other circumstances. The franchise fee for the second and subsequent franchises is 90% of the then-current franchise fee. We do not finance any fee. See Item 5 for more information on the franchise fee.

- ² Site Selection and Development Fee. You must pay us a Site Selection and Development Fee of \$20,000. However, we may refund or waive the Site Selection and Development Fee if you identify your Site (which we accept) without our assistance. The Site Selection and Development Fee is otherwise non-refundable.
- ³ Signage. This range includes the cost of all signage used in the School. The signage requirements and costs will vary based upon the size and location of the School, local zoning requirements, landlord requirements and local wage rates for installation. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.
- ⁴ Furniture, Fixtures & Equipment (Outside). You must purchase and/or lease and install outside furniture, fixtures and play equipment necessary to operate your School. The cost of the furniture, fixtures and play equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. Amounts you pay for outside furniture, fixtures or equipment may be refundable depending on the return and refund policy of the suppliers.
- ⁵ Furniture, Fixtures & Equipment (Inside). You must purchase and/or lease and install interior furniture, fixtures and equipment necessary to operate your School. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. Amounts you pay for interior furniture, fixtures or equipment may be refundable depending on the return and refund policy of the suppliers.
- ⁶ Architecture Fees. You will need to employ an architect to provide suitable design assistance and required drawings to receive needed construction permits. The costs you pay may be partially refundable depending on the refund policy of the architect you employ.
- ⁷ Rent. You must lease or purchase the premises for the operation of the School. If you purchase the premises, you will not pay rent and, therefore, the low end in the chart is zero. See Note 9 for more information on estimated purchase costs. The high end of these initial investment costs assumes that you lease the real estate for your School. If you rent a facility, we estimate that your initial investment for rent will be \$8,000 to \$54,167. Typically, the facility will range in size from 7,000 to 17,000 square feet. Lease costs will vary based upon square footage, cost per square foot, required maintenance costs and the extent to which the landlord provides a build-out allowance for leasehold improvements (which can range from all to none). Estimated rental costs for three months are included within the category, "Additional Funds," (see Note 22 below). Lease costs are typically non-refundable.
- ⁸ Lease Security Deposit. If you purchase the premises, you will not pay a security deposit and, therefore, the low end in the chart is zero. In some cases, a landlord may require a security deposit of one to two months' rent. If you rent a facility, we estimate that your security deposit will range from \$14,895 to \$27,083. The low estimate for lease security deposit of \$14,895 assumes that you will have to pay a security deposit equal to one month rent and is based on leasing a facility of 7,000 square feet. The high estimate of \$27,083 assumes that you will have to pay a security deposit equal to two months' rent to lease a facility of 12,000 square feet at a higher cost per square foot. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises. The estimated range of costs in this category only includes your costs to enter into a lease agreement for the facility.

- ⁹ Property Investment. If you purchase a facility, we estimate that the cost will range from \$1,500,000 to \$3,400,000. The cost for real property will largely depend on the location and market. As stated above, you may rent a facility. See Notes 7 and 8 for more information on costs associated with renting the facility. The low estimate in the chart assumes that you rent your facility.
- ¹⁰ Improvements. The cost of improvements will vary depending on factors including, the size, condition and location of the facility, local wage rates and the cost of materials. The \$450,000 low end estimate in the chart assumes that you lease the premises, and that your landlord provides an allowance for the total cost of the build-out. If you rent your premises, such an allowance, however, may increase the monthly rental expense, and will depend on numerous factors including your credit history and the landlord's ability to finance the construction. The amounts you pay for improvements are typically non-refundable. You should inquire about the refund policy of the contractor at or before the time of hiring.
- Over the past two years, we have observed a rise in construction costs between 20% to 30% per year due to various economic factors as well as high market volatility in certain urban, remote, and rapid growth markets due to high demand and limited resources.
- ¹¹ Soft Costs. This estimate includes "soft costs" which may include architectural and engineering fees and other construction related expenses.
- ¹² Utility Deposits. If you are a new customer, you will generally have to pay deposits to obtain services, including electric, telephone, gas and water. The amount of the deposit and whether the deposit is refundable will vary depending on the local utilities.
- ¹³ Initial Inventory. You must purchase an initial supply of printed materials. Costs vary based upon the size and location of the School, time of season, suppliers and other related factors. Whether the inventory items are refundable will depend on the return and refund policy of the suppliers.
- ¹⁴ Computer Equipment (Hardware/Software). You must purchase the computer hardware and software described in more detail in Item 11. These costs also include set-up, cabling and installation. The estimate depends on the size of your School. The amounts you pay for computer equipment are typically non-refundable, or, if refundable, you may be subject to a "re-stocking" fee. You should inquire about the return and refund policy of the supplier at or before the time of purchasing.
- ¹⁵ Insurance. You must purchase the amounts and types of insurance as required by our Confidential Operations Manual from time to time. (See Item 8) Factors that may affect your cost of insurance include the size and location of the School, value of the improvements, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase. The amount of insurance required is also affected by lease requirements.
- ¹⁶ Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors. Whether the equipment and supply items are refundable will depend on the return and refund policy of the suppliers.
- ¹⁷ Training Expenses. Your Operating Principal, Director and other designated employees must complete our Initial Training Program. We will cover the costs of instructions and materials for all required attendees, but we may charge a fee for additional individuals that you request attend (which attendance is subject to our approval). You are responsible for transportation and expenses for meals and lodging

while attending training. See Item 11 for additional information. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. These expenses are typically non-refundable. You should inquire about the cancellation and refund policy of the airline, rental car or other transportation company and hotel at or before the time you make your reservations. In addition, any costs relating to any local or state requirements, which may include certification, are your responsibility.

- ¹⁸ Pre-Opening Advertising. We require that you spend at least \$50,000 on pre-opening day and grand opening advertising. You may choose to spend more. (See Item 11) Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the School, time of year and customer demographics in the surrounding area. The amounts you spend for grand opening advertising are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.
- ¹⁹ Licenses & Permits (including construction permit). State and local government agencies typically charge fees for occupancy permits, operating licenses, childcare licenses and construction permits. Costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.
- ²⁰ Legal & Accounting. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your School. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants. These fees are typically non-refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.
- ²¹ Center Development Fee. If you purchase the Center Development Program, we will oversee the development of the site. The Center Development Fee is payable as specified in Item 5. The Center Development Program is described in greater detail in Item 11. It is not non-refundable.
- ²² Additional Funds. The estimated amounts in the chart are the minimum levels to cover operating expenses for three months based on certain of the KLA Affiliates' experience. However, we cannot guarantee that amount will be sufficient. New businesses often generate a negative cash flow and additional working capital may be required if sales are low or fixed costs are high. The disclosure laws require us to include an estimate of all costs and expenses to operate your School during the "initial phase" of your business, which is defined as the three-month period after operations begin. We are not aware of any established longer "reasonable period" for the preschool industry. Additional funds may or may not be refundable depending on the policies of suppliers, lessors, etc. In the past two years, we have observed annual increases that are up to 30% for certain costs including real estate, rent, furniture, equipment, and labor.
- ²³ Total. In compiling this chart, we relied on certain of the KLA Affiliates' industry knowledge and experience. The amounts shown are estimates only and may vary for many reasons, including the size and condition of your facility, the capabilities of your management team, where you locate your School and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only, and we cannot guarantee that you will not have additional expenses in starting your School.

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

Item 8.
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The following table summarizes the approximate percentages of your purchases of required products and/or services that are subject to sourcing restrictions, or which must be purchased in accordance with our specifications and standards.

REQUIRED PURCHASES FROM US OR OUR AFFILIATES	REQUIRED PURCHASES FROM AN APPROVED SUPPLIER	REQUIRED PURCHASES IN ACCORDANCE WITH OUR SPECIFICATIONS AND STANDARDS
Establishment 4%	Establishment 65 - 75%	Establishment 65 - 75%
Operation 0%	Operation 65 - 75%	Operation 65 - 75%

Purchases from Us or our Affiliates

We require our franchisees to purchase certain real estate selection and development services from us, which are described more completely in Item 11. We are the only supplier of this service. Except for the real estate selection and development services, you are not currently required to purchase any goods or services from us or any affiliate. Except for real estate selection and development services, we are not the only approved supplier of any product or service.

During the year ending December 31, 2021, we derived \$58,114.90 from the sale of real estate services and for search engine optimization services, which is 1.98% of our total revenue of \$2,627,735 for fiscal year 2021.

Except for these amounts, neither we nor our affiliates have derived revenues as a result of required purchases or leases with third parties, but we reserve the right to do so in the future. We anticipate that, in the 2022 fiscal year, we will receive revenue from a third-party vendor based on a percentage of our franchisees' purchases of certain branded items including apparel, accessories, marketing materials and other printed items.

Approved Suppliers

We may require that you, at your expense, enter into agreements with suppliers approved by us (“**Approved Suppliers**”). We may change Approved Suppliers from time to time. We may designate ourselves or our affiliates as Approved Suppliers for certain products and services. We do not negotiate purchase arrangements with suppliers for the benefit of franchisees, but we reserve the right to do so in the future.

If you would like to use any goods or services in establishing and operating your School that we have not approved (for goods and services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications and samples for us to determine whether the goods or services comply with our standards and specifications or the supplier meets our approved supplier criteria. You must pay our expenses to evaluate goods, services or suppliers. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the goods or services or from the supplier. Our criteria for approving or revoking approval of suppliers includes: the supplier's ability to provide sufficient quantity of goods; quality of goods or services at competitive prices; production and delivery capability; and experience, dependability and general reputation.

We may limit the number of Approved Suppliers with whom you may deal, designate sources that you must use and/or refuse any request for alternative suppliers for any reason, including that we may designate an exclusive source (which may be us or our affiliates) for any particular item or service if we believe doing so is in the best interest of the System.

Our Director of Franchise & Corporate Development, Jean-Michel Sada, owns an interest in Marbec Uniform Company, an Approved Supplier of uniforms. Other than that, there are no suppliers in which any of our officers own an interest, and we do not receive any payments from suppliers based on franchisee purchases.

Standards and Specifications

You must purchase your furniture, fixtures, equipment, including computer equipment, inventory and signage under specifications in the Confidential Operations Manual. These specifications include standards and specifications for the appearance, quality, price, performance and functionality. These standards and specifications are based on our affiliates' experience in operating a School of the type we are franchising and through research and testing in our affiliates' Schools. We may communicate our standards and specifications directly to suppliers who wish to supply you with furniture, fixtures, equipment, inventory and signage. We will communicate our standards and specifications to you when we evaluate your proposed location for the School, during training, before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your School, and through the Confidential Operations Manual (including periodic bulletins and revisions) and other written communications to you

You must develop your site in accordance with our standard plans and specifications for the development of a School. If you purchase the Center Development Program (which is optional), we will assist you in the development of the site. See Item 11 for additional information.

We have the right to approve your lease, and our approval is conditioned on the lease containing provisions that we reasonably require. If you acquire the site, we may require that the acquisition documents contain certain provisions. See Sections 5.4 and 5.5 of the Franchise Agreement.

We may require that you remodel, redecorate or complete other modifications to existing improvements ("**Remodeling**"), and you must make such expenditures as such changes or modifications that we reasonably require. Remodeling expenses are in addition to expenditures for routine repairs and maintenance. We agree to provide you with 30 days to comply with any change or modification that we require that does not affect the health and/or safety of the students in the School, and we may extend that timeframe for delays beyond your control. You are required to immediately make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order. We will not require Remodeling more than once in any 10-year period, and you will not be required to spend more than \$25,000 in the aggregate within any five-year period to update, replace or otherwise modify your Computer System (as defined below). See Section 10.2 of the Franchise Agreement.

We will notify you in our Confidential Operations Manuals and other written communications if we revoke approval of any supplier. We will periodically issue new standards and specifications (if any) through written notices.

Opening Checklist

We will provide you with an opening checklist containing a current list of Approved Suppliers and other standards and specifications for the School's furniture, fixtures, supplies, equipment, including

computer equipment, inventory, signage and other specified items and services necessary to open the School (the “**Opening Checklist**”). See Section 13.1.2 of the Franchise Agreement.

You must meet the requirements of the Opening Checklist prior to opening the School.

Advertising and Promotional Materials

You will submit to us, for our prior approval, all advertising and promotional materials before you use them. We will use reasonable efforts to approve or disapprove such materials within 20 days after we receive them, but any materials not approved by us within this period are deemed disapproved. You may not use any advertising or promotional materials that we have disapproved.

Insurance

You must purchase and maintain in full force and effect, at your expense and from a company licensed in the state that you operate and which are rated A or better by the A.M. Best Company, Inc. At a minimum, you must carry, in accordance with the standards and specifications set forth by us in writing, the following:

1. “All Risk” property coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the School. Your property insurance policy must include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost.

2. Workers’ Compensation Insurance that complies with the statutory requirements of the state in which your School is located and employer liability coverage with a minimum limit of \$100,000 or, if higher, the statutory minimum as required by state law.

3. Comprehensive General Liability Insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of your School, or your conduct of business pursuant to the Franchise Agreement, with a minimum liability coverage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate or, if higher, the statutory minimum limit required by law.

4. Business Interruption Insurance in amounts and with terms acceptable to us. We recommend but do not require that you obtain coverage for business interruption due pandemics and widespread infectious disease outbreaks.

5. Sexual Abuse/Molestation Coverage in an amount not less than \$1,000,000.

6. Automobile Liability Insurance for owned or hired vehicles, with a combined single limit of at least \$1,000,000 or, if higher, the statutory minimum limit required by state law.

7. Such insurance as is necessary to provide coverage under the indemnity provision of the Franchise Agreement.

All insurance policies, except any workers’ compensation policies, will: expressly name us as an additional insured or loss payee; contain a waiver of all subrogation rights against us and our successors or assigns; provide us with at least 30 days’ written notice of termination, expiration, cancellation or material modification; and cannot be reduced, restricted, canceled or otherwise altered or amended without our prior written consent.

If you fail to procure or maintain the insurance that we require, we may (but are not required to) obtain the required insurance and charge the cost of the insurance to you, together with a reasonable fee for expenses incurred by us in so acting.

Computer Hardware and Software

You must use the computer software and hardware components and accessories (“**Computer System**”) that we require. You must comply with any changes to the Computer System specifications and you may incur costs for doing so. (See Items 7 and 11)

Miscellaneous

We do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether you purchase through the sources we designate or approve. We have no purchasing or distribution cooperatives serving our System. However, we reserve the right to negotiate purchase arrangements with suppliers for the benefit of franchisees, and/or to derive revenue or other consideration as a result of required purchases or leases.

Item 9. **FRANCHISEE’S OBLIGATIONS**

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

Obligation		Section in Franchise Agreement (“FA”), Center Development Agreement (“CDA”) and/or Area Development Agreement (“DA”)	Disclosure Document Item
a.	Site selection and acquisition/lease	FA: Section 5 CDA: Sections 3 and 4	Items 11 and 12
b.	Pre-opening purchases/leases	FA: Sections 5, 12 and 15 CDA: Sections 3, 4 and 6	Items 7 and 8
c.	Site development and other pre-opening requirements	FA: Sections 5 and 8 CDA: Sections 3, 4 and 6	Items 7, 8 and 11
d.	Initial Training, Personnel Training and ongoing training	FA: Section 8	Items 6, 7 and 11
e.	Opening	FA: Sections 5 and 8 DA: Section 3	Item 11
f.	Fees	FA: Sections 3, 5, 8, 10, 11, 13, 15, 18 and 22 CDA: Section 2 DA: Section 2	Items 5, 6 and 7
g.	Compliance with standards and policies/Confidential Operations Manual	FA: Sections 6, 7, 9, 10 and 13 CDA: Section 3	Items 8, 14 and 16
h.	Trademarks and proprietary information	FA: Sections 6, 7 and 9	Items 13 and 14
i.	Restrictions on products/services offered	FA: Sections 5, 6 and 13	Items 8 and 16

Obligation		Section in Franchise Agreement (“FA”), Center Development Agreement (“CDA”) and/or Area Development Agreement (“DA”)	Disclosure Document Item
j.	Warranty and customer service requirements	FA: Section 13	Item 16
k.	Territorial development and sales quotas	FA: Sections 2.3, 2.5 and 2.6 DA: Section 3	Item 12
l.	Ongoing product/service purchases	FA: Section 13	Items 8 and 11
m.	Maintenance, appearance and remodeling requirements	FA: Sections 5, 10 and 13.2	Item 6
n.	Insurance	FA: Section 15 CDA: Section 6	Items 6, 7 and 8
o.	Advertising	FA: Section 11	Items 6, 7 and 11
p.	Indemnification	FA: Section 21.2 CDA: Section 12 DA: Section 10.9	Item 6
q.	Owner’s participation/management/ staffing	FA: Section 13.3	Item 15
r.	Records and reports	FA: Section 12	Item 11
s.	Inspections and audits	FA: Sections 6.6 and 12.6	Items 6, 11 and 13
t.	Transfer	FA: Section 18 and Exhibits 2 and 6 CDA: Section 9 DA: Section 7	Item 17
u.	Renewal	FA: Section 4 and Exhibits 2 and 6	Item 17
v.	Post-termination obligations	FA: Section 17 and Exhibits 3 and 6 DA: Sections 6.2 and 8.2	Item 17
w.	Non-competition covenants	FA: Sections 7 and 17 and Exhibits 3 and 6 DA: Section 8	Item 17
x.	Dispute resolution	FA: Section 23 and Exhibit 6 CDA: Section 11 DA: Section 9	Item 17

Item 10.
FINANCING

We do not offer any direct or indirect financing. We do not guarantee your note, lease or obligation.

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

FRANCHISOR'S OBLIGATIONS OF ASSISTANCE

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

Unless otherwise stated below, all section references below refer to the Franchise Agreement.

Pre-Opening Obligations.

Before you open the School, we will:

1. Designate the area in which you must locate the School. (Section 2.3)
2. Present you with at least two suitable sites for the School and designate your protected territory ("**Protected Territory**"). The Protected Territory is determined after the earliest to occur of (i) a continuous period of operation (currently, 24 consecutive months) of your School, or (ii) such time as your School achieves a minimum percentage of enrollment (currently, 75%), compared to capacity on a full-time equivalency basis. (Sections 2.5 and 5.1; See also Item 12)

Our presentation of suitable sites or approval of a site that you present to us is intended only to indicate that the presented site(s) meets our minimum criteria based on our general business experience. We do not own the site or lease the site to you.

3. Review and approve your lease or purchase agreement for the site for the School. (Sections 5.4 and 5.5)

Our review of your lease or purchase agreement does not constitute legal advice and our review is solely for the purpose of assuring that the lease or purchase agreement complies with the Franchise Agreement. For legal advice, you must rely upon the advice of your attorney. You must sign the Conditional Assignment of Lease which is attached as Exhibit F. (Section 5.4)

4. Assist you in the: (i) coordination and design of the School, (ii) coordination of all applicable zoning, building, and child care licensing approvals, (iii) initial set up and approval of all your School's equipment and generally lend advice in the construction of the leasehold improvements for your School. Your architect will be responsible for the design and layout of your School, including the playground, which must be completed with our plans and specifications and is subject to our final approval. (Section 5.2 of the Franchise Agreement.)

5. Provide you with specifications for remodeling, decorating and equipping the approved location along with a list of required and/or approved supplies, equipment and improvements that you must purchase and install yourself. (Section 5.6) We will provide you with an Opening Checklist containing a current list of Approved Suppliers and other specifications for your School's furniture, fixtures, supplies, equipment, including computer equipment, inventory, signage and other specified items and services necessary to open. (Section 13.1.2) We do not provide other assistance with providing equipment, signs, fixtures, opening inventory, and supplies.

6. Provide our Initial Training Program. This training is described in detail later in this Item 11. (Sections 8.1 through 8.3)

7. Provide on-site assistance and guidance to assist you with any questions you may have in opening the School for a period of up to two weeks at the School for the purpose of familiarizing you with our techniques and providing general assistance and guidance in connection with the opening of the School. (Section 8.4)

8. Provide, on loan, one copy of the Confidential Operations Manual, or grant access to an electronic copy of the Confidential Operations Manual. We will provide access to particular manuals or volumes of the Confidential Operations Manual in the period prior to the opening of the School, as we deem appropriate. The Confidential Operations Manual may be a single document, or may be comprised of separate manuals or volumes. The approximate total number of pages in the Confidential Operations Manual as of the date of this Disclosure Document is 457 pages. The Table of Contents of the Confidential Operations Manual, along with number of pages devoted to each section, is included as Exhibit H to this Disclosure Document. (Section 9.1)

In addition, if you enter into the Center Development Agreement, we will assist you in finding build-to-suit opportunities and coordinating the development of the site. The services we provide under the Center Development Agreement include:

1. soliciting construction bids from our approved contractor list and other bids from other third parties that are necessary for the construction of the School and selecting professionals who will provide services for the construction of the School;
2. supervising your architect and/or engineer's preparation of plans and drawings for the School, and evaluating the plans/drawings for compliance with KLA's specifications;
3. communicating with the general contractor regarding the development of the School, and otherwise coordinating the services of all required professionals;
4. assisting you in obtaining all zoning classifications and clearances which may be required by state and local laws, ordinances or regulations for the construction and development of the School; and
5. providing on-site inspections to ensure the School is constructed in compliance with KLA's specifications and the construction plans and drawings provided by your architect/engineer.

See Section 1 of the Center Development Agreement.

Under the Area Development Agreement and Center Development Agreement, we will determine or approve the location of future units and any territories for those units, and the then current standards for sites and territories will apply.

Methods Used to Select the Site of the School

The general site selection and evaluation criteria or factors that we consider in selecting sites includes the condition of the premises, demographics of the surrounding area, proximity to other Schools, proximity to competitive businesses, lease requirements, traffic patterns, visibility, vehicular and pedestrian access, proximity to major roads, available parking and overall suitability. (Sections 5.1 and 5.3)

When you are presented with a site, you must decide at that time whether to accept or reject it before we will present you with a second site. You have 15 days within which to approve a site. If you fail

to accept either of the two sites presented to you, then we may continue to present you with locations to consider, although we are not obligated to do so. In the alternative, we may notify you that you must locate an acceptable site and obtain possession of the site.

If we do provide you with that notification, then you must submit site approval forms and data that we specify, which may include a copy of the site plan and financial information, together with an option contract, letter of intent or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. If you do not receive our approval of the site that you propose within 30 days, then the site proposed by you is deemed disapproved.

If you have been presented with a minimum of two suitable sites and have not entered into a lease or purchase agreement with respect to a site within 12 months after the date of the Franchise Agreement or you fail to commence operations of your School within 24 months after the date you sign the Franchise Agreement, then we may, at our option, terminate the Franchise Agreement. (Sections 5.3.2 and 5.8)

Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the School is 12 months but not more than 36 months. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures.

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

1. Periodically advise you and offer general guidance to you by telephone, e-mail, facsimile, newsletters and other methods. We offer you advice and guidance on a variety of business matters, including operational methods, accounting procedures, authorized services or products, and marketing and sales strategies, including pricing. (Section 14.1)
2. Make periodic visits to the School to provide you with consultation, assistance and guidance in various aspects of the operation and management of the School. We may prepare written reports suggesting changes or improvements in the operations of the School and detailing deficiencies that become evident as a result of a visit. If we prepare a report, we may provide you with a copy. (Section 14.2)
3. Make available operations assistance and ongoing training as we think necessary. (Section 8.7) Additional training programs are described later in this Item.
4. Evaluate advertising materials submitted to us by you to be used for local advertising, grand opening advertising and cooperative advertising. (Section 11.2.2) Our advertising programs are described later in this Item. (See also Item 8)
5. Provide you with modifications to the Confidential Operations Manual as they are made available. (Section 9.2) The Confidential Operations Manual is described in Item 14.

ADVERTISING AND PROMOTION

1. For a period starting six months prior to, and up to and including the initial opening of the School and during your first three months of operation, you must spend at least \$50,000 on local advertising and promotion of initial opening (pre-opening advertising), including print, sales office, media, website design and other advertising or promotional efforts. We will provide you with guidance for

conducting pre-opening advertising, and we will review and must approve the materials you use in your pre-opening advertising prior to your use of such materials. (Section 11.1)

2. You must continuously promote the School. Beginning in the month which is 90 days after the initial opening of the School and continuing every month thereafter, you must spend an amount that is designated by us that shall not exceed \$2,500 per month on advertising, promotions and public relations activities in the local area surrounding the School. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines, and we will review and approve your advertisements. However, as long as your School achieves and maintains a minimum 95% percent capacity compared to capacity on a full time equivalency basis, we will only require that you spend (i) \$500 per month on local advertising during any period in which you have 10 or more children on the waiting list; or (ii) \$1,000 per month on local advertising during any period in which you have less than 10 children on the waiting list. (Section 11.2)

3. You must submit, for our prior approval, all advertising and promotional materials that you propose to use. We will use reasonable efforts to provide notice of approval or disapproval within 20 days from the date all requested material is received by us. If we do not approve submitted materials by the end of such 20-day period, such materials shall be deemed to have not received the required approval.

4. To assist in our regional and national advertising, we plan to develop a System-wide marketing fund (“**Marketing Fund**”), and you and all other franchisees must contribute to the Marketing Fund at the same rate. You will be required to contribute monthly to the Marketing Fund in an amount specified by us and which we may adjust periodically, not more than 1.5% of Gross Sales. Marketing Fund contributions will be made at the time and in the manner provided for Royalty payments. We will notify you at least 30 days before changing Marketing Fund contribution requirements. (Section 11.3) We will administer the Marketing Fund as follows:

(a) We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, Internet or other media for advertisements and promotions. (Section 11.3.1) We have no obligation to spend any amount on advertising in your area or territory.

(b) We may use your contributions to meet or reimburse us for any cost of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We will maintain your contributions in a separate account from our funds, and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the Marketing Fund. We will not use Marketing Fund contributions for the direct solicitation of franchise sales. However, we may include a statement regarding the availability of information about the purchase of School franchises in advertising and other items produced or distributed using the Marketing Fund. (Section 11.3.2)

(c) We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the Marketing Fund before we use current contributions. (Section 11.3.3)

(d) Although we intend the Marketing Fund to be perpetual duration, we have the right to terminate the Marketing Fund at any time. We will not terminate the Marketing Fund until all

contributions and earnings have been used for advertising and promotional purposes or we have returned your pro rata share. (Section 11.3.4)

(e) All Schools owned by our affiliates or us will make similar contributions to the Marketing Fund. (Section 11.3.5)

(f) We will have an accounting of the Marketing Fund prepared each year, and we will provide you with a copy if you request it. We may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the Marketing Fund's expense. We may spend, on behalf of the Marketing Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Schools to the Marketing Fund for that year, and the Marketing Fund may borrow from us or others to cover deficits or invest any surplus for future use. If we charge interest on any loans, it will range between 0% and the highest rate permitted under applicable laws, and principal must be repaid in 1 month to 12 years. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs before other assets of the Marketing Fund are expended. (Section 11.3.6)

(g) The Marketing Fund is not a trust and we assume no fiduciary duty in administering the Marketing Fund. (Section 11.3.7) We have not yet established a Marketing Fund. Accordingly, no Marketing Funds have not been spent for any prior fiscal year.

5. Although we are not obligated to do so, we may create a cooperative advertising program for the benefit of all franchises located in a particular region. We have the right to collect and designate all or a portion of the local advertising for cooperative advertising. We will determine the geographic territory and market areas for each cooperative advertising program. You must participate in any cooperative advertising program established in your region. If cooperative advertising is implemented in a particular region, we may establish an advertising council for franchises in that region to self-administer the program, and the council would have decision-making power subject to our veto. If we establish a cooperative advertising program or programs with or without an advertising council, there are no limits on our right to change, dissolve or merge these program(s) and/or council(s) at any time. Your payments to a cooperative advertising program count toward meeting the local advertising requirement specified above. A majority vote of the advertising cooperative will determine the amount of the required cooperative advertising contribution with each School in the geographic area or market area for the cooperative having one vote, including company-owned Schools. There is no maximum amount that will be charged; the amount will be determined by the majority vote of the cooperative members with each School for the region having one vote. *As of the date of this disclosure document, there are no advertising cooperatives.* (Section 11.4 of the Franchise Agreement) (Section 11.4)

6. You may not establish or use a 1-800 number that contains any Mark, without our prior written consent. (Sections 6.2)

7. You are restricted from establishing a presence on, or marketing using, the Internet without our consent. We have an Internet website at the uniform resource locator www.klaschools.com (“Website”) that provides information about the System and about Schools. We may (but we are not required to) include at the Website an interior page containing information about your School. If we include this information on the Website, you may be requested to prepare the page, at your expense, using our template. All information must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. You may be requested to provide content for our Internet marketing, and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses,

search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, the Website. We have exclusive rights to the domain names www.klaschoolsfranchise.com, www.klafranchise.com, www.klafranchise.net and www.kidslearningadventure.com. (Section 11.5)

COMPUTER SYSTEM

At your expense, you must purchase, use, maintain and upgrade any hardware and software programs we designate (“**Computer System**”). (Section 12.5) We currently require that each School have the following software and hardware programs:

Either a Mac or PC with the following specifications:

(1) For Mac:

- 2.3GHz dual-core 7th-generation Intel Core i5 processor
- Turbo Boost up to 3.6GHz
- 8GB 2133MHz memory,
- 256GB SSD storage¹
- Intel Iris Plus Graphics 640
- 1920-by-1080 sRGB display
- Front Camera 720p
- WIFI 5 Ready

(2) PCs:

- Quad Core 11th Gen Intel® Core™ i5-1135G7 processor
- 8GB 2133MHz memory
- 256GB SSD storage¹
- 1920-by-1080 sRGB display
- Front Camera 720p
- WIFI 5 Ready
- Windows 10

The computer must have a high-speed modem that permits you to connect to the Internet.

The approximate cost of the hardware and software ranges from \$25,000 to \$40,000, depending on the size of your School. (See Item 7)

Neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs or upgrades to your Computer System. Currently, you are not required to enter into any ongoing maintenance or support agreements for the maintenance of your Computer System, but you may find it advantageous to do so.

You may periodically be required to update or upgrade computer hardware and software, whenever we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for your Computer System. We will have independent access to all information you collect or compile at any time without having to notify you. There are no contractual limitations on our right to access said information or on the frequency or cost of these obligations.

We estimate that the cost of any maintenance, updating, upgrading and/or support contracts for the Computer System is approximately \$1,500 per year.

TRAINING

Initial Training Program.

Your Operating Principal, Director and other designated employees must attend and complete our initial training program (“**Initial Training Program**”) to our satisfaction. The Initial Training Program will be conducted in Miami, Florida, or at an approved training School. It is scheduled by us on an as needed basis.

The Initial Training Program includes Owner Training and Director Training, which consists of formal instruction as well as ongoing support from marketing, operations, pedagogy, and finance. Our Initial Training Program may not be provided on consecutive days, but instead may be provided in stages beginning after the signing of the Franchise Agreement and before opening. Portions of the Initial Training Program may be provided after opening in our discretion and may be provided as regularly scheduled onsite visits from our operations and pedagogy teams.

The Owner Training program (see chart below) must be completed by your Operating Principal according to the phases and within the time frames indicated on the Opening Checklist. Owner Training lasts for approximately three weeks and includes assigned reading, research, and online courses. The Owner Training program must be completed in full at least 16 weeks prior to opening.

In addition, your Operating Principal, your Director (who may be your Operating Principal) and other individuals designated by us must complete to our satisfaction all required Director Training (see chart below) prior to opening. In addition, the Director of your School must also attend three to four days of onsite training at a designated location prior to opening.

We do not charge a fee for the Initial Training Program for individuals that are required to attend. We may charge a reasonable fee for training provided for individuals that you elect to attend the Initial Training Program, who may attend subject to our approval. You are responsible for all travel costs and living expenses for any person who attends the Initial Training Program.

Training is supervised and provided by Mrs. Pam Kamesch, who has been with us since September 2021 and has worked in the early childhood education industry for 35 years. Other members of the Executive Team and KLA Corporate Support Team will provide oversight and training in areas of their specific expertise.

The instructional materials used include our Confidential Operations Manual, our KLA Franchise Portal, marketing and promotional materials, videos and handouts about our educational programs and philosophies, and KLA Connect, our learning management platform.

TRAINING PROGRAM

OWNER TRAINING			
SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
<u>Leadership and Management</u> Franchise Owner Leadership – Roles and Responsibilities	4	2	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
<u>Culture</u> <ul style="list-style-type: none"> History of KLA Schools, Vision, Mission, Values, Focus on Customer Service, Developing Trusted Relationships 	6	10	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
<u>Business and Financial</u> <ul style="list-style-type: none"> P&L review, KPIs Monthly, Quarterly, and Annual reporting requirements, etc.) Staffing and Enrollment Strategies Compliance Office Setup Human Resources IT Requirements 	10	5	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
<u>Professional Development</u> <ul style="list-style-type: none"> Initial Training and Support Plan Annual Training Requirements (both state and Franchisor) Training Delivery Best Practices Process of Continual Learning and Development Train the Trainer Approach KLA Connect 	4	6	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
<u>Operations</u> <ul style="list-style-type: none"> Issues Management Required and Approved Insurance Health and Safety Policies and Procedures Transportation KLA QS Licensing Campus Environment 	20	10	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.

<ul style="list-style-type: none"> • Best Practices for Hiring and Retaining Staff • Crisis Management • Employee Surveys • Parent Handbook Required Surveys • FF&E Requirements • Annual Support Plan • KLA Connector 			
<u>Pedagogy</u> <ul style="list-style-type: none"> • Reggio Emilia Approach • Resources • Annual Support Plan 	25	20	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
<u>Marketing and Communication</u> <ul style="list-style-type: none"> • Brand Marketing Strategy • Internal Marketing (branded collateral, parent inquiry to enrollment strategies, School websites) • Community Marketing and Public Relations 	20	10	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
TOTAL	89	63	

DIRECTOR TRAINING			
SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Observations: A Day in the Life of KLA	10	-	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
School Setup	4	30	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
KLA Education Program and Philosophy Fundamentals	10	10	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
Vendors and Ordering	2	—	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
Marketing, Advertising and Public Relations	2	—	Miami, Florida and onsite at a designated training School,

DIRECTOR TRAINING			
SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
			the location of which will vary depending on the location of your School.
Grand Opening Activities	3	—	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
Scheduling	2	—	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
Inventory and Cost Control	2	—	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
Staffing	2	4	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
Financial Management	2	4	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
KLA Franchise Portal	2	—	Miami, Florida and onsite at a designated training School, the location of which will vary depending on the location of your School.
TOTAL	41	48	

The above charts contain estimates only. In certain instances, we may reduce or increase the amount of training that is required based on how quickly your Operating Principal, Director and other designated employees learn, their background and the programs that your School will offer.

Prior to opening, you must ensure teachers have taken all online courses in pedagogy and operations provided through KLA Connect. It is also your responsibility to ensure all staff have received proper training on state-required mandates. After the School is open, it is your responsibility to ensure all personnel (Directors, teachers, and staff) are properly trained according to the KLA Orientation Plan. This plan includes instructional materials that KLA has provided with regards to the Reggio Emilia approach and KLA Operational and Brand Policies and Procedures.

You must dedicate at least two hours per week for each teacher for his or her professional development and education. In addition, we require that your Operating Principal meet applicable state certification requirements for Directors of preschools.

Any costs relating to any local or state requirements, which may include certification, will be your responsibility.

Replacement Operating Principal/Director Training and Additional Training Programs.

After beginning operations, any replacement Operating Principal or Director must be approved by us and must complete the training programs prescribed by us to our satisfaction prior to or after assuming his or her responsibilities. This training will take place at a location designated by us.

We may provide additional training programs for your Operating Principal, Director and other designated personnel, which may be mandatory or optional. The additional training will take place at a location designated by us.

All expenses incurred by you and your employees in attending such programs including, without limitation, travel costs, room and board expenses and employees' salaries and benefits, are your responsibility. We reserve the right to charge a reasonable fee for additional replacement Operating Principal/Director training and additional training. You are responsible for reimbursing us for our out-of-pocket expenses, including without limitation, reasonable travel and room and board expenses in providing new Operating Principal or Director training and additional training for your Operating Principal, Director and other designated personnel.

Item 12. **TERRITORY**

Single School

The franchise is granted for a specific location that we have selected and that is accepted by you (although occasionally, you may propose a location for a site subject to our acceptance). We first establish a geographical area where the site will be located (the “**Designated Area**”). We utilize the services of a third-party demographer in analyzing and establishing the general characteristics to assist in the determination of the Designated Area for your franchise. These characteristics include population, projected growth, estimated number of households, estimated number of families, age, income, marital status, age of children, workplace population, family data and household ownership. Also used in determining the boundaries of the Designated Area are the major and restricting topographical features which define contiguous areas such as rivers, mountains, major roads, and undeveloped land areas, the density of residential and business entities, trading pattern and traffic flows and other factors that we deem relevant in our reasonable discretion. The Designated Area will be described in Exhibit 1 of your Franchise Agreement.

After a period of continuous operation of your School (currently, 24 consecutive months), or at such time as your School achieves a minimum percentage of enrollment (currently 75%), compared to capacity on a full-time equivalency basis, at such location, whichever is sooner, we will, in our sole discretion determine the Protected Territory for your franchise. We agree that initially the minimum Protected Territory that we may grant to you is an area that contains at least 85% of the residences of students enrolled in your School on the date that your Protected Territory is determined. However, we may reduce or otherwise adjust the size of your Protected Territory at any time due to changes in population, changes in economics, demographics or other business considerations effective upon delivery of written notice to you. The criteria used for determining the boundaries of your Protected Territory are similar to those described above for determining the boundaries of a franchisee's Designated Area. In addition, we will also consider other factors, including the location of the residences of students enrolled in your School. After the initial determination of the Protected Territory, you will have no rights with respect to any part of

the Designated Area not included in the Protected Territory. Your School must be operated in the Protected Territory. If you are in full compliance with the Franchise Agreement, we and our affiliates will not operate, or give any other person the right to operate, another School within the Protected Territory. Your right to operate within your Protected Territory is not conditioned upon any sales quotas or operating of additional Schools.

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

We or our affiliates may establish other franchises or company-owned outlets, other channels of distribution or sell or offer services similar to those provided from Schools under a different trademark or service mark, and the Franchise Agreement does not limit our or our affiliates' right to do so, except that we will not establish other franchises or company-owned outlets within the Protected Territory that sell or offer services competitive with those provided from your School. The Franchise Agreement provides that we have the right to operate, franchise or license to any other party, a School anywhere outside of (a) the Designated Area at any time; and (b) the Protected Territory, including all areas of the Designated Area not included in the Protected Territory after the Protected Territory has been determined. For a detailed explanation of your Protected Territory refer to Section 2.5 of the Franchise Agreement.

You will operate the School from one location that has been selected as described above. You may not relocate your School without our consent. In granting such consent, we will consider whether the lease for the site of your School has expired or terminated without fault on your part; if the site has been destroyed, condemned or rendered unusable; changes in the character of the location of your School sufficiently detrimental to your business potential to warrant a relocation; the location of other and future facilities; and other factors deemed relevant by us in our reasonable discretion. Any such relocation will be at your cost and expense. We have the right to charge you for any costs incurred by us in providing relocation assistance, including, but not limited to, legal and accounting fees and incidental costs. See Section 5.10 of the Franchise Agreement. If you attempt to sell your School or transfer your interest in the School to a third party, we may exercise our right of first refusal.

We reserve the right to establish alternate channels of distribution for the sale of services, including Internet sales, telemarketing or other direct marketing sales. These activities may compete with your School. We will not compensate you for any sales made in your area through an alternate channel of distribution.

The Franchise Agreement does not restrict us or our affiliates or a licensee or any of them from advertising, promoting, marketing or selling goods or services over the internet, the World Wide Web or any other electronic or computer network.

There are no geographic restrictions on soliciting or accepting customers, except that you may not advertise on the Internet without our consent, and there are no minimum sales quotas. If we request, you must combine advertising with other franchises that are located in the market targeted by the advertising. (See Item 11)

We have no current plans to operate or franchise businesses under a different proprietary mark, but we reserve the right to do so. However, we will not establish or license others to establish a business within the Protected Territory that provides products or services competitive with your School.

We generally do not grant any right of first refusal, options or similar rights to obtain additional franchises. If you wish to obtain an additional territory, you will be required to enter into a separate Franchise Agreement for the territory.

We expressly retain the right to:

- (a) establish, and license others to establish, Schools at any location outside of the Designated Area (if applicable) and Protected Territory as we deem appropriate;
- (b) establish, and license others to establish, businesses (other than a competitive business (as such term is defined in the Franchise Agreement)) under other systems using other proprietary marks at such locations, including within your Designated Area (if applicable) and Protected Territory, and on such terms and conditions as we deem appropriate;
- (c) purchase or otherwise acquire the assets or controlling ownership of, and thereafter continue to own and operate, one or more businesses identical or similar to the School (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Designated Area (if applicable) or Protected Territory, that do not use the Marks;
- (d) be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Designated Area (if applicable) or Protected Territory;
- (e) sell the services and products authorized for Schools using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies, direct mail, catalogue sales, Internet sites and co-branding strategies, pursuant to such terms and conditions as we deem appropriate, provided however, that no such sales will be made to a competitive business within the Designated Area (if applicable) or Protected Territory; and
- (f) engage in any activities not expressly forbidden by the Franchise Agreement.

Area Development Program

If you sign an Area Development Agreement, your rights to the Development Area will be protected as set forth in the Area Development Agreement. You are not granted an exclusive territory under the Area Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You must agree to open a minimum of two Schools under the Area Development Agreement. Under the Area Development Agreement (and the Center Development Agreement), we will determine or approve the location of future units and any territories for those units, and the current standards for sites and territories will apply.

While the Area Development Agreement is in effect, provided that you open and operate the Schools in accordance with the Development Schedule, and the minimum number of Schools that you have open and operating in the Development Area at any given time is not less than the minimum required pursuant to the Development Schedule, we will not operate, or license any person other than you to operate, a School under the Marks and the System within the Development Area. We reserve the right to:

- (a) establish, and license others to establish, a School at any location outside of the Development Area;
- (b) establish, and license others to establish, businesses (other than a competitive business (as such term is defined in the Area Development Agreement)) under other systems using other

proprietary marks at such locations, including within the Development Area, and on such terms and conditions as Franchisor deems appropriate;

(c) purchase or otherwise acquire the assets or controlling ownership of, and thereafter continue to own and operate, one or more businesses identical or similar to Schools (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Development Area, that do not use the Marks;

(d) be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses competitive businesses within the Development Area;

(e) sell the services and products authorized for Schools using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies, direct mail, catalogue sales, Internet sites and co-branding strategies, provided however, that no such sales shall be made to a competitive business within the Development Area; and

(f) engage in any activities not expressly forbidden by the Development Agreement.

If you fail to adhere to the Development Schedule, we may terminate the Area Development Agreement and all of your rights to the Development Area will be eliminated. We otherwise will not change the size of your Development Area.

Item 13. **TRADEMARKS**

You receive the right to operate your School under the name “KLA SCHOOLS®,” which is the primary Mark used to identify our System. You may also use any other current or future Mark to operate your School that we designate, including the logo on the front of this Disclosure Document and the service marks listed below.

Our Parent registered the following Marks on the U.S. Patent and Trademark Office (“USPTO”) Principal Register:

Mark	Registration Number	Registration Date
KLA (standard character mark)	3650186	July 7, 2009
KLA(design only)	3675641	September 1, 2009
KLA SCHOOLS (standard character mark)	3703489	October 27, 2009

Our Parent has filed all appropriate affidavits and all registrations have been renewed.

We have a license agreement dated June 1, 2009, with our Parent, the owner of the Marks, to use and sublicense the use of the above Marks. The license is for five successive terms of 10 years each. The license agreement may be terminated if we are insolvent, if a trustee is appointed to administer our business, if we wind-up or sell our business, or if we breach any of our duties or obligations under the license agreement.

Currently, we know of no effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of the State of Florida or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

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

We know of no infringing or prior superior uses that could materially affect the use of the Marks in the State of Florida or any other state in which a School is to be located.

You do not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your School. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the School. You cannot use a name or Mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized services or products, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our Parent's rights in the Marks. You must not contest the validity or our ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

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

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

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, signs, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your School for the new or modified Marks. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

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

You may not advertise on the Internet using, or establish, create or operate an Internet site or website using any domain name containing, the words "KLA Franchise" or "KLA Kids Learning

Adventure” or “KLA Schools®” or “KLA” or any variation of those terms without our prior written consent.

Item 14.
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or pending patents that are material to the franchise. We own copyrights in the Confidential Operations Manual, our Website, our marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the School, and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use. All of the provisions regarding protection of trademark rights and indemnification for claims brought against you in Item 13 also apply to copyrights.

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

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives and other highly trained employees will be required to sign nondisclosure and non-competition agreements, our current form of which is attached as Exhibit 3 to the Franchise Agreement. The confidentiality and non-compete agreement are subject to state law. Certain members of your professional staff and all employees are required to sign a non-disclosure agreement, our standard form of which is attached as Exhibit 4 to the Franchise Agreement, which is subject to state law. We will be a third-party beneficiary with the right to enforce these agreements. (See Item 15)

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

Your use of the Confidential Operations Manual, trade secrets or other confidential information in an unauthorized manner is a material default of the Franchise Agreement that may result in termination of the Franchise Agreement. (See Item 17)

Item 15.
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION
OF THE FRANCHISE BUSINESS

The School must be under the direct supervision of the on-premises supervisor of the School (the “**Director**”). The Director must devote sufficient efforts to the management of the day-to-day operation of the School and work on a full-time basis. You must keep us informed of the identity of your Director at all times. You agree to cause your Director to faithfully, honestly and diligently perform his or her obligations.

If you are an entity, you must appoint an individual owner among your owners to act as your Operating Principal. The Operating Principal must have authority over all business decisions related to the School and must have the power to bind you in your dealings with us. Your Operating Principal may serve as your Director, unless we believe that your Operating Principal does not have sufficient experience to act as Director.

You must provide us with written notice of your Director and Operating Principal at least 120 days prior to opening, and you may not change your Director or Operating Principal without our prior written approval.

Your Director must sign a confidentiality and non-compete agreement (our current form of which is attached as Exhibit 3 to the Franchise Agreement) before such person begins acting as Director for your School. You must provide us with a copy of the signed confidentiality and non-compete agreement. The confidentiality and non-compete agreement is subject to state law.

Prior to their appointment, your Operating Principal and Director and other individuals designated by us must attend our Initial Training Program. After beginning operations, should you name a new Operating Principal or Director, you must notify us and the new Operating Principal or Director must (a) be approved by us; and (b) complete the training program prescribed by us (which may include training at the School, another School or such other place as we may designate) to our satisfaction prior to assuming his or her responsibilities. See Item 11 for additional information.

The Director is not required to have any equity in your business.

As described in Item 14, certain individuals associated with your School, including your owners (and members of their immediate families and households), officers, directors, partners, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in a form acceptable to us and that are subject to state law. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a corporation or other business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the “Unlimited Guaranty and Assumption of Obligations” attached as Exhibit 5 to the Franchise Agreement. The “Holders of Legal or Beneficial Interest in Franchisee,” attached as Exhibit 6 to the Franchise Agreement, describes all of your owners and their interests in you.

Your Operating Principal is required to attend designated national and regional conferences. We may charge a registration fee for these events. If a fee is charged, you must pay such fee even if your Operating Principal does not attend. All expenses you incur are your responsibility.

Item 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

In general, you must offer only the services and products we specify, and you must offer all goods and services offered by us. You may not sell any services or products that we have not authorized, and you must discontinue offering any services or products that we disapprove.

Specifically, you acknowledge that the reputation and goodwill of the System is based in large part on offering a uniform curriculum across the System that is based on the Reggio Emilia Philosophy. Accordingly, only the Reggio Emilia curriculum may be offered at your School, and you may not offer any alternative curriculum that has not been approved in advance by us in writing. In addition, you must offer your students' parents at least one enrichment course as part of the School's daily program at no additional cost. We may take action, including terminating your Franchise Agreement, if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized services or products. There are no limits on our right to do so.

We will give you 30 days to comply with any changes that we require. We may grant you an extension of this 30-day time period for delays that are caused by things beyond your control, such as acts of state or governmental action (including the failure of any government to grant any license, authorization or approval).

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

Item 17.
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

The table below lists certain important provisions of the Franchise Agreement. You should read these provisions in the form of Franchise Agreement attached to this Disclosure Document as Exhibit B.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.1	The initial term is 10 years from the date the KLA School opens.
b. Renewal or extension of the term	Section 4.2	The Franchise Agreement automatically renews on the same terms and conditions for two successive renewal terms of 10 years each unless either party gives notice of non-renewal at least 6 months (but not more than 12 months) prior to the expiration of the then-current term. If we give notice of non-renewal, the Franchise Agreement will not automatically renew, and we may refuse to renew or extend your right to operate the School if you fail to meet any one of the conditions in (c) below.
c. Requirements for franchisee to renew or extend	Section 4.2	A "renewal" means that you enter into a renewal Franchise Agreement for a renewal term of 10 years. If we give

Provision	Section in Franchise Agreement	Summary
		notice of non-renewal, we may require that you fulfill any or all of the following as a condition to obtaining a renewal term: you have fully complied with the provisions of the Franchise Agreement; you have the right to maintain possession of the approved location or an approved substitute location for the renewal term; you have made capital expenditures as necessary to maintain uniformity with the System; you have satisfied all monetary obligations owed to us and are not in default of any provision of the Franchise Agreement or any other agreement with us; you and your owners sign a current Franchise Agreement, which may have materially different terms and conditions than your original Franchise Agreement; comply with current training and certification/licensing requirements; and you and your owners sign a general release (subject to state law) in the form attached to the Franchise Agreement.
d. Termination by franchisee	Section 16.1	You may terminate the Franchise Agreement if you are in compliance with it, and we materially breach it, and we fail to begin to cure our breach within 30 days of receiving your written notice.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 16.2	We may terminate the Franchise Agreement only if you default.
g. “Cause” defined—curable defaults	Section 16.2	If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Confidential Operations Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults below that require cure in a shorter time and non-curable defaults in (h) below. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. A default under the Center Development Agreement constitutes a default under the Franchise Agreement.
h. “Cause” defined—non-curable defaults	Section 16.2	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely accept a suitable site for or establish, equip and begin operations of the School; fail to complete required training; fail to furnish evidence that all employed instructors have obtained state certifications and licenses (if required); made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the School; after notice to cure, fail to refrain from activities, behavior

Provision	Section in Franchise Agreement	Summary
		<p>or conduct likely to adversely affect the reputation of either party or the School; use the Confidential Operations Manual, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-competition agreements; abandon the School for 5 or more consecutive days; surrender or transfer control of the School in an unauthorized manner; fail to maintain the School under the supervision of a Director following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate, on 2 or more occasions, any health, safety or other laws or operate the School in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; repeatedly breach the Franchise Agreement or comply with specifications; lose possession of the site; or default under any other Franchise Agreement, Center Development Agreement or any other agreement with us or our affiliate such that we (or our affiliate) have the right to terminate the agreement. A default under the Center Development Agreement or Area Development Agreement is a default under the Franchise Agreement that would give us the right to terminate either agreement and the Franchise Agreement. However, a default under the Area Development Agreement due to your failure to adhere to the development schedule will not constitute cause to terminate any previously executed Franchise Agreement.</p>
i. Franchisee's obligations on termination/non-renewal	Section 17.1	<p>If the Franchise Agreement is terminated or not renewed, you must: stop operating the School; stop using any trade secrets, confidential information, the System and the Marks; if requested, assign your interest in the franchise location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Confidential Operations Manual, trade secrets and all other confidential information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.</p>
j. Assignment of contract by franchisor	Section 18.1	<p>There are no restrictions on our right to assign our interest in the Franchise Agreement.</p>

Provision	Section in Franchise Agreement	Summary
k. "Transfer" by franchisee—defined	Section 18.2	"Transfer" includes transfer of an interest in the franchise, the Franchise Agreement, the approved location, the School's assets.
l. Franchisor approval of transfer by franchisee	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for franchisor approval of transfer	Section 18.2	We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a general release in the form attached to the Franchise Agreement (subject to state law); the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee either assume all obligations under the Franchise Agreement or sign the then current Franchise Agreement; you provide us with a copy of all contracts and agreements related to the transfer; the transferee pays the required transfer fee; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement in the form attached to the Franchise Agreement; the transferee has agreed that its Operating Principal will complete the initial training program before assuming management of the School; and the transferee has agreed that its instructors will have obtained state certifications and licenses (if required).
n. Franchisor right of first refusal to acquire franchisee's business	Section 19	We may match an offer for your School or an ownership interest you propose to sell.
o. Franchisor's option to purchase franchisee's business	Section 17.4	Except as described in (n) above, we do not have the right to purchase your School; however, during 90 days period prior to and the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the School at a gross purchase price equal to the sum of the average market value as determined by 3 qualified independent appraisers, 1 selected by us, 1 selected by you and 1 selected by the other 2, plus the lesser of your or your affiliates depreciated cost or fair market value of all of the personal property as determined by the independent appraisers.
p. Death or disability of franchisee	Section 18.6	Following the death or incapacity of an owner of the School or the death or incapacity of any holder of a controlling interest in the School, your or his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the School within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Section 7.3	Neither you nor any holder of a legal or beneficial interest in you (or any member of their immediate families or households), nor any officer, director, executive, or manager, either directly or indirectly, for themselves, or

Provision	Section in Franchise Agreement	Summary
		through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity may: (a) divert or attempt to divert any business or customer of a School to any competitive business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is damaging to us or prejudicial to the goodwill associated with the Marks or the System; (b) employ or seek to employ any person who is at that time employed by us or otherwise directly or indirectly induce such person to leave his or her employment; or (c) own an interest in, manage, operate, or perform services for any competitive business wherever located. The non-competition covenant is subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.2	For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives and managers are prohibited from: owning or working for a competitive business operating within 25 miles of the franchise location or within the protected territory (whichever is greater), or within 25 miles of any other School; or soliciting or influencing any of our or our affiliates' customers, employees or business associates to compete with us (or our affiliates) or terminate their relationship with us (or our affiliates). The non-competition covenant is subject to state law.
s. Modification of the agreement	Sections 9.2, 22.7 and 22.8	The Franchise Agreement can be modified only by written agreement between you and us. The Operations Manual and System are subject to change.
t. Integration/merger clause	Section 22.7	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable, but our representations in this Disclosure Document cannot be disclaimed.
u. Dispute resolution by arbitration or mediation	Section 23.7	Except for claims relating to the Marks, trade secrets, confidential information and covenants not to compete, and subject to state law, all disputes must be arbitrated in Miami-Dade County, Florida, subject to state law.
v. Choice of forum	Section 23.2	Any litigation must be pursued in courts located in Miami-Dade County, Florida, subject to state law.
w. Choice of law	Section 23.1	Florida law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States, subject to state law.

CENTER DEVELOPMENT AGREEMENT

The table below lists certain important provisions of the Center Development Agreement. You should read these provisions in the form of Center Development Agreement attached to this Disclosure Document as Exhibit C.

Provision	Section in Center Development Agreement	Summary
a. Length of the term	Section 5. A	From the date of the Center Development Agreement until the issuance of the Certificate of Occupancy for your School.
b. Renewal or extension of the term	Not applicable	Not applicable
c. Requirements for franchisee to renew or extend	Not applicable	Not applicable
d. Termination by franchisee	Section 5.C	You may terminate the Center Development Agreement by written notice if (i) we fail to pay or turn over any sum of money to which you are entitled within 10 days after written notice of such failure; (ii) we fail to perform any term, covenant, or condition set forth in the Center Development Agreement, other than those monetary obligations set forth in (i), and the continuance of such failure for a period of 30 days after written notice of such failure by you; or, in the event such failure cannot reasonably, with due diligence and good faith, be remedied in 30 days, we do not commence and proceed with due diligence to promptly cure such failure as soon as feasible; or (iii) if we are the subject of a proceeding in bankruptcy or reorganization or otherwise are generally unable to pay our debts as they become due.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 5.B and Section 5.C	<p>If you default under the terms of the Franchise Agreement resulting in the termination of such Franchise Agreement, we are entitled to terminate the Center Development Agreement immediately effective upon delivery of written termination notice to you.</p> <p>Additionally, we may terminate the Center Development Agreement by written notice if (i) you fail to pay or turn over any sum of money to which we are entitled within 10 days after written notice of such failure; (ii) you fail to perform any term, covenant, or condition set forth in the Center Development Agreement, other than those monetary obligations set forth in (i), and the continuance of such failure for a period of 30 days after written notice of such failure by us; or, in the event such failure cannot reasonably, with due diligence and good faith, be remedied in 30 days, you do not commence and proceed with due diligence to promptly cure such failure as soon as feasible; or (iii) if you are the subject of a proceeding in bankruptcy or reorganization or otherwise are generally unable to pay your debts as they become due.</p>

Provision	Section in Center Development Agreement	Summary
g. "Cause" defined—curable defaults	Not applicable	Not applicable
h. "Cause" defined—non-curable defaults	Not applicable	Not applicable
i. Franchisee's obligations on termination/non-renewal	Not applicable	Not applicable
j. Assignment of contract by franchisor	Section 9 of Center Development Agreement	There are no restrictions on our right to assign our interest in the Center Development Agreement. Any assignment or transfer of the Center Development Agreement must conform to the assignment/transfer provisions contained in the Franchise Agreement. See subsection (j) under Franchise Agreement.
k. "Transfer" by franchisee—defined	Section 9 of Center Development Agreement	See subsection (k) under Franchise Agreement.
l. Franchisor approval of transfer by franchisee	Section 9 of Center Development Agreement	You may not transfer your interest in any of the items listed in (k) under Franchise Agreement without our prior written consent. See subsection (l) under Franchise Agreement.
m. Conditions for franchisor approval of transfer	Section 9 of Center Development Agreement	See subsection (m) under Franchise Agreement.
n. Franchisor right of first refusal to acquire franchisee's business	Not applicable	Not applicable.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p. Death or disability of franchisee	Not applicable	Not applicable
q. Non-competition covenants during the term of the franchise	Not applicable	Not applicable
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	Not applicable
s. Modification of the agreement	Section 7	The Center Development Agreement can be modified only by written agreement between you and us.
t. Integration/merger clause	Section 7	Only the terms of the Center Development Agreement are binding (subject to state law). Any other promises may not be enforceable, but our representations in this Disclosure Document cannot be disclaimed.
u. Dispute resolution by arbitration or mediation	Section 11. F	Except for claims relating to the Marks, trade secrets, confidential information and covenants not to compete, and subject to state law, all disputes must be arbitrated in Miami-Dade County, Florida, subject to state law.
v. Choice of forum	Section 11. B	Any litigation must be pursued in courts located in Miami-Dade County, Florida, subject to state law.

Provision	Section in Center Development Agreement	Summary
w. Choice of law	Section 11. A	Florida law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States, subject to state law.

AREA DEVELOPMENT AGREEMENT

The table below lists certain important provisions of the Area Development Agreement. You should read these provisions in the form of Area Development Agreement attached to this Disclosure Document as Exhibit D.

	Provision	Section in Area Development Agreement	Summary
a.	Length of the franchise term	Section 5	The term expires upon the deadline to open the last School to be opened pursuant to the Development Schedule.
b.	Renewal or extension of the term	Not applicable	Not applicable
c.	Requirements for franchisee to renew or extend	Not applicable	Not applicable
d.	Termination by franchisee	Not applicable	You may terminate the Area Development Agreement on any grounds available under applicable laws.
e.	Termination by us without cause	Not applicable	Not applicable
f.	Termination by us with cause	Section 6.1	We can terminate only if you default (see (g) and (h) below).
g.	“Cause” defined – curable defaults	None	Not applicable
h.	“Cause” defined – non-curable defaults	Section 6.1	You fail to timely execute a Franchise Agreement or fail to pay any initial franchise fee owed thereunder; you fail to have open and operating the minimum number of Schools specified in the Development Schedule at any specified deadline; any Franchise Agreement is terminated as a result of your default under the Franchise Agreement; you breach or otherwise fail to comply fully with any provision of the Area Development Agreement or, if you are an entity, any of your owners fail to comply with the non-competition covenants or transfer an interest in violation of the Area Development Agreement. The non-competition covenant is subject to state law.
i.	Your obligations on termination/non-renewal	Section 6.2	You will lose your right to develop additional Schools.
j.	Assignment of contract by us	Section 7.1	No restriction on our right to assign.
k.	“Transfer” by you – definition	Section 7.2	Includes transfer of the Area Development Agreement, any interest in the Area Development Agreement, or, if you are an entity, any interest in the entity.
l.	Our approval of transfer by franchisee	Section 7.2	We have the right to approve or not approve all transfers in our sole discretion.

	Provision	Section in Area Development Agreement	Summary
m.	Conditions for our approval of transfer	Section 7.2	We have no obligation to approve any transfer unless you have properly transferred all your Franchise Agreements to the proposed transferee in accordance with those agreements.
n.	Our right of first refusal to acquire franchisee's business	Section 7.2(b)	We have the first right of refusal on all transfers, exercisable within 30 days of receiving all documentation that we require.
o.	Our option to purchase your business	Not applicable	Not applicable.
p.	Death or disability of franchisee	Not applicable	We have the right to approve or disapprove any transfer in our sole discretion.
q.	Non-competition covenants during the term	Section 8.1	Neither you nor any holder of a legal or beneficial interest in you (or any member of their immediate families or households), nor any officer, director, executive, or manager, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity may: (a) divert or attempt to divert any business or customer of a School to any competitive business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is damaging to us or prejudicial to the goodwill associated with the Marks or the System; (b) employ or seek to employ any person who is at that time employed by us or our affiliates or otherwise directly or indirectly induce such person to leave his or her employment; or (c) own an interest in, manage, operate, or perform services for any competitive business wherever located. The non-competition covenant is subject to state law.
r.	Non-competition covenants after the Development Agreement is terminated or expires	Section 8.2	For two years after the expiration of the Area Development Agreement, neither you, nor any holder of a legal or beneficial interest in you (or any member of their immediate families or households), nor any officer, director, executive, or manager, shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person or entity: (a) own an interest in, manage, operate or provide services to any competitive business located or operating (i) within a 25 mile radius of the Development Area, or (ii) within a 25 mile radius of the location of any other School in existence at the time of termination or expiration; or (b) solicit or otherwise attempt to induce or influence any customer, employee or other business associate of ours or our affiliates to terminate or modify his, her or its business relationship with us (or our affiliates), or to compete against us (or our affiliates). The non-competition covenant is subject to state law.
s.	Modification of the agreement	Section 10.2	No modifications unless agreed to in writing by both parties.

	Provision	Section in Area Development Agreement	Summary
t.	Integration/merger clause	Section 10.1	Only the terms of the Area Development Agreement and any Franchise Agreements are binding, subject to state law. Any other promises may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 9.8	Except for claims relating to the Marks, trade secrets, confidential information and covenants not to compete, all disputes must be arbitrated in Miami-Dade County, Florida, subject to state law.
v.	Choice of forum	Section 9.1	Any litigation must be pursued in courts located in Miami-Dade County, Florida, subject to state law.
w.	Choice of law	Section 9.2	Florida law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States, subject to state law.

Please refer to the disclosure addenda (attached to this Disclosure Document) and contractual amendments (attached to the Franchise Agreement and/or Area Development Agreement) for additional terms that may be required under applicable state law.

Item 18. **PUBLIC FIGURES**

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

Item 19. **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a School, except as stated below. We prepared the information below based on information submitted by our franchisees and us.

These reported results are not audited, and we have not independently verified data provided by our franchisees.

In this Item, Schools operated by “us” or that are “**company owned Schools**” include Schools operated under the System and the Marks by certain of the KLA Affiliates. “**Franchised**” Schools are Schools that are operated by our franchisees. This Item 19 provides historic financial information about the KLA Schools system’s existing company owned and franchised Schools; it is not a forecast of the prospective franchisee’s future financial performance.

This Item 19 provides revenue and cost and expense information for all company-owned and franchised Schools for calendar years 2019 in Part I, 2020 in Part II and 2021 in Part III. Revenue and cost and expense information for company-owned and franchised Schools is provided in Section A and Section B, respectively, in Parts I through III.

Revenue and cost information for company-owned and franchised Schools is further broken-out based on the School's size and length of operation. Schools with a capacity of between 85 and 140 children are "**Smaller Schools**", and Schools with a capacity of 141 and over children are "**Larger Schools**." Schools that are open at least 18 months at the beginning of each calendar year reporting period and Schools open less than 18 months at the beginning of the calendar year reporting period are shown separately.

PART I. 2019 FINANCIAL DATA

- As of December 31, 2019, there were a total of 6 Smaller Schools; 2 of which were franchised and 4 of which were company-owned.
- As of December 31, 2019, there were a total of 14 Larger Schools; 12 of which were franchised and 2 of which were company-owned.

A. Company-Owned Schools

1. 2019 Revenue for Company-Owned Schools Open at Least 18 Months

The tables below include information for company-owned Smaller Schools and Larger Schools that were open at least 18 months at the beginning of the reporting period (1/1/2019). All company-owned Schools met this criterion and are, therefore, included in the tables below.

2019 Gross Revenues for Company-Owned Smaller Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,340,083	2	50.00%
Average	\$1,425,525	2	50.00%
Low	\$1,090,528	4	100.00%
High	\$1,931,405	1	25.00%

2019 Range of Gross Revenues for Company-Owned Smaller Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$1,300,000	2	50.00%	2	50.00%
Between \$1,000,000 and \$1,299,999	2	50.00%	4	100.00%
Between \$800,000 and \$999,999	0	0.00%	4	100.00%
Less than \$800,000	0	0.00%	4	100.00%

2019 Gross Revenues for Company-Owned Larger Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$3,300,393	1	50.00%
Average	\$3,300,393	1	50.00%
Low	\$2,445,094	2	100.00%
High	\$4,155,692	1	50.00%

2019 Range of Annual Gross Revenues for Company-Owned Larger Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$2,000,000	2	100.00%	2	100.00%
Between \$1,500,000 and \$1,999,999	0	0.00%	2	100.00%
Between \$1,000,000 and \$1,499,999	0	0.00%	2	100.00%
Less than \$1,000,000	0	0.00%	2	100.00%

2. 2019 Revenue for Company-Owned Schools Open Less Than 18 Months

No company-owned Schools were open less than 18 months at 1/1/2019.

3. 2019 Cost and Expense Data for Company-Owned Schools Open at Least 18 Months

The tables below include cost and expense information for company-owned Smaller Schools and Larger Schools that were open for at least 18 months at the beginning of the reporting period (1/1/2019). All company-owned Schools met this criterion and are, therefore, included in the tables below.

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	Corporate Owned Total Sample		Corporate Owned Larger Schools		Corporate Owned Smaller Schools	
From January 1st, 2019 - December 31st, 2019	Average for Sample	Percentage of Total Gross Revenues	Average for Larger Schools	Percentage of Total Gross Revenues	Average for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	\$ 2,050,481		\$ 3,300,393		\$ 1,425,525	
	*2 Schools (33.33% of Total Sample) above average *4 Schools (66.67% of Total Sample) below average		*1 School (50.00% of Larger Schools Sample) above average *1 School (50.00% of Larger Schools Sample) below average		*2 Schools (50.00% of Smaller Schools Sample) above average *2 Schools (50.00% of Smaller Schools Sample) below average	
Payroll (excluding taxes)	862,846	42.08%	1,361,046	41.24%	613,745	43.05%
Payroll Taxes	63,233	3.08%	101,219	3.07%	44,240	3.10%
Total Payroll and Taxes	926,079	45.16%	1,462,266	44.31%	657,986	46.16%
Royalty-6% of Rev.	96,666	4.71%	156,009	4.73%	66,994	4.70%
Total KLA Royalty	96,666	4.71%	156,009	4.73%	66,994	4.70%
Accounting and Management Costs	-	0.00%	-	0.00%	-	0.00%
Advertising, Promotions, and Marketing	10,479	0.51%	31,438	0.95%	19,166	1.34%
Bank Charges and Credit Card Fees	20,921	1.02%	62,763	1.90%	22,925	1.61%
Cleaning Services	141	0.01%	424	0.01%	12,157	0.85%
Employee Benefits	15,612	0.76%	46,837	1.42%	15,222	1.07%
Equipment Rental	1,792	0.09%	5,377	0.16%	2,069	0.15%
Licenses and Permits	1,410	0.07%	4,229	0.13%	1,489	0.10%
Office Supplies and Postage Expense	509	0.02%	1,526	0.05%	941	0.07%
Outside Services	43,418	2.12%	130,253	3.95%	25,376	1.78%
Printing and Stationary	1,950	0.10%	5,849	0.18%	2,441	0.17%
Staff Training	3,073	0.15%	9,219	0.28%	3,202	0.22%
Supplies (General)	14,203	0.69%	42,609	1.29%	20,841	1.46%
Telephone Expense	2,438	0.12%	7,313	0.22%	6,461	0.45%
Uniforms	4,430	0.22%	13,289	0.40%	4,147	0.29%
Misc. Expense	26,869	1.31%	80,606	2.44%	31,502	2.21%
Total Other Expenses	259,204	12.64%	441,733	13.38%	167,939	11.78%
Insurance	14,886	0.73%	44,658	1.35%	22,503	1.58%
Maintenance - All (Building, Grounds and Equipment)	16,882	0.82%	50,645	1.53%	18,770	1.32%
Utilities	16,215	0.79%	48,646	1.47%	21,348	1.50%
Occupancy Expenses (including insurance, maintenance, and utilities)	89,730	4.38%	143,949	4.36%	62,621	4.39%
Total Expenses	1,371,679	66.90%	2,203,956	66.78%	955,540	67.03%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	678,802	33.10%	1,096,437	33.22%	469,985	32.97%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: management fees, tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

2019 Median Cost and Expense Data for Company Owned Schools (Schools Open at Least 18 Months)

	Corporate Owned Total Sample		Corporate Owned Larger Schools		Corporate Owned Smaller Schools	
From January 1st, 2019 - December 31st, 2019	Median for Sample	Percentage of Total Gross Revenues	Median for Larger Schools	Percentage of Total Gross Revenues	Median for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	\$ 1,686,632		\$ 3,300,393		\$ 1,340,083	
	*3 Schools (50.00% of Total Sample) above median *3 Schools (50.00% of Total Sample) below median		*1 School (50.00% of Larger Schools Sample) above median *1 School (50.00% of Larger Schools Sample) below median		*2 Schools (50.00% of Smaller Schools Sample) above median *2 Schools (50.00% of Smaller Schools Sample) below median	
Payroll (excluding taxes)	643,120	38.13%	1,361,046	41.24%	624,513	46.60%
Payroll Taxes	47,985	2.85%	101,219	3.07%	46,428	3.46%
Total Payroll and Taxes	691,105	40.98%	1,462,266	44.31%	670,940	50.07%
Royalty-6% of Rev.	98,193	5.82%	156,009	4.73%	77,078	5.75%
Total KLA Royalty	98,193	5.82%	156,009	4.73%	77,078	5.75%
Accounting and Management Costs	-	0.00%	-	0.00%	-	0.00%
Advertising, Promotions, and Marketing	12,003	0.71%	31,438	0.95%	18,422	1.37%
Bank Charges and Credit Card Fees	33,586	1.99%	62,763	1.90%	27,330	2.04%
Cleaning Services	14,548	0.86%	424	0.01%	1,342	0.10%
Employee Benefits	18,744	1.11%	46,837	1.42%	10,580	0.79%
Equipment Rental	3,367	0.20%	5,377	0.16%	2,454	0.18%
Licenses and Permits	1,180	0.07%	4,229	0.13%	1,050	0.08%
Office Supplies and Postage Expense	482	0.03%	1,526	0.05%	1,081	0.08%
Outside Services	30,826	1.83%	130,253	3.95%	28,667	2.14%
Printing and Stationary	2,549	0.15%	5,849	0.18%	2,523	0.19%
Staff Training	4,284	0.25%	9,219	0.28%	2,708	0.20%
Supplies (General)	22,253	1.32%	42,609	1.29%	20,078	1.50%
Telephone Expense	7,062	0.42%	7,313	0.22%	7,159	0.53%
Uniforms	5,838	0.35%	13,289	0.40%	5,471	0.41%
Misc. Expense	36,619	2.17%	80,606	2.44%	30,112	2.25%
Total Other Expenses	193,340	11.46%	441,733	13.38%	158,977	11.86%
Insurance	24,265	1.44%	44,658	1.35%	25,200	1.88%
Maintenance - All (Building, Grounds and Equipment)	22,477	1.33%	50,645	1.53%	19,415	1.45%
Utilities	21,659	1.28%	48,646	1.47%	18,832	1.41%
Occupancy Expenses (including insurance, maintenance, and utilities)	68,401	4.06%	143,949	4.36%	63,448	4.73%
Total Expenses	1,051,039	62.32%	2,203,956	66.78%	970,443	72.42%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	635,593	37.68%	1,096,437	33.22%	369,639	27.58%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: management fees, tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

4. 2019 Cost and Expense Data for Company-Owned Schools Open Less than 18 Months

No company-owned Schools were open less than 18 months at 1/1/2019.

B. Franchised Schools

1. 2019 Revenue for Franchised Schools Open at Least 18 Months

The tables below include information for franchised Smaller Schools and Larger Schools that were open for at least 18 months at the beginning of the reporting period (1/1/2019). 1 franchised Smaller School and 9 Larger Schools met this criterion and are included in the tables below; 1 franchised Smaller School and 3 franchised Larger Schools did not meet this criterion and, therefore, are not included in the tables below. However, revenue data for franchised Schools open less than 18 months is provided in Section 2 below.

2019 Gross Revenues for Franchised Smaller Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,437,915	1	100.00%
Average	\$1,437,915	1	100.00%
Low	\$1,437,915	1	100.00%
High	\$1,437,915	1	100.00%

2019 Range of Gross Revenues for Franchised Smaller Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$1,300,000	1	100.00%	1	100.00%
Between \$1,000,000 and \$1,299,999	0	0.00%	1	100.00%
Between \$800,000 and \$999,999	0	0.00%	1	100.00%
Less than \$800,000	0	0.00%	1	100.00%

2019 Gross Revenues for Franchised Larger Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,740,311	5	55.56%
Average	\$1,813,568	3	33.33%
Low	\$1,101,188	9	100.00%
High	\$3,124,937	1	11.11%

2019 Range of Annual Gross Revenues for Franchised Larger Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$2,000,000	2	22.22%	2	22.22%
Between \$1,500,000 and \$1,999,999	5	55.56%	7	77.78%
Between \$1,000,000 and \$1,499,999	2	22.22%	9	100.00%
Less than \$1,000,000	0	0.00%	9	100.00%

2. 2019 Revenue for Franchised Schools Open Less Than 18 Months

The tables below include information for franchised Smaller Schools and Larger Schools that were open less than 18 months at the beginning of the reporting period (1/1/2019). 1 franchised Smaller School and 3 Larger Schools met this criterion and are included in the tables below. 1 franchised Smaller School and 9 Larger Schools did not meet this criterion and, therefore, are not included in the table below. However, revenue data for franchised Schools open more than 18 months is provided in Section 1 above.

2019 Gross Revenues for Franchised Smaller Schools (Schools Open Less Than 18 Months) (1)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$959,790	1	100.00%
Average	\$959,790	1	100.00%
Low	\$959,790	1	100.00%
High	\$959,790	1	100.00%

(1) The franchised Smaller School reflected in the table above opened in August 2018.

2019 Range of Gross Revenues for Franchised Smaller Schools (Schools Open Less Than 18 Months) (1)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$1,300,000	0	0.00%	0	0.00%
Between \$1,000,000 and \$1,299,999	0	0.00%	0	0.00%
Between \$800,000 and \$999,999	1	100.00%	1	100.00%
Less than \$800,000	0	0.00%	1	0.00%

(1) The franchised Smaller School reflected in the table above opened in August 2018.

2019 Gross Revenues for Franchised Larger Schools (Schools Open Less Than 18 Months) (1)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$364,621	2	66.67%
Average	\$429,250	1	33.33%
Low	\$79,644	3	100.00%
High	\$843,485	1	33.33%

(1) The franchised Larger Schools reflected in the table above opened January 2019, October 2019 and September 2019, respectively.

2019 Range of Annual Gross Revenues for Franchised Larger Schools (Schools Open Less Than 18 Months) (1)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$2,000,000	0	0.00%	0	0.00%
Between \$1,500,000 and \$1,999,999	0	0.00%	0	0.00%
Between \$1,000,000 and \$1,499,999	0	0.00%	0	100.00%
Less than \$1,000,000	3	100.00%	3	100.00%

(1) The franchised Larger Schools reflected in the table above opened January 2019, October 2019 and September 2019, respectively.

3. 2019 Cost and Expense Data for Franchised Schools Open at Least 18 Months

The tables below include cost and expense information for franchised Smaller Schools and Larger Schools that were in open at least 18 months at the beginning of the reporting period (1/1/2019). 1 franchised Smaller School and 9 Larger Schools met this criterion and are included in the tables below. 1 franchised Smaller School and 3 franchised Larger Schools did not meet this criterion and, are, therefore, not included in the tables below. However, cost and expense data for franchised Schools opened for less than 18 months is provided in Section 4 below.

2019 Average Cost and Expense Data for Schools Operated by Franchisees (Schools Open at Least 18 Months)

	Franchisees Total Sample		Franchisees Larger Schools		Franchisees Smaller Schools	
From January 1st, 2019 - December 31st, 2019	Average for Sample	Percentage of Total Gross Revenues	Average for Larger Schools	Percentage of Total Gross Revenues	Average for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	\$ 1,776,003		\$ 1,813,568		\$ 1,437,915	
	*4 Schools (40.00% of Total Sample) above average *6 Schools (60.00% of Total Sample) below average		*3 Schools (33.33% of Larger Schools Sample) above average *6 School (66.67% of Larger Schools Sample) below average		*1 School is included in this group *1 School (100.00% of Smaller Schools Sample) represents the average	
Payroll (excluding taxes)	750,549	42.26%	782,416	43.14%	463,748	32.25%
Payroll Taxes	86,430	4.87%	83,295	4.59%	114,639	7.97%
Total Payroll and Taxes	836,979	47.13%	865,711	47.74%	578,386	40.22%
Royalty-6% of Rev.	99,987	5.63%	102,653	5.66%	75,995	5.29%
Total KLA Royalty	99,987	5.63%	102,653	5.66%	75,995	5.29%
Accounting and Management Costs	-	0.00%	-	0.00%	-	0.00%
Advertising, Promotions, and Marketing	21,525	1.21%	21,220	1.17%	24,270	1.69%
Bank Charges and Credit Card Fees	25,490	1.44%	24,794	1.37%	31,756	2.21%
Cleaning Services	21,952	1.24%	20,086	1.11%	38,738	2.69%
Employee Benefits	11,922	0.67%	10,247	0.57%	26,991	1.88%
Equipment Rental	4,301	0.24%	4,779	0.26%	-	0.00%
Licenses and Permits	1,552	0.09%	1,463	0.08%	2,356	0.16%
Office Supplies and Postage Expense	4,439	0.25%	4,933	0.27%	-	0.00%
Outside Services	34,121	1.92%	33,006	1.82%	44,155	3.07%
Printing and Stationary	2,059	0.12%	1,499	0.08%	7,100	0.49%
Staff Training	2,323	0.13%	2,137	0.12%	4,006	0.28%
Supplies (General)	70,043	3.94%	74,495	4.11%	29,971	2.08%
Telephone Expense	5,652	0.32%	5,645	0.31%	5,713	0.40%
Uniforms	3,322	0.19%	3,593	0.20%	877	0.06%
Misc. Expense	38,722	2.18%	37,494	2.07%	49,781	3.46%
Total Other Expenses	247,424	13.93%	245,392	13.53%	265,713	18.48%
Insurance	30,491	1.72%	30,987	1.71%	26,031	1.81%
Maintenance – All (Building, Grounds and Equipment)	29,756	1.68%	31,218	1.72%	16,599	1.15%
Utilities	18,157	1.02%	20,174	1.11%	-	0.00%
Occupancy Expenses (including insurance, maintenance, and utilities)	78,404	4.41%	82,379	4.54%	42,630	2.96%
Total Expenses	1,262,793	71.10%	1,296,134	71.47%	962,725	66.95%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	513,210	28.90%	517,434	28.53%	475,190	33.05%

*In the event that tuition discounts were granted, gross revenues are reported prior to tuition discounts being authorized as sole discretion of the franchisee.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific building association dues, legal and consulting fees, travel expenses, owners' expenses such as auto expense and cellphone.

2019 Median Cost and Expense Data for Schools Operated by Franchisees (Schools Open for at Least 18 Months)

From January 1st, 2019 - December 31st, 2019	Franchisees Total Sample		Franchisees Larger Schools		Franchisees Smaller Schools	
	Median for Sample	Percentage of Total Gross Revenues	Median for Larger Schools	Percentage of Total Gross Revenues	Median for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues	\$ 1,633,342		\$ 1,740,311		\$ 1,437,915	
	*5 Schools (50.00% of Total Sample) above median *5 Schools (50.00% of Total Sample) below median		*4 Schools (44.44% of Larger Schools Sample) above median *5 School (55.56% of Larger Schools Sample) below median		*1 School is included in this group *1 School (100.00% of Smaller Schools Sample) represents the median	
Payroll (excluding taxes)	596,760	36.54%	734,623	42.21%	463,748	32.25%
Payroll Taxes	129,532	7.93%	222,850	12.81%	114,639	7.97%
Total Payroll and Taxes	726,292	44.47%	957,473	55.02%	578,386	40.22%
Royalty - 6% of Rev.	84,159	5.15%	98,817	5.68%	75,995	5.29%
Total KLA Royalty	84,159	5.15%	98,817	5.68%	75,995	5.29%
Accounting and Management Costs	-	0.00%	-	0.00%		0.00%
Advertising, Promotions, and Marketing	17,195	1.05%	7,605	0.44%	24,270	1.69%
Bank Charges and Credit Card Fees	29,142	1.78%	40,141	2.31%	31,756	2.21%
Cleaning Services	11,570	0.71%	23,140	1.33%	38,738	2.69%
Employee Benefits	2,424	0.15%	-	0.00%	26,991	1.88%
Equipment Rental	2,572	0.16%	5,144	0.30%		0.00%
Licenses and Permits	1,475	0.09%	1,962	0.11%	2,356	0.16%
Office Supplies and Postage Expense	3,589	0.22%	536	0.03%		0.00%
Outside Services	34,546	2.12%	11,040	0.63%	44,155	3.07%
Printing and Stationary	-	0.00%	-	0.00%	7,100	0.49%
Staff Training	1,591	0.10%	140	0.01%	4,006	0.28%
Supplies (General)	60,997	3.73%	104,171	5.99%	29,971	2.08%
Telephone Expense	2,873	0.18%	3,268	0.19%	5,713	0.40%
Uniforms	2,401	0.15%	-	0.00%	877	0.06%
Misc. Expense	19,392	1.19%	13,888	0.80%	49,781	3.46%
Total Other Expenses	189,767	11.62%	211,035	12.13%	265,713	18.48%
Insurance	14,867	0.91%	11,080	0.64%	26,031	1.81%
Maintenance - All (Building, Grounds and Equipment)	17,880	1.09%	2,320	0.13%	16,599	1.15%
Utilities	18,075	1.11%	17,498	1.01%		0.00%
Occupancy Expenses (including insurance, maintenance, and utilities)	50,822	3.11%	30,898	1.78%	42,630	2.96%
Total Expenses	1,051,040	64.35%	1,298,223	74.60%	962,725	66.95%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	582,301	35.65%	442,088	25.40%	475,190	33.05%

*In the event that tuition discounts were granted, gross revenues are reported prior to tuition discounts being authorized as sole discretion of the franchisee.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: building association dues, legal and consulting fees, travel expenses, owners' expenses such as auto expense and cellphone.

4. 2019 Cost and Expense Data for Franchised Schools Open Less Than 18 Months The tables below include information for franchised Smaller Schools and Larger Schools that were open less than 18 months at the beginning of the reporting period (1/1/2019). 1 franchised Smaller School and 3 Larger Schools met this criterion and are included in the tables below. 1 franchised Smaller School and 9 Larger Schools did not meet this criterion and, therefore, are not included in the tables below. However, cost and expense data for franchised Schools opened at least 18 months is provided in Section 3 above.

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2019 Average Cost and Expense Data for Schools Operated by Franchisees (Schools Open Less Than 18 Months)

From January 1st, 2019 - December 31st, 2019	Franchisees Opened After 07/01/17 Total Sample		Franchisees Opened After 07/01/17 Larger Schools		Franchisees Opened After 07/01/17 Smaller Schools	
	Average for Sample	Percentage of Total Gross Revenues	Average for Larger Schools	Percentage of Total Gross Revenues	Average for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	\$ 561,885		\$ 429,250		\$ 959,790	
	*2 Schools (50.00% of Total Sample) above average *2 Schools (50.00% of Total Sample) below average		*1 School (33.33% of Larger Schools Sample) above average *2 School (66.67% of Larger Schools Sample) below average		*1 School is included in this group *1 School (100.00% of Smaller Schools Sample) represents the average	
Payroll (excluding taxes)	239,834	42.68%	186,051	43.34%	401,184	41.80%
Payroll Taxes	22,543	4.01%	18,250	4.25%	35,421	3.69%
Total Payroll and Taxes	262,377	46.70%	204,301	47.59%	436,605	45.49%
Royalty -6% of Rev.	25,344	4.51%	15,167	3.53%	55,873	5.82%
Total KLA Royalty	25,344	4.51%	15,167	3.53%	55,873	5.82%
Accounting and Management Costs	1,582	0.28%	2,109	0.49%	-	0.00%
Advertising, Promotions, and Marketing	21,766	3.87%	18,865	4.39%	30,468	3.17%
Bank Charges and Credit Card Fees	9,880	1.76%	6,523	1.52%	19,949	2.08%
Cleaning Services	8,452	1.50%	9,843	2.29%	4,280	0.45%
Employee Benefits	2,873	0.51%	3,831	0.89%	-	0.00%
Equipment Rental	1,150	0.20%	1,407	0.33%	379	0.04%
Licenses and Permits	1,009	0.18%	1,246	0.29%	299	0.03%
Office Supplies and Postage Expense	1,683	0.30%	38	0.01%	6,618	0.69%
Outside Services	8,189	1.46%	3,220	0.75%	23,093	2.41%
Printing and Stationary	396	0.07%	529	0.12%	-	0.00%
Staff Training	3,539	0.63%	3,467	0.81%	3,753	0.39%
Supplies (General)	13,836	2.46%	11,414	2.66%	21,102	2.20%
Telephone Expense	3,422	0.61%	2,818	0.66%	5,234	0.55%
Uniforms	1,652	0.29%	815	0.19%	4,162	0.43%
Misc. Expense	24,327	4.33%	19,040	4.44%	40,188	4.19%
Total Other Expenses	103,755	18.47%	85,165	19.84%	159,524	16.62%
Insurance	12,390	2.21%	10,826	2.52%	17,084	1.78%
Maintenance - All (Building Grounds and Equipment)	6,042	1.08%	3,063	0.71%	14,978	1.56%
Utilities	14,224	2.53%	11,378	2.65%	22,763	2.37%
Occupancy Expenses (including insurance, maintenance, and utilities)	32,656	5.81%	25,267	5.89%	54,825	5.71%
Total Expenses	424,132	75.48%	329,901	76.86%	706,827	73.64%
Adjusted Operating Income/ Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	137,753	24.52%	99,349	23.14%	252,964	26.36%

*In the event that tuition discounts were granted, gross revenues are reported prior to tuition discounts being authorized as sole discretion of the franchisee.

**Extraordinary Expenses include expenses not applicable to all KLA schools and not mandated in the KLA business system. Extraordinary Expenses include specific: building association dues, legal and consulting fees, travel expenses, owners' expenses such as auto expense and cell phone.

2019 Median Cost and Expense Data for Schools Operated by Franchises (Schools Open Less Than 18 Months)

From January 1st, 2019 - December 31st, 2019	Franchisees Opened After 07/01/17 Total Sample		Franchisees Opened After 07/01/17 Larger Schools		Franchisees Opened After 07/01/17 Smaller Schools	
	Median for Sample	Percentage of Total Gross Revenues	Median for Larger Schools	Percentage of Total Gross Revenues	Median for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues	\$ 604,053		\$ 364,621		\$ 959,790	
	*2 Schools (50.00% of Total Sample) above median *2 Schools (50.00% of Total Sample) below median		*2 Schools (66.67% of Larger Schools Sample) above median *1 School (33.33% of Larger Schools Sample) below median		*1 School is included in this group *1 School (100.00% of Smaller Schools Sample) represents the median	
Payroll (excluding taxes)	228,082	37.76%	146,192	40.09%	401,184	41.80%
Payroll Taxes	21,924	3.63%	15,642	4.29%	35,421	3.69%
Total Payroll and Taxes	250,006	41.39%	161,834	44.38%	436,605	45.49%
Royalty- 6% of Rev.	22,751	3.77%		0.00%	55,873	5.82%
Total KLA Royalty	22,751	3.77%	-	0.00%	55,873	5.82%
Accounting and Management Costs	756	0.13%	738	0.20%		0.00%
Advertising, Promotions, and Marketing	6,689	1.11%	1,349	0.37%	30,468	3.17%
Bank Charges and Credit Card Fees	9,172	1.52%	809	0.22%	19,949	2.08%
Cleaning Services	11,764	1.95%	5,625	1.54%	4,280	0.45%
Employee Benefits	5,746	0.95%	11,227	3.08%		0.00%
Equipment Rental	1,717	0.28%	270	0.07%	379	0.04%
Licenses and Permits	760	0.13%		0.00%	299	0.03%
Office Supplies and Postage Expense	20	0.00%		#VALUE!	6,618	0.69%
Outside Services	4,831	0.80%	7,256	1.99%	23,093	2.41%
Printing and Stationary	793	0.13%	17	0.00%		0.00%
Staff Training	1,046	0.17%	35	0.01%	3,753	0.39%
Supplies (General)	14,851	2.46%	9,311	2.55%	21,102	2.20%
Telephone Expense	1,917	0.32%	1,227	0.34%	5,234	0.55%
Uniforms	1,223	0.20%	2,446	0.67%	4,162	0.43%
Misc. Expense	20,031	3.32%	16,038	4.40%	40,188	4.19%
Total Other Expenses	81,316	13.46%	56,349	15.45%	159,524	16.62%
Insurance	13,429	2.22%	7,136	1.96%	17,084	1.78%
Maintenance - All (Building, Grounds and Equipment)	4,345	0.72%	2,051	0.56%	14,978	1.56%
Utilities	15,004	2.48%	6,129	1.68%	22,763	2.37%
Occupancy Expenses (including insurance, maintenance, and utilities)	32,778	5.43%	15,316	4.20%	54,825	5.71%
Total Expenses	386,852	64.04%	233,499	64.04%	706,827	73.64%
Adjusted Operating Income/ Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	217,201	35.96%	131,122	35.96%	252,964	26.36%

*In the event that tuition discounts were granted, gross revenues are reported prior to tuition discounts being authorized as sole discretion of the franchisee.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business systems. Extraordinary Expenses include specific: building association dues, legal and consulting fees, travel expenses, owners' expenses such as auto expense and cellphone.

PART II. 2020 FINANCIAL DATA

- As of December 31, 2020, there were a total of 7 Smaller Schools; 3 of which are franchised and 4 of which are company-owned.
- As of December 31, 2020, there were a total of 16 Larger Schools; 14 of which are franchised and 2 of which are company-owned.

A. Company-Owned Schools

1. 2020 Revenue for Company-Owned Schools Open at Least 18 Months

The tables below include information for company-owned Smaller Schools and Larger Schools that were in open at least 18 months at the beginning of the reporting period (1/1/2020). All company-owned Schools met this criterion and are, therefore, included in the tables below.

2020 Gross Revenues for Company-Owned Smaller Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,136,057	2	50.00%
Average	\$1,170,883	2	50.00%
Low	\$917,721	4	100.00%
High	\$1,493,697	1	25.00%

2020 Range of Gross Revenues for Company-Owned Smaller Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$1,300,000	1	25.00%	1	25.00%
Between \$1,000,000 and \$1,299,999	2	50.00%	3	75.00%
Between \$800,000 and \$999,999	1	25.00%	4	100.00%
Less than \$800,000	0	0.00%	4	100.00%

2020 Gross Revenues for Company-Owned Larger Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$2,755,648	1	50.00%
Average	\$2,755,648	1	50.00%
Low	\$1,743,858	2	100.00%
High	\$3,467,437	1	50.00%

2020 Range of Annual Gross Revenues for Company-Owned Larger Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$2,000,000	1	50.00%	1	50.00%
Between \$1,500,000 and \$1,999,999	1	50.00%	2	100.00%
Between \$1,000,000 and \$1,499,999	0	0.00%	2	100.00%
Less than \$1,000,000	0	0.00%	2	100.00%

2. 2020 Revenue for Company-Owned Schools Open Less Than 18 Months

No company-owned Schools were open less than 18 months at 1/1/2020.

3. 2020 Cost and Expense Data for Company-Owned Schools Open at Least 18 Months

The tables below include cost and expense information for company-owned Smaller Schools and Larger Schools that were open at least 18 months at the beginning of the reporting period (1/1/2020). All company-owned Schools met this criterion and are, therefore, included in the tables below.

2020 Average Cost and Expense Data for Company-Owned Schools (Schools Open at Least 18 Months)

	Corporate Owned Total Sample		Corporate Owned Larger Schools		Corporate Owned Smaller Schools	
From January 1st, 2020- December 31st, 2020	Average for Sample	Percentage of Total Gross Revenues	Average for Larger Schools	Percentage of Total Gross Revenues	Average for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	\$ 1,699,138		\$ 2,755,648		\$ 1,170,883	
	*2 Schools (33.33% of Total Sample) above average *4 Schools (66.67% of Total Sample) below average		*1 School (50.00% of Larger Schools Sample) above average *1 School (50.00% of Larger Schools Sample) below average		*2 Schools (50.00% of Smaller Schools Sample) above average *2 Schools (50.00% of Smaller Schools Sample) below average	
Payroll (excluding taxes)	732,675	43.12%	1,197,284	43.45%	500,371	42.73%
Payroll Taxes	54,333	3.20%	88,295	3.20%	37,352	3.19%
Total Payroll and Taxes	787,008	46.32%	1,285,578	46.65%	537,723	45.92%
Royalty -6% of Rev.	58,371	3.44%	93,141	3.38%	40,986	3.50%
Total KLA Royalty	58,371	3.44%	93,141	3.38%	40,986	3.50%
Accounting and Management Costs	-	0.00%	-	0.00%	-	0.00%
Advertising, Promotions, and Marketing	16,344	0.96%	20,276	0.74%	14,378	1.23%
Bank Charges and Credit Card Fees	18,186	1.07%	34,291	1.24%	10,134	0.87%
Cleaning Services	4,069	0.24%	842	0.03%	5,683	0.49%
Employee Benefits	25,030	1.47%	46,328	1.68%	14,380	1.23%
Equipment Rental	2,815	0.17%	4,522	0.16%	1,962	0.17%
Licenses and Permits	1,805	0.11%	2,464	0.09%	1,475	0.13%
Office Supplies and Postage Expense	1,062	0.06%	1,197	0.04%	994	0.08%
Outside Services	7,561	0.44%	15,156	0.55%	3,763	0.32%
Printing and Stationary	2,327	0.14%	3,994	0.14%	1,493	0.13%
Staff Training	4,245	0.25%	6,944	0.25%	2,895	0.25%
Supplies (General)	24,064	1.42%	39,313	1.43%	16,440	1.40%
Telephone Expense	4,291	0.25%	6,585	0.24%	3,143	0.27%
Uniforms	9,516	0.56%	18,011	0.65%	5,269	0.45%
Misc. Expense	41,827	2.46%	66,841	2.43%	29,320	2.50%
Total Other Expenses	163,141	9.60%	266,764	9.68%	111,329	9.51%
Insurance	29,036	1.71%	41,541	1.51%	22,783	1.95%
Maintenance – All (Building Grounds and Equipment)	18,232	1.07%	22,387	0.81%	16,155	1.38%
Utilities	26,785	1.58%	40,585	1.47%	19,885	1.70%
Occupancy Expenses (including insurance, maintenance, and utilities)	74,053	4.36%	104,513	3.79%	58,824	5.02%
Total Expenses	1,082,573	63.71%	1,749,996	63.51%	748,862	63.96%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extrarordinary Expenses and Discounts ("EBITDARED")**	616,565	36.29%	1,005,652	36.49%	422,021	36.04%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: management fees, tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

2020 Median Cost and Expense Data for Company Owned Schools (Schools Open at Least 18 Months)

	Corporate Owned Total Sample		Corporate Owned Larger Schools		Corporate Owned Smaller Schools	
From January 1st, 2020 - December 31st, 2020	Median for Sample	Percentage of Total Gross Revenues	Median for Larger Schools	Percentage of Total Gross Revenues	Median for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	\$ 1,363,871		\$ 2,755,648		\$ 1,136,057	
	*3 Schools (50.00% of Total Sample) above median *3 Schools (50.00% of Total Sample) below median		*1 School (50.00% of Larger Schools Sample) above median *1 School (50.00% of Larger Schools Sample) below median		*2 Schools (50.00% of Smaller Schools Sample) above median *2 Schools (50.00% of Smaller Schools Sample) below median	
Payroll (excluding taxes)	542,205	39.75%	1,197,284	43.45%	506,765	44.61%
Payroll Taxes	40,178	2.95%	88,295	3.20%	37,286	3.28%
Total Payroll and Taxes	582,384	42.70%	1,285,578	46.65%	544,051	47.89%
Royalty - 6% of Rev.	60,682	4.45%	93,141	3.38%	49,839	4.39%
Total KLA Royalty	60,682	4.45%	93,141	3.38%	49,839	4.39%
Accounting and Management Costs	-	0.00%	-	0.00%	-	0.00%
Advertising, Promotions, and Marketing	11,036	0.81%	20,276	0.74%	10,991	0.97%
Bank Charges and Credit Card Fees	15,088	1.11%	34,291	1.24%	11,760	1.04%
Cleaning Services	4,461	0.33%	842	0.03%	1,470	0.13%
Employee Benefits	15,237	1.12%	46,328	1.68%	10,392	0.91%
Equipment Rental	2,261	0.17%	4,522	0.16%	2,078	0.18%
Licenses and Permits	1,392	0.10%	2,464	0.09%	1,474	0.13%
Office Supplies and Postage Expense	616	0.05%	1,197	0.04%	1,050	0.09%
Outside Services	3,550	0.26%	15,156	0.55%	5,941	0.52%
Printing and Stationary	1,571	0.12%	3,994	0.14%	1,537	0.14%
Staff Training	4,228	0.31%	6,944	0.25%	2,530	0.22%
Supplies (General)	19,666	1.44%	39,313	1.43%	14,530	1.28%
Telephone Expense	3,273	0.24%	6,585	0.24%	4,282	0.38%
Uniforms	7,418	0.54%	18,011	0.65%	6,870	0.60%
Misc. Expense	34,677	2.54%	66,841	2.43%	30,850	2.72%
Total Other Expenses	124,475	9.13%	266,764	9.68%	105,755	9.31%
Insurance	24,939	1.83%	41,541	1.51%	25,255	2.22%
Maintenance - All (Building, Grounds and Equipment)	16,139	1.18%	22,387	0.81%	11,979	1.05%
Utilities	22,724	1.67%	40,585	1.47%	15,984	1.41%
Occupancy Expenses (including insurance, maintenance, and utilities)	63,802	4.68%	104,513	3.79%	53,218	4.68%
Total Expenses	831,343	60.95%	1,749,996	63.51%	752,863	66.27%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	532,528	39.05%	1,005,652	36.49%	383,194	33.73%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: management fees, tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

4. 2020 Cost and Expense Data for Company-Owned Schools Open Less than 18 Months

No company-owned Schools were open less than 18 months at 1/1/2020.

B. Franchised Schools

1. 2020 Revenue for Franchised Schools Open at Least 18 Months

The tables below include information for franchised Smaller Schools and Larger Schools that were open for at least 18 months at the beginning of the reporting period (1/1/2020). 1 franchised Smaller School and 9 franchised Larger Schools met this criterion and are included in the tables below; 2 franchised Smaller Schools and 5 franchised Larger Schools did not meet this criterion and, therefore, are not included in the tables below. However, revenue for franchised Schools open less than 18 months is provided in Section 2 below.

2020 Gross Revenues for Franchised Smaller Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,498,465	1	100.00%
Average	\$1,498,465	1	100.00%
Low	\$1,498,465	1	100.00%
High	\$1,498,465	1	100.00%

2020 Range of Gross Revenues for Franchised Smaller Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$1,300,000	1	100.00%	1	100.00%
Between \$1,000,000 and \$1,299,999	0	0.00%	1	100.00%
Between \$800,000 and \$999,999	0	0.00%	1	100.00%
Less than \$800,000	0	0.00%	1	100.00%

2020 Gross Revenues for Franchised Larger Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,195,089	5	55.56%
Average	\$1,307,602	3	33.33%
Low	\$693,741	9	100.00%
High	\$2,759,261	1	11.11%

2020 Range of Annual Gross Revenues for Franchised Larger Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$2,000,000	1	11.11%	1	11.11%
Between \$1,500,000 and \$1,999,999	1	11.11%	2	22.22%
Between \$1,000,000 and \$1,499,999	4	44.44%	6	66.67%
Less than \$1,000,000	3	33.33%	9	100.00%

2. 2020 Revenue for Franchised Schools Open Less Than 18 Months

The tables below include information for franchised Smaller Schools and Larger Schools that were open for less than 18 months at the beginning of the reporting period (1/1/2020). 2 franchised Smaller School and 5 Larger Schools met this criterion and are included in the tables below. 1 franchised Smaller School and 9 Larger Schools did not meet this criterion and are not included in the tables below. However, revenue for these Schools is included in Section 1 above.

2020 Gross Revenues for Franchised Smaller Schools (Schools Open Less than 18 Months) (1)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$559,557	1	50.00%
Average	\$559,557	1	50.00%
Low	\$404,517	2	100.00%
High	\$714,597	1	50.00%

(1) The franchised Smaller School reflected in the table above opened in August 2018 and January 2020, respectively.

2020 Range of Gross Revenues for Franchised Smaller Schools (Schools Open Less than 18 Months) (1)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$1,300,000	0	0.00%	0	0.00%
Between \$1,000,000 and \$1,299,999	0	0.00%	0	0.00%
Between \$800,000 and \$999,999	0	0.00%	0	0.00%
Less than \$800,000	2	100.00%	2	100.00%

(1) The franchised Smaller Schools reflected in the table above opened in August 2018 and January 2020, respectively.

2020 Gross Revenues for Franchised Larger Schools (Schools Open Less than 18 Months) (1)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$611,889	3	60.00%
Average	\$653,561	2	40.00%
Low	\$413,543	5	100.00%
High	\$1,025,612	1	20.00%

(1) The franchised Larger Schools reflected in the table above opened in January 2019, September 2019, October 2019, April 2020, and October 2020, respectively.

2020 Range of Annual Revenue for Franchised Larger Schools (Schools Open Less than 18 Months) (1)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$2,000,000	0	0.00%	0	0.00%
Between \$1,500,000 and \$1,999,999	0	0.00%	0	0.00%
Between \$1,000,000 and \$1,499,999	1	20.00%	1	20.00%
Less than \$1,000,000	4	80.00%	5	100.00%

(1) The franchised Larger Schools reflected in the table above opened in January 2019, September 2019, October 2019, April 2020, and October 2020, respectively.

3. 2020 Cost and Expense Data for Franchised Schools Open at Least 18 Months

The tables below include cost and expense information for franchised Smaller Schools and Larger Schools that were in open at least 18 months at the beginning of the reporting period (1/1/2020). 1 franchised Smaller School and 9 Larger Schools met this criterion and are included in the tables below; 2 franchised Smaller School and 5 Larger Schools did not meet this criterion, therefore, are not included in the tables below. However, cost and expense data for these Schools are included in Section 4 below.

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2020 Average Cost and Expense Data for Schools Operated by Franchisees (Schools Open at Least 18 Months)

	Franchisees Total Sample		Franchisees Larger Schools		Franchisees Smaller Schools	
From January 1st, 2020 - December 31st, 2020	Average for Sample	Percentage of Total Gross Revenues	Average for Larger Schools	Percentage of Total Gross Revenues	Average for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	\$ 1,326,688		\$ 1,307,602		\$ 1,498,465	
	*4 Schools (40.00% of Total Sample) above average *6 Schools (60.00% of Total Sample) below average		*3 Schools (33.33% of Larger Schools Sample) above average *6 School (66.67% of Larger Schools Sample) below average		*1 School is included in this group *1 School (100.00% of Smaller Schools Sample) represents the average	
Payroll (excluding taxes)	602,409	45.41%	622,720	47.62%	419,613	28.00%
Payroll Taxes	68,977	5.20%	66,160	5.06%	94,324	6.29%
Total Payroll and Taxes	671,386	50.61%	688,880	52.68%	513,936	34.30%
Royalty -6% of Rev.	64,777	4.88%	67,166	5.14%	43,275	2.89%
Total KLA Royalty	64,777	4.88%	67,166	5.14%	43,275	2.89%
Accounting and Management Costs	-	0.00%	-	0.00%	-	0.00%
Advertising, Promotions, and Marketing	18,124	1.37%	16,758	1.28%	30,416	2.03%
Bank Charges and Credit Card Fees	20,043	1.51%	18,840	1.44%	30,870	2.06%
Cleaning Services	19,324	1.46%	18,763	1.43%	24,373	1.63%
Employee Benefits	8,048	0.61%	7,786	0.60%	10,411	0.69%
Equipment Rental	3,110	0.23%	3,456	0.26%	-	0.00%
Licenses and Permits	1,658	0.12%	1,750	0.13%	831	0.06%
Office Supplies and Postage Expense	4,664	0.35%	5,182	0.40%	-	0.00%
Outside Services	15,536	1.17%	14,118	1.08%	28,296	1.89%
Printing and Stationary	1,721	0.13%	1,349	0.10%	5,071	0.34%
Staff Training	1,897	0.14%	1,595	0.12%	4,615	0.31%
Supplies (General)	58,404	4.40%	61,594	4.71%	29,693	1.98%
Telephone Expense	5,279	0.40%	5,191	0.40%	6,063	0.40%
Uniforms	2,012	0.15%	2,236	0.17%	-	0.00%
Misc. Expense	19,503	1.47%	19,303	1.48%	21,301	1.42%
Total Other Expenses	179,323	13.52%	177,921	13.61%	191,941	12.81%
Insurance	27,618	2.08%	28,121	2.15%	23,086	1.54%
Maintenance - All (Building Grounds and Equipment)	22,200	1.67%	23,280	1.78%	12,476	0.83%
Utilities	17,160	1.29%	19,066	1.46%	-	0.00%
Occupancy Expenses (including insurance, maintenance, and utilities)	66,977	5.05%	70,468	5.39%	35,562	2.37%
Total Expenses	982,463	74.05%	1,004,435	76.82%	784,714	52.37%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	344,225	25.95%	303,167	23.18%	713,751	47.63%

*In the event that tuition discounts were granted, gross revenues are reported prior to tuition discounts being authorized as sole discretion of the franchisee.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: building association dues, legal and consulting fees, travel expenses, owners' expenses such as auto expense and cellphone.

2020 Median Cost and Expense Data for Schools Operated by Franchisees (Schools Open at Least 18 Months)

	Franchisees Total Sample		Franchisees Larger Schools		Franchisees Smaller Schools	
From January 1st, 2020 - December 31st, 2020	Median for Sample	Percentage of Total Gross Revenues	Median for Larger Schools	Percentage of Total Gross Revenues	Median for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues	\$ 1,249,073		\$ 1,195,089		\$ 1,498,465	
	*5 Schools (50.00% of Total Sample) above median *5 Schools (50.00% of Total Sample) below median		*5 Schools (55.56% of Larger Schools Sample) above median *4 School (44.44% of Larger Schools Sample) below median		*1 School is included in this group *1 School (100.00% of Smaller Schools Sample) represents the median	
Payroll (excluding taxes)	548,448	43.91%	527,753	44.16%	419,613	28.00%
Payroll Taxes	108,498	8.69%	42,557	3.56%	94,324	6.29%
Total Payroll and Taxes	656,946	52.59%	570,310	47.72%	513,936	34.30%
Royalty - 6% of Rev.	70,397	5.64%	68,225	5.71%	43,275	2.89%
Total KLA Royalty	70,397	5.64%	68,225	5.71%	43,275	2.89%
Accounting and Management Costs	-	0.00%		0.00%		0.00%
Advertising, Promotions, and Marketing	7,002	0.56%	3,398	0.28%	30,416	2.03%
Bank Charges and Credit Card Fees	26,828	2.15%	26,328	2.20%	30,870	2.06%
Cleaning Services	25,741	2.06%	26,671	2.23%	24,373	1.63%
Employee Benefits	1,810	0.14%	3,619	0.30%	10,411	0.69%
Equipment Rental	3,973	0.32%	2,658	0.22%		0.00%
Licenses and Permits	1,201	0.10%	400	0.03%	831	0.06%
Office Supplies and Postage Expense	864	0.07%	122	0.01%		0.00%
Outside Services	10,346	0.83%	12,429	1.04%	28,296	1.89%
Printing and Stationary	1,071	0.09%	2,141	0.18%	5,071	0.34%
Staff Training	3,246	0.26%	3,334	0.28%	4,615	0.31%
Supplies (General)	51,449	4.12%	23,293	1.95%	29,693	1.98%
Telephone Expense	2,581	0.21%	1,856	0.16%	6,063	0.40%
Uniforms	1,998	0.16%	3,996	0.33%		0.00%
Misc. Expense	17,804	1.43%	18,275	1.53%	21,301	1.42%
Total Other Expenses	155,913	12.48%	128,520	10.75%	191,941	12.81%
Insurance	12,836	1.03%	16,413	1.37%	23,086	1.54%
Maintenance – All (Building, Grounds and Equipment)	9,847	0.79%	15,914	1.33%	12,476	0.83%
Utilities	16,234	1.30%	18,666	1.56%		0.00%
Occupancy Expenses (including insurance, maintenance, and utilities)	38,917	3.12%	50,993	4.27%	35,562	2.37%
Total Expenses	922,172	73.83%	818,048	68.45%	784,714	52.37%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	326,900	26.17%	377,041	31.55%	713,751	47.63%

*In the event that tuition discounts were granted, gross revenues are reported prior to tuition discounts being authorized as sole discretion of the franchisee.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: building association dues, legal and consulting fees, travel expenses, owners' expenses such as auto expense and cellphone.

4. 2020 Cost and Expense Data for Franchised Schools Open Less Than 18 Months

The tables below include information for franchised Smaller Schools and Larger Schools that were open for less than 18 months at the beginning of the reporting period (1/1/2020). 2 franchised Smaller School and 5 Larger Schools met this criterion and are included in the tables below. 1 franchised Smaller School and 9 Larger Schools did not meet this criterion and, therefore, are not included in the tables below. However, cost and expense data for these Schools are included in Section 3 above.

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2020 Average Cost and Expense Data for Schools Operated by Franchisees (Schools Open Less Than 18 Months)

	Franchisees Total Sample		Franchisees Larger Schools		Franchisees Smaller Schools	
From January 1st, 2020 - December 31st, 2020	Average for Sample	Percentage of Total Gross Revenues	Average for Larger Schools	Percentage of Total Gross Revenues	Average for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	\$ 626,703		\$ 653,561		\$ 559,557	
	*3 Schools (42.86% of Total Sample) above average *4 Schools (57.14% of Total Sample) below average		*2 Schools (40.00% of Larger Schools Sample) above average *3 School (60.00% of Larger Schools Sample) below average		*1 School (50.00% of Smaller Sample) above average *1 School (50.00% of Smaller Sample) below average	
Payroll (excluding taxes)	341,050	54.42%	348,182	53.27%	323,220	57.76%
Payroll Taxes	38,760	6.18%	42,306	6.47%	29,895	5.34%
Total Payroll and Taxes	379,810	60.60%	390,488	59.75%	353,115	63.11%
Royalty -6% of Rev.	28,048	4.48%	25,423	3.89%	34,610	6.19%
Total KLA Royalty	28,048	4.48%	25,423	3.89%	34,610	6.19%
Accounting and Management Costs	-	0.00%	-	0.00%	-	0.00%
Advertising, Promotions, and Marketing	23,214	3.70%	20,903	3.20%	28,992	5.18%
Bank Charges and Credit Card Fees	6,906	1.10%	5,451	0.83%	10,545	1.88%
Cleaning Services	5,553	0.89%	4,502	0.69%	8,178	1.46%
Employee Benefits	3,686	0.59%	5,160	0.79%	-	0.00%
Equipment Rental	1,251	0.20%	1,751	0.27%	-	0.00%
Licenses and Permits	714	0.11%	883	0.14%	290	0.05%
Office Supplies and Postage Expense	14,550	2.32%	17,371	2.66%	7,497	1.34%
Outside Services	5,837	0.93%	1,572	0.24%	16,502	2.95%
Printing and Stationary	370	0.06%	518	0.08%	-	0.00%
Staff Training	900	0.14%	957	0.15%	760	0.14%
Supplies (General)	47,247	7.54%	49,434	7.56%	41,782	7.47%
Telephone Expense	4,923	0.79%	4,848	0.74%	5,111	0.91%
Uniforms	848	0.14%	684	0.10%	1,258	0.22%
Misc. Expense	17,738	2.83%	18,518	2.83%	15,787	2.82%
Total Other Expenses	133,737	21.34%	132,551	20.28%	136,701	24.43%
Insurance	17,447	2.78%	19,976	3.06%	11,124	1.99%
Maintenance - All (Building Grounds and Equipment)	20,117	3.21%	23,052	3.53%	12,781	2.28%
Utilities	20,496	3.27%	17,927	2.74%	26,919	4.81%
Occupancy Expenses (including insurance, maintenance, and utilities)	58,060	9.26%	60,955	9.33%	50,825	9.08%
Total Expenses	599,655	95.68%	609,416	93.25%	575,251	102.80%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	27,048	4.32%	44,145	6.75%	(15,695)	-2.80%

*In the event that tuition discounts were granted, gross revenues are reported prior to tuition discounts being authorized as sole discretion of the franchisee.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: building association dues, legal and consulting fees, travel expenses, owners' expenses such as auto expense and cellphone.

2020 Median Cost and Expense Data for Schools Operated by Franchisees (Schools Open Less Than 18 Months)

From January 1st, 2020 - December 31st, 2020	Franchisees Total Sample		Franchisees Larger Schools		Franchisees Smaller Schools	
	Median for Sample	Percentage of Total Gross Revenues	Median for Larger Schools	Percentage of Total Gross Revenues	Median for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues	\$ 611,889		\$ 611,889		\$ 559,557	
	*4 Schools (57.14% of Total Sample) above median *3 Schools (42.86% of Total Sample) below median		*3 Schools (60.00% of Larger Schools Sample) above median *2 School (40.00% of Larger Schools Sample) below median		*1 School (50.00% of Smaller Schools Sample) above median *1 School (50.00% of Smaller Schools Sample) below median	
Payroll (excluding taxes)	296,680	48.49%	296,680	48.49%	323,220	57.76%
Payroll Taxes	31,703	5.18%	31,703	5.18%	29,895	5.34%
Total Payroll and Taxes	328,383	53.67%	328,383	53.67%	353,115	63.11%
Royalty - 6% of Rev.	31,918	5.22%	31,918	5.22%	34,610	6.19%
Total KLA Royalty	31,918	5.22%	31,918	5.22%	34,610	6.19%
Accounting and Management Costs		0.00%		0.00%	-	0.00%
Advertising, Promotions, and Marketing	9,350	1.53%	9,350	1.53%	28,992	5.18%
Bank Charges and Credit Card Fees	11,257	1.84%	11,257	1.84%	10,545	1.88%
Cleaning Services	8,477	1.39%	8,477	1.39%	8,178	1.46%
Employee Benefits		0.00%		0.00%	-	0.00%
Equipment Rental	3,079	0.50%	3,079	0.50%	-	0.00%
Licenses and Permits		0.00%		0.00%	290	0.05%
Office Supplies and Postage Expense	58	0.01%	58	0.01%	7,497	1.34%
Outside Services	3,756	0.61%	3,756	0.61%	16,502	2.95%
Printing and Stationary		0.00%		0.00%	-	0.00%
Staff Training	1,492	0.24%	1,492	0.24%	760	0.14%
Supplies (General)	20,313	3.32%	20,313	3.32%	41,782	7.47%
Telephone Expense	3,976	0.65%	3,976	0.65%	5,111	0.91%
Uniforms		0.00%		0.00%	1,258	0.22%
Misc. Expense	17,325	2.83%	17,325	2.83%	15,787	2.82%
Total Other Expenses	79,083	12.92%	79,083	12.92%	136,701	24.43%
Insurance	22,975	3.75%	22,975	3.75%	11,124	1.99%
Maintenance – All (Building, Grounds and Equipment)	7,831	1.28%	7,831	1.28%	12,781	2.28%
Utilities	22,998	3.76%	22,998	3.76%	26,919	4.81%
Occupancy Expenses (including insurance, maintenance, and utilities)	53,804	8.79%	53,804	8.79%	50,825	9.08%
Total Expenses	493,188	80.60%	493,188	80.60%	575,251	102.80%
Adjusted Operating Income /Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	118,701	19.40%	118,701	19.40%	(15,695)	-2.80%

*In the event that tuition discounts were granted, gross revenues are reported prior to tuition discounts being authorized as sole discretion of the franchisee.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: building association dues, legal and consulting fees, travel expenses, owners' expenses such as auto expense and cellphone.

PART III. 2021 FINANCIAL DATA

- As of December 31, 2021, there were a total of 6 Smaller Schools; 2 of which are franchised and 4 of which are company-owned.
- As of December 31, 2021, there were a total of 18 Larger Schools; 15 of which are franchised and 3 of which are company-owned.

A. Company-Owned Schools

1. 2021 Revenue for Company-Owned Schools Open at Least 18 Months

The tables below include revenue information for company-owned Smaller and Larger Schools that were open at least 18 months at the beginning of the reporting period (1/1/2021) and that operate using a format that is significantly similar to our standard format. 3 company-owned Smaller Schools and 2 company-owned Larger Schools met this criterion. 1 company-owned Smaller School is excluded because it opened after 18 months prior to the beginning of the reporting period and 1 company-owned Larger School is excluded because it operates using a significantly different format as its enrollment includes pre-kindergarten through grade 5. These 2 Schools are not included in the tables in this Section 1. However, revenue for the 1 company-owned Smaller School opened after 18 months prior to the beginning of the reporting period is included in Section 2 below.

2021 Gross Revenues for Company-Owned Smaller Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,966,054	2	66.67%
Average	\$1,803,734	2	66.67%
Low	\$1,252,213	3	100.00%
High	\$2,192,934	1	33.33%

2021 Range of Gross Revenues for Company-Owned Smaller Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$1,300,000	2	66.67%	2	66.67%
Between \$1,000,000 and \$1,299,999	1	33.33%	3	100.00%
Between \$800,000 and \$999,999	0	0.00%	3	100.00%
Less than \$800,000	0	0.00%	3	100.00%

2021 Gross Revenues for Company-Owned Larger Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$2,228,072	1	50.00%
Average	\$2,228,072	1	50.00%
Low	\$1,862,040	2	100.00%
High	\$2,594,105	1	50.00%

2021 Range of Annual Gross Revenues for Company-Owned Larger Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$2,000,000	1	50.00%	1	50.00%
Between \$1,500,000 and \$1,999,999	1	50.00%	2	100.00%
Between \$1,000,000 and \$1,499,999	0	0.00%	2	100.00%
Less than \$1,000,000	0	0.00%	2	100.00%

2. 2021 Revenue for Company-Owned Schools Open Less than 18 Months

The tables below include revenue information for company-owned Smaller Schools and Larger Schools that were open for less than 18 months at the beginning of the reporting period (1/1/2021) and that operate using a format that is significantly similar to our standard format. 1 company-owned Smaller School met this criterion and is included in the tables below. 3 company-owned Smaller Schools and 2 company-owned Larger Schools are excluded because they were open for more than 18 months at the

beginning of the reporting period and 1 Larger School was excluded because it operates using a significantly different format as its enrollment includes pre-kindergarten through grade 5. However, revenue for the 3 company-owned Smaller Schools and 2 company-owned Larger Schools that were open for more than 18 months at the beginning of the reporting period is included in Section 1 above.

2021 Gross Revenues for Company-Owned Smaller Schools (Schools Open Less than 18 Months) (1)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,103,282	1	100.00%
Average	\$1,103,282	1	100.00%
Low	\$1,103,282	1	100.00%
High	\$1,103,282	1	100.00%

(1) The company-owned Smaller School reflected in the table above opened June 2021.

2021 Range of Gross Revenues for Company-Owned Smaller Schools (Schools Open Less than 18 Months) (1)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$1,300,000	0	0.00%	0	0.00%
Between \$1,000,000 and \$1,299,999	1	100.00%	1	100.00%
Between \$800,000 and \$999,999	0	0.00%	1	100.00%
Less than \$800,000	0	0.00%	1	100.00%

(1) The company-owned Smaller School reflected in the table above opened June 2021.

3. 2021 Cost and Expense Data for Company-Owned Schools Open at Least 18 Months

The tables below include cost and expense information for company-owned Smaller and Larger Schools that were open at least 18 months at the beginning of the reporting period (1/1/2021) and that operate using a format that is significantly similar to our standard format. 3 company-owned Smaller Schools and 2 company-owned Larger Schools met this criterion. 1 company-owned Smaller School is excluded because it opened after 18 months prior to the beginning of the reporting period and 1 company-owned Larger School is excluded because it operates using a significantly different format as its enrollment includes pre-kindergarten through grade 5. These 2 Schools are not included in the table below. However, cost and expense for the 1 company-owned Smaller School opened after 18 months prior to the beginning of the reporting period is included in Section 4 below.

When evaluating these costs and expenses, please note that 1 of the company-owned Smaller Schools that was open for at least 18 months at the beginning of the reporting period does not pay royalties.

2021 Average Cost and Expense Data for Company-Owned Schools (Schools Open at least 18 months)

From January 1st, 2021 - December 31st, 2021	Corporate Owned Total Sample		Corporate Owned Larger Schools		Corporate Owned Smaller Schools	
	Average for Sample	Percentage of Total Gross Revenues	Average for Larger Schools	Percentage of Total Gross Revenues	Average for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	1,973,469		2,228,072		1,803,734	
	*3 Schools (60.00% of Total Sample) above average *2 Schools (40.00% of Total Sample) below average		*1 School (50.00% of Larger Schools Sample) above average *1 School (50.00% of Larger Schools Sample) below average		*2 Schools (66.67% of Smaller Schools Sample) above average *1 School (33.33% of Smaller Schools Sample) below average	
Payroll (excluding taxes)	707,844	35.87%	857,915	38.50%	607,797	33.70%
Payroll Taxes	53,723	2.72%	67,445	3.03%	44,575	2.47%
Total Payroll and Taxes	761,567	38.59%	925,359	41.53%	652,372	36.17%
Royalty-6% of Rev.	99,718	5.05%	129,171	5.80%	80,083	4.44%
Total KLA Royalty	99,718	5.05%	129,171	5.80%	80,083	4.44%
Accounting and Management Costs	42,269	2.14%	78,672	3.53%	18,000	1.00%
Advertising, Promotions, and Marketing	14,186	0.72%	12,938	0.58%	15,018	0.83%
Bank Charges and Credit Card Fees	16,534	0.84%	19,828	0.89%	14,338	0.79%
Cleaning Services	9,614	0.49%	4,124	0.19%	13,274	0.74%
Employee Benefits	14,293	0.72%	10,417	0.47%	16,878	0.94%
Equipment Rental	2,759	0.14%	2,793	0.13%	2,737	0.15%
Licenses and Permits	1,834	0.09%	1,584	0.07%	2,000	0.11%
Office Supplies and Postage Expense	1,359	0.07%	1,909	0.09%	992	0.06%
Outside Services	1,705	0.09%	3,241	0.15%	681	0.04%
Printing and Stationary	2,997	0.15%	4,492	0.20%	2,001	0.11%
Staff Training	203	0.01%	-	0.00%	338	0.02%
Supplies (General)	34,519	1.75%	33,776	1.52%	35,014	1.94%
Telephone Expense	4,553	0.23%	6,250	0.28%	3,422	0.19%
Uniforms	7,082	0.36%	10,502	0.47%	4,803	0.27%
Misc. Expense	40,541	2.05%	53,322	2.39%	32,020	1.78%
Total Other Expenses	194,449	9.85%	243,848	10.94%	161,516	8.95%
Insurance	25,240	1.28%	28,058	1.26%	23,361	1.30%
Maintenance – All (Building, Grounds and Equipment)	33,781	1.71%	27,026	1.21%	38,285	2.12%
Utilities	25,389	1.29%	28,859	1.30%	23,076	1.28%
Occupancy Expenses (including insurance, maintenance, and utilities)	84,410	4.28%	83,943	3.77%	84,721	4.70%
Total Expenses	1,140,144	57.77%	1,382,321	62.04%	978,692	54.26%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extrarordinary Expenses and Discounts ("EBITDARED")**	833,325	42.23%	845,751	37.96%	825,042	45.74%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

2021 Median Cost and Expense Data for Company Owned Schools (Schools Open at least 18 months)

	Corporate Owned Total Sample		Corporate Owned Larger Schools		Corporate Owned Smaller Schools	
From January 1st, 2021 - December 31st, 2021	Median for Sample	Percentage of Total Gross Revenues	Median for Larger Schools	Percentage of Total Gross Revenues	Median for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	1,363,871		2,228,072		1,966,054	
	*3 Schools (40.00% of Total Sample) above median *3 Schools (60.00% of Total Sample) below median		*1 School (50.00% of Larger Schools Sample) above median *1 School (50.00% of Larger Schools Sample) below median		*1 School (33.33% of Smaller Schools Sample) above median *2 Schools 66.67% of Smaller Schools Sample) below median	
Payroll (excluding taxes)	664,881	48.75%	857,915	38.50%	634,311	32.26%
Payroll Taxes	50,981	3.74%	67,445	3.03%	43,026	2.19%
Total Payroll and Taxes	715,862	52.49%	925,359	41.53%	677,337	34.45%
Royalty-6% of Rev.	120,124	8.81%	129,171	5.80%	120,124	6.11%
Total KLA Royalty	112,522	8.25%	129,171	5.80%	112,522	5.72%
Accounting and Management Costs	51,000	3.74%	78,672	3.53%	27,000	1.37%
Advertising, Promotions, and Marketing	11,856	0.87%	12,938	0.58%	11,048	0.56%
Bank Charges and Credit Card Fees	16,181	1.19%	19,828	0.89%	16,181	0.82%
Cleaning Services	7,180	0.53%	4,124	0.19%	14,131	0.72%
Employee Benfits	13,578	1.00%	10,417	0.47%	15,042	0.77%
Equipment Rental	3,327	0.24%	2,793	0.13%	3,327	0.17%
Licenses and Permits	2,460	0.18%	1,584	0.07%	2,508	0.13%
Office Supplies and Postage Expense	1,656	0.12%	1,909	0.09%	630	0.03%
Outside Services	3,182	0.23%	3,241	0.15%	2,044	0.10%
Printing and Stationary	2,659	0.19%	4,492	0.20%	1,883	0.10%
Staff Training	507	0.04%		0.00%	507	0.03%
Supplies (General)	32,891	2.41%	33,776	1.52%	32,891	1.67%
Telephone Expense	5,407	0.40%	6,250	0.28%	3,570	0.18%
Uniforms	7,999	0.59%	10,502	0.47%	5,961	0.30%
Misc. Expense	48,975	3.59%	53,322	2.39%	31,069	1.58%
Total Other Expenses	207,504	15.21%	243,848	10.94%	145,558	7.40%
Insurance	26,504	1.94%	28,058	1.26%	26,504	1.35%
Maintenance - All (Building, Grounds and Equipment)	35,119	2.57%	27,026	1.21%	35,119	1.79%
Utilities	20,518	1.50%	28,859	1.30%	19,148	0.97%
Occupancy Expenses (including insurance, maintenance, and utilities)	93,007	6.82%	83,943	3.77%	93,007	4.73%
Total Expenses	1,131,924	82.99%	1,382,321	62.04%	1,028,452	52.31%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARE")**	937,602	68.75%	845,751	37.96%	937,602	47.69%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

4. 2021 Cost and Expense Data for Company-Owned Schools Open Less than 18 months

The tables below include cost and expense information for company-owned Smaller Schools and Larger Schools that were open for less than 18 months at the beginning of the reporting period (1/1/2021) and that operate using a format that is significantly similar to our standard format. 1 company-owned Smaller School met this criterion and is included in the tables below. 3 company-owned Smaller Schools and 2 company-owned Larger Schools are excluded because they were open for more than 18 months at the beginning of the reporting period and 1 Larger School is excluded because it operates using a significantly different format as its enrollment includes pre-kindergarten through grade 5. However, cost and expense information for the 3 company-owned Smaller Schools and 2 company-owned Larger Schools that were open for more than 18 months at the beginning of the reporting period is included in Section 3 above.

When evaluating these costs and expenses, please note that 1 of the company-owned Smaller Schools that was open for at less than 18 months at the beginning of the reporting period does not pay royalties.

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2021 Average and Median Cost and Expense Data for Schools Operated by Company-Owned Schools (Schools Open Less Than 18 Months)

From January 1st, 2021 - December 31st, 2021	Corporate Owned Total Sample		Corporate Owned Smaller Schools	
	Average and Median for Sample	Percentage of Total Gross Revenues	Average and Median for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	1,103,282		1,103,282	
	*1 School (100.00% of Total Sample)		*1 School (100.00% of Smaller Schools Sample)	
Payroll (excluding taxes)	541,511	49.08%	541,511	49.08%
Payroll Taxes	47,249	4.28%	47,249	4.28%
Total Payroll and Taxes	588,760	53.36%	588,760	53.36%
Royalty-6% of Rev.		0.00%		0.00%
Total KLA Royalty	-	0.00%	-	0.00%
Accounting and Management Costs		0.00%		0.00%
Advertising, Promotions, and Marketing	13,173	1.19%	13,173	1.19%
Bank Charges and Credit Card Fees	7,803	0.71%	7,803	0.71%
Cleaning Services	18,703	1.70%	18,703	1.70%
Employee Benefits	10,759	0.98%	10,759	0.98%
Equipment Rental	1,549	0.14%	1,549	0.14%
Licenses and Permits	3,700	0.34%	3,700	0.34%
Office Supplies and Postage Expense	920	0.08%	920	0.08%
Outside Services		0.00%		0.00%
Printing and Stationary	857	0.08%	857	0.08%
Staff Training		0.00%		0.00%
Supplies (General)	26,469	2.40%	26,469	2.40%
Telephone Expense	986	0.09%	986	0.09%
Uniforms		0.00%		0.00%
Misc. Expense	21,423	1.94%	21,423	1.94%
Total Other Expenses	106,343	9.64%	106,343	9.64%
Insurance	26,008	2.36%	26,008	2.36%
Maintenance – All (Building, Grounds and Equipment)	33,610	3.05%	33,610	3.05%
Utilities	38,484	3.49%	38,484	3.49%
Occupancy Expenses (including insurance, maintenance, and utilities)	98,102	8.89%	98,102	8.89%
Total Expenses	793,205	71.89%	793,205	71.89%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extrarordinary Expenses and Discounts ("EBITDARED")**	310,078	28.11%	310,078	28.11%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

B. Franchised Schools

1. 2021 Revenue for Franchised Schools Open at Least 18 Months

The tables below include information for franchised Smaller Schools and Larger Schools that were open for at least 18 months at the beginning of the reporting period (1/1/2021). 2 franchised Smaller Schools and 14 Larger Schools met this criterion and are included in the tables below; 1 franchised Larger School did not meet this criterion and, therefore, is not included in the tables below. However, revenue for this School is included in Section 2 below.

2021 Gross Revenues for Franchised Smaller Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,602,761	1	50.00%
Average	\$1,602,761	1	50.00%
Low	\$1,241,409	2	100.00%
High	\$1,964,112	1	50.00%

2021 Range of Gross Revenues for Franchised Smaller Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$1,300,000	1	50.00%	1	50.00%
Between \$1,000,000 and \$1,299,999	1	50.00%	2	100.00%
Between \$800,000 and \$999,999	0	0.00%	2	100.00%
Less than \$800,000	0	0.00%	2	100.00%

2021 Gross Revenues for Franchised Larger Schools (Schools Open at Least 18 Months)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$1,489,218	7	50.00%
Average	\$1,766,463	5	35.71%
Low	\$1,178,195	14	100.00%
High	\$3,581,659	1	7.14%

2021 Range of Annual Gross Revenues for Franchised Larger Schools (Schools Open at Least 18 Months)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$2,000,000	4	28.57%	4	28.57%
Between \$1,500,000 and \$1,999,999	3	21.43%	7	50.00%
Between \$1,000,000 and \$1,499,999	7	50.00%	14	100.00%
Less than \$1,000,000	0	0.00%	14	100.00%

2. 2021 Revenue for Franchised Schools Open Less Than 18 Months

The tables below include information for franchised Smaller Schools and Larger Schools that were open for less than 18 months at the beginning of the reporting period (1/1/2021). 1 franchised Larger School met this criterion and is included in the tables below. 2 franchised Smaller Schools and 14 Larger Schools did not meet this criterion and, therefore, are not included in the tables below. However, revenue for these Schools is included in Section 1 above.

2021 Gross Revenues for Franchised Larger Schools (Schools Open Less Than 18 Months) (1)			
Category	Gross Revenues	Number that Attained or Surpassed Stated Result	Percentage that Attained or Surpassed Stated Result
Median	\$2,180,986	1	100.00%
Average	\$2,180,986	1	100.00%
Low	\$2,180,986	1	100.00%
High	\$2,180,986	1	100.00%

(1) The franchised Larger School reflected in the table above opened in October 2020.

2021 Range of Annual Gross Revenues for Franchised Larger Schools (Schools Open Less Than 18 Months) (1)				
Annual Revenues	Number within Range	Percentage within Range	No. that Attained or Surpassed Stated Result	Aggregate Percentage that Attained or Surpassed Stated Result
More than \$2,000,000	1	100.00%	1	100.00%
Between \$1,500,000 and \$1,999,999	0	0.00%	1	100.00%
Between \$1,000,000 and \$1,499,999	0	0.00%	1	100.00%
Less than \$1,000,000	0	0.00%	1	100.00%

(1) The franchised Larger School reflected in the table above opened in October 2020.

3. 2021 Cost and Expense Data for Franchised Schools Open at Least 18 Months

The tables below include cost and expense information for franchised Smaller Schools and Larger Schools that were open at least 18 months at the beginning of the reporting period (1/1/2021). 2 franchised Smaller Schools and 14 Larger Schools met this criterion and are included in the tables below; 1 franchised Larger School did not meet this criterion and, therefore, is not included in the tables below. However, cost and expense data for this School is provided in Section 4 below.

	Franchisees Total Sample		Franchisees Larger Schools		Franchisees Smaller Schools	
	Average for Sample	Percentage of Total Gross Revenues	Average for Larger Schools	Percentage of Total Gross Revenues	Average for Smaller Schools	Percentage of Total Gross Revenues
From January 1st, 2021 - December 31st, 2021						
Gross Revenues*	1,746,000		1,766,463		1,602,761	
	*5 Schools (31.25% of Total Sample) above average *11 Schools (68.75% of Total Sample) below average		*5 Schools (35.71% of Larger Schools Sample) above average *9 Schools (64.29% of Larger Schools Sample) below average		*1 School (50.00% of Smaller Schools Sample) above average *1 School (50.00% of Smaller Schools Sample) below average	
Payroll (excluding taxes)	642,219	36.78%	668,162	37.82%	460,625	28.74%
Payroll Taxes	69,760	4.00%	69,574	3.94%	71,065	4.43%
Total Payroll and Taxes	711,979	40.78%	737,735	41.76%	531,690	33.17%
Royalty-6% of Rev.	97,361	5.58%	98,133	5.56%	91,956	5.74%
Total KLA Royalty	97,361	5.58%	98,133	5.56%	91,956	5.74%
Accounting and Management Costs	2,993	0.17%	3,421	0.19%	-	0.00%
Advertising, Promotions, and Marketing	26,865	1.54%	26,982	1.53%	26,043	1.62%
Bank Charges and Credit Card Fees	21,431	1.23%	20,330	1.15%	29,133	1.82%
Cleaning Services	15,581	0.89%	17,072	0.97%	5,143	0.32%
Employee Benefits	6,287	0.36%	7,186	0.41%	-	0.00%
Equipment Rental	2,581	0.15%	2,950	0.17%	-	0.00%
Licenses and Permits	1,362	0.08%	1,303	0.07%	1,771	0.11%
Office Supplies and Postage Expense	5,683	0.33%	5,945	0.34%	3,855	0.24%
Outside Services	15,315	0.88%	16,130	0.91%	9,613	0.60%
Printing and Stationary	1,139	0.07%	877	0.05%	2,974	0.19%
Staff Training	2,638	0.15%	1,768	0.10%	8,729	0.54%
Supplies (General)	83,228	4.77%	89,637	5.07%	38,368	2.39%
Telephone Expense	5,922	0.34%	5,856	0.33%	6,379	0.40%
Uniforms	4,011	0.23%	4,110	0.23%	3,320	0.21%
Misc. Expense	44,194	2.53%	43,555	2.47%	48,669	3.04%
Total Other Expenses	239,230	13.70%	247,121	13.99%	183,998	11.48%
Insurance	26,614	1.52%	28,200	1.60%	15,515	0.97%
Maintenance – All (Building, Grounds and Equipment)	23,460	1.34%	22,540	1.28%	29,901	1.87%
Utilities	21,160	1.21%	22,356	1.27%	12,788	0.80%
Occupancy Expenses (including insurance, maintenance, and utilities)	71,234	4.08%	73,096	4.14%	58,203	3.63%
Total Expenses	1,119,805	64.14%	1,156,084	65.45%	865,847	54.02%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	626,196	35.86%	610,379	34.55%	736,914	45.98%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

2021 Median Cost and Expense Data for Schools Operated by Franchisees (Schools Open for at Least 18 Months)

From January 1st, 2021 - December 31st, 2021	Franchisees Total Sample		Franchisees Larger Schools		Franchisees Smaller Schools	
	Median for Sample	Percentage of Total Gross Revenues	Median for Larger Schools	Percentage of Total Gross Revenues	Median for Smaller Schools	Percentage of Total Gross Revenues
Gross Revenues*	1,489,218		1,489,218		1,602,761	
	*8 Schools (50.00% of Total Sample) above median *8 Schools (50.00% of Total Sample) below median		*7 Schools (50.00% of Larger Schools Sample) above median *7 Schools (50.00% of Larger Schools Sample) below median		*1 School (50.00% of Smaller Schools Sample) above median *1 School (50.00% of Smaller Schools Sample) below median	
Payroll (excluding taxes)	544,791	36.58%	544,791	36.58%	460,625	28.74%
Payroll Taxes	56,214	3.77%	56,214	3.77%	71,065	4.43%
Total Payroll and Taxes	634,918	42.63%	634,918	42.63%	531,690	33.17%
Royalty - 6% of Rev.	83,365	5.60%	83,365	5.60%	91,956	5.74%
Total KLA Royalty	83,365	5.60%	83,365	5.60%	91,956	5.74%
Accounting and Management Costs	2,095	0.14%	2,095	0.14%	-	0.00%
Advertising, Promotions, and Marketing	25,674	1.72%	25,674	1.72%	26,043	1.62%
Bank Charges and Credit Card Fees	19,108	1.28%	19,108	1.28%	29,133	1.82%
Cleaning Services	27,253	1.83%	27,253	1.83%	10,286	0.64%
Employee Benefits	11,623	0.78%	11,623	0.78%	-	0.00%
Equipment Rental	2,917	0.20%	2,917	0.20%	-	0.00%
Licenses and Permits	1,052	0.07%	1,052	0.07%	1,771	0.11%
Office Supplies and Postage Expense	3,373	0.23%	3,373	0.23%	7,711	0.48%
Outside Services	15,514	1.04%	15,514	1.04%	9,613	0.60%
Printing and Stationary	3,072	0.21%	3,072	0.21%	5,948	0.37%
Staff Training	2,620	0.18%	2,620	0.18%	17,458	1.09%
Supplies (General)	55,098	3.70%	55,098	3.70%	38,368	2.39%
Telephone Expense	4,973	0.33%	4,973	0.33%	6,379	0.40%
Uniforms	5,673	0.38%	5,673	0.38%	6,640	0.41%
Misc. Expense	35,209	2.36%	35,209	2.36%	48,669	3.04%
Total Other Expenses	205,043	13.77%	205,043	13.77%	208,019	12.98%
Insurance	21,081	1.42%	21,081	1.42%	15,515	0.97%
Maintenance - All (Building, Grounds and Equipment)	17,664	1.19%	17,664	1.19%	29,901	1.87%
Utilities	22,576	1.52%	22,576	1.52%	25,576	1.60%
Occupancy Expenses (including insurance, maintenance, and utilities)	64,017	4.30%	64,017	4.30%	70,991	4.43%
Total Expenses	992,008	66.61%	992,008	66.61%	902,656	56.32%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	607,011	40.76%	607,011	40.76%	736,914	45.98%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

4. 2021 Cost and Expense Data for Franchised Schools Open Less Than 18 Months

The table below include information for franchised Smaller Schools and Larger Schools that were open for less than 18 months at the beginning of the reporting period (1/1/2021). 1 franchised Larger School met this criterion and is included in the tables below. 2 franchised Smaller Schools and 14 Larger Schools were open for at least 18 months at the beginning of the reporting period and, therefore, are not included in the table below. However, cost and expense data for these Schools are provided in Section 3 above.

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**2021 Average and Median Cost and Expense Data for Schools Operated by Franchisees
(Schools Open Less Than 18 Months)**

	Franchisees Total Sample		Franchisees Larger Schools	
From January 1st, 2021 - December 31st, 2021	Average and Median for Sample	Percentage of Total Gross Revenues	Average and Median for Larger Schools	Percentage of Total Gross Revenues
Gross Revenues*	2,180,986		2,180,986	
	*1 School (100.00% of Total Sample)		*1 School (100.00% of Total Sample)	
Payroll (excluding taxes)	638,497	29.28%	638,497	29.28%
Payroll Taxes	52,530	2.41%	52,530	2.41%
Total Payroll and Taxes	691,027	31.68%	691,027	31.68%
Royalty-6% of Rev.		0.00%		0.00%
Total KLA Royalty	-	0.00%	-	0.00%
Accounting and Management Costs	2,326	0.11%	2,326	0.11%
Advertising, Promotions, and Marketing	11,296	0.52%	11,296	0.52%
Bank Charges and Credit Card Fees	121	0.01%	121	0.01%
Cleaning Services		0.00%		0.00%
Employee Benefits		0.00%		0.00%
Equipment Rental		0.00%		0.00%
Licenses and Permits		0.00%		0.00%
Office Supplies and Postage Expense	13,968	0.64%	13,968	0.64%
Outside Services	50,155	2.30%	50,155	2.30%
Printing and Stationary		0.00%		0.00%
Staff Training	6,530	0.30%	6,530	0.30%
Supplies (General)	73,588	3.37%	73,588	3.37%
Telephone Expense		0.00%		0.00%
Uniforms	3,296	0.15%	3,296	0.15%
Misc. Expense	104,421	4.79%	104,421	4.79%
Total Other Expenses	265,701	12.18%	265,701	12.18%
Insurance	32,832	1.51%	32,832	1.51%
Maintenance – All (Building, Grounds and Equipment)	27,691	1.27%	27,691	1.27%
Utilities	26,709	1.22%	26,709	1.22%
Occupancy Expenses (including insurance, maintenance, and utilities)	87,232	4.00%	87,232	4.00%
Total Expenses	1,043,961	47.87%	1,043,961	47.87%
Adjusted Operating Income/Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses and Discounts ("EBITDARED")**	1,137,025	52.13%	1,137,025	52.13%

*Gross Revenues are reported prior to tuition discounts being authorized as sole management discretion.

**Extraordinary Expenses include expenses not applicable to all KLA Schools and not mandated in the KLA business system. Extraordinary Expenses include specific: tax returns preparation costs, legal and consulting fees, sales commissions, and travel expenses.

Notes to Item 19:

1. **“Revenues”** or **“Gross Revenues”** means the aggregate of all revenue from the sale of services and products from all sources, whether for check, credit or otherwise, including, without limitation, all proceeds from any business interruption insurance, but excluding any sales and equivalent taxes.
2. **“EBITDARED”** means Earnings Before Interest, Taxes, Depreciation, Amortization, Rent, Extraordinary Expenses, and Discounts.
3. Revenues, costs and profits for Smaller Schools and Larger Schools (and within each group) can vary widely. We suggest that you speak with franchisees with Schools that are similar to the School that you intend to operate to better understand factors that may affect your potential revenues, costs and profits.
4. Most of the Schools represented in this Item are located in Florida. The KLA Schools brand was founded in Miami, Florida in 2008, and since then, several Schools have been opened in Florida. As such, the KLA Schools brand has likely achieved more good will in Florida, and in particular, Southern Florida, than in other areas.
5. A significant number of the Schools represented in this Item 19 are company-owned. We may have greater management experience. Also, we also have the benefit of operating efficiencies across several Schools; therefore, certain costs may be less. However, we believe that these operating efficiencies are offset in large part because the company-owned Schools spend a greater amount per School amount on advertising and payroll than we anticipate a typical School would spend.
6. We have not made material changes to the KLA Schools concept as a result of COVID 19.

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

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

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable and consult with an attorney and other advisors prior to executing the franchise agreement.

Other than the preceding financial performance representation, we do 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 School, 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 our management by contacting Roberto Ortega, 1750 Coral Way, Suite 301, Miami, Florida 33145, telephone: (305) 912-5521 EXT 1235, the Federal Trade Commission and the appropriate state regulatory agencies.

Item 20.
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2019 TO 2021				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	10	14	+4
	2020	14	17	+3
	2021	17	17	0
Company-Owned	2019	6	6	0
	2020	6	6	0
	2021	6	7	+1
Total Outlets	2019	16	20	+4
	2020	20	23	+3
	2021	23	24	+1

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2019 TO 2021		
State	Year	Number of Transfers
Florida	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

Table No. 3

STATUS OF FRANCHISE OUTLETS FOR YEARS 2019 TO 2021								
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
California	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Florida	2019	5	3	0	0	0	0	8
	2020	8	1	0	0	0	0	9
	2021	9	0	0	0	0	0	9
Georgia	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Illinois	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Texas	2019	1	0	0	0	0	0	1

STATUS OF FRANCHISE OUTLETS FOR YEARS 2019 TO 2021								
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
Washington	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Oregon	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Total	2019	10	4	0	0	0	0	14
	2020	14	3	0	0	0	0	17
	2021	17	0	0	0	0	0	17

Table No. 4

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2019 TO 2021							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Alabama	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
Florida	2019	5	0	0	0	0	5
	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	5
Kentucky	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Total	2019	6	0	0	0	0	6
	2020	6	0	0	0	0	6
	2021	6	1	0	0	0	7

Table No. 5

PROJECTED NEW FRANCHISED OUTLETS AS OF DECEMBER 31, 2021 ⁽¹⁾			
State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlet(s) In The Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Colorado	1	0	0
Florida	2	1	0
Tennessee	0	0	0
Texas	0	1	0
Illinois	1	0	0
Alabama	0	0	0
North Carolina	0	0	0
New York	0	0	0
Washington DC	0	1	0

New Jersey	1	0	0
Total	5	3	0

⁽¹⁾ All numbers are as of our fiscal year end. Our fiscal year end is December 31.

The name, business address, and business telephone number of each current franchisee as of the date of this Disclosure Document is listed in Exhibit J-1. None of our current franchisees are parties to active Area Development Agreements or Center Development Agreements; there are no franchises under development under an Area Development Agreement or Center Development Agreement.

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a School terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement and who has left the system during the most recently completed fiscal year, or has not communicated with us within 10 weeks of the issuance of this Disclosure Document are listed on Exhibit J-2.

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

During the last three fiscal years, we have no current or former franchisees who have signed provisions restricting their ability to speak openly to you about their experience with the System.

There are no trademark-specific franchisee organizations associated with the System.

Item 21. **FINANCIAL STATEMENTS**

Attached as Exhibit I are our audited financial statements for December 31, 2019, December 31, 2020, and December 31, 2021. Our fiscal year end is December 31.

Also attached as Exhibit I are our unaudited balance sheet as of February 28, 2022 and profit and loss statement from our last fiscal year end to February 28, 2022. These financial statements have not been audited or reviewed by an accountant and are incomplete, as they do not contain any financial statement notes.

Item 22. **CONTRACTS**

Attached to this Disclosure Document are the following contracts and their attachments:

1. Franchise Agreement (with the following attachments) - Exhibit B
 - Exhibit 1 Designated Area and Protected Territory
 - Exhibit 2 General Release
 - Exhibit 3 Nondisclosure and Non-Competition Agreement
 - Exhibit 4 Nondisclosure Agreement
 - Exhibit 5 Unlimited Guaranty and Assumption of Obligations
 - Exhibit 6 Holders of Legal or Beneficial Interest in Franchisee
 - Exhibit 7 Multi-State Addenda
2. Center Development Agreement (and Multi-State Addenda) - Exhibit C

3. Area Development Agreement (and Multi-State Addenda) - Exhibit D
4. Conditional Assignment and Assumption of Telephone Numbers and Listings- Exhibit E
5. Conditional Assignment and Assumption of Lease - Exhibit F
6. Agreement to Lease - Exhibit G

Item 23.
RECEIPTS

Our copy and your copy of the Franchise Disclosure Document Receipts are located on the last two pages of this Disclosure Document.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	<p>Department of Financial Protection and Innovation</p> <p><i>Los Angeles</i> 320 West 4th Street Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500</p> <p><i>Sacramento</i> 2101 Arena Blvd. Sacramento, CA 95834 (866) 275-2677</p> <p><i>San Diego</i> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233</p> <p><i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565</p>	
Hawaii	<p>Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744</p>	<p>Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813</p>

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681	
Maryland	Maryland Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7042	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328	
New York	Investor Protection Bureau 28 Liberty Street, 21 st Fl. New York, New York 10005 (212) 416-8222	New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 th Floor Albany, NY 12231-0001 Attention: New York Secretary of State (518) 473-2492

State	State Administrator	Agent for Service of Process (if different from State Administrator)
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol Fifth Floor Dept 414 Bismarck, ND 58505-0510 (701) 328-4712
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760	
Wisconsin	Administrator Division of Securities Department of Financial Institutions State of Wisconsin 4822 Madison Yards Way Madison, Wisconsin 53705 (608) 266-0448	

EXHIBIT B TO THE DISCLOSURE DOCUMENT

KLA FRANCHISE, LLC

FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

AGREEMENT DATE

FRANCHISE OWNER

SCHOOL NUMBER

ADDRESS OF SCHOOL

**THIS AGREEMENT REQUIRES CERTAIN DISPUTES TO BE SUBMITTED TO BINDING
ARBITRATION**

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EXHIBITS

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2. GENERAL RELEASE
3. NONDISCLOSURE AND NON-COMPETITION AGREEMENT
4. NONDISCLOSURE AGREEMENT
5. UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS
6. HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE
7. MULTI-STATE ADDENDA

**KLA FRANCHISE, LLC
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “**Agreement**”) made _____ and is by and between KLA Franchise, LLC, a Florida limited liability company, having its principal place of business at 1750 Coral Way, Suite 301, Miami, Florida 33145 (“**Franchisor**”), and _____, an individual/partnership/corporation/limited liability company established in the State of _____ and whose principal address is _____ (“**Franchisee**”).

WITNESSETH:

WHEREAS, Franchisor and its Affiliate* have developed, and are in the process of further developing, a System identified by the service marks “**KLA Schools®**” and “**KLA®**” and relating to the establishment and operation of an upscale childcare/pre-school that provides educational programs to children that emphasize the child’s curiosity about the world in a secure and safe environment (“**KLA Schools**”); and

WHEREAS, in addition to the service marks “**KLA Schools**” and “**KLA**” and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; distinctive interior and exterior design, layout and décor; other strategies, techniques and Trade Secrets and other Confidential Information; and the Confidential Operations Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a KLA School using the System and the Marks; and

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

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Center in strict conformity with Franchisor’s System.

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

1. DEFINITIONS

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

“**Additional Developments**” has the meaning given to such term in Section 7.2;

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

* Capitalized terms not otherwise defined are defined in Section 1.

“Agreement” means this agreement entitled “KLA Franchise, LLC Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof;

“Anti-Terrorism Laws” has the meaning given to such term in Section 24.5.1;

“Accepted Location” means the site for the operation of the Franchised Center agreed upon by the Franchisor and the Franchisee;

“Approved Supplier(s)” means suppliers, including the Franchisor, its parent or its Affiliates, that are designated or approved by the Franchisor as the supplier from whom the Franchisee must purchase an item or service for its KLA School;

“Center Development Program” means the services provided to Franchisee by Franchisor in connection with finding a build-to-suit opportunity, and assisting with the development of the location for the KLA School, as more fully described in the Center Development Agreement;

“Center Development Program Fee” has the meaning given to such term in Section 3.3;

“CO” has the meaning given to such term in Section 3.3;

“Competitive Business” means any business that operates, manages, offers or provides (or grants franchises or licenses to others to operate a business that operates, manages, offers or provides), directly or indirectly, pre-school/childcare educational programs or supervision for children between the ages of infancy through six years or similar services as are customarily offered by a KLA School, or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, its Parent, any Affiliate or its other franchisees; provided, however, that the term **“Competitive Business”** shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a 5% legal or beneficial interest;

“Confidential Information” means information relating to the development and operation of KLA Schools that Franchisor possesses, which includes without limitation: (a) the System and the know-how related to its use; (b) plans, specifications, size and physical characteristics of KLA Schools; (c) site selection criteria, land use and zoning techniques and criteria; (d) methods in obtaining licensing and meeting regulatory requirements; (e) sources and design of equipment, furniture, forms, materials and supplies; (f) marketing, advertising and promotional programs; (g) staffing and delivery methods and techniques for personal services; (h) the selection, testing and training of personnel; (i) any computer software; (j) methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation and franchising of KLA Schools; (k) knowledge of specifications for and suppliers of certain products, materials, supplies, furniture, furnishings and equipment; and (l) knowledge of operating results and financial performance of KLA Schools other than those operated by Franchisee (or its Affiliates). Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

“Confidential Operations Manual” means the KLA Schools Confidential Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods,

procedures and specifications of the System, including other operations, administration and Directors' manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

"Controlling Interest" has the meaning given to such term in Section 18.6;

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

"Designated Area" has the meaning given to such term in Section 2.3. The Designated Area is described in Exhibit 1;

"Director" means the individual acting as the on-premises supervisor of the KLA School.

"e-commerce" has the meaning given to such term in Section 11.5;

"e-names" has the meaning given to such term in Section 11.5;

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

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

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

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

"Franchised Center" means the KLA School to be established and operated by Franchisee pursuant to this Agreement;

"Franchisee" means the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement and its approved successors and assigns;

"Franchisor" means KLA Franchise, LLC, a Florida limited liability company;

"Franchisor Indemnitees" has the meaning given to such term in Section 21.2;

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

"Gross Sales" means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Center, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (b) the amount of any discounts or allowances that the Franchisor has approved as a policy matter as set forth in its manual from time to time; and (d) any rebate received by Franchisee from a manufacturer or supplier;

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

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

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

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

“Marketing Fund” has the meaning given to such term in Section 11.3;

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

“Marks” means the service mark “KLA Schools”, “KLA” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with KLA Schools;

“Parent” means KLA Holding, LLC, a Florida limited liability company;

“Pre-Opening Advertising” has the meaning given to such term in Section 11.1;

“Protected Territory” has the meaning given to such term in Section 2.5. The Protected Territory is described in Exhibit 1;

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

“Franchised Center Opening Checklist” has the meaning given to it in Section 13.1.2;

“Site Selection and Development Fee” has the meaning given to such term in Section 3.4;

“Suitable Site” means a site selected by Franchisor as suitable for the development of a KLA School based on criteria it determines appropriate and eligible to be submitted to Franchisee for its acceptance;

“System” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of KLA Schools;

“Term” has the meaning given to such term in Section 4.2; and

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

2. GRANT OF FRANCHISE; ACCEPTED LOCATION

2.1 Grant. Subject to the terms of and upon the conditions contained in this Agreement, Franchisor hereby grants to Franchisee a franchise to: (a) operate a Franchised Center at the Accepted Location, and at no other location (temporary or permanent); (b) use the Marks solely in connection with operating the Franchised Center; and (c) use the System in its operation. Franchisee hereby accepts the obligation to operate a Franchised Center in accordance with this Agreement for the Term of this Agreement.

2.2 Accepted Location

The street address (or detailed description of the premises) of the Accepted Location is:

2.3 Accepted Location Not Determined

If the Accepted Location is determined as of the Effective Date, then this Section shall be inapplicable. If the Accepted Location of the Franchised Center is not determined as of the Effective Date, then the geographic area in which the Franchised Center is to be located shall be within the geographic area described in Exhibit 1 (“**Designated Area**”). Franchisor shall present the Franchisee with Suitable Sites in accordance with Section 5.1. When the Accepted Location is determined, its address shall be inserted into Section 2.2, and shall be initialed and dated by Franchisee and Franchisor. The failure to insert such address into Section 2.2 shall not affect the enforceability of this Agreement. Provided Franchisee is not in default under any of the terms hereof, subject to Franchisor’s reservation of rights set forth in Section 2.6, Franchisor shall not license, establish, own or operate any other KLA School or other substantially similar businesses within the Designated Area until the date on which the Protected Territory is determined. Once the Accepted Location has been determined, Franchisor shall designate a Protected Territory in accordance with Section 2.5, and Franchisee shall thereafter have no right of exclusivity or territorial protection within any part of the Designated Area not included within the Protected Territory. The Designated Area is delineated for the sole purpose of site selection and shall automatically expire when the Protected Territory has been determined in accordance with the provisions of this Agreement.

2.4 Sub-franchising/Agents

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

2.5 Protected Territory

So long as this Agreement is in force and effect and Franchisee is not in default under any of the terms hereof, subject to Franchisor’s reservation of rights set forth in Section 2.6, Franchisor (and its Affiliates) shall not license, establish, own or operate any other KLA Schools or other substantially similar businesses within a geographic area surrounding the Franchised Center, as described in Exhibit 1 (the “**Protected Territory**”). The Protected Territory is determined by Franchisor in its sole discretion, after

the earliest to occur of (i) a continuous period of operation (currently, 24 consecutive months) of the Franchised Center, or (ii) such time as the Franchised Center achieves a minimum percentage of enrollment (currently, 75%), compared to capacity on a full-time equivalency basis. The criteria used for determining the boundaries of the Protected Territory are similar to those described above for determining the boundaries of a franchisee's Designated Area and may include additional factors, including, without limitation, the residential location of enrolled students, as Franchisor deems appropriate. In no event shall Franchisor award Franchisee a Protected Territory that contains less than 85% of the residences of the students that are enrolled at the KLA School on the date on which the Protected Territory is initially determined by Franchisor; provided, however, Franchisor may reduce or otherwise adjust the size of the Protected Territory at any time due to changes in population, changes in economics, demographics or other business considerations that Franchisor deems relevant in its sole discretion. Franchisee agrees that any changes to the Protected Territory, as determined by Franchisor in its sole discretion, will be effective upon Franchisee's receipt of written notice of the same.

2.6 Franchisor's Rights

Franchisee acknowledges that, except to the extent provided in Section 2.5 or Section 2.3 above, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.6.1 establish, and license others to establish, KLA Schools at any location outside of the Designated Area (if applicable) and Protected Territory, as Franchisor deems appropriate;

2.6.2 establish, and license others to establish, businesses (other than a Competitive Business) under other systems using other proprietary marks at such locations, including within Franchisee's Designated Area (if applicable) and Protected Territory, and on such terms and conditions as Franchisor deems appropriate; purchase or otherwise acquire the assets or controlling ownership of, and thereafter continue to own and operate, one or more businesses identical or similar to the Franchised Center (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Designated Area (if applicable) and Protected Territory, that does not use the Marks.

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

2.6.4 sell the services and products authorized for KLA Schools using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies, direct mail, catalogue sales, Internet sites and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate, provided however, that no such sales shall be made to a Competitive Business within the Designated Area (if applicable) or Protected Territory; and

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

Except as otherwise provided in this Agreement, Franchisor, or its Affiliates, may establish other franchises or company-owned outlets, other channels of distribution or sell or offer services similar to those provided from Franchised Centers under a different trademark or service mark. Franchisor has the right to operate, franchise or license to any other party, a Franchised Center anywhere outside of (a) the Designated Area at any time; and (b) the Protected Territory, including all areas of the Designated Area not included in the Protected Territory after the Protected Territory has been determined.

Franchisee may not relocate the Franchised Center without Franchisor's consent. In granting such consent, Franchisor will consider whether the lease for the Site of the Franchised Center has expired or terminated without fault on Franchisee's part; if the Site has been destroyed, condemned or rendered unusable, changes in the character of the location of the Franchised Center sufficiently detrimental to Franchisee's business potential to warrant a relocation; the location of other and future facilities and other factors deemed relevant by Franchisor in its reasonable discretion. Any such relocation will be at Franchisee's cost and expense.

Franchisor, or its Affiliates or a licensee may advertise, promote, market or sell goods or services over the internet, the world wide web or any other electronic or computer network.

3. FEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee ("**Franchise Fee**") to Franchisor of SEVENTY-EIGHT THOUSAND FIVE HUNDRED DOLLARS (\$78,500). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except that Franchisor shall refund 50% of the Franchise Fee if Franchisor terminates this Agreement due to Franchisee's failure to satisfactorily complete initial training required under Sections 8.1 and 8.2 upon Franchisor's receipt of a general release releasing any and all claims against Franchisor, its Parent, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), the standard form of which is attached as Exhibit 2. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 Royalty Fee

On or before the 10th day of every month, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a monthly fee ("**Royalty Fee**") equal to six percent (6%) of Gross Sales for the previous month. Each monthly Royalty Fee shall accompany a Gross Sales Report, as required by Section 12.2, for the same period. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.6, such reports shall instead be submitted to Franchisor via facsimile transmission, e-mail or intranet system.

3.3 Center Development Program Fee

If Franchisee enters into a Center Development Agreement, Franchisor will provide certain services in connection with the build-out of the KLA School. The center development fee (the "**Center Development Program Fee**") is \$150,000 and is payable in the manner set forth in the Center Development Agreement.

3.4 Site Selection and Development Fee

The Site Selection and Development Fee is \$20,000 and is non-refundable except as provided herein; \$10,000 of the Site Selection and Development Fee is due upon the execution of this Agreement, and the balance of \$10,000 is due upon the earlier of (a) Franchisee's acceptance of a Suitable Site; or (b) when Franchisor has presented Franchisee with a minimum of two Suitable Sites. Franchisor may refund or waive the Site Selection and Development Fee if a Suitable Site has been presented by Franchisee without Franchisor's assistance, as determined in Franchisor's sole discretion, and accepted by Franchisor.

3.5 Taxes

Franchisee shall pay to Franchisor an amount equal to all sales taxes, excise taxes, withholding taxes, use taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Franchisor for doing business in the state where the Franchised Center is located.

3.6 Electronic Transfer

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

3.7 Late Fees

All Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts that are not received by Franchisor within five days after the due date shall incur late fees at the rate of 1.5% per month (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower) from the date payment is due to the date payment is received by Franchisor. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees.

3.8 Application of Payments

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

3.9 Payment Offsets

Franchisor may set-off from any amounts that Franchisor may owe Franchisee any amount that Franchisee owes to Franchisor, or its Affiliates, for any reason whatsoever, including without limitation, Royalty Fees, Marketing Fund Contributions, late payment penalties and late payment interest, amounts owed to Franchisor or its Affiliates for purchases or services or for any other reason under this Agreement, the Center Development Agreement or any other agreement between the parties. Thus, payments that Franchisor makes to Franchisee may be reduced, in Franchisor's discretion, by amounts that Franchisee owes to Franchisor or its Affiliates from time to time. In particular, Franchisor may retain (or direct to its Affiliates) any amounts that Franchisor has received for Franchisee's account as a credit and payment against any amounts that Franchisee may owe to Franchisor, or its Affiliates, at any time. Franchisor will notify Franchisee monthly if it does so. However, Franchisee does not have the right to offset payments owed to Franchisor for amounts purportedly due to Franchisee from Franchisor.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement begins on the Effective Date and will expire 10 years from the date that the Franchised Center commences operations, unless sooner terminated pursuant to Section 16 (the initial term and any Renewal Term under **Section 4.2**, are the “**Term**”).

4.2 Renewal

Subject to the following terms and conditions, this Agreement shall renew for up to two successive renewal terms of 10 years each (each, a “**Renewal Term**”):

4.2.1 Before the expiration of the first term, either party may give the other party written notice of its intention not to renew this Agreement for the first Renewal Term. To be valid, such notice of non-renewal must be given at least six months prior to nor more than 12 months before the expiration of the first term with time being of the essence. If Franchisee provides a notice of non-renewal in accordance with this Section, this Agreement shall expire on the last day of then-current term and the post-termination provisions of **Article 17** shall apply. If Franchisor provides notice of non-renewal in accordance with this Section, this Agreement shall only renew upon the terms and conditions provided in **Section 4.2.3** are met.

4.2.2 Before the expiration of the first Renewal Term, if this Agreement was extended automatically or by the action of parties for the first Renewal Term, either party may give the other party written notice of its intention not to renew this Agreement for the second Renewal Term. To be valid, such notice of non-renewal must be given at least six months prior to nor more than 12 months before the expiration of the first Renewal Term with time being of the essence. If Franchisee provides a notice of non-renewal in accordance with this Section, this Agreement shall expire on the last day of then-current term and the post-termination provisions of **Article 17** shall apply. If Franchisor provides notice of non-renewal in accordance with this Section, this Agreement shall only renew if the terms and conditions provided in **Section 4.2.3** are met.

4.2.3 If Franchisor provides notice of non-renewal under either **Section 4.2.1** or **Section 4.2.2** this Agreement shall not automatically renew unless each of the following conditions have been met prior to expiration:

4.2.3.1 During the expiring term, Franchisee has fully complied with all material terms of this Agreement;

4.2.3.2 For the duration of the relevant Renewal Term, Franchisee has the right to remain in possession of the Accepted Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor’s then-current specifications and standards;

4.2.3.3 At its expense, Franchisee makes such capital expenditures as necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Center reflects Franchisor’s then-current standards and specifications;

4.2.3.4 Franchisee satisfies all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the expiring term;

4.2.3.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or either party’s Affiliates;

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

4.2.3.7 Franchisee meets Franchisor's then-current qualifications for a new franchisee and fulfills with any training and certification/licensing requirements; and

4.2.3.8 Franchisee and its owners sign a general release of all claims against Franchisor, its Parent, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Center is located, the standard form of which is attached as Exhibit 2.

4.2.4 If either party does not provide notice of non-renewal under **Section 4.2.1** or **Section 4.2.2** then this Agreement shall automatically renew for the first or second Renewal Term, as the case may be, and shall continue in full force and effect for the duration of the relevant Renewal Term without further action on the part of either party.

5. ACCEPTED LOCATION

5.1 Site Selection.

Franchisor must present to Franchisee for its review, and approval two Suitable Sites for the development and operation of Franchised Center. When Franchisee is presented with a Suitable Site, it must decide at that time whether to accept or reject it before Franchisee will be presented with another Suitable Site. Franchisee may not wait to compare Suitable Sites before it accepts one. If Franchisee fails to timely accept a Suitable Site (timely acceptance is defined as within 15 days after Franchisor provides a site criteria package (the "**Site Criteria**") to it for approval), Franchisee will be deemed to have rejected such Suitable Site. Franchisor, in its sole discretion, may offer both Suitable Sites to Franchisee at the same time, although Franchisor has no obligation to do so. In such an event the presentation of both Suitable Sites at the same time would satisfy Franchisor's obligation to present two Suitable sites hereunder. ***Franchisor's presentation of a Suitable Site to Franchisee indicates only that Franchisor believes the Suitable Site meets its then acceptable criteria. However, demographic and/or other factors included in or excluded from Franchisor's criteria could change, altering the Suitable Site's potential. The uncertainty and instability of these criteria are beyond Franchisor's control, and it is not responsible if the Suitable Site it presents fails to meet Franchisee's expectations.***

5.2 Site Coordination Services.

Franchisor will assist Franchisee in the coordination and design of the Franchised Center, and the coordination of all applicable zoning, building and child care licensing approvals, and generally lend advice in the construction of the leasehold improvements for the Franchised Center and in the initial set up and approval of all the Franchised Center's equipment. Franchisee's architect will be responsible for the design and layout of the Franchised Center including the playground, which must be completed in accordance with Franchisor's plans and specifications, and subject to Franchisor's final approval.

5.3 Failure to Accept Site; Failure to Commence Operations.

5.3.1 If Franchisee fails to accept either of the two Suitable Sites presented to Franchisee by Franchisor under Section 5.1, then Franchisor may, at its election, continue to present locations to Franchisee. In the alternative, Franchisor may notify Franchisee that it must locate an Accepted Site and obtain possession of such Accepted Site in accordance with this provision. Franchisee shall submit to Franchisor, in the form specified by Franchisor, such site approval forms and data that Franchisor may specify, which may include a copy of the site plan, financial information, and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Franchisee shall submit such site approval forms and data to Franchisor in sufficient time to permit Franchisor to evaluate the plans, and if necessary visit the proposed site, so that Franchisor may approve or disapprove the site by, and so that Franchisee may, if necessary locate an alternate site and have it approved by Franchisor, and secure the approved site, by the expiration of the Search Period, as set forth in Section 5.3.2. Franchisor shall have 30 days after receipt of a complete site selection package and request for approval and such information and materials as Franchisor may request to approve or disapprove, in its sole discretion, the proposed site as the location for the KLA School. If Franchisor does not approve a proposed site by written notice to Franchisee within 30 days, such site shall be deemed disapproved by Franchisor. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Upon approval by Franchisor hereunder, the site will be referred to herein as the Accepted Site.

5.3.2 If Franchisee has been presented with a minimum of two Suitable Sites and has not entered into a lease or purchase agreement with respect to an Accepted Location within 12 months after the date of this Agreement, then Franchisor may, at its option, terminate this Agreement (the "**Search Period**"). If this Agreement is terminated pursuant to this Section, Franchisor shall retain the entire Franchise Fee paid by Franchisee.

5.4 Lease of Accepted Location

After the designation of the Accepted Location (and if the site is to be leased or purchased), Franchisee shall execute a lease for, or a binding agreement to purchase, the Accepted Location, the terms of which must have been previously approved by Franchisor in writing. Franchisor shall not unreasonably withhold its approval. ***Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Accepted Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisee acknowledges and agrees that Franchisee shall solely rely on its review of any such lease or purchase agreement.*** Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Franchisee shall take all actions necessary to maintain the lease, if any, of the Accepted Location while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. Franchisor has the right to require that the lease for the Accepted Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor and, at Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require.

5.5 Ownership and Financing

Instead of leasing an Accepted Location, Franchisee may propose to purchase, construct, own and operate a KLA School on real property owned by Franchisee or an Affiliate. Franchisee must meet certain conditions if Franchisee or its Affiliates own an Accepted Location or at any time prior to acquisition, or subsequently, Franchisee or its Affiliates propose to obtain any financing with respect to the Accepted Location or for the Franchised Center or for any operating assets in which any of such items are pledged as collateral securing performance. The form of any purchase contract with the seller of an Accepted Location and any related documents, and form of any loan agreement with mortgage in favor of any lender and any related documents, must be approved by Franchisor before Franchisee or its Affiliate sign them. Franchisor's consent to them may be conditioned upon the inclusion of various terms and conditions, including the following:

5.5.1 a provision which requires any lender or mortgage concurrently to provide Franchisor with a copy of any written notice of deficiency or default under the terms of the loan or mortgage sent to Franchisee or its Affiliates or the purchaser;

5.5.2 a provision granting Franchisor, at its option, the right (but not the obligation) to cure any deficiency or default under the loan or mortgage (should Franchisee fail to do so) within 15 days after the expiration of a period in which Franchisee may cure such default or deficiency;

5.5.3 a provision which expressly states that any default under the loan or mortgage, if not cured within the applicable time period, constitutes grounds for termination of this Agreement and any default under this Agreement, if not cured within the applicable time period, also constitutes a default under the loan or mortgage; and

5.5.4 Franchisee's delivery to Franchisor of its standard form of Agreement to Lease which requires Franchisee, at Franchisor's option, to lease the Accepted Location to Franchisor if this Agreement is terminated, assigned or transferred pursuant to Franchisor's form of Agreement to Lease, which is attached to the Franchise Disclosure Document as Exhibit "G."

5.6 Development of Accepted Location – No Center Development Program

If Franchisee does not purchase the Center Development Program, then Franchisee is responsible for developing the Accepted Location in accordance with Franchisor's standard plans and specifications for the development of a KLA School. Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of a KLA School, including specifications for the exterior and interior design and layout, fixtures, equipment, décor and signs. Such specifications are subject to alteration as Franchisor deems necessary. Franchisee shall cause the Accepted Location to be developed, equipped and improved in accordance with such specifications within not more than 24 months after the Effective Date. In connection with the development of the Accepted Location, Franchisee shall, at Franchisee's own expense:

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

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

5.6.3 obtain all building, occupancy, utility, sign, health, and business permits and licenses, approvals and any other permits and licenses required for the build-out and operation of the Franchised Center and certify in writing and provide evidence to Franchisor that all such permits have been obtained;

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

5.6.5 purchase any supplies or inventory necessary for the operation of the Franchised Center;

5.6.6 purchase and install all equipment, signs, furniture and fixtures, including any point-of-sale and computer equipment, required by Franchisor for the operation of the Franchised Center;

5.6.7 give Franchisor notice of commencement of construction within 10 days of the date it began, with progress reports including digital photographs of the construction supporting the findings at least every two weeks if such digital photographs are requested by Franchisor;

5.6.8 provide on-site inspections to ensure the Accepted Location is built out in compliance with plan specifications. If a change was made without Franchisor approval, corrective action shall be required and all costs incurred must be paid by Franchisee; and

5.6.9 prior to the issuance of a Certificate of Occupancy, Franchisor or its designee reserves the right to a final walk-through of the Franchised Center to ensure Franchisor's standards have been met. If any area is not in compliance with Franchisor's specifications, Franchisor may require that the issue(s) be remedied prior to the opening of the Franchised Center.

5.7 Development of Accepted Location – Center Development Program

As part of the Center Development Program, Franchisor shall improve and develop the Accepted Location according to its standard plans and specifications for the development of a KLA School, including exterior and interior design and layout, fixtures, equipment, décor and signs, as more fully described in the Center Development Agreement, the current form of which is attached as Exhibit "C" to the Franchise Disclosure Document. Franchisor shall use commercially reasonable efforts to cause the Accepted Location to be developed, equipped and improved in accordance with such plans and specifications within eight months but not more than 24 months after the Effective Date.

5.8 Opening

Before opening the Franchised Center and commencing business, Franchisee must:

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

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

5.8.3 complete initial training to the satisfaction of Franchisor;

5.8.4 hire and train the personnel necessary or required for the operation of the Franchised Center including, without limitation, at minimum, a full time Director, Assistant Director and Curriculum Coordinator;

5.8.5 Franchisee (or its Operating Principal) must meet all applicable state certification requirements for directors of preschools;

5.8.6 furnish Franchisor with evidence that all employed instructors have obtained state certifications and licenses (if required). Failure to obtain and maintain current certifications and licenses may be cause for termination;

5.8.7 obtain all necessary permits, approvals and licenses;

5.8.8 pay for the Franchise Fee, Center Development Program Fee or Site Selection and Development Fee, as applicable, and pay in full all other amounts due to Franchisor;

5.8.9 establish broadband or high-speed Internet access and obtain at least two telephone numbers and one facsimile number solely dedicated to the Franchised Center;

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

5.8.11 fulfill all requirements of the Franchised Center Opening Checklist; and

5.8.12 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate.

Should Franchisee fail to comply with all requirements of this Section, commence operations of the Accepted Location for the Franchised Center within 24 months after the Effective Date and continuously operate it from that date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section, Franchisor shall retain the entire Franchise Fee paid by Franchisee.

5.9 Use of Accepted Location

Franchisee shall not use the Accepted Location for any purpose other than for the operation of a KLA School in full compliance with this Agreement and the Confidential Operations Manual, unless approved in writing by Franchisor.

5.10 Relocation

Franchisee shall not relocate the Franchised Center without the prior written consent of Franchisor. If the lease for the Accepted Location is rendered substantially unusable, expires or terminates through no fault of Franchisee or if the Franchised Center's premises is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may allow Franchisee to relocate the Franchised Center. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.9. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including, but not limited to, legal and accounting fees and incidental costs. Notwithstanding

the foregoing, Franchisor has no obligation to provide relocation assistance. If Franchisor and Franchisee do not agree upon a substitute site within 90 days after the lease expires or is terminated or the Accepted Location is rendered unusable, this Agreement shall terminate as provided in Section 16.2.1.1.

6. PROPRIETARY MARKS

6.1 Ownership

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Franchisee acknowledges that Parent owns the Marks. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Parent in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure exclusively to the benefit of Parent. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the Term or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols Franchisor authorizes Franchisee to use.

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name, e-mail address, domain name or 1-800 number, without Franchisor's prior written consent. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Center. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Accepted Location, a prominent notice stating that the Franchised Center is an "Independently Owned and Operated KLA Schools Franchise".

6.3 Notification of Infringements and Claims

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

6.4 Indemnification for Use of Marks

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

6.5 Discontinuance of Use

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

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Center, Franchisor and its designees have the right to enter and inspect the Franchised Center and the Accepted Location at all reasonable times and without notice to Franchisee, and additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Center in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other items to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Center and to interview and survey (whether in person or by mail) customers and employees and to photograph or videotape the operations.

6.7 Franchisor's Sole Right to Domain Name

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

7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION

7.1 Confidentiality of Trade Secrets and Other Confidential Information

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

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees (“**Additional Developments**”), shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor. Franchisor has the right to incorporate Additional Developments into the System and may use them and authorize Franchisee and others to use them in the operation of KLA Schools. Additional Developments will then also constitute Confidential Information. Franchisor shall disclose to Franchisee Additional Developments that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not. In the event that the foregoing provisions are held to be invalid or otherwise unenforceable, Franchisee grants to Franchisor an irrevocable, worldwide, perpetual, exclusive, royalty-free license, with the right to sublicense, such Additional Developments.

7.3 Exclusive Relationship

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

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

7.3.2 Employ or seek to employ any person who is at that time employed by Franchisor or its affiliates or otherwise directly or indirectly induce such person to leave his or her employment with Franchisor or its affiliates; or

7.3.3 Own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

7.4 Nondisclosure and/or Non-Competition Agreements with Certain Individuals

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, the Director or other highly trained personnel as designated by Franchisor to execute a nondisclosure and non-competition agreement, the standard form of which is attached as Exhibit 3, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Franchisor may require any member of the professional staff and all employees of Franchisee to execute a non-disclosure agreement, the standard form of which is attached as Exhibit 4, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and/or non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

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

8. TRAINING AND ASSISTANCE

8.1 Owner Training

Franchisor shall provide initial training consisting of owner training for the Operating Principal (collectively, "**Owner Training**"). Franchisor shall be responsible for the cost of instruction and materials for Owner Training but may charge a fee for additional individuals that Franchisee requests attend Owner Training, which attendance shall be subject to Franchisor's advance approval. Operating Principal must complete Owner Training to Franchisor's satisfaction no later than 16 weeks prior to opening. Such training will be conducted at location (s) designated by Franchisor. All expenses incurred by Franchisee's attendees during Owner Training including, but not limited to travel and room and board expenses, shall be the sole responsibility of Franchisee. Owner Training may not take place on consecutive days. Franchisor reserves the right to reduce or increase the amount of Owner Training that is required based on how quickly the Operating Principal learns, his or her background and the programs that the Franchised School will offer.

8.2 Director Training

Franchisor shall provide initial training consisting of Director training (“**Director Training**”) for Franchisee (or, if Franchisee is an entity, for the Operating Principal), the Director of the Franchised School and other designated employees of Franchisee. Franchisor shall be responsible for the cost of instruction and materials for all required attendees but may charge a fee for additional individuals that Franchisee requests attend Director Training, which attendance shall be subject to Franchisor’s advance approval. Franchisee (or Operating Principal), and the Director must successfully complete designated portions of the Director Training to Franchisor’s satisfaction prior to opening for business. Such training will be conducted at the location(s) designated by Franchisor. All expenses incurred by Franchisee’s attendees during Director Training including, but not limited to travel and room and board expenses, shall be the sole responsibility of Franchisee. In addition, the Operating Principal must meet applicable state certification requirements for directors of preschools at all times after the opening of the Franchised Center. Any costs relating to any local or state requirements, which may include certification for the Director and other employees, shall be the responsibility of Franchisee. Director Training may not take place on consecutive days. Franchisor may reduce or increase the amount of Director that is required based on how quickly the Director and other designated employees learn, their background and the programs that the Franchised School will offer.

8.3 Personnel Training

Franchisee shall be responsible for ensuring that its personnel is sufficiently trained prior to opening for business. Franchisee shall train or cause the training of all personnel as and when required by the Confidential Operations Manual, prudent business practices, System standards or this Agreement. In addition, any costs relating to any local or state requirements, which may include certification, shall be the responsibility of Franchisee.

8.4 Opening Assistance

In conjunction with the beginning of operation of the Franchised Center, Franchisor shall make available to Franchisee, at Franchisor’s expense, one of Franchisor’s representatives, experienced in the System, for a period of up to two weeks at the Franchised Center for the purpose of familiarizing Franchisee’s staff with KLA Schools techniques and for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Center.

8.5 Failure to Complete Initial Training Program

If Franchisor determines that the Franchisee, the Operating Principal or the Director is unable to satisfactorily complete the training program described above prior to opening the KLA School, Franchisor has the right to terminate this Agreement. Franchisee may be permitted to select a substitute Operating Principal or Director and such substitute(s) must complete the initial training to Franchisor’s satisfaction. Franchisee will be required to pay Franchisor’s then-current rates for additional training, if any, for providing an initial training program to the substitute Operating Principal and/or Director.

8.6 Replacement Operating Principal or Director Training

After beginning operations, should Franchisee name a new Operating Principal or Director, Franchisee must notify Franchisor of the identity of the new Operating Principal or Director and the new Operating Principal or Director must (a) be approved by Franchisor; and (b) complete the training program prescribed by Franchisor, (which may include training at the KLA School, another KLA School or such other place as Franchisor shall designate) to Franchisor's satisfaction prior to or after assuming his or her responsibilities. Such training will be conducted at the location(s) designated by Franchisor. All expenses incurred by Franchisee's Operating Principal or Director, as the case may be, during such training including, but not limited to travel and room and board expenses, shall be the sole responsibility of Franchisee. In addition, Franchisor reserves the right to charge a reasonable fee for such training and Franchisee must reimburse Franchisor for its out-of-pocket expenses, including without limitation, reasonable travel and room and board expenses. If Franchisor determines, in its sole discretion, that a new Operating Principal or Director is unable to satisfactorily complete the required training, Franchisor shall have the right to: (1) require the new Operating Principal or Director to attend such additional training, at Franchisee's expense, so as to demonstrate his or her ability to operate the KLA School to Franchisor's satisfaction; or (2) require Franchisee to promptly appoint a new Operating Principal or Director who shall be required to successfully complete the training programs contemplated by this Section 8.6.

8.7 Additional Training

Franchisor from time to time may provide and, if it does, may require that the Operating Principal, any Director and/or other employees attend and successfully complete additional training programs to be conducted at such location as may be designated by Franchisor. Such additional training may be refresher or new skills training, or may be required due to Franchisee's failure to comply with Franchisor's quality standards. All expenses incurred by Franchisee and its employees in attending such program including, without limitation, travel costs, room and board expenses and employees' salaries and benefits, shall be the sole responsibility of Franchisee. Franchisee reserves the right to charge a reasonable fee for providing additional training programs.

8.8 Conferences

Franchisor from time to time may provide and, if it does, may require that the Operating Principal, any Director and/or other employee attend Your Operating Principal is required to attend designated national and regional conferences. Franchisee must pay a registration fee, even if your Operating Principal does not attend. All expenses incurred by Franchisee and its employees in attending such conferences including, without limitation, travel costs, room and board expenses and employees' salaries and benefits, shall be the sole responsibility of Franchisee.

9. CONFIDENTIAL OPERATIONS MANUAL

9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall lend to Franchisee one copy of the Confidential Operations Manual or grant Franchisee access to an electronic copy of the Confidential Operations Manual. Franchisee shall conduct the Franchised Center in strict accordance with the provisions set forth in the Confidential Operations Manual. The Confidential Operations Manual may consist of one or more separate manuals or volumes of the primary Confidential Operational Manual, and other materials designated by Franchisor from time to time. Franchisor will give or provide access to particular manuals or volumes of the Confidential Operations Manual in the period prior to the opening of the Franchised Center as it deems appropriate. Franchisor is not required to give or provide access to all of the materials consisting of the

Confidential Operations Manual until the date on which the Franchised Center is open for operations. The Confidential Operations Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement for any reason. If Franchisee's copy of the Confidential Operations Manual is lost, destroyed or significantly damaged,

9.2 Revisions

Franchisor has the right to add to or otherwise modify the Confidential Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Confidential Operations Manual is up-to-date at all times. If a dispute as to the contents of the Confidential Operations Manual arises, the terms of the master copy of the Confidential Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9.3 Confidentiality

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

10. FRANCHISE SYSTEM

10.1 Uniformity

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

10.2 Modification of the System

Franchisor has the right to change or modify the System from time to time including, without limitation, (a) the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, supplies or sales and marketing techniques; and (b) remodeling, redecoration, and other modifications to existing improvements ("**Remodeling**"). Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such changes, additions or modifications in the System as Franchisor may reasonably require. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2. Franchisor agrees to give Franchisee 30 days to comply with any change or modification that Franchisor

requires that does not affect the health and/or safety of the students in the KLA School. Franchisor, in its sole discretion, may extend the 30-day time period for delays caused by items beyond Franchisee's control, such as acts of state or governmental action (including the failure of any government to grant any license, authorization or approval). Notwithstanding the foregoing, Franchisee shall be required to immediately make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order. Franchisor shall not require Franchisee to Remodel the Franchised Center more than once in any 10-year period, and Franchisee shall not be required to spend more than \$25,000 in the aggregate within any five-year period to update, replace or otherwise modify its computer system through computer hardware, software, and/or peripherals.

10.3 Variance.

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

10.4 Personnel.

Franchisee must employ and maintain personnel necessary or required for the operation of the Franchised Center and the brand standards including, without limitation, a full time Director, Assistant Director and Curriculum Coordinator.

10.5 Reggio Emilia Curriculum.

Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering a uniform curriculum across the System that is based on the Reggio Emilia educational philosophy. Accordingly, only Reggio Emilia curriculum may be offered at the Franchised Center and Franchisee may not offer any alternative curriculum or enrichment courses that have not been approved in advance by Franchisor in writing. Franchisee must continually train its personnel in accordance with the standards of the Reggio Emilia curriculum, including dedicating at least two hours per week for each teacher for his or her professional development and education. In addition, Franchisee must offer its students' parents at least one enrichment course as part of the Franchised Center's daily program at no additional cost.

11. ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1 Pre-Opening Advertising.

For a period up through and including the initial opening of the Franchised Center ("**Pre-Opening**") and continuing for a period of three months thereafter, Franchisee shall spend at least \$50,000 on local advertisement and promotion of the initial opening ("**Pre-Opening Advertising**"). Further, Franchisor shall specify the time at which Franchisee shall conduct Pre-Opening Advertising. Prior to their use, all materials to be used in Pre-Opening Advertising must be approved by Franchisor through the process set forth in Section 11.2.1. Pre-Opening Advertising expenditures shall be in addition to any Local Advertising expenditures and Marketing Fund Contributions.

11.2 Local Advertising

11.2.1 Franchisee shall continuously promote the Franchised Center. Beginning in the month which is 90 days after the opening of the Franchised Center and continuing every month thereafter

through the term of this Agreement, Franchisee shall spend an amount that is designated by Franchisor in writing from time to time that shall not exceed \$2,500.00 per month on advertising, promotions and public relations activities within the immediate locality surrounding the Franchised Center (“**Local Advertising**”). Such expenditures shall be made directly by Franchisee, subject to the prior approval and direction of Franchisor. Franchisor shall provide general guidelines to Franchisee for conducting Local Advertising. Within 30 days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding month. If Franchisee fails to make Local Advertising Expenditures as required by this Section 11.2.1, Franchisor shall, upon written notice to Franchisee, have the right to spend an amount equal to the difference between the actual amount of the Local Advertising Expenditures and \$2,500.00 on such advertising, promotions and public relations activities on Franchisee’s behalf, and Franchisee must reimburse Franchisor for such expenses upon demand. Franchisee’s failure to comply with this Section 11.2.1 shall be deemed a material breach of this Agreement.

11.2.2 Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, television ads, radio ads, ad copy, coupons, flyers, scripts and direct mail. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within 20 days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials by the end of such 20-day period, such materials shall be deemed to have not received the required approval. Franchisee shall not use any marketing or promotional material prior to written approval by Franchisor, and must promptly discontinue the use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. The submission of advertising materials to Franchisor for approval shall not affect Franchisee’s right to determine the prices at which Franchisee sells products or provides services.

11.2.3 Notwithstanding any contrary provisions contained in this Section 11.2 or elsewhere in this Agreement, as long as the Franchised Center achieves and maintains a minimum 95% percent capacity compared to capacity on a full time equivalency basis, Franchisee will only be required to spend (i) \$500 per month on local advertising during any period in which Franchisee has 10 or more children on its waiting list; or (ii) \$1,000 per month on local advertising during any period in which Franchisee has less than 10 children on its waiting list.

11.3 Marketing Fund

11.3.1 Franchisor may establish and administer a System-wide marketing, advertising and promotion fund to assist in Franchisor’s regional and national advertising (“**Marketing Fund**”). Franchisee shall be required to contribute weekly to the Marketing Fund in an amount specified by Franchisor and which Franchisor may adjust from time to time, not more than 1.5% of Gross Sales. Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.2. Franchisor shall notify Franchisee at least 30 days before changing Marketing Fund Contribution requirements. The Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

11.3.2 Franchisor shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide. Franchisor does not warrant the success or effectiveness of any particular marketing program.

11.3.3 Franchisee’s Marketing Fund Contributions may be used to meet the costs of, or to reimburse Franchisor for its costs of, producing, maintaining, administering and directing consumer

advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund. Franchisor will not use Marketing Fund Contributions for the direct solicitation of franchise sales; however, a brief statement regarding the availability of information about the purchase of KLA School franchises may be included in advertising and other items produced or distributed using the Marketing Fund.

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

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

11.3.6 Each KLA School operated by Franchisor or an Affiliate shall make Marketing Fund Contributions at the same rate as KLA Schools franchisees.

11.3.7 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor retains the right to have the Marketing Fund reviewed or audited and reported on, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor. Franchisor may spend, on behalf of the Marketing Fund, in any fiscal year an amount greater or less than the aggregate contribution of all KLA Schools to the Marketing Fund for that year, and the Marketing Fund may borrow from Franchisor or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs before other assets of the Marketing Fund are expended.

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

11.4 Cooperative Advertising

Franchisor has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of KLA Schools located within a particular region. Franchisor has the right to collect and designate all or a portion of the Local Advertising to payments or contributions to Franchisor for the funding of a Cooperative Advertising program. Franchisee's payments to a Cooperative Advertising Program counts toward meeting the Local Advertising requirement in Section 11.2.1 above. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor has the right to establish an advertising council to self-

administer the Cooperative Advertising program. Franchisee shall participate in the council according to the council's rules and procedures and Franchisee shall abide by the council's decisions. Should Franchisor establish a Cooperative Advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

11.5 Internet Advertising

Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Center without Franchisor's prior written consent. Franchisor has the right to control or designate the manner of Franchisee's use of all URLs, domain names, website addresses, metatags, links, key words, e-mail addresses and any other means of electronic identification or origin ("**e-names**"). Franchisor also has the right to designate, approve, control or limit all aspects of Franchisee's use of the Internet, Intranet, World Wide Web, wireless technology, digital cable, use of e-names, e-mail, home pages, bulletin boards, chat rooms, social networking sites, linking, framing, online purchasing cooperatives, marketplaces, barter exchanges, and related technologies, methods, techniques, registrations, networking, and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software or hardware (collectively, "**e-commerce**"). Franchisee agrees to follow all of Franchisor's policies and procedures related to the use and regulation of e-commerce. Franchisor shall have the right to restrict Franchisee's use of e-commerce to a centralized website, portal or network or other form of e-commerce. Franchisor may require that Franchisee provide information to Franchisor via e-commerce. Franchisee agrees to be bound by any terms of use, privacy policy and copyright notice and takedown policies and the like that Franchisor establishes from time to time. Franchisor may require Franchisee, at Franchisee's expense, to coordinate its e-commerce activities with Franchisor, other KLA Schools, suppliers and/or Affiliates. Franchisor may require Franchisee to participate in any Internet or intranet networks that Franchisor establishes and obtain the services of and pay the then-current fees for ISP and ASP services and the like. Franchisor has established and maintains an Internet website at the uniform resource locator www.klaschools.com that provides information about the System and the products and services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include at the KLA Schools website an interior page containing information about the Franchised Center. If Franchisor includes such information on the KLA Schools website, Franchisor has the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to advertise or use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to approve any linking to, or other use of, the KLA Schools website. Franchisee may not establish or participate in any KLA Schools related blog or other discussion forum. Franchisee acknowledges and agrees that the domain names www.klaschools.com, www.klaschoolsfranchise.com, www.klafranchise.com, www.klafranchise.net, www.kidslearningadventure.com and any other domain names that Franchisor develops shall be the sole and exclusive property of Franchisor or its Affiliates. Franchisee recognizes and agrees that Franchisor and its Affiliates own all rights, title and interest in and to any and all websites and e-names that Franchisor commissions or utilizes, or requires or permits Franchisee to utilize, in connection with the System, which bear the Marks or any derivative of the Marks. Franchisee also recognizes and agrees that Franchisor and its Affiliates own all rights, title and interest in and to any and all data or other information collected via e-commerce related to the System or the Marks, including any customer data, click-stream data, cookies, user

data, hits and the like. Such data or other information also constitutes Franchisor's Confidential Information.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

During the Term, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee shall retain during the Term, and for three years thereafter, all books and records related to the Franchised Center including, without limitation, employee records and files, clientele lists, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

12.2 Gross Sales Reports

Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor via the Internet and a signed and verified statement of Gross Sales ("**Gross Sales Report**") for the month in a form that Franchisor approves or provides in the Confidential Operations Manual. The Gross Sales Report for the preceding month must be provided to Franchisor by the close of business on the 10th day of each month as provided in Section 3.2.

12.3 Financial Statements

Franchisee shall supply to Franchisor on or before the 15th day of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the calendar year-to-date. Franchisee shall, at its expense, submit to Franchisor within 90 days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Such financial statements shall be prepared in accordance with GAAP applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Confidential Operations Manual or otherwise in writing.

12.4 Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Confidential Operations Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Center to Franchisor's lenders or prospective lenders and for any financial performance representations which the Franchisor may include in its Franchise Disclosure Document. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 Computer System; Software License

12.5.1 Franchisee must purchase from a source approved by Franchisor, and use and maintain, all at Franchisee's sole expense, a computerized accounting system which meets the standards and specifications prescribed by Franchisor from time to time. The computer system shall use Franchisor's proprietary software program, which provides a required format for billing, enrollment and

other pertinent information (the “**Program**”). Franchisee must purchase one copy of the Program from Franchisor’s approved vendor for use in operating the Franchised Center. Franchisor reserves the right to modify and add to the Program from time to time, and Franchisee shall be obligated to adopt such modifications and additions and incorporate them within its computer system within 30 days after its receipt of a notice of such modifications or additions from Franchisor. Franchisor shall not be obligated to provide a programmer for the Program, but upon request by Franchisee it may refer Franchisee to a programmer. Franchisee shall pay the programmer’s then-current fee for programming such services.

12.5.2 Franchisee’s computer system also shall include a high-speed modem (DSL or cable, if available) allowing direct access and communication between Franchisor’s and Franchisee’s computer systems and other computer hardware, all of which shall be designated and approved by Franchisor. Franchisee agrees to use the computer system solely for the purposes set forth in this Section and that it shall own or lease the computer system on its own and not share same with any third party. If Franchisee purposes to use a telephone modem or other computer hardware which is not then approved by Franchisor as meeting its standards and specifications, Franchisee shall first notify Franchisor and shall upon request by Franchisor submit samples and such other information as Franchisor requires for examination and/or testing to determine whether such telephone modem or other computer hardware meets Franchisor’s standards and specifications. Franchisee shall pay Franchisor promptly on demand or prior to any actual testing for all costs and expenses incurred by Franchisor in testing any telephone modems and other computer hardware submitted by Franchisee, regardless of whether or not the telephone modems or other computer hardware submitted is approved. Franchisee is solely responsible for the operation and maintenance of the computer system and the Program.

12.5.3 Franchisor hereby grants to Franchisee a limited, non-exclusive, non-transferable license (except in connection with a transfer approved by Franchisor) to use any and all software which Franchisor may now or hereafter make available to Franchisee and which is owned by or licensed to Franchisor (the “**Software**”), solely in connection with the Franchised Center. Franchisee hereby acknowledges and agrees that, as between Franchisor and Franchisee, Franchisor is the sole and exclusive owner of all right, title and interest in and to the Software, including, without limitation, any copyright, patent right and other intellectual property or proprietary right therein or thereto, and Franchisee shall not make any claim to the contrary. All rights to the Software except those that are expressly granted to Franchisee hereunder are specifically reserved to Franchisor and its licensors, if any. Franchisee shall not copy, modify, create derivative works or otherwise use the Software for any purpose other than in connection with the operation of the Franchised Center. Upon expiration or termination of this Agreement for whatever reason, all rights and licenses granted hereunder with respect to the Software shall terminate, and Franchisee shall return the Software and any and all copies thereof to Franchisor, at Franchisee’s expense, and certify to Franchisor that all such copies have been returned.

12.5.4 If the software fails to perform substantially in accordance with any applicable specifications provided by Franchisor at any time during the term of this Agreement, Franchisee shall so notify Franchisor and Franchisor shall, as Franchisor’s sole obligation and Franchisee’s sole remedy hereunder, use commercially reasonable efforts to repair or replace the same. ***Except as provided in the preceding sentence, Franchisor makes no representations or warranties with respect to the Software, including without limitation any implied warranty as to title, non-infringement, merchantability or fitness for any intended purpose, and Franchisor hereby disclaims the same. Without limiting the generality of the foregoing, Franchisor makes no warranty that the Software will operate uninterrupted or error free.*** In no event shall Franchisor be liable for any incidental, consequential, punitive or special damages.

12.6 Right to Inspect

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of 18% per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower). If the audit or any other inspection should reveal that Franchisee has not spent the minimum required amount on Local Advertising or if the inspection discloses an underpayment of 3% or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the audit or inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have available to it under this Agreement or applicable law.

12.7 Release of Records

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

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality services and products to its customers. Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Center only those supplies, signs, equipment and other items and services that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from Approved Suppliers. Franchisee shall not offer for sale, sell or provide through the Franchised Center or from the Accepted Location any services or products that Franchisor has not approved.

13.1.2 Franchisor shall provide Franchisee with an opening checklist containing a current list of Approved Suppliers and other specifications for the Franchised Center's furniture, fixtures, supplies, equipment, including computer equipment, inventory, signage and other specified items and services necessary to open the Franchised Center (the "**Franchised Center Opening Checklist**"). Franchisor shall communicate, in the Confidential Operations Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for the Franchised Center's ongoing requirements with respect to some or all of the furniture, fixtures, supplies, equipment, including computer equipment, inventory, signage and other approved or specified items and services, and Franchisor may from time-to-time issue revisions to such list. If Franchisee desires to utilize any services or products that Franchisor has not approved (for services and products that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all expenses incurred by Franchisor in connection with determining

whether it shall approve an item, service or supplier. Franchisor will decide within a reasonable time (usually 30 days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. If the Franchisor has not notified the Franchisee within 30 days that a supplier has been approved, such supplier will be deemed not to be approved. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of services or products at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

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

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

13.1.5 Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers (collectively, **"Vendor Credits"**), and Franchisor shall contribute any such Vendor Credits to the Marketing Fund, if any. The Franchisee shall have no entitlement to or interest in any such benefits. Notwithstanding the foregoing, Franchisor may limit the number of Approved Suppliers with whom Franchisee may deal, designate sources that Franchisee must use and/or refuse any request for alternative suppliers for any reason, including that Franchisor has already designated an exclusive source (which may be Franchisor or its Affiliates) for any particular item or service if Franchisor believes doing so is in the best interest of its franchise system.

13.2 Appearance and Condition of the Franchised Center

Franchisee shall maintain the Franchised Center and the Accepted Location in the highest degree of cleanliness, orderliness and sanitation and comply with the requirements regarding the upkeep of the Franchised Center and Accepted Location established in the Confidential Operations Manuals and by federal, state and local laws. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2.

13.3 Management

13.3.1 The Franchised Center shall, at all times, be under the direct supervision of the Director. The Director shall devote sufficient efforts to the management of the day-to-day operation of the Franchised Center on a full-time basis. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Director. Franchisee agrees to cause its Director to at all times faithfully, honestly and diligently perform his or her obligations hereunder and under the Confidential Operations Manuals, and to not engage in any activities that conflict with the performance of his or her obligations hereunder and under the Confidential Operations Manuals.

13.3.2 If Franchisee is an entity, Franchisee must appoint an individual owner as its **“Operating Principal”** who must have authority over all business decisions related to the Franchised Center and must have the power to bind Franchisee in all dealings with Franchisor. Franchisee’s Operating Principal may serve as its Director, unless Franchisor believes that he or she does not have sufficient experience.

13.3.3 Franchisee must provide Franchisor with written notice of its Operating Principal and Director at least 120 days prior to opening, and may not change its Operating Principal and Director without Franchisor’s prior written approval. Franchisee must provide Franchisor with a copy of the confidentiality and non-compete agreement signed by each Director in accordance with Section 7.4 before such person begins acting as Director.

13.4 Days of Operation

Franchisee shall keep the Franchised Center open for business during the hours and days specified in the Confidential Operations Manual.

13.5 Contributions and Donations

In order to protect the Marks, Franchisee must obtain Franchisor’s prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion. Franchisor agrees that it shall not unreasonably withhold its written consent. Furthermore, if Franchisee makes a written request to Franchisor seeking its written consent under this Section 13.5, Franchisor’s failure to respond within 30 days after Franchisor’s receipt of such a request shall be deemed the equivalent of Franchisor granting its written consent to such a request.

13.6 Personnel

Franchisee shall maintain competent and conscientious personnel to operate the Franchised Center in accordance with this Agreement and the Confidential Operations Manual. Franchisee must conduct all references and checks as required by the Confidential Operations Manual, the Systems standards, and this Agreement including, but not limited to, criminal background checks, child abuse registry checks and other checks as may be required by the Confidential Operations Manual on all of its employees or independent contractors who will provide educational programs to children or work anywhere children may be present. All costs associated with Franchisee’s performance of its obligations under this Section shall be the sole responsibility of Franchisee.

13.7 Licenses and Permits

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

13.8 Notification of Proceedings

Franchisee shall immediately notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Center, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Center. Franchisee shall immediately deliver to Franchisor, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.9 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Center. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Center. The Franchised Center shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct.

13.10 Uniform and Dress Code

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

13.11 Vending Machines

Franchisee shall not install or use at the Franchised Center any vending machines, amusement devices, jukeboxes, video machines or other similar devices without first securing Franchisor's written approval.

13.12 Credit Cards

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

13.13 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor.

13.14 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Center. Franchisee shall require all of Franchisee's employees, Directors,

officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

14.1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone, e-mail, facsimile, newsletters and other methods with respect to planning, opening and operating the Franchised Center. Franchisor shall not charge for this service; however, Franchisor retains the right to refuse or charge a fee for this service should Franchisee be deemed by Franchisor to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for services and products that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating KLA Schools and an analysis of costs and prices charged for competitive services and products. Franchisor shall have the right to establish maximum, minimum or other pricing requirements to the fullest extent allowed by law.

14.2 Periodic Visits

Franchisor or Franchisor's representative shall make periodic visits, which may be announced or unannounced, to the Franchised Center for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Center. Franchisor and Franchisor's representatives who visit the Franchised Center may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Center. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor in accordance with the Confidential Operations Manual.

15. INSURANCE

15.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within 60 days of the Effective Date, and maintain in full force and effect during the Term, the types of insurance listed below. All policies (except any workers' compensation insurance) shall (a) expressly name Franchisor as an additional insured or loss payee; (b) contain a waiver of all subrogation rights against Franchisor and its successors and assigns; (c) provide that the insurance company shall provide Franchisor with at least 30 days' prior written notice of termination, expiration, cancellation, or material modification of any policy; and (c) provide that Franchisee cannot reduce the policy limits, restrict coverage, cancel or otherwise alter or amend policies without Franchisor's prior written consent. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

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

15.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Center is located and employer liability coverage with a minimum limit of \$100,000 or, if higher, the statutory minimum limit as required by state law;

15.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Center, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate or, if higher, the statutory minimum limit required by state law;

15.1.4 products liability insurance as required by the Confidential Operations Manual;

15.1.5 business interruption insurance in amounts and with terms acceptable to Franchisor;

15.1.6 sexual abuse/molestation coverage in an amount not less than \$1, 00,000;

15.1.7 automobile liability insurance for owned or hired vehicles, with a combined single limit of at least \$1,000,000 or, if higher, the statutory minimum limit required by state law; and

15.1.8 such other insurance as required by the Confidential Operations Manual.

15.2 Future Increases

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

15.3 Carrier Standards

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

15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.2. Franchisee shall provide, annually, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least 30 days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

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

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

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

16.2 Termination by Franchisor

16.2.1 Franchisor has the right to terminate this Agreement and itself or its Affiliates operate the Franchisee's KLA School, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1.1 fails to timely locate an Accepted Location or establish, equip and commence operations of the Franchised Center pursuant to Sections 5.3.2 and 5.8, respectively;

16.2.1.2 fails to satisfactorily complete or to cause its personnel to satisfactorily complete any required training program under Section 8;

16.2.1.3 fails to furnish Franchisor with evidence that all employed instructors have obtained state certifications and licenses (if required) pursuant to Section 5.8.1.5;

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

16.2.1.5 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee, the Franchised Center or other KLA Schools;

16.2.1.6 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee, the Franchised Center or other KLA Schools;

16.2.1.7 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Confidential Operations Manual, Trade Secrets or any other Confidential Information;

16.2.1.8 if required by Franchisor, fails to have any nondisclosure and/or non-competition agreement executed in accordance with Section 7.4 or fails to provide Franchisor with copies of all nondisclosure and/or non-competition agreements signed pursuant to Section 7.4 if requested by Franchisor;

16.2.1.9 except with the consent of Franchisor, abandons, fails or refuses to actively operate the Franchised Center for five or more consecutive days (unless the Franchised Center has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Center following the expiration or termination of the lease for the Accepted Location, the destruction or condemnation of the Accepted Location or any other event rendering the Accepted Location unusable;

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

16.2.1.11 fails to maintain the Franchised Center under the primary supervision of a Director during the 180 days following the death or Incapacity of Franchisee or any holder of a Controlling Interest in Franchisee pursuant to Section 18.6;

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

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

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

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

16.2.1.16 violates any health or safety law, ordinance or regulation, or operates the Franchised Center in a manner that presents a health or safety hazard to its customers, employees or the public;

16.2.1.17 engages in any activity exclusively reserved to Franchisor;

16.2.1.18 fails to comply with any applicable law or regulation within 10 days after being given notice of noncompliance;

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

16.2.1.20 defaults under any franchise agreement, Center Development Agreement, or other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate(s), as the case may be, has the right to terminate such agreement (regardless of whether such agreement is, in fact, terminated) or such agreement automatically terminates; or

16.2.1.21 (a) breaches the lease agreement for the premises of the Franchised Center and/or loses the right to possession and occupancy of the premises; and/or (b) loses the right to transact business in the jurisdiction where the Franchised Center is located.

16.2.2 Except as otherwise provided in Section 16.2.1, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period: (a) within five days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor; (b) within 10 days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement; or (c) within 30 days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Confidential Operations Manual or otherwise prescribed in writing.

16.3 Reinstatement and Extension

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

16.4 Right of Franchisor to Discontinue Services to Franchisee

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

16.5 Right of Franchisor to Operate Franchised Center

Following the delivery of a notice of termination pursuant to Section 16.2.2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Center until such time as Franchisee corrects the breach. Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Center.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 Actions to be Taken

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

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

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

17.1.3 upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Accepted Location to Franchisor and Franchisee shall immediately furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

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

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

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

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

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

17.1.9 comply with all other applicable provisions of this Agreement.

17.2 Post-Termination Covenant Not to Compete

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

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

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

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

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

17.2.2.1 own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within a 25-mile radius of the Accepted Location or within the Protected Territory (whichever is greater), or (b) within a 25-mile radius of the location of any other KLA School in existence at the time of termination or expiration; or

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

In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure and/or non-competition agreements the standard forms of which are attached as Exhibit 3 and 4.

17.3 Unfair Competition

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

17.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the duty), not earlier than 90 days prior to, but in no event later than 30 days after termination or expiration of this Agreement (the "**Termination Date**") for any reason, to purchase any or all assets of the Franchised Center including, but not limited to, leasehold improvements, equipment, supplies and other inventory from Franchisee (the "**Business Assets**"). The term Business Assets shall not include, however, any goodwill of Franchisee's business, the value of any sublease or lease under which Franchisee leases the Franchised Center, or any Business Assets which Franchisor, in its sole opinion, deems to be unusable or obsolete. The real property or improvements thereon (the "**Real Estate**")

comprising the Franchised Center shall be included in the Business Assets only if the Real Estate is owned by the Franchisee or any of its Affiliates at the time of the Termination Date. The closing of any such purchase shall take place at a time and location to be selected by Franchisor; provided, however, that such closing shall not occur any later than 90 days after Franchisor gives the notice to Franchisee that it elects to purchase the Business Assets. If for any reason, the closing is delayed beyond the Termination Date, Franchisee shall, if so specifically required by Franchisor., continue to operate the Franchised Center until such closing occurs, and in such event, this Agreement shall continue in effect until such closing occurs. At such closing, Franchisee or its Affiliates shall convey all Business Assets which Franchisor elects to purchase with all warranties of good and marketable title, free and clear of all liens and encumbrances, except those of which Franchisor notifies Franchisee or its Affiliates in writing prior to closing that Franchisor is willing to assume. Franchisee and its Affiliates shall execute all documents required by Franchisor, in such form as is approved by Franchisor, in order to consummate such transaction.

The gross purchase price for the Business Assets shall be equal to the sum of (i) the average fair market value as determined by three qualified independent appraisers, one selected by Franchisor, the second selected by Franchisee and the third selected by the other two appraisers (net of all liens and/or encumbrances which the Business Assets shall be conveyed subject to), of the Real Estate included in the Business Assets, if any, plus (ii) the lesser of Franchisee's or its Affiliates' depreciated cost or fair market value of all of the personal property included in the Business Assets (with fair market value of personal property determined in the same manner as (i) above). For purposes of the determination by such appraisers of the fair market value of the Real Estate included in the Business Assets, such fair market value shall be the amount of cash which would be realized by Franchisee's Affiliate(s) if such Real Estate was sold by a willing seller to a willing buyer to be used as a Franchised Center as contemplated in this Agreement and for no other purpose. Any determination of the fair market value of the Business Assets shall not include any business goodwill factor.

If Franchisor notifies Franchisee or its Affiliates of Franchisor's intent to exercise the purchase option set forth the above in this section upon the Termination Date, then Franchisor shall have the right, but not the obligation, to manage the Franchised Center for the period commencing with the Termination Date until the transaction contemplated in this Section has been consummated. Franchisor shall be entitled to a management fee equal to 5% of Franchisee's Gross Revenues for the period during which Franchisor operates the Franchised Center, plus reimbursement of Franchisor's out-of-pocket expenses. The parties intend that claims resulting from Franchisor's management of the Franchised Center shall be subject to indemnification by Franchisee.

Franchisor shall have the right to deduct from the gross purchase price the sum of the following: (i) any sums owing, at the time of the closing, from Franchisee and any of its Affiliates to Franchisor and any of its Affiliates under or in connection with this Agreement or any other agreements to which Franchisor or any of its Affiliates and Franchisee or any of its Affiliates are parties, (ii) any sums expended by Franchisor to cure any defaults by Franchisee and any of its Affiliates, as applicable, under any deeds to secure debt, mortgages, deeds of trust or other liens or encumbrances affecting the Business Assets, (iii) all reasonable expenses of Franchisor incurred in negotiating and effecting the purchase of any of the Business Assets (including all attorneys' fees and other expenses; and (iv) any management fees to which Franchisor is entitled pursuant to this Section.

In lieu of exercising the other rights granted to Franchisor pursuant to this Section, Franchisor shall have the right upon the Termination Date if the lessor under the lease is Franchisee or an Affiliate: (A) to assume the existing lease for the Franchised Center for the remaining term thereof, upon the terms and conditions contained therein and previously approved by Franchisor; and (B) to assume such lease for the remaining term thereof which, if less than 10 years, shall at Franchisor's option be modified to be 10 years or such other term as lessor and Franchisor may agree to. Franchisee shall cause the lessor under the lease

for the premises to execute such documents and to take such other and further action as Franchisor may reasonably require to implement the provisions of this Section.

17.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, until such performance is satisfied in full or the obligation, by its nature, expires.

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Franchisor

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

18.2 Transfer by Franchisee to a Third Party

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

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

18.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Center, are fully paid and satisfied;

18.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, the standard form of which is attached as Exhibit 2, of any and all claims against Franchisor, its parent and any Affiliates, including its and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

18.2.4 the prospective transferee has proven to Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities,

including business reputation and credit rating, as Franchisor may require to demonstrate ability to operate the Franchised Center;

18.2.5 the transferee, and any of its owners as required by Franchisor, have either: (i) assumed all of the obligations under this Agreement for any remaining term; or (ii) executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

18.2.6 the transferee has executed a general release, the standard form of which is attached as Exhibit 2, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

18.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.8 the transferee has paid to Franchisor a transfer fee in the amount of \$20,000;

18.2.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for its term by executing a personal guaranty in such form as prepared by Franchisor (if transferee has assumed all of the obligations under this Agreement) or Franchisor's then-current form of Agreement for its term by executing a personal guaranty in such form as prepared by Franchisor;

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

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

18.2.12 the transferee agrees that it, its Operating Principal, its Director and other personnel shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Sections 8.1 through 8.3 prior to assuming the management of the day-to-day operation of the Franchised Center; and

18.2.13 the transferee agrees to furnish evidence that all employed instructors have obtained state certifications and licenses (if required).

18.3 Transfer to a Controlled Entity

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

18.3.1 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Center;

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

18.3.3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2.7;

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

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

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

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

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

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

18.4 Franchisor's Disclosure to Transferee

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

18.5 For-Sale Advertising

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

18.6 Transfer by Death or Incapacity

Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or holder of a controlling legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding 180 days following such event, transfer such individual's interest in the Franchised Center or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section 18.6. During such 180-day period, the Franchised Center must remain at all times under the primary management of a Director who otherwise meets Franchisor's management qualifications. As used in this Agreement, a "controlling interest" means (a) the ownership of 10% or more of the voting interests of an entity, and/or (b) the direct or indirect power to direct the management and policies of an entity, including those relating to payment of financial obligations, whether through the ownership of voting securities or interests, by contract or otherwise, each as reasonably determined by Franchisor.

Following such a death or Incapacity of such person as described in this Section 18.6, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Center until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Center.

Notwithstanding anything herein to the contrary, in the event of a transfer under Section 18.6.1 (except for the transfer of an interest which exceeds 50% of the legal or equitable interests in Franchisee), the transfer fee set forth in Section 18.2.8 shall be reduced to \$5,000.

19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

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

19.2 Franchisor's Right to Purchase

Unless the proposed sale or transfer is to a member of the immediate family of a holder of a legal or beneficial interest in Franchisee, Franchisor shall, for 30 days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or

interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have the later of 60 days or the date of the expiration of the offer as stated within the offer, to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

19.3 Non-Exercise of Right of First Refusal

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

19.4 Sales or Transfers to Family Excepted

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

20. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 6 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

21. RELATIONSHIP AND INDEMNIFICATION

21.1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the Term, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Center operating the Franchised Center pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Accepted Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Center. Any third-party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

21.2 Indemnification

Franchisee, jointly and severally, shall hold harmless and indemnify Franchisor, its Parent, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively “**Franchisor Indemnitees**”) from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys’ fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee’s (a) ownership or operation of the Franchised Center; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Center, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section 21.2 shall expressly survive the expiration or termination of this Agreement.

21.3 Right to Retain Counsel

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

22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

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

22.2 Injunctive Relief

As any breach by Franchisee, actual, threatened or contemplated, of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Franchisor, and as the damages arising

out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23.7. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

22.3 Notices

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

Franchisor: KLA Franchise, LLC
 Attn: CEO
 1750 Coral Way, Suite 301
 Miami, Florida 33145

With a Copy to: Shipe Dosik Law LLC
 2107 N. Decatur Road, Unit 347
 Decatur, Georgia 30033
 Attention: Kathryn B. Shipe, Esq

Franchisee: _____

22.4 Cost of Enforcement or Defense

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

22.5 Unlimited Guaranty and Assumption of Obligations

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

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or

guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

22.7 Entire Agreement

This Agreement, all Exhibits to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersedes any and all prior negotiations, understandings, representations and agreements; ***provided, however, that nothing in this Agreement will disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or Franchisee's representatives, subject to any agreed-upon changes to the contract terms and conditions described in that disclosure document and reflected in this Agreement (including any riders or addenda signed at the same time in this Agreement).*** This Agreement may only be amended by an instrument signed by both parties.

22.8 Severability and Modification

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

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

22.9 Construction

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

22.10 Force Majeure

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

22.11 Timing

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

22.12 Withholding Payments

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

22.13 Further Assurances

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

22.14 Third-Party Beneficiaries

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

22.15 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original. All of them will constitute one and the same Agreement.

23. DISPUTE RESOLUTION

23.1 Choice of Law

EXCEPT TO THE EXTENT THIS AGREEMENT OR ANY PARTICULAR DISPUTE IS GOVERNED BY THE U.S. TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §1051, AND THE SECTIONS FOLLOWING IT) OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE FRANCHISE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA (WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PRINCIPLES), EXCLUDING ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP BETWEEN A FRANCHISOR AND FRANCHISEE, UNLESS THE JURISDICTIONAL REQUIREMENTS OF SUCH LAWS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION. THE FEDERAL ARBITRATION ACT SHALL GOVERN ALL MATTERS SUBJECT TO ARBITRATION. References to any law refer also to any successor laws and to any published regulations for such law as in

effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

23.2 Consent to Jurisdiction

ANY ACTION BROUGHT BY EITHER PARTY EXCEPT THOSE CLAIMS REQUIRED TO BE SUBMITTED TO ARBITRATION, SHALL ONLY BE BROUGHT IN THE APPROPRIATE STATE COURT LOCATED IN OR SERVING MIAMI-DADE COUNTY, FLORIDA. THE PARTIES WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSES OF CARRYING OUT THIS PROVISION. CLAIMS FOR INJUNCTIVE RELIEF MAY BE BROUGHT BY FRANCHISOR WHERE FRANCHISEE IS LOCATED. THIS EXCLUSIVE CHOICE OF JURISDICTION AND VENUE PROVISION SHALL NOT RESTRICT THE ABILITY OF THE PARTIES TO CONFIRM OR ENFORCE JUDGMENTS OR ARBITRATION AWARDS IN ANY APPROPRIATE JURISDICTION.

23.3 Cumulative Rights and Remedies

NO RIGHT OR REMEDY CONFERRED UPON OR RESERVED TO FRANCHISOR OR FRANCHISEE BY THIS AGREEMENT IS INTENDED TO BE, NOR SHALL BE DEEMED, EXCLUSIVE OF ANY OTHER RIGHT OR REMEDY HEREIN OR BY LAW OR EQUITY PROVIDED OR PERMITTED, BUT EACH SHALL BE IN ADDITION TO EVERY OTHER RIGHT OR REMEDY. NOTHING CONTAINED HEREIN SHALL BAR FRANCHISOR'S RIGHT TO OBTAIN INJUNCTIVE RELIEF AGAINST THREATENED CONDUCT THAT MAY CAUSE IT LOSS OR DAMAGES, INCLUDING OBTAINING RESTRAINING ORDERS AND PRELIMINARY AND PERMANENT INJUNCTIONS.

23.4 Limitations of Claims

ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP AMONG FRANCHISEE AND FRANCHISOR MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN ONE YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN); EXCEPT FOR CLAIMS ARISING FROM: (A) UNDER-REPORTING OF GROSS SALES; (B) UNDER-PAYMENT OF AMOUNTS OWED TO FRANCHISOR OR ITS AFFILIATES; (C) CLAIMS FOR INDEMNIFICATION; AND/OR (D) UNAUTHORIZED USE OF THE MARKS OR CONFIDENTIAL INFORMATION. HOWEVER, THIS PROVISION DOES NOT LIMIT THE RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.

23.5 Limitation of Damages

FRANCHISEE AND FRANCHISOR EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT INCLUDING REASONABLE ACCOUNTING AND LEGAL FEES AS PROVIDED IN SECTION 22.4. FRANCHISEE WAIVES AND DISCLAIMS ANY RIGHT TO CONSEQUENTIAL DAMAGES IN ANY ACTION OR CLAIM AGAINST FRANCHISOR CONCERNING THIS AGREEMENT OR ANY RELATED AGREEMENT. IN ANY CLAIM OR ACTION BROUGHT BY FRANCHISEE AGAINST FRANCHISOR CONCERNING THIS AGREEMENT, FRANCHISEE'S CONTRACT DAMAGES SHALL NOT EXCEED AND SHALL BE LIMITED TO REFUND OF FRANCHISEE'S FRANCHISE FEE AND ROYALTY FEES.

23.6 Waiver of Jury Trial

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

23.7 Arbitration

THIS AGREEMENT EVIDENCES A TRANSACTION INVOLVING COMMERCE AND, THEREFORE, THE FEDERAL ARBITRATION ACT, TITLE 9 OF THE UNITED STATES CODE IS APPLICABLE TO THE SUBJECT MATTER CONTAINED HEREIN. EXCEPT FOR CONTROVERSIES OR CLAIMS RELATING TO THE OWNERSHIP OF ANY AND ALL INTELLECTUAL PROPERTY RIGHTS, INCLUDING, BUT NOT LIMITED TO, FRANCHISOR'S MARKS, COPYRIGHTS OR THE UNAUTHORIZED USE OR DISCLOSURE OF FRANCHISOR'S CONFIDENTIAL INFORMATION, COVENANTS AGAINST COMPETITION AND OTHER CLAIMS FOR INJUNCTIVE RELIEF, ALL DISPUTES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR TO ANY OTHER AGREEMENTS BETWEEN THE PARTIES, OR WITH REGARD TO INTERPRETATION OR THE SCOPE AND VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENTS BETWEEN THE PARTIES (OR ANY OF THEIR RESPECTIVE PROVISIONS INCLUDING THE AGREEMENT TO ARBITRATE) OR THE FORMATION OR BREACH OF THIS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES, SHALL BE SETTLED BY BINDING ARBITRATION CONDUCTED IN MIAMI-DADE COUNTY, FLORIDA, IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION THEN IN EFFECT. THE DECISION OF THE ARBITRATOR(S) WILL BE FINAL AND BINDING UPON THE PARTIES. JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING PERSONAL AND SUBJECT MATTER JURISDICTION.

With respect to any dispute involving \$500,000 or more in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted before three (3) arbitrators, one of which shall be chosen by Franchisor and one by Franchisee, and the third of which shall be selected by the two (2) chosen arbitrators. If the two chosen arbitrators are unable to agree upon a third arbitrator, either Franchisor or Franchisee may petition the American Arbitration Association to appoint the third arbitrator. With respect to any dispute involving less than \$500,000 in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted by a single arbitrator.

The parties agree that arbitration will be conducted on an individual basis and not in a class, consolidated or representative action, and only Franchisor (and its affiliates and its and their respective owners, partners, agents, officers, managers and directors, as applicable) and Franchisee may be parties to any arbitration described in this Section, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving Franchisor and/or any other person.

FRANCHISEE ACKNOWLEDGES THAT IT HAS READ THE TERMS OF THIS BINDING ARBITRATION PROVISION AND AFFIRMS THAT THIS PROVISION IS ENTERED INTO WILLINGLY AND VOLUNTARILY AND WITHOUT ANY FRAUD, DURESS OR UNDUE INFLUENCE ON THE PART OF FRANCHISOR OR ANY OF FRANCHISOR'S AGENTS OR EMPLOYEES.

24. ACKNOWLEDGMENTS

24.1 Receipt of this Agreement and the Franchise Disclosure Document

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

24.2 Consultation by Franchisee

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

24.3 True and Accurate Information

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

24.4 Risk

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

24.5 Anti-Terrorism Representations

Franchisee represents that:

24.5.1 Franchisee will comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, 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 addressing or in any way relating to terrorists acts and acts of war (the "Anti-Terrorism Laws").

24.5.2 Neither Franchisee nor any of its owners, employees, agents, or property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that neither Franchisee nor they are otherwise in violation of any of the Anti-Terrorism Laws.

24.6 No Guarantee of Success

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

24.7 No Violation of Other Agreements

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

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

KLA FRANCHISE, LLC:

By: _____
Name: Roberto Ortega
Title: CEO and President

FRANCHISEE: _____

By: _____
Name: _____
Title: _____

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

DESIGNATED AREA AND PROTECTED TERRITORY

1. As contemplated by Section 2.3 of the Franchise Agreement, the Designated Area (if applicable) is:

☐ Check if map attached.

Franchisee acknowledges that the Designated Area is delineated solely for the purpose of establishing a geographic area within which Franchisee will select the site for the Accepted Location and for no other purposes.

2. As contemplated by Section 2.5 of the Franchise Agreement, the Protected Territory shall be defined by and exist within the following zip codes or other physical, political or natural boundaries:

☐ Check if map attached.

KLA FRANCHISE, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: Roberto Ortega

Name: _____

Title: CEO and President

Title: _____

Date: _____

Date: _____

EXHIBIT 2 TO THE FRANCHISE AGREEMENT

GENERAL RELEASE

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

_____ the execution by KLA Franchise, LLC, a Florida limited liability company (“**RELEASEE**”), of a successor Franchise Agreement or other renewal documents renewing the franchise (the “**Franchise**”) granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the “**Franchise Agreement**”) between RELEASOR and RELEASEE; or

_____ RELEASEE’S consent to RELEASOR’S assignment of its rights and duties under the Franchise Agreement; or

_____ RELEASEE’S consent to RELEASOR’S assumption of rights and duties under the Franchise Agreement; or

_____ RELEASEE’S refund of fifty percent (50%) of the Franchise Fee RELEASOR paid to RELEASEE,

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE’S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE’S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR’S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE. RELEASOR represents and warrants that it has not assigned or transferred to any other person any claim or right RELEASOR had or now has relating to or against RELEASEE.

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

RELEASOR: _____

By: _____

Name: _____

Title: _____

(or, if an individual)

Signed: _____

Name printed: _____

ACKNOWLEDGMENT

State of _____)
County of _____) ss

On this ____ day of _____, 20____ before me personally came _____, known to me to be the same person whose name is signed to the foregoing General Release, and acknowledged the execution thereof for the uses and purposes therein set forth, [and who did swear and say that he/she is the _____ (title) of _____ (company name), and he/she has the authority to execute said General Release].

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(NOTARIAL SEAL)

Notary Public
My Commission expires:

EXHIBIT 3 TO THE FRANCHISE AGREEMENT

NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This “**Agreement**” made as of the ____ day of _____, is by and between _____, (“**Franchisee**”) (d/b/a a KLA Schools Franchise) and _____ (“**Individual**”).

WITNESSETH:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____ (“**Franchise Agreement**”) by and between Franchisee and KLA Franchise, LLC (“**Company**”); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) pre-school/childcare educational programs to children the same as or similar to those provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company’s other franchisees (hereinafter, “**Competitive Business**”); provided, however, that the term “Competitive Business” shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets and Confidential Information

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a “**Trade Secret**” is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in KLA Schools® that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement “**Confidential Information**” means technical and non-technical information used in or related to KLA Schools that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Confidential Operations Manual and training guides and materials. In addition, any other information

identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

2. Confidentiality/Non-Disclosure

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a KLA School.

3. Non-Competition

a) During the term of Individual’s relationship with Franchisee and for a period of two years after the expiration or termination of Individual’s relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of Franchisee to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company’s service marks “KLA Schools”, “KLA” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with KLA Schools or the Company’s uniform standards, methods, procedures and specifications for the establishment and operation of KLA Schools.

b) During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business, wherever located, without the express written consent of Franchisee.

c) For a period of two years following the expiration or termination of Individual's relationship with Franchisee, regardless of the cause of termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business located or operating within a twenty-five (25) mile radius of Franchisee's KLA School or any other KLA School (whether company-owned or franchised).

d) During the term of Individual's relationship with Franchisee and for a period of two years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Company or their respective affiliates to compete against, or terminate or modify his, her or its employment or business relationship with Company or their respective affiliates.

e) During the term of Individual's relationship with Franchisee and for a period of two years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee or their respective affiliates to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee or their respective affiliates.

4. Reasonableness of Restrictions

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

5. Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

6. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Florida (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Miami-Dade County, Florida. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Company where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

d) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

f) The failure of either party to insist upon performance in any one or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

j) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD-PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one original being delivered to each party as of the day and year first above written.

WITNESS:

FRANCHISEE:

By: _____

Its: _____

INDIVIDUAL:

Signature: _____

Printed Name: _____

EXHIBIT 4 TO THE FRANCHISE AGREEMENT

NONDISCLOSURE AGREEMENT

This “**Agreement**” made as of the ____ day of _____, is by and between _____, (“**Franchisee**”) (d/b/a a KLA Schools® Franchise) and _____ (“**Individual**”).

W I T N E S S E T H:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____ (“**Franchise Agreement**”) by and between Franchisee and KLA Franchise, LLC (“**Company**”); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets and Confidential Information

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a “**Trade Secret**” is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in KLA Schools that is not commonly known by or available to the public and which: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement “**Confidential Information**” means technical and non-technical information used in, or related to, KLA Schools that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Confidential Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

2. Confidentiality/Non-Disclosure

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a KLA School.

3. Reasonableness of Restrictions

Individual acknowledges that each of the terms set forth herein is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company’s Trade Secrets and other Confidential Information, the Company’s business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

4. Relief for Breaches of Confidentiality

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

5. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Florida (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Miami-Dade County, Florida. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Company where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

d) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

f) The failure of either party to insist upon performance in any one or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

j) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD-PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one original being delivered to each party as of the day and year first above written.

FRANCHISEE:

By: _____

Its: _____

INDIVIDUAL:

Signature: _____

Printed Name: _____

EXHIBIT 5 TO THE FRANCHISE AGREEMENT

UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given
_____, by _____
_____.

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

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

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

This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor’s death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor’s estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor’s death.

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

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Florida (without giving effect to principles of conflicts of law). Guarantor agrees that the dispute resolution provision in the preceding Franchise Agreement shall apply in the event of any dispute under this Guaranty.

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

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

EXHIBIT 6 TO THE FRANCHISE AGREEMENT

**HOLDERS OF LEGAL OR BENEFICIAL INTEREST
IN FRANCHISEE; OFFICERS; DIRECTORS**

Holders of Legal or Beneficial Interest:

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership _____%

EXHIBIT 7 TO THE FRANCHISE AGREEMENT

MULTI-STATE RIDERS

CALIFORNIA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (the “Franchisor”) and _____, a _____ (“Franchisee”).

1. **Disclaimers.** 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 or 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. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

2. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

ILLINOIS RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (the “Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Illinois Act” means the Illinois Franchise Disclosure Act of 1987.

2. **The Deferral of Franchise Fees.** Pursuant to Section 200.508 of the Illinois Administrative Rules, the Franchise Fee will not be due and payable until Franchisor has met pre-opening obligations and Franchise is open for business. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

3. **Governing Law and Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.

4. **Limitation of Claims.** No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of three years from the act or transaction constituting the violation upon which it is based, the expiration of one year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

5. **Waivers Void.** Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

6. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

INDIANA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

2. Certain Provisions Modified. Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

3. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

MARYLAND RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC., a Florida limited liability company (“Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

2. **Deferral of Franchise Fees.** Payment of the initial franchise fee, site development fee and other fees payable by Franchisee to the Franchisor under the Agreement are deferred until it has completed its pre-opening obligations under the Agreement.

3. **No Waiver of State Law In Sale.** Notwithstanding any provision of the Agreement to the contrary, as a condition of the sale of a franchise, the Franchisor shall not require a prospective franchisee to agree to a release, assignment, novation, waiver, or estoppel that would relieve the Franchisor or any other person from liability under the Maryland Franchise Law.

4. **No Release of Liability.** Pursuant to COMAR 02-02-08-16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.

5. **Statute of Limitations.** Any provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must bring an action under such law within three years after the grant of the franchise.

6. **Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

7. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

MINNESOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

2. **Amendments.** The Agreement is amended to comply with the following:

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

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

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

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

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

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

3. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

NEW YORK RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (“KLA”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Waivers Not Required. Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver or estoppel which would relieve KLA or any other person from any duty or liability imposed by New York General Business Law, Article 33.

3 Waivers of New York Law Deleted. Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by KLA with any provision of New York General Business Law, or any rule promulgated thereunder, is hereby deleted.

4. Governing Law. Notwithstanding any provision of the Agreement to the contrary, the New York Franchises Law shall govern any claim arising under that law.

5. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. **Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) **Restrictive Covenants:** Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind subject to NDCC Section 9-08-06.
- (2) **Situs of Arbitration Proceedings:** Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) **Restrictions on Forum:** Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) **Liquidated Damages and Termination Penalties:** Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) **Applicable Laws:** The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) **Waiver of Trial by Jury:** Franchisee and any Guarantor do not waive a trial by jury.
- (7) **Waiver of Exemplary & Punitive Damages:** The parties do not waive exemplary and punitive damages.
- (8) **General Release:** Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) **Limitation of Claims:** Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) **Enforcement of Agreement:** The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

3. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

RHODE ISLAND RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Jurisdiction and Venue. Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.

3. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

VIRGINIA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (the “Franchisor”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Deferral of Franchise Fees. The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires Franchisor to defer payment of the initial franchise fee, site development fee and other initial payments owed by Franchisee to Franchisor under the Agreement until Franchisor has completed its pre-opening obligations under the Agreement.

3. Effective Date. This Rider is effective as of the date first written above.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

WASHINGTON RIDER TO FRANCHISE AGREEMENT

(See Exhibit L for Washington Addendum to the KLA Franchise, LLC Franchise Disclosure Document, Franchise Agreement, Area Development Agreement, Center Development Agreement, Franchisee Disclosure Questionnaire and Related Agreements)

EXHIBIT C TO THE DISCLOSURE DOCUMENT

KLA FRANCHISE, LLC

CENTER DEVELOPMENT AGREEMENT



CENTER DEVELOPMENT AGREEMENT

THIS CENTER DEVELOPMENT AGREEMENT (“Agreement”) is by and between _____, a _____ (“You,” “Your” or “Franchisee”) and **KLA FRANCHISE, LLC**, a Florida limited liability company (“KLA” or “Franchisor”), and supplements and is incorporated by reference into the Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”) between KLA and You. KLA and You are sometimes referred to herein collectively, as the “**Parties**”. All terms not otherwise defined in this Agreement shall have the meanings ascribed to them in the Franchise Agreement. KLA and Franchisee agree as follows:

1. **KLA’s Development Obligations.** In consideration of the Center Development Fee, KLA will provide the following consulting services in connection with the construction and development of Your KLA School:

(A) solicit construction bids from its approved contractor list and other bids from other third parties that are necessary for the construction of Your KLA School (all such third parties, including, without limitation, architects, engineers, contractors are referred to herein as “**Third Party Professionals**”) and select Third Party Professionals who will provide services for the construction of Your KLA School;

(B) supervise your architect and/or engineer’s preparation of plans and drawings for Your KLA School, and evaluate the plans/drawings for compliance with KLA’s specifications;

(C) communicate with the general contractor regarding the development of Your KLA School, and otherwise coordinate the services of all required Third Party Professionals;

(D) assist you in obtaining all zoning classifications and clearances which may be required by state and local laws, ordinances or regulations for the construction and development of Your KLA School; and

(E) provide on-site inspections to ensure Your KLA School is constructed in compliance with KLA’s specifications and the construction plans and drawings provided by your architect/engineer.

All of the services to be provided by KLA and listed in this Section are referred to as the “**Center Development Services.**”

2. **Center Development Fee.**

(A) Franchisee will compensate KLA the amount of \$150,000 (the “**Center Development Fee**”) for the Center Development Services. No portion of the Center Development Fee is refundable under any circumstances, and is payable to KLA as follows: (i) \$50,000 is due upon signing this Agreement; (ii) \$50,000 is due upon presentation of the professional services agreement with the architect; and (iii) \$50,000 upon the delivery of the Certificate of Occupancy.

(B) A late fee of \$100 will be imposed for each day that any installment of the Center Development Fee is paid after its due date. In addition, interest will accrue on any delinquent amount at the rate of the (1) lesser of 18%; or (2) the highest amount permitted by law on the due date of such amount.

3. **Your Obligations.**

(A) You acknowledge and agree that your cooperation with the construction of Your KLA School, and timely provision of all necessary agreements and approvals deemed necessary by KLA are a condition precedent to, KLA’s performance of Center Development Services. You shall execute such Third Party Professional agreements with the applicable Third Party Professional in a timely manner, and in no event later than 15 days after such Third Party Professional agreements are presented to you by KLA. You will timely provide such approvals and input with respect to the location of the site and the construction of Your KLA School as required by KLA from time to time. Your failure to respond to any request for approval within three days after the date of the request will be deemed an approval.

(B) You must timely make payment to all Third Party Professionals in accordance with the applicable agreement.

(C) You agree that any contracts or agreements entered into between You and any Third Party Professional will include terms and provisions acceptable to KLA, and that KLA will have a reasonable opportunity to review and approve or reject the proposed terms of such agreements prior to their execution. You are encouraged to consult with Your attorney and business advisor regarding the terms of any agreement presented to you for signature by KLA.

(D) You acknowledge and agree that:

(1) KLA will have fully performed the Center Development Services when You receive the Certificate of Occupancy for Your KLA School.

(2) You are exclusively responsible for all construction and development costs associated with Your KLA School, including, without limitation, Third Party Professional costs and fees, costs and fees associated with all permitting and licensing, construction/leasehold improvement costs, real estate purchase/rent costs, lease security deposits, utility deposits, initial inventory, computer equipment, insurance, office equipment/supplies, training, signage, furniture/fixtures and equipment costs.

(3) With the exception of the Center Development Services, You are solely responsible for the development of Your KLA School and compliance with all obligations related to the development and operation of Your KLA School under the Franchise Agreement and applicable law.

Although KLA will endeavor to perform the Center Development Services by that date which is 24 months after the date that construction has begun, many factors beyond KLA’s reasonable control may affect the timing of the completion of Your KLA School including without limitation delays caused by Third Party Professionals and events described in Section 13 hereof. Therefore, you agree that the

completion of Your KLA School may occur at a time later than 24 months after commencement of construction.

4. **Landlord/Developers.** KLA will develop Your KLA School by sourcing and contacting potential landlords and developers who have available property or sites suitable for the development and operation of a KLA School. It is possible that KLA will locate a landlord who will develop the premises for your KLA School, in which case Your rental payment obligations contained in the lease will reflect the landlord's cost of the construction or development (and any real estate commissions), amortized over the term of the lease. If the landlord does not construct or development the space, then You acknowledge that You will be liable to pay such costs outside of the rental payments.

5. **Term; Termination.**

A. This Agreement will commence on the date hereof, and will expire upon the issuance of the Certificate of Occupancy for your KLA School, subject to earlier termination as provided below.

B. Any default under the terms of the Franchise Agreement between the Franchisee and KLA resulting in the termination of such Franchise Agreement shall entitle KLA to terminate this Agreement immediately effective upon delivery of written termination notice to Franchisee. KLA is entitled to set-off and recoup any refund or amount owed by KLA to Franchisee under the terms of the Franchise Agreement against any amount owed to KLA under this Agreement.

C. This Agreement may also be terminated by written notice in the following circumstances:

(i) By the non-breaching party, upon the failure of a party to pay or turn over any sum of money to which the other party is entitled within 10 days after written notice of such failure by the non-breaching party or upon Your failure to pay any Third Party Professional any amount to which it is entitled within 10 days after written notice that such payment is overdue;

(ii) By the non-breaching party, upon the failure of a party to perform any term, covenant, or condition set forth in this Agreement, other than those monetary obligations set forth in the immediately preceding paragraph, and the continuance of such failure for a period of 30 days after written notice of such failure by the non-breaching party; or, in the event such failure cannot reasonably, with due diligence and good faith, be remedied in 30 days, the breaching party does not commence and proceed with due diligence to promptly cure such failure as soon as feasible; or

(iii) By the other party, if a party hereto is the subject of a proceeding in bankruptcy or reorganization or otherwise is generally unable to pay its debts as they become due.

6. **Insurance.** Throughout the development and construction of Your KLA School, You shall maintain all appropriate insurance policies and coverage levels required by KLA (which may be more fully described in the Franchise Agreement or KLA's operating manuals) on, and in connection with, Your KLA School. All insurance shall be in the name of Franchisee with KLA to be named as an additional insured and shall contain riders and endorsements adequately protecting the interests of Franchisee and KLA. All insurance policies shall provide that the insurance company will have no right of subrogation against Franchisee or KLA, their respective agents, or employees.

7. **Complete Agreement; Amendment and Waiver.** This Agreement, all exhibits to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to You. This Agreement shall not be amended or modified unless such amendment or modification is in writing and is signed by both Parties. The failure of either party to insist upon performance in any one or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

8. **Severability.** It is understood that each section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation of or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties; and the invalid sections, parts, terms and/or provisions will be considered not part of this Agreement; provided, however, that if the KLA determines that the finding of the illegality adversely affects the basic consideration of this Agreement, the KLA may, at its option, terminate this Agreement.

9. **Successors and Assigns.** Any assignment or transfer of this Agreement must conform to the assignment/transfer provisions contained in the Franchise Agreement. Any attempted assignment in violation of the terms of this Agreement shall be null and void. The Parties further agree that anything to the contrary in this Agreement notwithstanding, nothing in this Agreement is intended, nor will be considered, to confer upon any person or legal entity other than the KLA or the Franchisee and any of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

10. **Attorneys' Fees and Costs.** The Parties agree that if a claim is asserted in any legal proceeding for amounts owed to the KLA or Franchisee, or if the KLA or Franchisee is required to enforce this Agreement, the prevailing party in any proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees and other incidental costs, whether incurred before or in connection with the filing and prosecution of any action.

11. **Dispute Resolution.**

A. **Choice of Law.** EXCEPT TO THE EXTENT THIS AGREEMENT OR ANY PARTICULAR DISPUTE IS GOVERNED BY THE U.S. TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §1051, AND THE SECTIONS FOLLOWING IT) OR OTHER FEDERAL LAW, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA (WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PRINCIPLES), EXCLUDING ANY LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP BETWEEN A KLA AND FRANCHISEE, UNLESS THE JURISDICTIONAL REQUIREMENTS OF SUCH LAWS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION. THE FEDERAL ARBITRATION ACT SHALL GOVERN ALL MATTERS SUBJECT TO ARBITRATION. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

B. **Consent to Jurisdiction.** ANY ACTION BROUGHT BY EITHER PARTY EXCEPT THOSE CLAIMS REQUIRED TO BE SUBMITTED TO ARBITRATION, SHALL ONLY BE BROUGHT IN THE APPROPRIATE STATE COURT LOCATED IN OR SERVING MIAMI-DADE COUNTY, FLORIDA. THE PARTIES WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSES OF CARRYING OUT THIS PROVISION. CLAIMS FOR INJUNCTIVE RELIEF MAY BE BROUGHT BY KLA WHERE FRANCHISEE IS LOCATED. THIS EXCLUSIVE CHOICE OF JURISDICTION AND VENUE PROVISION SHALL NOT RESTRICT THE ABILITY OF THE PARTIES TO CONFIRM OR ENFORCE JUDGMENTS OR ARBITRATION AWARDS IN ANY APPROPRIATE JURISDICTION.

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

D. **Limitation of Damages.** FRANCHISEE AND KLA EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT INCLUDING REASONABLE ACCOUNTING AND LEGAL FEES AS PROVIDED IN SECTION 10 ABOVE. FRANCHISEE WAIVES AND DISCLAIMS ANY RIGHT TO CONSEQUENTIAL DAMAGES IN ANY ACTION OR CLAIM AGAINST KLA CONCERNING THIS AGREEMENT OR ANY RELATED AGREEMENT. IN NO EVENT WILL KLA BE LIABLE FOR THE ACTS OR OMISSIONS OF ANY THIRD PARTY PERFORMING CONSTRUCTION OR DEVELOPMENT SERVICES IN CONNECTION WITH YOUR KLA SCHOOL, AND YOU HEREBY RELEASE AND HOLD HARMLESS KLA WITH RESPECT TO ANY CLAIMS RELATING TO THE ACTS OR OMISSIONS OF SUCH THIRD PARTIES. NOTWITHSTANDING THE FOREGOING, IN ANY CLAIM OR ACTION BROUGHT BY FRANCHISEE AGAINST KLA CONCERNING THIS AGREEMENT, FRANCHISEE'S DAMAGES SHALL NOT EXCEED AND SHALL BE LIMITED TO A REFUND OF 50% OF AMOUNTS PAID TO KLA UNDER THIS AGREEMENT.

E. **Waiver of Jury Trial.** FRANCHISEE AND KLA EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

F. **Arbitration.** THIS AGREEMENT EVIDENCES A TRANSACTION INVOLVING COMMERCE AND, THEREFORE, THE FEDERAL ARBITRATION ACT, TITLE 9 OF THE UNITED STATES CODE IS APPLICABLE TO THE SUBJECT MATTER CONTAINED HEREIN. EXCEPT FOR CONTROVERSIES OR CLAIMS RELATING TO THE OWNERSHIP OF ANY AND ALL INTELLECTUAL PROPERTY RIGHTS, INCLUDING, BUT NOT LIMITED TO, FRANCHISOR'S MARKS, COPYRIGHTS OR THE UNAUTHORIZED USE OR DISCLOSURE OF FRANCHISOR'S CONFIDENTIAL INFORMATION, COVENANTS AGAINST COMPETITION AND OTHER CLAIMS FOR INJUNCTIVE RELIEF, ALL DISPUTES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR TO ANY OTHER AGREEMENTS BETWEEN THE PARTIES, OR WITH REGARD TO INTERPRETATION OR THE SCOPE AND VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENTS BETWEEN THE PARTIES (OR ANY OF THEIR RESPECTIVE PROVISIONS INCLUDING THE AGREEMENT TO ARBITRATE) OR THE FORMATION OR BREACH OF THIS OR ANY

OTHER AGREEMENT BETWEEN THE PARTIES, SHALL BE SETTLED BY BINDING ARBITRATION CONDUCTED IN MIAMI-DADE COUNTY, FLORIDA, IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION THEN IN EFFECT. THE DECISION OF THE ARBITRATOR(S) WILL BE FINAL AND BINDING UPON THE PARTIES. JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING PERSONAL AND SUBJECT MATTER JURISDICTION.

With respect to any dispute involving \$500,000 or more in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted before three (3) arbitrators, one of which shall be chosen by Franchisor and one by Franchisee, and the third of which shall be selected by the two (2) chosen arbitrators. If the two chosen arbitrators are unable to agree upon a third arbitrator, either Franchisor or Franchisee may petition the American Arbitration Association to appoint the third arbitrator. With respect to any dispute involving less than \$500,000 in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted by a single arbitrator.

The parties agree that arbitration will be conducted on an individual basis and not in a class, consolidated or representative action, and only Franchisor (and its affiliates and its and their respective owners, partners, agents, officers, managers and directors, as applicable) and Franchisee may be parties to any arbitration described in this Section, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving Franchisor and/or any other person.

FRANCHISEE ACKNOWLEDGES THAT IT HAS READ THE TERMS OF THIS BINDING ARBITRATION PROVISION AND AFFIRMS THAT THIS PROVISION IS ENTERED INTO WILLINGLY AND VOLUNTARILY AND WITHOUT ANY FRAUD, DURESS OR UNDUE INFLUENCE ON THE PART OF FRANCHISOR OR ANY OF FRANCHISOR'S AGENTS OR EMPLOYEES.

12. **Indemnification.** Subject to the terms, provisions and limitations of this Agreement, Franchisee shall hold harmless and indemnify KLA, its parent, any affiliates, all holders of a legal or beneficial interest in KLA and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "**KLA Indemnitees**") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's breach of any representation, warranty, covenant, or provision of this Agreement or any acts, errors or omissions committed by Franchisee in the performance of its obligations under this Agreement, including any negligent or intentional acts, and any claim made against KLA by a Third Party Professional.

13. **Force Majeure.** Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (A) acts of God; (B) acts of war, terrorism, or insurrection; (C) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, prolonged shortage of supplies, and/or other casualties; and (D) acts of State or governmental action (including the failure of any government to grant any license, authorization or approval required for construction).

14. **Time is of the Essence.** Time is of the essence. Except as expressly agreed by the Parties, failure to perform any act within the time required or permitted by this Agreement shall be a material breach of this Agreement, unless the non-performance is due to an event described under Section 13 hereof.

15. **Counterpart Execution.** This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument

IN WITNESS WHEREOF, the parties have duly signed and delivered this Agreement as of the date first written above.

KLA FRANCHISE, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CALIFORNIA RIDER TO CENTER DEVELOPMENT AGREEMENT

This Rider amends the Center Development Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (the “Franchisor”) and _____, a _____ (“Franchisee”).

1. **Disclaimers.** 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 or 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. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

2. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

MARYLAND RIDER TO CENTER DEVELOPMENT AGREEMENT

This Rider amends the Center Development Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (the “Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

2. **Deferral of Center Development Fees.** Payment of the center development fee is deferred until the Franchisor has completed its pre-opening obligations under the Agreement.

3. **No Waiver of State Law In Sale.** Notwithstanding any provision of the Agreement to the contrary, as a condition of the sale of a franchise, the Franchisor shall not require a prospective franchisee to agree to a release, assignment, novation, waiver, or estoppel that would relieve it or any other person from liability under the Maryland Franchise Law.

4. **No Release of Liability.** Pursuant to COMAR 02-02-08-16L, any general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.

5. **Statute of Limitations.** Any provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland.

6. **Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

7. **Effective Date.** This Rider is effective as of the date first written above.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

VIRGINIA RIDER TO CENTER DEVELOPMENT AGREEMENT

This Rider amends the Center Development Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (the “Franchisor”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Deferral of Center Development Fee. The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires the Franchisor to defer payment of the center development fee until the Franchisor has completed its pre-opening obligations under the Agreement.

3. Effective Date. This Rider is effective as of the date first written above.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

WASHINGTON RIDER TO CENTER DEVELOPMENT AGREEMENT

(See Exhibit L for Washington Addendum to the KLA Franchise, LLC Franchise Disclosure Document, Franchise Agreement, Area Development Agreement, Center Development Agreement, Franchisee Disclosure Questionnaire and Related Agreements)

EXHIBIT D TO THE DISCLOSURE DOCUMENT

KLA FRANCHISE, LLC

AREA DEVELOPMENT AGREEMENT



AREA DEVELOPMENT AGREEMENT

AGREEMENT DATE

DEVELOPER

**THIS AGREEMENT REQUIRES CERTAIN DISPUTES TO BE SUBMITTED TO BINDING
ARBITRATION**

KLA SCHOOLS®
AREA DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into as of this ____ day of _____, 20____(the “**Effective Date**”) by and between **KLA FRANCHISE, LLC**, a Florida limited liability company (“**Franchisor**”), and _____, an individual/partnership/corporation/limited liability company established in the State of _____ and whose principal address is _____ (“**Developer**”).

RECITALS

WHEREAS, Franchisor and its affiliate, have developed, and are in the process of further developing, a format and system consisting of uniform standards, methods, procedures and specifications for the operation of KLA Schools® (the “**System**”) identified by the service marks “**KLA SCHOOLS®**” and “**KLA®**” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used (collectively, the “**Marks**”) in connection with, and relating to, the establishment and operation of upscale childcare/pre-schools (each, a “**School**”);

WHEREAS, Franchisor and Developer desire to enter into an area development agreement under which Developer shall obtain the right to establish and operate a specified number of Schools within a specified geographical area upon the terms and conditions contained in Franchisor’s then-current standard franchise agreement (each, a “**Franchise Agreement**”); and

WHEREAS, Developer and Franchisor have entered into that certain Franchise Agreement (the “**Initial Franchise Agreement**”) dated the same date as this Agreement for the establishment and operation of the first School to be developed under this Agreement.

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

1. Grant of Development Rights and Development Area.

Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Developer the right, and Developer undertakes the obligation, to establish and operate in the area designated on **Exhibit A** to this Agreement (the “**Development Area**”) the number of Schools specified in the development schedule on **Exhibit B** (the “**Development Schedule**”). This Agreement does not grant Developer any right to use the Marks; rights to use the Marks are granted only by the Franchise Agreements. A minimum of two Schools must be opened under this Agreement.

2. Fees.

The total amount of the Development Fee is listed on **Exhibit B** (the “**Development Fee**”). The Development Fee will be applied toward the initial franchise fee due under subsequent Franchise Agreements in the manner specified on **Exhibit B**. Developer will pay the balance of the initial franchise fee due for each School at the time the Franchise Agreement for each School is executed. The Development Fee will not be refundable, notwithstanding anything to the contrary in this Agreement or any Franchise Agreement.

3. **Development Schedule.**

Developer must enter into Franchise Agreements and open and operate Schools in accordance with the deadlines set forth in the Development Schedule. By each “**Fee Deadline**” specified in the Development Schedule, Developer must have delivered to Franchisor an initial franchise fee and a signed copy of Franchisor’s then-current standard form of Franchise Agreement for the number of Schools specified on the Development Schedule. By each “**Opening Deadline**” specified in the Development Schedule, Developer must have the specified number of Schools open and operating. Developer must locate the Schools only at sites that Franchisor has accepted in accordance with the terms of the applicable Franchise Agreement.

4. **Development Area.**

4.1 General. While this Agreement is in effect, provided that Developer opens and operates Schools in accordance with the Development Schedule, and the minimum number of Schools that Developer has open and operating in the Development Area at any given time is not less than the minimum required pursuant to the Development Schedule, Franchisor will not operate, or license any person other than Developer to operate, a School under the Marks and the System within the Development Area.

4.2 No Other Restrictions. Developer acknowledges that, except to the extent expressly provided in **Section 4.1**, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

- (a) establish, and license others to establish, Schools at any location outside of the Development Area;
- (b) establish, and license others to establish, businesses (other than a Competitive Business (as defined below)) under other systems using other proprietary marks at such locations, including within the Development Area, and on such terms and conditions as Franchisor deems appropriate;
- (c) purchase or otherwise acquire the assets or controlling ownership of, and thereafter continue to own and operate, one or more businesses identical or similar to the Schools (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Development Area, that does not use the Marks;
- (d) be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Development Area;
- (e) sell the services and products authorized for Schools using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies, direct mail, catalogue sales, Internet sites and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate, provided however, that no such sales shall be made to a Competitive Business within the Development Area; and
- (f) engage in any activities not expressly forbidden by this Agreement.

Franchisor, its affiliates or a franchisee or licensee may advertise, promote, market or sell goods or services using the Marks over the Internet, the world wide web or any other electronic network.

For purposes of this Agreement, “**Competitive Business**” means any business that operates, manages, offers or provides (or grants franchises or licenses to others to operate a business that operates,

manages, offers or provides), directly or indirectly, pre-school/childcare educational programs or supervision for children between the ages of infancy through 6 years or similar services as are customarily offered by a School, or in which trade secrets or other confidential information could be used to the disadvantage of Franchisor or its other franchisees.

5. Term.

This Agreement expires at midnight on the last Opening Deadline date listed on the Development Schedule, unless this Agreement is terminated sooner as provided in **Section 6** of this Agreement.

6. Termination.

6.1 Events of Default. Any one or more of the following constitutes an “Event of Default” hereunder:

- (a) Developer fails to pay any initial franchise fee or execute any Franchise Agreement by any Fee Deadline specified in the Development Schedule;
- (b) Developer fails to have open and operating the minimum number of Schools specified in the Development Schedule by any Opening Deadline specified in the Development Schedule;
- (c) A default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement; or
- (d) Developer breaches or otherwise fails to comply fully with any other provision contained in this Agreement, including **Section 8**, or any Owner fails to comply with its obligations under **Sections 7.2** and **8** of this Agreement.

6.2 Remedies. If any Event of Default occurs under **Section 6.1**, Franchisor may declare this Agreement and any and all other rights granted to Developer under this Agreement to be immediately terminated and of no further force or effect, as follows:

- (a) Upon termination due solely to an Event of Default listed in **Section 6.1(a)** or **6.1(b)**, Franchisor’s sole remedies under this Agreement will be retention of the Development Fee and termination of this Agreement. A failure to open and thereafter operate Schools in accordance with the Development Schedule will not, in itself, constitute cause for Franchisor to terminate any previously executed Franchise Agreement.
- (b) Upon termination of this Agreement for any other reason whatsoever, Franchisor will retain the Development Fee and Developer will not be relieved of any of its obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. The right of termination granted by this **Section 6.2(b)** is in addition to, and not in lieu of, any and all other rights and remedies available to Franchisor at law, in equity, or otherwise, including without limitation the right to injunctive relief, all of which are cumulative.

7. Assignment.

7.1 By Franchisor. This Agreement is fully assignable by Franchisor and will inure to the benefit of any assignee or other legal successor to Franchisor’s interest.

7.2 By Developer. This Agreement and the rights granted to Developer under this Agreement are personal to Developer and neither this Agreement, nor any of the rights granted to Developer hereunder nor any controlling equity interest in Developer, may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by Developer. Without limiting the foregoing, Franchisor will have no obligation to approve any assignment unless Developer has assigned all of its rights in all Franchise Agreements relating to its Schools located within the Development Area to the proposed assignee in accordance with the provisions of the applicable Franchise Agreements.

(a) If (i) Developer would like to accept a bona fide offer from a third party to purchase its interest in this Agreement, (ii) any of its legal or equitable owners (each, an “**Owner**”; who are all listed on **Exhibit B** hereto) desires to accept an offer from a third party to purchase all or a portion of their equity interests in Developer that would result in the transfer of control of Developer (as Franchisor determines), or (iii) if Developer or such Owners desire to sell such interests and have found a willing buyer of such interests; Developer or such Owners will (a) notify Franchisor in writing of such offer, (b) offer to sell the same interests to Franchisor upon the same terms and conditions, and (c) provide such information and documentation relating to such offer as Franchisor requires. Franchisor has the right, exercisable within 30 days after receipt of such offer, information, and documentation, to send written notice to Developer (or the applicable Owner(s)) that Franchisor intends to purchase the offered interests on the same economic terms and conditions offered by or to the third party or, at Franchisor’s option, the cash equivalent thereof. If Franchisor elects to purchase such interests, closing will occur within 90 days after the date of Franchisor’s notice to the seller electing to purchase the interest. If Franchisor does not elect to purchase such interest within the 30-day period, Developer or such Owners may sell or transfer their offered interests to a third party; provided that such sale or transfer: (i) is made within 90 days after Franchisor gives notice of its election, (ii) is made at a price and on the same material terms as those offered to Franchisor, and (iii) is made in full compliance with all applicable requirements of this **Section 7.2**.

(b) The right of first refusal set forth in **Section 7.2(a)** will not be applicable to assignments, transfers, or sales of Developer’s interest in this Agreement or any equity interest in Developer, made to Developer’s or, if Developer is an Entity, any of its Owner’s spouse or child or any other existing Owners, provided that the applicable requirements of each Franchise Agreement and **Section 7.2(a)** of this Agreement are complied with fully.

8. Developer’s Covenant Not to Compete.

8.1 In-Term Covenants. During the term of this Agreement, neither Developer nor any Owner (or any member of their immediate families or households), nor any officer, director, executive, or manager of Developer (each, a “**Restricted Party**”), shall, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity (each, an “**Entity**”):

(a) divert, or attempt to divert, any business or customer of a School to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act that is damaging to Franchisor or prejudicial to the goodwill associated with the Marks or the System;

(b) employ or seek to employ any person who is at that time employed by Franchisor or otherwise directly or indirectly induce such person to leave his or her employment; or

(c) own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

For purposes of this **Section 8**, the term “**Competitive Business**” shall not include (i) any business operated by Developer under a Franchise Agreement with Franchisor, or (ii) any business operated by a publicly-held entity in which Developer owns less than a 5% legal or beneficial interest.

8.2 Post-Term Covenants. For a period of 2 years after the expiration or termination of this Agreement, regardless of the cause of the termination, no Restricted Party shall, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or Entity:

(a) own an interest in, manage, operate or provide services to any Competitive Business located or operating (i) within a 25-mile radius of the Development Area, or (ii) within a 25-mile radius of the location of any other School in existence at the time of termination or expiration;

(b) solicit, or otherwise attempt to induce, or influence any employee of Franchisor or its affiliates to terminate or modify his, her or its business relationship with, or to compete against, Franchisor or any of its affiliates; or

(c) solicit, or otherwise attempt to induce, or influence any customer or other non-employee business associate of Franchisor or its affiliates to terminate or modify his, her or its business relationship with, or to compete against, Franchisor or any of its affiliates.

8.3 Covenants of Owners. The Owners personally bind themselves to this **Section 8** by signing the attached Unlimited Guaranty and Assumption of Obligations.

8.4 Enforcement of Covenants. Developer acknowledges and agrees that (a) the time, territory and scope of the covenants provided in this **Section 8** are reasonable and necessary for the protection of Franchisor’s legitimate business interests; (b) Developer has received sufficient and valid consideration in exchange for those covenants; (c) enforcement of the same would not impose undue hardship; and (d) the period of protection provided by these covenants will not be reduced by any period of time during which Developer is in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this **Section 8** is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. Developer agrees that the existence of any claim Developer may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to Franchisor’s enforcement of the covenants contained in this **Section 8**. Developer acknowledges that any breach or threatened breach of this **Section 8** will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Developer consents to the issuance of an injunction prohibiting any conduct violating the terms of this **Section 8**. Such injunctive relief will be in addition to any other remedies that Franchisor may have.

9. Dispute Resolution and Governing Law.

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

9.2 Governing Law. Except to the extent that this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051, and the sections following

it) or other Federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Florida (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

9.3 Mutual Waiver of Jury Trial. Developer and Franchisor each irrevocably waive trial by jury in any litigation.

9.4 Limitation of Damages. Developer and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees and all incidental costs as provided in **Section 9.7**. Developer waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement, and Developer. In any claim or action brought by Developer against Franchisor concerning this Agreement, Developer's contract damages shall not exceed and shall be limited to refund of the Development Fee.

9.5 Remedies Not Exclusive. Except as provided in **Section 9.4**, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law. Each and every such remedy will be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

9.6 Injunctive Relief. Nothing in this Agreement bars Franchisor's right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause Franchisor loss or damage. Developer agrees that Franchisor will not be required to prove actual damages or post a bond in excess of \$1,000 or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement.

9.7 Attorneys' Fees and Costs. Developer agrees to reimburse Franchisor for all expenses Franchisor reasonably incurs (including attorneys' fees and all incidental costs): (i) to enforce the terms of this Agreement or any obligation owed to Franchisor by Developer and/or the Owners; and (ii) in the defense of any claim Developer and/or the Owners assert against Franchisor on which Franchisor substantially prevails in court or other formal legal proceedings.

9.8 Arbitration. This Agreement evidences a transaction involving commerce, and, therefore, the Federal Arbitration Act, Title 9 of the United States Code, is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any and all intellectual property rights, including, but not limited to, the Marks, covenants against competition, and other claims for injunctive relief, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to the interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Miami-Dade County, Florida, in accordance with the commercial arbitration rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court for the State of Florida and located in Miami-Dade County, Florida. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

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

10. Miscellaneous.

10.1 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between Developer and Franchisor with respect to the matters contained herein and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on the exhibits attached hereto, including any schedules attached thereto, which are incorporated into this Agreement by this reference.

10.2 Amendments and Modifications. This Agreement may be amended or modified only by a written document signed by each party hereto.

10.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Franchisor's waiver of any particular default does not affect or impair Franchisor's rights with respect to any subsequent default Developer may commit. Franchisor's waiver of a default by another franchisee does not affect or impair Franchisor's right to demand strict compliance with the terms of this Agreement. Franchisor has no obligation to deal with similarly situated franchisees in the same manner. Franchisor's acceptance of any payments due from Developer does not waive any prior defaults.

10.4 Importance of Timely Performance. Time is of the essence in this Agreement.

10.5 Headings. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions.

10.6 Severability. Each provision of this Agreement is severable from the others. If any provision of this Agreement or any of the documents executed in conjunction with this Agreement is for any reason determined by a court to be invalid, illegal, or unenforceable, the invalidity, illegality, or unenforceability will not affect any other remaining provisions of this Agreement or any other document. The remaining provisions will continue to be given full force and effect and bind Franchisor and Developer.

10.7 Applicable State Law Controlling. If the termination, renewal, or other provisions set forth in this Agreement are inconsistent with any applicable state statute, in effect as of the Effective Date, governing the relationship of franchisors and franchisees, the provisions of such statute will apply hereto, but only to the extent of such inconsistency.

10.8 Survival. Each provision of this Agreement that expressly, or by reasonable implication, is to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive such expiration, termination, or assignment, including, but not limited to, **Section 8.2.**

10.9 Independent Contractor Relationship. This Agreement does not create, nor does any conduct by Franchisor create, a fiduciary or other special relationship or make Developer or Franchisor an agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. Developer understands and agrees that Developer is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to create any obligation, express or implied, on Franchisor's behalf, and Developer will indemnify and hold Franchisor and Franchisor's affiliates harmless

against any and all liabilities, claims, actions, losses, damages, and expenses, including, but not limited to, reasonable attorney's fees, arising out of or relating to its failure to comply with the foregoing.

10.10 Notices. All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this **Section 10.10**. All notices, payments and reports required by this Agreement shall be sent to the parties at the following addresses:

Franchisor: KLA Franchise, LLC
Attn: Roberto Ortega
1750 Coral Way, Suite 301
Miami, Florida 33145

With a Copy to: Shipe Dosik Law LLC
2107 N. Decatur Road, Unit 347
Decatur, Georgia 30033
Attention: Kathryn B. Shipe, Esq

Developer: _____

10.11 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument.

10.12 Successors and Assigns. Except as expressly otherwise provided herein, this Agreement is binding upon and will inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors, and permitted assigns.

10.13 Developer's Rights Following Bankruptcy of Franchisor. Subject to any limitations that may be imposed by any applicable bankruptcy court, in the event that Franchisor or its affiliates file for bankruptcy protection or otherwise cease doing business as a going concern, Developer will be granted a non-exclusive right and license to continue operating its Schools under Franchisor's System and Marks for as long as Developer wishes to continue operating such Schools.

[Signatures Appear on the Following Page]

[Signature Page to Area Development Agreement]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

IF DEVELOPER IS AN INDIVIDUAL: PLEASE SIGN BELOW.

KLA FRANCHISE, LLC

By: _____
[NAME OF FRANCHISEE]

Title: _____

Date: _____ Date: _____

IF DEVELOPER IS A CORPORATION OR LIMITED LIABILITY COMPANY: THE OPERATING PRINCIPAL MUST SIGN THIS AGREEMENT ON BEHALF OF THE CORPORATION OR LLC. IN ADDITION, THE AGREEMENT MUST BE GUARANTEED BY THE OPERATING PRINCIPAL AND ALL OTHER OWNERS OF AN EQUITY INTEREST IN THE COMPANY, ON THE GUARANTEE FORM ATTACHED TO THIS AGREEMENT.

KLA FRANCHISE, LLC

[INSERT ITS CORPORATE ENTITY
NAME]

By: _____	By: _____	(Corporate or LLC Seal)
Title: _____	Title: _____	
Date: _____	Date: _____	

**EXHIBIT A
TO THE
AREA DEVELOPMENT AGREEMENT**

Development Area

Development Area (Section 1): _____

_____ [attach map if necessary]

**EXHIBIT B
TO THE
AREA DEVELOPMENT AGREEMENT**

Fees; Development Schedule

1. **Fees (Section 2):** The Development Fee is \$_____, which does not include the initial franchise fee of \$78,500 that Developer has paid under the Initial Franchise Agreement for School Number 1. The Development Fee will be credited toward the initial franchise fee due under each Franchise Agreement as follows:

<u>School Number</u>	<u>Initial Franchise Fee</u>	<u>Credit</u> Amount of Development Fee to be Credited Towards the Initial Franchise Fee
1	\$78,500	NA
2		
3		
4		
5		
6		

2. **Development Schedule (Section 3):** Developer agrees to establish and operate a total of ____ Schools within the Development Area during the term of this Agreement.

<u>NUMBER OF SCHOOLS</u> The Minimum Number of Schools in Compliance by Each Opening Deadline	<u>FEE DEADLINE</u> Deadline for Paying Initial Franchise Fee and Executing Franchise Agreement for Each School	<u>OPENING DEADLINE</u> Deadline for Having the Minimum Number of Schools Open and Operating
1	N/A	By the date specified in the Initial Franchise Agreement
2		By the date specified in the School No. 2 Franchise Agreement
3		By the date specified in the School No. 3 Franchise Agreement
4		By the date specified in the School No.4 Franchise Agreement
5		As specified in the School No. 5 Franchise Agreement

<u>NUMBER OF SCHOOLS</u> The Minimum Number of Schools in Compliance by Each Opening Deadline	<u>FEE DEADLINE</u> Deadline for Paying Initial Franchise Fee and Executing Franchise Agreement for Each School	<u>OPENING DEADLINE</u> Deadline for Having the Minimum Number of Schools Open and Operating
6		By the date specified in the School No. 6 Franchise Agreement (the Expiration Date of the Agreement)

- 2. Ownership of Developer (Section 7.2(a)):** If the Developer is an Entity, the following persons constitute all of the owners of a legal and/or beneficial interest in the Developer:

Name

Percentage Ownership

_____ %

_____ %

_____ %

UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this day of _____, 20____, by _____

_____.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement dated _____ herewith ("**Agreement**") by KLA Franchise, LLC ("**Franchisor**"), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("**Developer**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by **Sections 7 and 8** and of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Developer or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

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

This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Florida (without giving effect to principles of conflicts of law). Guarantor agrees that the dispute resolution provision in the preceding Agreement shall apply in the event of any dispute under this Guaranty.

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

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN DEVELOPER: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN DEVELOPER: _____%

CALIFORNIA RIDER TO AREA DEVELOPMENT AGREEMENT

This Rider amends the Area Development Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (the “Franchisor”) and _____, a _____ (“Franchisee”).

1. **Disclaimers.** 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 or 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. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

2. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

MARYLAND RIDER TO AREA DEVELOPMENT AGREEMENT

This Rider amends the Area Development Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (the “Franchisor”) and _____, a _____ (“Franchisee”).

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

2. **Deferral of Development Fee.** All development fees and initial payments by Franchisee shall be deferred until the first franchise under the Agreement has opened.

3. **No Waiver of State Law In Sale.** Notwithstanding any provision of the Agreement to the contrary, as a condition of the sale of a franchise, the Franchisor shall not require a prospective franchisee to agree to a release, assignment, novation, waiver, or estoppel that would relieve it or any other person from liability under the Maryland Franchise Law.

4. **No Release of Liability.** Pursuant to COMAR 02-02-08-16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.

5. **Statute of Limitations.** Any provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland.

6. **Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

7. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

VIRGINIA RIDER TO AREA DEVELOPMENT AGREEMENT

This Rider amends the Area Development Agreement dated _____ (the “Agreement”), between KLA Franchise, LLC, a Florida limited liability company (the “Franchisor”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Deferral of Franchise Fees. The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires Franchisor to defer payment of the development fee until the Franchisor has completed its pre-opening obligations under the Development Agreement.

3. Effective Date. This Rider is effective as of the date first written above.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

WASHINGTON RIDER TO AREA DEVELOPMENT AGREEMENT

(See Exhibit L for Washington Addendum to the KLA Franchise, LLC Franchise Disclosure Document, Franchise Agreement, Area Development Agreement, Center Development Agreement, Franchisee Disclosure Questionnaire and Related Agreements)

EXHIBIT E TO THE DISCLOSURE DOCUMENT

KLA FRANCHISE, LLC

**CONDITIONAL ASSIGNMENT OF TELEPHONE
NUMBERS AND LISTINGS**

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS

THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS (this “Assignment”) is effective as of _____, 20____, between **KLA FRANCHISE, LLC**, a Florida limited liability company, with its principal place of business at 1750 Coral Way, Suite 301, Miami, Florida 33145 (“we,” “us” or “our”) and _____ whose current place of business is _____ (“you” or “your”). You and we are sometimes referred to collectively as the “parties” or individually as a “party.”

BACKGROUND INFORMATION:

We have simultaneously entered into the certain Franchise Agreement (the “Franchise Agreement”) dated as of _____, 20____ with you, pursuant to which you plan to own and operate a KLA School (the “School”). KLA Schools® use certain proprietary knowledge, procedures, formats, systems, forms, printed materials, applications, methods, specifications, standards and techniques authorized or developed by us (collectively the “System”). We identify KLA Schools® and various components of the System by certain trademarks, trade names, service marks, trade dress and other commercial symbols including “KLA SCHOOLSSM” and “KLA®” (collectively the “Marks”). In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers and listings of the KLA School if the Franchise Agreement is terminated.

OPERATIVE TERMS:

You and we agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement.

2. **Conditional Assignment:** You assign to us, all of your right, title and interest in and to those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “Numbers and Listings”) associated with the Marks and used from time to time in connection with the operation of the KLA School. We will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless we notify the telephone company and/or the listing agencies with which you have placed telephone directory listings (collectively, the “Telephone Company”) to effectuate the assignment of the Numbers and Listings to us. Upon termination or expiration of the Franchise Agreement we will have the right and authority to ownership of the Numbers and Listings. In such event, you will have no further right, title or interest in the Numbers and Listings and will remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the date on which the assignment is effective. As between us and you, upon termination or expiration of the Franchise Agreement, we will have the sole right to and interest in the Numbers and Listings.

3. **Power of Attorney:** You irrevocably appoint us as your true and lawful attorney-in-fact to: (a) direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us; and (b) sign on your behalf such documents and take such actions as may be necessary to effectuate the assignment. Notwithstanding anything else in the Assignment, however, you will immediately notify and instruct the Telephone Company to effectuate the assignment described in this Assignment to us when, and only when: (i) the Franchise Agreement is terminated or expires; and (ii) we instruct you to so notify the Telephone Company. If you fail to promptly direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us, we will direct the Telephone Company to do so. The Telephone Company may accept our written direction, the Franchise Agreement or this Assignment as conclusive

proof of our exclusive rights in and to the Numbers and Listings upon such termination or expiration. The assignment will become immediately and automatically effective upon Telephone Company's receipt of such notice from you or us. If the Telephone Company requires that you and/or we sign the Telephone Company's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, our signature on such forms or documentation on your behalf will effectuate your consent and agreement to the assignment. At any time, you and we will perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement. The power of attorney conferred upon us pursuant to the provisions set forth in this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our consent.

4. **Indemnification:** You will indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Telephone Company.

5. **Binding Effect:** This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns.

6. **Assignment to Control:** This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Telephone Company.

7. **Attorney's Fees, Etc.:** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term "**attorneys' fees**" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

8. **Severability:** If any of the provisions of this Assignment or any section or subsection of this Assignment are held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected, and will remain in full force and effect in accordance with its terms.

9. **Governing Law and Forum:** This Assignment is governed by Florida law. The parties will not institute any action against any of the other parties to this Assignment except in the state or federal courts of general jurisdiction in Miami-Dade County, Florida, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

{Signatures Appear on the Following Page}

ASSIGNOR:

FRANCHISEE

By: _____
Name: _____
Title: _____
Date: _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20_____, by _____, as _____ of _____, a _____, on behalf of said _____. He/She is personally known to me or has produced _____ as identification.

(Notarial Seal)

ASSIGNEE:

KLA FRANCHISE, LLC

By: _____
Name: _____
Title: _____
Date: _____

Printed Name: _____
NOTARY PUBLIC
Commission No.: _____
State of _____ at Large
My Commission Expires: _____

**STATE OF FLORIDA
COUNTY OF MIAMI-DADE**

The foregoing instrument was acknowledged before me this _____ day of _____, 20_____, by _____ as _____ of **KLA FRANCHISE, LLC**, a Florida limited liability company, on behalf of said company. He/She is personally known to me or has produced _____ as identification.

(Notarial Seal)

Printed Name: _____
NOTARY PUBLIC
Commission No.: _____
State of _____ at Large
My Commission Expires: _____

EXHIBIT F TO THE DISCLOSURE DOCUMENT

KLA FRANCHISE, LLC

CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE

CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE (this “Assignment”) is made, entered into and effective as of the effective date of the Lease (as defined below), by, between and among **KLA FRANCHISE, LLC.**, with its principal business address located at 1750 Coral Way, Suite 301, Miami, Florida 33145 (the “Franchisor”), and _____ whose current principal place of business is _____ (the “Franchisee”).

BACKGROUND INFORMATION

Franchisor entered into that certain Franchise Agreement (the “Franchise Agreement”) dated as of _____, 20____ with Franchisee, pursuant to which Franchisee plans to own and operate a KLA School (the “School”) located at _____ (the “Site”). In addition, pursuant to that certain Lease Agreement (the “Lease”), Franchisee has leased or will lease certain space containing the KLA School described therein from _____ (the “Lessor”). The Franchise Agreement requires Franchisee to deliver this Assignment to Franchisor as a condition to the grant of a franchise.

OPERATIVE TERMS

Franchisor and Franchisee agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information.
2. **Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Lease.
3. **Assignment and Assumption of Lease:** Upon the termination or expiration of the Franchise Agreement or termination of the Lease due to Franchisee’s default, upon the election of Franchisor, Franchisee shall assign the Lease to Franchisor, its affiliate or any KLA Schools franchisee without payment of any assignment fee or similar charge and without increase in rent or other fees. Landlord consents to such assignment, and agrees that Franchisee and its guarantors shall solely be responsible for all obligations, debts and payments due under the Lease accruing before the effective date of any assignment of the Lease. The rights of Franchisor to assume all obligations under the Lease provided in this Assignment are optional on the part of Franchisor.
4. **Notice of Default:** Landlord agrees to provide Franchisor with a copy of any written notice of deficiency sent by Landlord to Franchisee, and grants to Franchisor the right (but not the obligation) to cure any deficiency under the Lease should Franchisee fail to do so within 15 days after the expiration of the period in which Franchisee may cure the default.
5. **Amendments:** Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of Franchisor. Any attempt at termination, modification or amendment of any of the terms without such written consent is null and void. Landlord shall promptly provide Franchisor a copy of all amendments and assignments of the Lease.

6. **Use; KLA Schools Marks:** Franchisee agrees that the premises will not be used for any purpose other than the operation of a KLA Schools franchise. Landlord agrees that the KLA Schools marks will be displayed on the premises in accordance with Franchisor's specifications, subject only to the provisions of applicable law.

7. **Security Interest:** Franchisee grants to Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the KLA School, and all of Franchisee's rights, title and interest in and to the Lease as collateral for the payment of any obligation, liability or other amount owed by Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of Franchisee's breach of the Lease, then such payment by Franchisor, or such breach or default by Franchisee, shall at Franchisor's option be deemed to be an immediate default under the Franchise Agreement, and Franchisor shall be entitled to exercise the remedies described herein Franchisee or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of Franchisor under any other agreement or under other applicable laws or equities. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

8. **No Subordination:** Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein.

9. **Exercise of Remedies:** In any case of the termination or expiration of the Franchise Agreement or termination of the Lease due to Franchisee's default, in addition to the remedies provided under Section 3 of this Assignment, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

(a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;

(b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of Franchisee;

(c) to exclude Franchisee, its agents or employees from the Site;

(d) as attorney-in-fact for Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the KLA School and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

(e) to cancel or terminate any unauthorized agreements or subleases entered into by Franchisee, for any cause or ground which would entitle Franchisor to cancel the same;

(f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of Franchisor; and

(h) to insure and reinsure the same for all risks incidental to Franchisor's possession, operation and management thereof;

(i) to enter the premises and remove any interior and exterior signs containing the Marks and trade fixtures; and/or

(j) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of Franchisee's rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of Franchisee's default under the Lease.

9. **Power of Attorney.** Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of Franchisor.

10. **Election of Remedies.** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between Franchisor and Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by Franchisor of any such rights and remedies shall be construed as a waiver by Franchisor of any future rights and remedies.

11. **Binding Agreements.** This Assignment and all provisions hereof shall be binding upon Franchisor parties, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

12. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the Lease.

13. **Attorney's Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys' fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing Party.

14. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the Parties have caused this Assignment to be executed as of the day and year first above written.

FRANCHISEE

KLA FRANCHISE, LLC

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

The Lessor hereby consents, agrees with, approves of and joins in with this **CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE**.

THE “LESSOR”:

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT G TO THE DISCLOSURE DOCUMENT

KLA FRANCHISE, LLC

AGREEMENT TO LEASE

AGREEMENT TO LEASE

THIS AGREEMENT TO LEASE (this “**Agreement**”) is made, entered into and effective on _____, _____ (the “**Effective Date**”) by _____, a _____, whose current business address is _____ (the “**Franchisee**”), for the benefit of **KLA FRANCHISE, LLC.**, a Florida limited liability company, whose current business address is 99 S.W. 7th Street, Unit B, Miami, Florida 33130 (the “**Franchisor**”).

BACKGROUND INFORMATION:

The Franchisee entered into that certain Franchise Agreement (the “**Franchise Agreement**”) dated as of _____, 20____, with the Franchisor, pursuant to which the Franchisee will own and operate a KLA School (the “**School**”). The KLA School is, or will be, located at _____ the (“**Premises**”). The Franchisee, or _____, its affiliate (the “**Affiliate**”), owns the Premises.

OPERATIVE TERMS:

The Franchisee and the Franchisor agree as follows:

1. **Background Information.** The background information is true and correct, and is incorporated in this Agreement by reference.
2. **Lease.** If the Franchise Agreement is terminated, assigned, or transferred in any manner whatsoever (or deemed to have been under the Franchise Agreement) (a “**Triggering Event**”), then, at the Franchisor’s option, the Franchisee or the Affiliate will enter into a written lease with the Franchisor (in substantially the form attached as Exhibit A (the “**Lease**”). Any changes to the form of the Lease or any addendum or modification to it will not be effective unless it has been previously approved by the Franchisor. The rental amounts in Section 2.1 of the Lease will be determined by the mutual agreement of the parties and shall be the fair market rental value of similarly situated properties in the same trade area. If the parties cannot agree on the fair market rental value within five business days, either party may submit the matter for an appraisal and each party will select an independent appraiser to prepare an appraisal report determining fair market rental value in accordance with the preceding sentence. The average of the two appraisals’ determination of fair market rental value shall be the final and binding rental amount for purposes of Section 2.1 of the Lease. The parties shall pay all costs charged by the appraiser selected by them.
3. **Binding Agreements.** This Agreement and all its provisions are binding upon the Franchisor, the Affiliate and the Franchisee; and their successors, assigns and legal representatives. The words “Affiliate,” “Franchisor” and “Franchisee” when used in this Agreement include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals signing on behalf of corporate entities represent and warrant that such signatures are duly authorized by all necessary corporate and shareholder authorizations and approvals.
4. **Severability.** If any part(s) of this Agreement are held invalid for any reason, the remainder of this Agreement will not be affected and will remain in full force and effect in accordance with its terms.
5. **Governing Law.** This Agreement is governed by Florida law.

6. **Dispute Resolution.** All parties agree that all unresolved disputes concerning this Agreement must be submitted to mediation and/or arbitration as required by the Franchise Agreement. All terms concerning the resolution of disputes contained in the Franchise Agreement are incorporated into this Agreement (including reimbursement of attorneys' fees, jurisdiction and venue, etc.).

IN WITNESS WHEREOF, the parties have signed this Agreement as of the Effective Date.

WITNESSES:

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

FRANCHISEE:

a _____

By: _____

Name: _____

Title: _____

AFFILIATE:

a _____

By: _____

Name: _____

Title: _____

FRANCHISOR:

KLA FRANCHISE, LLC

a Florida limited liability company

By: _____

Name: _____

Title: _____

EXHIBIT A

LEASE

THIS LEASE (this “Lease”), dated the _____ day of _____, 20____, is entered into between _____, a _____ (“Landlord”) and _____, a _____ (“Tenant”).

BACKGROUND

Tenant, as Franchisor, and Landlord, as Franchisee, entered into that certain Franchise Agreement dated as of _____, _____ (the “Franchise Agreement”), pursuant to the terms of which Landlord has operated a KLA School (the “School”) within the leased premises described below. The leased premises are owned by Landlord. Pursuant to an Agreement to Lease dated _____, the Landlord agreed to lease the KLA School to the Tenant on the occurrence of certain conditions.

SECTION 1 GRANT AND TERM

1.1 **Leased Premises.** In consideration of the Franchise Agreement and the rents and covenants set forth in this Lease, Landlord demises and leases to Tenant, and Tenant leases from Landlord, the parcel of land, more particularly described in **Exhibit “1”** attached hereto, together with the building and other improvements thereon and appurtenances thereto and all furniture, trade fixtures, equipment, and other personal property located therein as of the Commencement Date, as defined in Section 1.5 (collectively the “leased premises”). A site plan of the leased premises is shown on **Exhibit “2”** attached hereto.

1.2 **Length of Term.** The term of this Lease shall begin on the Commencement Date and end on the date the Franchise Agreement would have expired on its own terms plus all successor periods. Should the Commencement Date occur on a day other than the first day of a month, then the term of this Lease shall extend to the last day of the last calendar month of the term.

1.3 **Options to Extend Term.** Tenant is granted _____ (____) option(s) to renew the Lease each for an additional period of _____ (____) years (a “Renewal Period”) commencing on the first day after the last day of the then existing term of this Lease (a “Renewal Period Commencement Date”) upon the following conditions: (1) Landlord shall receive written notice of Tenant’s election to exercise its renewal option not less than one hundred twenty (120) days prior to the expiration of the then current term of the Lease; (2) no event of default by Tenant shall have occurred during the term of the Lease which remains uncured at the time of election; and (3) all terms, covenants and conditions of the Lease as set forth for the initial term of the Lease shall prevail in each Renewal Period except that: (i) the term of the Lease shall be extended for the Renewal Period and (ii) Base Rent will be increased by _____ percent (____%) on each Renewal Period Commencement Date.

1.4 **Commencement of Rent and Term.** The term of this Lease shall commence on _____ (the “Commencement Date”). Tenant’s obligation to pay Base Rent in accordance with Section 2 of this Lease shall commence of the thirtieth (30th) day following the Commencement Date. Should the Commencement Date occur on a day other than the first day of a month, then the amounts due hereunder for such partial calendar month shall be prorated based on the number of days of such month that are within the term of this Lease and shall be payable on the Commencement Date.

Notwithstanding the foregoing, Tenant's obligation to pay rent (Base Rent and Additional Rent) in accordance with Section 2 shall not commence until the thirtieth (30th) day following the day full possession of the leased premises is delivered to Tenant free from any claims of third parties.

1.5 **Lease Optional for Tenant.** Tenant shall not be obligated to take possession of the leased premises following a termination of the Franchise Agreement. It shall be Tenant's option to elect whether or not to take possession of the leased premises following a termination of the Franchise Agreement. In the event that Tenant does not elect to take possession of the leased premises within thirty (30) days following the termination of the Franchise Agreement, this Lease shall be null and void and of no further force or effect.

1.6 **Delivery of Leased Premises.** On the Commencement Date, Landlord shall deliver to Tenant, the leased premises in the condition existing as of the Commencement Date and no equipment, trade fixtures or other personal property constituting a part of the leased premises shall be removed by Tenant from the leased premises on or following the Commencement Date.

1.7 **Holding Over after the Term.** In the event Tenant remains in possession of the leased premises after the expiration of the term or termination of this Lease, Tenant's tenancy shall be deemed a tenancy from month to month, under all the same terms, covenants, and conditions of this Lease.

1.8 **Failure to Deliver Premises.** In the event Landlord fails to turn over possession of the leased premises to Tenant on Commencement Date, Landlord will pay to Tenant, as liquidated damages, a sum equal to One Thousand Dollars (\$1,000) for each day from and including the Commencement Date until and including the date possession of the leased premises is delivered to Tenant.

SECTION 2

RENT

2.1 **Base Rent.** Tenant covenants and agrees to pay Landlord base rent ("**Base Rent**") for the leased premises an annual sum equal to \$_____ per square foot payable in equal monthly installments of \$_____. The monthly installments of Base Rent shall be due on or before the first day of each calendar month, in advance, at _____, _____, Florida _____ or at such other place designated by Landlord. The Base Rent shall be paid to Landlord without notice or demand.

2.2 **Real Estate Taxes.** Tenant shall pay as additional rent during the term of this Lease all general ad valorem real estate taxes and assessments (collectively "**Taxes**") imposed or assessed against the leased premises during the term of this Lease. Taxes for any tax year or other period only a portion of which falls within the term of this Lease shall be prorated between Landlord and Tenant based on the portion of such tax year or other period falling within the term of this Lease. Tenant may pay any Taxes in installments, if permitted by the taxing authority and shall only be responsible for such installments as become due during the term of this Lease. Tenant shall pay such Taxes, before delinquent, directly to the taxing authority. Tenant may contest in good faith by appropriate proceedings any Taxes assessed against the leased premises. Tenant hereby agrees to pay and discharge the contested Taxes as finally determined, together with any interest or penalties thereon. Landlord shall join in any such proceedings, and hereby agrees that the same may be brought in its name, if required by applicable law and regulation. In addition, Landlord agrees to cooperate with Tenant in such proceedings to the extent reasonably necessary or appropriate for Tenant to reasonably proceed with such contest. Tenant shall be entitled to any refund of any Taxes paid by it.

2.3 **Taxes on Leasehold or Personalty.** Tenant shall be responsible for and shall pay before delinquent all taxes, assessments and charges assessed during the term of this Lease against Tenants leasehold interest or any personal property used in connection with the leased premises.

2.4 **Sales Tax.** Tenant agrees to pay Landlord any applicable sales or privilege taxes imposed in connection with this Lease or the sums payable hereunder. The sales or privilege tax imposed in connection with any installment of Base Rent shall be paid by Tenant together with such installment. This Section 2.4 shall apply to any tax imposed by Florida Statute 212.031, as well as increases in or replacements to such tax and any similar additional tax generally paid by tenants.

2.5 **Additional Offset Rights.** Tenant may offset against the Base Rent due hereunder any sums owed by Landlord to Tenant under the Franchise Agreement or under Section 1.9 (Failure to Deliver Premises) of this Lease.

SECTION 3 **USE AND OPERATION**

Tenant shall use the leased premises for the purpose of operating a KLA School, or for any other lawful use.

SECTION 4 **ALTERATIONS, ADDITIONS AND IMPROVEMENTS**

4.1 **Alterations by Tenant.** Tenant shall not make or cause to be made any structural alterations, additions or improvements to the leased premises without Landlord's prior written consent. Tenant may make non-structural alterations, additions and improvements without Landlord's prior consent. All alterations, additions and improvements shall be done in a good workmanlike manner. All alterations, additions or improvements excluding, however, Tenant's furniture, trade fixtures, equipment, and other personal property, shall become the property of the Landlord upon the expiration or termination of the Lease, except as Landlord may otherwise agree.

4.2 **Construction Liens.** Landlord's interest in the leased premises is not subject to liens for improvements made by Tenant and Tenant shall have no power or authority to subject the leased premises or any portion thereof to any mechanics', construction or other liens. Tenant shall promptly pay all contractors, subcontractors, materialmen, and laborers so as to prevent any liens from attaching to the leased premises. If any lien is made or filed against the leased premises or any part thereof, arising out of any services, labor or material furnished or alleged to have been furnished to, for or on behalf of Tenant, Tenant shall, at Tenant's sole cost and expense, discharge or transfer such lien to a lien transfer bond or other security in accordance with the Florida Construction Lien Law, within thirty (30) days after written request by Landlord.

SECTION 5 **MAINTENANCE AND REPAIR**

5.1 **Responsibilities of Landlord.** Landlord shall maintain the foundation and roof of the building that constitutes a part of the leased premises and the structural soundness of the concrete floors and exterior walls of such building (excluding exterior doors, entrances, glass and windows) in good repair and condition. Landlord shall not be required to commence any repairs until after written notice (or oral

notice in emergency situations) from Tenant that a repair is necessary. The notice shall set forth the repair needed and, if the repair is of a nature requiring Landlord's immediate attention, a statement to that effect. Landlord shall diligently make any required repairs. In the event Landlord fails to make or promptly commence and diligently pursue any maintenance or repairs required by this Section (including taking any necessary steps to mitigate any impact on Tenant's business), and such failure results or threatens to result in a material interference with or disruption to Tenant's business in the leased premises, Tenant may (in addition to all other rights and remedies it may have) cure such failure or take such steps as is reasonably necessary to protect its business and recover from Landlord upon demand all reasonable costs, expenses and disbursements incurred by Tenant in connection therewith, plus a fifteen percent (15%) administrative fee. If such sum is not paid within ten (10) days after demand therefor, Tenant may offset such amounts against Base Rent due under this Lease.

5.2 **Responsibilities of Tenant.** Except only for those portions of the leased premises which are the responsibility of Landlord pursuant to Section 5.1 above, Tenant shall at all times maintain the entire leased premises in good order, appearance, condition and repair.

5.3 **Surrender of Leased Premises.** Upon the expiration or termination of the term of this Lease, Tenant shall surrender and deliver the leased premises to Landlord broom clean and maintained and repaired as provided for by this Lease, subject to ordinary wear and tear, breakage and obsolescence of personal property, and alterations, additions and improvements in accordance with Section 4 of this Lease.

SECTION 6 **INSURANCE**

6.1 **Insurance to be Provided by Tenant.** Tenant shall maintain during the entire term of this Lease, the following:

(a) casualty insurance, insuring Landlord and Tenant as their interests may appear, against loss or damage by fire and other customarily insured risks, insuring Tenant's leasehold improvements and all furniture, trade fixtures, equipment, and other items of Tenant's personal property in the leased premises; and

(b) comprehensive general liability insurance, including public liability and property damage, insuring against claims for bodily injury, death or property damage occurring on, in or about the leased premises. Such insurance shall have a minimum combined single limit of liability of at least One Million Dollars (\$1,000,000). Such insurance shall cover Tenant as the named insured and Landlord as an additional insured.

6.2 **Insurance to be Provided by Landlord.** Landlord shall maintain during the entire term of this Lease, casualty insurance, insuring Landlord and Tenant as their interests may appear, against loss or damage by fire and other customarily insured risks in the amount of the full replacement cost of the building which makes up a part of the leased premises.

6.3 **General Insurance Requirements.** Each policy of insurance required to be carried by Tenant or Landlord shall be issued by companies of recognized financial standing authorized to issue such insurance in the State of Florida. At the request of either party, the other party shall deliver to the requesting party, certificates of the insurers, evidencing all of the insurance which is required to be maintained by such party hereunder.

SECTION 7

DAMAGE OR DESTRUCTION

In the event that the leased premises are totally or partially damaged or destroyed by fire or other casualty, Landlord shall assess the damage and repair and restore the leased premises (less Tenant's furniture, trade fixture, equipment and other personal property) to substantially the same condition as they were in immediately before such damage or destruction. If (a) the damage or destruction results from a cause not required to be insured, (b) the leased premises cannot be rebuilt under then existing governmental requirements, or (c) this Lease is in the last twelve (12) months of the term, Landlord or Tenant may elect to terminate this Lease upon giving notice of such election in writing to the other; provided that Landlord may not terminate this Lease as a result of it being within the last twelve (12) months of the term if Tenant has and agrees to exercise an option to renew and extend the term of this Lease. If this Lease is not terminated as provided for above, Landlord shall repair and restore the portion of the leased premises required to be repaired and restored by Landlord with due diligence and in any event within 180 days after the casualty. Tenant shall be entitled to an abatement of Base Rent due under this Lease from the date when the damage occurs until the earlier of (i) the date Tenant reopens for business or (ii) ninety (90) days after the date possession of the leased premises is delivered to Tenant with the repairs and restoration to be conducted by Landlord completed.

SECTION 8

UTILITIES

Tenant shall be solely responsible for and promptly pay all charges and assessments for water, gas, electricity, sewer, storm water, trash removal, pay television, or any other utility used or consumed in or at the leased premises during the term of this Lease. Landlord shall cooperate to have any utilities needed by Tenant transferred to Tenant.

SECTION 9

SUBORDINATION/NONDISTURBANCE/ATTORNMEN/ESTOPPEL

9.1 **Subordination.** Subject to Section 9.2 below, Tenant agrees that this Lease and the interest of Tenant in the leased premises are hereby automatically made subject to and subordinate at all times to all mortgages and all advances made thereon and any modification, additions, renewals, consolidations or extensions thereto, which may hereafter affect the leased premises.

9.2 **Nondisturbance.** The subordination set out in Section 9.1 is subject to and conditioned upon the agreement of the holder of any such mortgage that such holder will not, in the exercise of any right, remedy or privilege granted by the mortgage, or any other documents executed in connection with the mortgage, or otherwise available to such holder at law or in equity, disturb Tenant's possession of the leased premises or any of Tenant's rights under this Lease, so long as Tenant is not in default (beyond any applicable cure period provided for in this Lease) under any provision of this Lease at the time the holder exercises such right, remedy or privilege. Without limitation of the foregoing, the subordination set out in Section 9.1 is subject to and conditioned upon the agreement of the holder of the mortgage that (i) Tenant shall not be named as a party to any foreclosure proceeding instituted by such holder; (ii) any sale or other transfer of the leased premises, pursuant to any foreclosure or any voluntary conveyance or other proceeding in lieu of foreclosure, will be subject to this Lease and all of Tenant's rights hereunder; and (iii) upon any sale or other transfer of the leased premises, this Lease will continue in full force and effect. Landlord will use its best efforts to obtain from the holder of any mortgage encumbering the leased premises

as of the date of this Lease, a nondisturbance agreement in a form reasonably satisfactory to Tenant, agreeing to be bound by the nondisturbance provisions of this Section 9.2.

9.3 **Attornment.** Tenant shall, in the event any proceedings are brought for the foreclosure of any mortgage covering the leased premises or in the event a deed is given in lieu of foreclosure, recognize the purchaser at the foreclosure sale or grantee in lieu of foreclosure as the Landlord under this Lease. Upon any attornment under this Section 9.3, this Lease shall continue in full force and effect as a direct Lease between Tenant and the person or entity to whom Tenant attorns, except that such person or entity shall not be: (a) liable for any breach, act or omission of any prior landlord; or (b) bound by any rent or additional rent or other payment in lieu of rent which Tenant might have paid to any prior landlord more than thirty (30) days in advance of the date due under this Lease; or (c) bound by any amendment or modification of this Lease made without the mortgage holder's prior written consent after the date upon which Tenant receives notice from the mortgage holder that the mortgage holder wishes to consent to any such amendment; or (d) bound by any notice given by Tenant to any prior landlord, unless also given to such person or entity; or (e) subject to any then existing offset right of Tenant, unless expressly provided for in this Lease; or (f) liable for any security deposit or other sums held by any prior landlord, unless actually received.

9.4 **Estoppel Certificates.** Landlord and Tenant shall each, from time to time, within five (5) days after receiving a written request from the other, execute and deliver to the requesting party and any third party with whom the requesting party is dealing, a written statement in a form reasonably acceptable to all parties, certifying to the correctness of any reasonably ascertainable facts that are covered by the terms of this Lease.

SECTION 10

ASSIGNMENT AND SUBLETTING

Except as permitted by this Section, Tenant shall not transfer or assign this Lease or sublease all or any part of the leased premises without Landlord's prior written consent. Tenant may, at any time, assign this Lease or sublease the leased premises to any person or entity which directly or indirectly controls, is controlled by or is under common control with Tenant or to any franchisee of Tenant. Upon any such assignment to a franchisee the Tenant named in this Lease shall be released of any further obligations under this Lease. Tenant shall provide prior notice to Landlord of any assignment of subletting to a franchisee.

SECTION 11

WASTE AND NUISANCE/GOVERNMENTAL REGULATIONS

11.1 **Waste and Nuisance.** Tenant shall not commit or allow to be committed any waste upon the leased premises or any nuisance or other act or thing which may disturb the quiet enjoyment of any owners of the properties adjoining the leased premises.

11.2 **Governmental Regulations.** Tenant shall comply with all laws, orders, rules, regulations, ordinances, directives and other requirements of all county, municipal, state and federal governments and of their administrative departments, agencies, bureaus and officials and other applicable governmental authorities, now in force, or which may hereafter be in force relative to its use of the leased premises.

SECTION 12

TAKINGS

12.1 **Total Taking.** If the whole of the leased premises shall be taken or condemned by eminent domain (or by voluntary conveyance under threat of eminent domain), then this Lease shall terminate as of the day before the date of title vesting and all rent and other sums due hereunder shall be paid up to that date.

12.2 **Partial Taking.** If any part of the leased premises shall be taken or condemned by eminent domain (or by voluntary conveyance under threat of eminent domain), and in the event that such partial taking or condemnation renders the leased premises unsuitable for the business of Tenant, as determined by Tenant, then Tenant shall have the right to terminate this Lease by notice given to Landlord within sixty (60) days after the date of title vesting. In the event of a partial taking or condemnation which does not render the leased premises unsuitable for the business of Tenant, then this Lease shall continue unmodified in full force and effect.

12.3 **Damages.** In the event of any condemnation or taking, whether whole or partial, regardless of the extent to which the leased premises is affected, the award, damages or proceeds paid or awarded in connection with such condemnation or taking shall be allocated between Landlord and Tenant as provided for by Florida law.

SECTION 13

DEFAULT

13.1 **Events of Default by Tenant.** Each of the following constitutes an event of default:

(a) Tenant's failure to pay any installment of minimum annual or any other sum required to be paid hereunder within ten (10) days after written notice from Landlord to Tenant that such sum is past due.

(b) A petition in bankruptcy is filed by or against Tenant and is not discharged within thirty (30) days.

(c) Tenant makes a general assignment for the benefit of creditors.

(d) Tenant's failure to keep, observe or perform any of the other terms, conditions or covenants set forth in this Lease if the failure continues for thirty (30) days after written notice from Landlord of such failure, or such longer period as is necessary to cure such failure using diligent efforts.

13.2 **Remedies of the Landlord.** Landlord may, without any additional notice to Tenant, do any one or more of the following if an event of default occurs:

(a) terminate this Lease and immediately regain possession of the leased premises through any lawful means. If Landlord terminates this Lease, Landlord may hold Tenant liable for rents accrued under this Lease through the date this Lease is terminated.

(b) terminate Tenant's right to possession of the leased premises, without terminating this Lease, and retake possession of the leased premises for the account of Tenant and hold Tenant liable for (in addition to rents accrued through the date tenant's right to possession is terminated) the difference

between the rents set forth in this Lease and any rents which Landlord can obtain from the reletting of the leased premises using diligent efforts.

(c) cure the event of default, and recover from Tenant upon demand all reasonable costs and expenses incurred by Landlord to cure the event of default.

The waiver of Landlord of any breach of any term, condition or covenant of this Lease shall not be a waiver of any subsequent breach of the same or any other term, condition or covenant herein contained.

13.3 **Administrative Fees.** In the event any payment due Landlord under this Lease shall not be paid within ten (10) days of the due date, Tenant agrees to pay to Landlord an amount equal to two and one-half percent (2.5%) of the amount due for such delinquent payment. In the event that any check given to Landlord by Tenant for any payment under this Lease shall be dishonored for insufficient funds, Landlord shall be entitled to make an administrative charge to Tenant of Fifty (\$50) Dollars per event.

SECTION 14

ACCESS BY LANDLORD

Landlord and Landlord's agents shall have the right to enter the leased premises (including the building that constitutes a part thereof) (i) to examine the leased premises; (ii) in connection with the exercise of any right or remedies provided by law or this Lease; (iii) in an emergency situation where such situation makes entry necessary for Landlord; (iv) to show the leased premises to prospective purchasers or mortgagees; and (v) to make such installations, repairs, alterations, improvements or additions and to do such maintenance as required by Landlord under this Lease. Any such entry shall be at reasonable times agreed upon by Tenant and after notice, oral or written (except in emergencies where circumstances make entry without notice necessary) to Tenant. Any such entry shall be done in a manner to minimize any interference with the operation of Tenant's business in the leased premises.

SECTION 15

RIGHT OF FIRST REFUSAL

15.1 **Right of First Refusal.** Should Landlord, at any time during the term of this Lease, receive an offer to purchase the leased premises (or any part thereof) and desires to accept said offer, or should Landlord, at any time make an offer to sell the leased premises (or any part thereof), Landlord shall give Tenant notice in writing of such offer, setting forth the name and address of the proposed purchaser, the amount of the proposed purchase price, and all other terms and conditions of such offer, and Tenant shall have the first option to purchase the leased premises, exercisable by giving written notice to Landlord of its intention to purchase the leased premises within the sixty-day period following receipt of such notice from Landlord, at the same price and on the same terms and conditions of such offer. In the event Tenant elects to purchase the leased premises under this Section 15.1, the sale shall be conducted in accordance with the terms of Section 15.4 through 15.9, inclusive.

15.2 **Rights Cumulative.** The right of first refusal granted in this Section 15 and the Option to Purchase granted in Section 15 are coexistent and independent. The election by Tenant not to exercise any right or option in any situation where such right or option could have been exercised shall not affect Tenant's right to exercise such right or option in any future situation where such right or option is applicable.

SECTION 16
NOTICE

16.1 **Notice to Landlord.** Any notice by Tenant to Landlord under or in connection with this Lease shall be in writing and served by (i) certified or registered mail return receipt requested, postage prepaid, or (ii) nationally recognized overnight courier, addressed to Landlord at the following address or at such other address as Landlord may designate by written notice to Tenant.

16.2 **Notice to Tenant.** Any notice by Landlord to Tenant under or in connection with this Lease shall be in writing and served by (i) certified or registered mail return receipt requested, postage prepaid, or (ii) nationally recognized overnight courier, addressed to Tenant at the following address or at such other address as Tenant may designate by written notice to Landlord.

16.3 **Notice Given.** Notice given in accordance with this Section shall be deemed to be given and received on the earlier of (i) three (3) days after being deposited in the U.S. mail in accordance with this Section; (ii) the next delivery day after being delivered for next day delivery to a nationally recognized overnight carrier; or (iii) the date upon which the return receipt is signed or delivery is refused or the notice is designated non-deliverable by the postal authorities.

SECTION 17
QUIET ENJOYMENT

Landlord warrants and covenants that Tenant shall peacefully and quietly have, hold and enjoy the leased premises for the entire term of this Lease, subject however to the terms, covenants and conditions of this Lease.

SECTION 18
RIGHTS OF FRANCHISOR

In the event Tenant assigns this Lease to a franchisee of Tenant, the following provisions shall apply following such assignment. For purposes of this Section 18, KLA FRANCHISE, LLC shall be referred to as “**Franchisor.**”

(a) **Assignment and Subletting.** Landlord’s consent shall not be necessary for an assignment or subletting (i) to Franchisor or (ii) to a person or entity which directly or indirectly controls, is controlled by or is under common control with Franchisor or (iii) to any other franchisee of Franchisor.

Tenant or Franchisor shall give Landlord notice of any such assignment or subletting prior to such assignment or subletting.

(b) **Default of Tenant.** In the event a default occurs at any time during the term of the Lease, Landlord shall provide notice of such default to Franchisor by certified mail, return receipt requested or by nationally recognized overnight courier service to the following address:

or to such other address as Franchisor shall provide to Landlord. Franchisor shall have ten (10) business days after receipt of such notice to cure any default resulting from the failure to pay any rental or other sums due under the Lease, and twenty (20) business days after receipt of such notice to cure all other defaults or, if such default is one that requires more than twenty (20) business days to cure, Franchisor shall have such additional time as is reasonably necessary to cure the default so long as Franchisor diligently pursues the cure. Landlord shall not have the right to exercise any rights or remedies provided by the Lease or otherwise available until such time as notice is given to Franchisor, and the Franchisor's cure period shall have expired.

(c) **Franchisor as Tenant.** In the event Franchisor becomes the tenant under the Lease, whether by assignment or by exercise of its rights under its franchise documents, Landlord shall recognize Franchisor as the Tenant under the Lease and Franchisor shall, within ten (10) days of it becoming the Tenant, cure any then existing default in the payment of rental; provided however that Franchisor shall not have any obligation to cure any default in the payment of rental as to which Franchisor was not given notice by Landlord within twenty (20) days following the date such rental was due. The preceding sentence shall not prevent Landlord from pursuing Tenant for such past due rental. Nothing in this Agreement and no exercise of any rights hereunder (including, without limitation, any curing of any Tenant's default by Franchisor) shall be construed as creating on Franchisor any liability or obligation under the Lease or as Franchisor assuming any liability or obligation under the Lease; any assumption by Franchisor of any obligations under the Lease shall only occur by specific written assumption executed by Franchisor. In the event Franchisor succeeds to the interest of Tenant under the Lease Franchisor shall not be responsible for any claims which Landlord may have against any prior Tenant under the Lease; except that Franchisor shall pay any past due rental, subject to the limitations set out above. If Franchisor assumes the Lease, its liability under the Lease shall extend only to the period of time that it is the Tenant under the Lease and shall terminate upon any permitted assignment of the Lease by Franchisor.

(d) **Amendment.** Landlord and Tenant shall not cancel, terminate, modify or amend this Lease including, without limitation, Franchisor's rights under this Section, without Franchisor's prior written consent, except that, subject to Franchisor's cure rights, this paragraph shall not prevent Landlord from exercising any right to cancel or terminate the Lease due to Tenant's default.

(e) **Successors.** The benefits of this Section shall inure to Franchisor's successors and assigns.

SECTION 19
MISCELLANEOUS

19.1 **Entire Agreement.** Except as may be provided in the Franchise Agreement, this Lease contains the entire agreement between Landlord and Tenant concerning the leasing of the leased premises, and no other representations or agreements, either oral or written, shall survive the execution of this Lease. No subsequent alteration, amendment, change, or addition to this Lease shall be binding upon the Landlord or the Tenant unless in writing and signed by the party against whom enforcement is sought. All Exhibits referenced as being attached hereto are by such reference made a part hereof.

19.2 **Consent.** Whenever Landlord's consent is required or requested under this Lease, Landlord agrees not to unreasonably withhold, delay or condition such consent.

19.3 **No Partnership or Joint Venture.** It is the intent of the parties that their relationship under this Lease be that of Landlord and Tenant only.

19.4 **Captions and Section Numbers.** The captions and section numbers appearing in this Lease are inserted as a matter of convenience and shall not be viewed as defining or limiting the scope or intent of any Section of this Lease.

19.5 **Brokers' Commissions.** Landlord and Tenant represent and warrant to each other that they have dealt with no broker or brokers in connection with this Lease. The party who breaches this warranty agrees to defend and indemnify the other against, and hold it harmless from all demands, claims, liabilities and costs (including, without limitation, attorneys' fees) arising from any claim for brokerage commissions or finder's fees arising out of the actual or alleged acts or commitment of said breaching party.

19.6 **Attorneys' Fees.** In any litigation arising out of this Lease, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs including but not limited to fees and costs at the trial and appellate level as well as in the course of any arbitration, administrative or bankruptcy proceedings.

19.7 **Partial Invalidity.** If any term, covenant, or condition of this Lease or the application thereof to any person or circumstances shall, to any extent, be declared invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

19.8 **Recording.** Neither Landlord nor Tenant shall record this Lease without the written consent of the other. At the request of either party, Landlord and Tenant shall execute and record a short form of this Lease in the form attached hereto as Exhibit "C."

19.9 **Time is of the Essence.** Time is of the Essence of this Lease.

19.10 **Waiver of Jury Trial.** The undersigned parties hereby waive trial by jury in any proceeding based upon or arising out of Tenant's use of the leased premises, this Lease or the Landlord-Tenant relationship created by this Lease.

19.11 **Radon Gas.** The following notice is required by Florida Statute 404.056(8): Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and

state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

19.12 **Florida Lease**. The place of negotiation, execution, and delivery of this Lease and the location of the leased premises being the State of Florida, this Lease shall be governed by and construed and enforced in accordance with the laws of the State of Florida without reference to the conflicts of law principles of the State.

19.13 **Successors**. This Lease shall bind the parties hereto and their several respective successors, and assigns.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the dates indicated below.

WITNESSES:

Name: _____
As to Landlord

Name: _____
As to Landlord

Name: _____
As to Tenant

Name: _____
As to Tenant

LANDLORD:

a _____

By: _____
Name: _____
Title: _____
Date: _____

(CORPORATE SEAL)

TENANT:

a _____

By: _____
Name: _____
Title: _____
Date: _____

(CORPORATE SEAL)

EXHIBIT 1

LEGAL DESCRIPTION OF THE LAND

EXHIBIT 2

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KLA FRANCHISE, LLC

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EXHIBIT I TO THE DISCLOSURE DOCUMENT

KLA FRANCHISE, LLC

FINANCIAL STATEMENTS



KLA FRANCHISE, LLC
MIAMI, FLORIDA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020 AND 2019

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To the Board Members of
KLA Franchise, LLC
Miami, FL

Opinion

We have audited the accompanying financial statements of KLA Franchise, LLC (“The Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, members’ equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Company and to meet our other ethical responsibilities in accordance with 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Company’s ability to continue as a going concern 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Company's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in blue ink that reads "HLB Gravier, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
April 13, 2021

KLA Franchise, LLC
Balance Sheets
December 31,

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash	\$ 27,462	\$ 9,297
Accounts receivable	344,942	351,637
Due from related parties, short term	56,485	14,115
Due from others, short term	206	9,259
Other current assets	46,462	20,005
Total Current Assets	<u>475,557</u>	<u>404,313</u>
 Due from franchisees, long term	 41,013	 40,437
Due from others, long term	72,017	72,017
Property and Equipment, net	38,410	44,580
Total Assets	<u><u>\$ 626,997</u></u>	<u><u>\$ 561,347</u></u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 162,447	\$ 134,278
Accrued expenses	28,014	37,984
Total Current Liabilities	<u>190,461</u>	<u>172,262</u>
 Deferred revenue	 237,000	 288,500
Other liabilities	26,280	21,252
Long term debt	160,000	-
Total Liabilities	<u>613,741</u>	<u>482,014</u>
 Members' Equity	 <u>13,256</u>	 <u>79,333</u>
 Total Liabilities and Members' Equity	 <u><u>\$ 626,997</u></u>	 <u><u>\$ 561,347</u></u>

KLA Franchise, LLC
Statements of (Loss) Income
For the years ended December 31,

	2020	2019
REVENUES:		
Royalty income, net of forbearance	\$ 1,212,167	\$ 1,700,224
Discount of 20% due to COVID-19	(11,647)	-
Consulting income	17,693	35,405
Area Development Fee	-	20,000
Franchise fees	140,000	266,000
Management fees	175,195	167,000
Site selection fees	10,000	20,000
Advertising fees	101,407	115,972
Other income	167,540	19
Total Revenue	<u>1,812,355</u>	<u>2,324,620</u>
EXPENSES:		
Management Fees	98,275	78,085
Curriculum Development	-	38,497
General and administrative	201,287	298,517
Rent expense	92,433	90,154
Sales and marketing	160,881	181,381
Professional fees	201,548	133,305
Wages and salaries expense	1,108,728	1,044,203
Depreciation expense	7,170	8,010
Total Expenses	<u>1,870,322</u>	<u>1,872,152</u>
 Net (Loss) Income	 <u><u>\$ (57,967)</u></u>	 <u><u>\$ 452,468</u></u>

KLA Franchise, LLC
Statements of Members' Equity
For the years ended December 31,

	Members'
	Equity (Deficit)
Balance at January 1, 2019	\$ (231,915)
Capital contributions	-
Members' Distributions	(141,220)
Net Income	452,468
Balance at December 31, 2019	\$ 79,333
Capital contributions	-
Members' Distributions	(8,110)
Net Loss	(57,967)
Balance at December 31, 2020	<u><u>\$ 13,256</u></u>

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

KLA Franchise, LLC
Statements of Cash Flows
For the years ended December 31,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (57,967)	\$ 452,468
Adjustments to reconcile net income to net cash provided by/ (used in) operating activities		
Depreciation and amortization	7,170	8,010
Changes in assets and liabilities:		
Net change in due from related parties	(42,370)	(11,926)
Net change in accounts receivable	6,695	(165,918)
Net change in due from franchisee, long term	(576)	(383)
Net change in other assets	(17,357)	(20,750)
Net change in accounts payable	23,180	97,500
Net change in deferred revenue	(51,500)	(207,500)
Total adjustments	(74,758)	(300,967)
Net Cash (Used In)/ Provided by Operating Activities	(132,725)	151,501
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,000)	(8,436)
Net Cash Used In Investing Activities	(1,000)	(8,436)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new loan	160,000	-
Members' Distributions	(8,110)	(141,220)
Net Cash (Used in)/ Provided by in Financing Activities	151,890	(141,220)
NET INCREASE IN CASH	18,165	1,845
CASH, beginning of the year	9,297	7,452
CASH, end of the year	\$ 27,462	\$ 9,297

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

KLA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 1 – Organization and Nature of Business

Nature of Operations

KLA Franchise, LLC (“the Company”) a limited liability company, a wholly owned subsidiary of KLA Holding, LLC, was organized under the laws of the state of Florida on April 17, 2008. The company was formed to provide franchisees with a franchise concept to provide customers with an upscale daycare/pre-school environment serving the needs of children from three months to six years of age. The company sells and supports its franchisees in Florida and has branched into other states.

NOTE 2 – Summary of Significant Accounting Policies

Revenue Recognition/Deferred Revenues

On January 1, 2020, the Company adopted the new revenue recognition standard ASC 606, Revenue from Contracts with Customers, on the modified retrospective method. The adoption of ASC 606 was applied only to contracts that were not completed at the initial application, which was January 1, 2020. The new standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. Revenues from franchise fees in which the franchisor services have not been transferred are deferred. Adoption of ASC 606 did not have a material impact on the Company’s financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents include all highly liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are recorded when a franchise purchaser enters into an agreement with the Company to purchase a franchise. Receivables are also recorded at the end of each month for that month’s consulting and royalty fees which is based on a percentage of the franchisees’ gross revenue. Management expects that all recorded receivables will be collected. Accordingly, no allowance is recorded against receivables at year end.

Property and Equipment

Property and Equipment are carried at cost. Significant renewals and betterments to property and equipment are capitalized, while maintenance and repairs that do not improve or extend the lives of the assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to forty years, for financial reporting.

KLA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

Management reviews long-lived assets, including identifiable intangibles and goodwill, for the impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is determined based on future net cash flows from the use and ultimate disposal of the asset. Impairment loss is calculated as the difference between the carrying amount of the asset and its fair value.

Since its inception, the Company adopted FASB ASC 360-10-50-2, *Property, Plant & Equipment*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets to be Disposed Of*, and the accounting and reporting provisions of Accounting Principles Board (APB) Opinion No. 30, *Reporting the Results of Operations for a disposal of a segment of a business*.

The company has not recognized any long-lived asset impairment losses to date.

Income Taxes

The Company has one member. Under current IRS regulations, a single member LLC is considered a disregarded entity. As a consequence, the Company does not file separate income tax forms. The Company's assets, liabilities, revenues and expenses will be reported in its sole member's income tax return. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Subsequent Events

In accordance with ASC 855, the Company has evaluated subsequent events and transactions for potential recognition or disclosure through April 13, 2021, which is the date the financial statements were available to be issued.

NOTE 3 - Franchisee Location Analysis

Locations in Operation at December 31, 2019	<u>20</u>
Locations opened during 2020	3
Current year franchise sales	1
Prior year franchise sales	1
Locations included in sales but not yet open	(2)
Closed locations	<u>0</u>
Locations in operation at December 31, 2020	<u>23</u>

As of December 31, 2020, five open franchise locations were owned by related parties. There were no Company owned franchises.

NOTE 4 - Accounts Receivable

The following is a summary of receivables at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 344,942	\$ 351,637 ¹⁰
Less: Allowance for doubtful accounts	-	-
Net accounts receivable	<u>\$ 344,942</u>	<u>\$ 351,637</u>

KLA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 5 – Property and Equipment

Depreciation expense as of December 31, 2020 and 2019 amounted to \$7,170 and \$8,010, respectively.

NOTE 6 - Concentrations of Credit Risk

The Company maintains cash and cash equivalent balances at one financial institution in Miami, Florida. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company has no uninsured bank balances as of December 31, 2020.

NOTE 7 - Related Party Transactions

Five current open franchisees of the Company are related parties and as of December 31, 2020 and 2019, \$621,201 or 34% and \$854,545 or 37%, respectively of total revenues were derived from these related parties.

The Company paid \$98,275 in management fees to KLA Brickell as of December 31, 2020.

NOTE 8 – Long-Term Debt

On June 7, 2020, the Company entered into a loan agreement with U.S. Small Business Administration (SBA Loan #9216647804) for \$150,000. The Company will make payments of principal and interest for a period of thirty years from the date of the promissory note. Interest will accrue at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date(s) of each advance.

Principal	Description	Interest	Estimated useful lives in years	2020	2019
Computer and Electrical Equipment	2021	1,380	3-10	\$ 50,526	\$ 49,992
Furniture & Fixtures	2022	2,844	10	33,198	33,732
Leasehold Improvements	2023	2,960	15	11,385	11,385
Software	2024	3,082	3	11,195	10,195
Total	2025	3,208		106,304	105,304
Less Accumulated depreciation	Thereafter	136,526		(67,894)	(60,724)
\$ 150,000		\$ 107,201		\$ 38,410	\$ 44,580

KLA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 9 - Operating Lease Agreements

The Company entered into a renewable lease agreement on August 1, 2016 with 1750 Coral Way, LLC for 1,000 square feet and nine parking spaces. The lease expires July 30, 2021, five years following the lease commencement date. Rent expense for the space as of year-end December 31, 2020 was \$92,433.

Future minimum payments under operating leases as of December 31, 2020 are as follows:

<u>Year</u>	
2021	97,548
	<u>\$ 97,548</u>

NOTE 10 – Commitment and Contingencies

On March 13, 2020 the United States of America declared a National Emergency due to the outbreak of the Coronavirus Disease (COVID-19). As a result of the global threat of the coronavirus, a number of States including the State of Florida have taken precautionary measures limiting social gatherings which has had an adverse impact on the economy as many businesses were temporarily closed. The financial impact and duration of this disruption to our normal operations cannot be estimated at this time.

Paycheck Protection Program

During the year, the Company was granted a loan from a financial institution in the amount of \$167,790, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020 in response to the economic impact of the COVID-19 outbreak.

The loan in the form of a note matures in 2021 and bears interest at a rate of 1.00% per annum, payable monthly with interest accruing during the deferral period. The Note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. During the year, the Company expended all the loan proceeds for qualified purposes and was granted forgiveness in December 2020. Accordingly, the loan amount of \$167,790 was recorded to other income during the year.



KLA FRANCHISE, LLC
MIAMI, FLORIDA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2021 AND 2020

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To the Board Members of
KLA Franchise, LLC
Miami, FL

Opinion

We have audited the accompanying financial statements of KLA Franchise, LLC (“The Company”), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income (Operations), members’ equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Company and to meet our other ethical responsibilities in accordance with 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Company’s ability to continue as a going concern 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Company's ability to continue as a going concern for a reasonable period of time.

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
March 16, 2022

KLA Franchise, LLC
Balance Sheets
December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash	\$ 300,115	\$ 27,462
Accounts receivable	443,914	344,942
Due from related parties, short term	275,242	56,485
Due from others, short term	3,873	206
Other current assets	16,946	46,462
Total Current Assets	<u>1,040,090</u>	<u>475,557</u>
Due from franchisees, long term	75,684	41,013
Due from others, long term	72,017	72,017
Property and Equipment, net	56,495	38,410
Total Assets	<u><u>\$ 1,244,286</u></u>	<u><u>\$ 626,997</u></u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 152,849	\$ 162,447
Accrued expenses	43,469	28,014
Total Current Liabilities	<u>196,318</u>	<u>190,461</u>
Deferred revenue	414,000	237,000
Other liabilities	9,608	26,280
Long term debt	179,689	160,000
Total Liabilities	<u>799,615</u>	<u>613,741</u>
Members' Equity	<u>444,671</u>	<u>13,256</u>
Total Liabilities and Members' Equity	<u><u>\$ 1,244,286</u></u>	<u><u>\$ 626,997</u></u>

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

KLA Franchise, LLC
Statement of Income (Operations)
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES:		
Royalty income, net of forbearance	\$ 2,332,885	\$ 1,212,167
Discount of 20% due to COVID-19	-	(11,647)
Consulting income	37,344	17,693
Franchise fees	-	140,000
Management fees	184,203	175,195
Site selection fees	20,000	10,000
Advertising fees	109,190	101,407
Interest income	1,720	-
Other income	242,393	167,540
Total Revenue	<u>2,927,735</u>	<u>1,812,355</u>
 EXPENSES:		
Management Fees	88,516	98,275
General and administrative	345,259	201,287
Rent expense	95,442	92,433
Sales and marketing	297,207	160,881
Professional fees	341,121	201,548
Wages and salaries expense	1,309,678	1,108,728
Depreciation expense	8,410	7,170
Total Expenses	<u>2,485,633</u>	<u>1,870,322</u>
 Net Income (Loss)	 <u><u>\$ 442,102</u></u>	 <u><u>\$ (57,967)</u></u>

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

KLA Franchise, LLC
Statement of Members' Equity
For the years ended December 31, 2020 and 2021

	Members'
	Equity
Balance at January 1, 2020	\$ 79,333
Capital contributions	-
Members' Distributions	(8,110)
Net Loss	(57,967)
Balance at December 31, 2020	\$ 13,256
Capital contributions	-
Members' Distributions	(10,687)
Net Income	442,102
Balance at December 31, 2021	<u><u>\$ 444,671</u></u>

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

KLA Franchise, LLC
Statement of Cash Flows
For the years ended December 31,

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ 442,102	\$ (57,967)
Adjustments to reconcile net income to net cash provided by/ (used in) operating activities		
Depreciation and amortization	8,410	7,170
Changes in assets and liabilities:		
Net change in due from related parties	(218,757)	(42,370)
Net change in accounts receivable	(98,972)	6,695
Net change in due from franchisee, long term	(34,652)	(576)
Net change in other assets	25,830	(17,357)
Net change in accounts payable	(10,814)	23,180
Net change in deferred revenue	177,000	(51,500)
Total adjustments	<u>(151,955)</u>	<u>(74,758)</u>
Net Cash provided by/ (used in) Operating Activities	<u>290,147</u>	<u>(132,725)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(26,496)</u>	<u>(1,000)</u>
Net Cash Used In Investing Activities	<u>(26,496)</u>	<u>(1,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new loan	19,689	160,000
Members' Distributions	<u>(10,687)</u>	<u>(8,110)</u>
Net Cash provided by Financing Activities	<u>9,002</u>	<u>151,890</u>
NET INCREASE IN CASH	<u>272,653</u>	<u>18,165</u>
CASH, beginning of the year	<u>27,462</u>	<u>9,297</u>
CASH, end of the year	<u><u>\$ 300,115</u></u>	<u><u>\$ 27,462</u></u>

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

KLA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 – Organization and Nature of Business

Nature of Operations

KLA Franchise, LLC (“the Company”) a limited liability company, a wholly owned subsidiary of KLA Holding, LLC, was organized under the laws of the state of Florida on April 17, 2008. The company was formed to provide franchisees with a franchise concept to provide customers with an upscale daycare/pre-school environment serving the needs of children from three months to six years of age. The company sells and supports its franchisees in Florida and has branched into other states.

NOTE 2 – Summary of Significant Accounting Policies

Revenue Recognition/Deferred Revenues

On January 1, 2020, the Company adopted the new revenue recognition standard ASC 606, Revenue from Contracts with Customers, on the modified retrospective method. The adoption of ASC 606 was applied only to contracts that were not completed at the initial application, which was January 1, 2020. The new standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. Revenues from franchise fees in which the franchisor services have not been transferred are deferred. Adoption of ASC 606 did not have a material impact on the Company’s financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents include all highly liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivables are recorded when a franchise purchaser enters into an agreement with the Company to purchase a franchise. Receivables are also recorded at the end of each month for that month’s consulting and royalty fees which is based on a percentage of the franchisees’ gross revenue. Management expects that all recorded receivables will be collected. Accordingly, no allowance is recorded against receivables at year end.

Property and Equipment

Property and Equipment are carried at cost. Significant renewals and betterments to property and equipment are capitalized when exceeding the \$2,500 of de minimis safe harbor ceiling, while maintenance and repairs that do not improve or extend the lives of the assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to forty years, for financial reporting.

KLA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

Management reviews long-lived assets, including identifiable intangibles and goodwill, for the impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is determined based on future net cash flows from the use and ultimate disposal of the asset. Impairment loss is calculated as the difference between the carrying amount of the asset and its fair value.

Since its inception, the Company adopted FASB ASC 360-10-50-2, *Property, Plant & Equipment*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets to be Disposed Of*, and the accounting and reporting provisions of Accounting Principles Board (APB) Opinion No. 30, *Reporting the Results of Operations for a disposal of a segment of a business*.

The company has not recognized any long-lived asset impairment losses to date.

Income Taxes

The Company has one member. Under current IRS regulations, a single member LLC is considered a disregarded entity. As a consequence, the Company does not file separate income tax forms. The Company's assets, liabilities, revenues and expenses will be reported in its sole member's income tax return. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Subsequent Events

In accordance with ASC 855, the Company has evaluated subsequent events and transactions for potential recognition or disclosure through March 16, 2022, which is the date the financial statements were available to be issued.

NOTE 3 - Franchisee Location Analysis

Locations in Operation at December 31, 2020	<u>23</u>
Locations opened during 2021	1
Current year franchise sales	2
Prior year franchise sales	1
Locations included in sales but not yet open	(3)
Closed locations	<u>0</u>
Locations in operation at December 31, 2021	<u>24</u>

As of December 31, 2021, seven open franchise locations were owned by related parties. There were no Company owned franchises.

NOTE 4 - Accounts Receivable

The following is a summary of receivables at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 443,914	\$ 344,942
Less: Allowance for doubtful accounts	-	-
Net accounts receivable	<u>\$ 443,914</u>	<u>\$ 344,942</u>

KLA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 5 – Property and Equipment

Description	Estimated useful lives in years	2021	2020
Computer and Electrical Equipment	3-10	\$ 50,526	\$ 50,526
Furniture & Fixtures	10	33,198	33,198
Leasehold Improvements	15	11,385	11,385
Software	3	37,691	11,195
Total		<u>132,800</u>	<u>106,304</u>
Less Accumulated depreciation		<u>(76,304)</u>	<u>(67,894)</u>
		\$ 56,496	\$ 38,410

Depreciation expense as of December 31, 2021 and 2020 amounted to \$8,410 and \$7,170, respectively.

NOTE 6 - Concentrations of Credit Risk

The Company maintains cash and cash equivalent balances at one financial institution in Miami, Florida. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company has \$50,000 approximately uninsured bank balances as of December 31, 2021.

NOTE 7 - Related Party Transactions

Seven current open franchisees of the Company are related parties and as of December 31, 2021 and 2020, \$950,467 or 32% and \$621,201 or 34%, respectively of total revenues were derived from these related parties.

The Company paid \$88,516 in management fees to KLA Brickell as of December 31, 2021.

NOTE 8 – Long-Term Debt

On June 7, 2020, the Company entered into a loan agreement with U.S. Small Business Administration (SBA Loan #9216647804) for \$150,000. The Company will make payments of principal and interest for a period of thirty years from the date of the promissory note. Interest will accrue at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date(s) of each advance.

Principal	Interest	
3,025	5,975	2022
2,911	5,861	2023
3,031	5,741	2024
3,155	5,617	2025
3,284	5,488	2026
134,594	80,655	Thereafter
<u>\$ 150,000</u>	<u>\$ 109,337</u>	

KLA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 9 - Operating Lease Agreements

The Company entered into a renewable lease agreement on August 1, 2016 with 1750 Coral Way, LLC for 1,000 square feet and nine parking spaces. The lease expired July 30, 2021, five years following the lease commencement date and with five additional five year term of automatic renewed. Rent expense for the space as of year-end December 31, 2021 was \$95,442.

Future minimum payments under operating leases as of December 31, 2021 are as follows:

<u>Year</u>	
2022	101,505
2023	104,550
2024	107,687
2025	110,917
2026	114,245
	<u>\$ 538,903</u>

NOTE 10 – Commitment and Contingencies

Paycheck Protection Program

During the year, the Company was granted a second-round loan from a financial institution in the amount of \$146,190, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted February 12, 2021, in response to the economic impact of the COVID-19 outbreak.

The loan in the form of a note matures five years from the date of the note and bears interest at a rate of 1.00% per annum, payable monthly with interest accruing during the deferral period. The Note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. During the year, the Company expended all the loan proceeds for qualified purposes and was granted forgiveness in August 26, 2021. Accordingly, the loan amount of \$146,190 was recorded to other income during the year.

THE FOLLOWING FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

UNAUDITED
KLAFRANCHISE, LLC
Balance Sheet
As of February 28, 2022

	Feb 28, 22
ASSETS	
Current Assets	
Checking/Savings	323,612.96
Accounts Receivable	
Accounts Receivable	408,125.93
Total Accounts Receivable	408,125.93
Other Current Assets	
Due from Employees	4,010.59
Intercompany Receivables	43,383.75
Other Receivables	243,601.14
Prepaid Expenses	25,714.24
Total Other Current Assets	316,709.72
Total Current Assets	1,048,448.61
Fixed Assets	
Accumulated Depreciation	-76,303.46
Furniture and Equipment	184,959.80
Total Fixed Assets	108,656.34
Other Assets	
Due from Franchisees	75,684.55
Other Long Term Receivables	72,016.86
Total Other Assets	147,701.41
TOTAL ASSETS	1,304,806.36
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	146,606.22
Total Accounts Payable	146,606.22
Credit Cards	30,961.59
Other Current Liabilities	
Intercompany Payables	9,549.09
Total Other Current Liabilities	9,549.09
Total Current Liabilities	187,116.90
Long Term Liabilities	
Deferred Income	265,500.00
Other Payables Long Term	179,688.67
Total Long Term Liabilities	445,188.67
Total Liabilities	632,305.57
Equity	
KLAHOLDING, LLC	444,674.43
Members' Draw	-762.35
Net Income	228,588.71
Total Equity	672,500.79
TOTAL LIABILITIES & EQUITY	1,304,806.36

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Accrual Basis

UNAUDITED
KLA FRANCHISE, LLC
Profit & Loss
January through February 2022

	Jan - Feb 22
Ordinary Income/Expense	
Income	
Advertising Fees	4,963.56
Consulting Fees	7,762.23
CRM	4,790.98
Franchise Fees	82,250.00
Management Fees	29,000.00
Marketing	3,600.00
Royalties	487,388.50
SEO	6,388.00
Site Selection Fees	-10,000.00
Total Income	616,143.27
Cost of Goods Sold	
Email Hosting	488.00
Franchisees Support	465.42
Software	999.33
Web Hosting	100.00
Total COGS	2,052.75
Gross Profit	614,090.52
Expense	
Advertising	20,331.55
General and Administrative	61,101.90
Labor	284,033.35
Legal Fees	2,110.50
Rent Expense	16,182.02
Repairs and Maintenance	1,150.00
Total Expense	384,909.32
Net Ordinary Income	229,181.20
Other Income/Expense	
Other Expense	
Finance Charges	592.49
Total Other Expense	592.49
Net Other Income	-592.49
Net Income	228,588.71

EXHIBIT J-1 TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISED SCHOOLS

A. Signed, Not Open

OUTLET NOT OPEN		
State	Franchisee Name (Entity) and Contact, Address and Telephone	Status
Colorado	TayRy Corporation (Shannon Baker) 8781 S Wenatchee Ct Aurora, CO 80016 Telephone: (720) 788-3181	Signed 8/2020
Florida	Quality Early Learning, L.L.C. (Sergio Tarantini) 1000 W. Island Blvd. Apt. 2407 Aventura, FL 33160 Telephone: 954-592-4768	Signed 10/2021
Illinois	ARS Schools LLC (Selvei Rajkumar*) 2719 Beebe Drive Naperville, IL 60564 Telephone: (630) 296-4084 *Third KLA School owned by Ms. Rajkumar.	Signed 3/2021
OPENED OUTLETS		
State	School Name, School Address and Telephone	Franchisee Name (Entity) and Contact
California	KLA Schools of Walnut Creek 298 N. Wiget Lane Walnut Creek, CA 94598 Telephone: 925-357-8080 (open 2013)	ROCA Preschools, LLC Contact: Cesare and Marina Alessandrini

Florida	KLA Schools of Pembroke Pines 18055 NW 8 th Street Pembroke Pines, FL 33029 Telephone: (954) 443-6168 (opened 2011)	Orange Learning Center, LLC Contact: Patricia Monaco
Florida	KLA Schools of North Bay Village 7800 Hispanola Ave North Bay Village, FL 33141 Telephone: (305) 865-2678 (opened 2013)	Sotreza, LLC Contact: Daniel Zamor
Florida	KLA School of Coconut Creek 6310 N. State Road 7 Coconut Creek, FL 33073 Telephone: (954) 571-8019 (opened 2013; transfer 2016)	The Coconut Creek Schools LLC Contact: Charles Polit
Florida	KLA Schools of West Kendall 8950 SW 137 th Avenue Miami, FL 33186 Telephone: (305) 387-2480 (opened in 2015)	The South Florida Schools, LLC Contact: Jose Franco
Florida	KLA Schools of Boynton Beach 1601 Congress Avenue Boynton Beach, FL. 33426 Telephone: (561) 735-1042 (opened 2017)	National Educational Development, LLC Contact: Charles Polit
Florida	KLA Schools of Ft. Lauderdale 2857 E Oakland Park Blvd Ft. Lauderdale, FL 33306 Telephone: (954) 530-5875 (opened 2018)	The Fort Lauderdale Schools LLC Contact: Charles Polit
Florida	KLA Schools of North Miami Beach 13702 Biscayne Blvd. North Miami Beach, FL 33181 Telephone: (786) 503-9019 (opened 2019)	Eagle's Wing Enterprise, LLC Contact: Airtón Nogueira & Katia Fernandez
Florida	KLA Schools of Horizon West 8185 Summerlake Groves Street Winter Garden, FL 34787 Telephone: (407) 280-3363 (opened 2020)	Summerlake Learning, LLC Contact: Jason Manomaivat

Florida	KLA Schools of Lake Worth 4945 Via Bari Lake Worth Lake Worth, FL 33463 Telephone: (561) 432-9559 (opened 2019)	Yarlo, LLC Contact: JM Sada
Georgia	KLA Schools of Chamblee 3570 American Drive Chamblee, GA 30342 Telephone: (678) 694-1999 (opened 2020)	DSM Preschools, LLC Contact: David Margolis
Illinois	KLA Schools of Plainfield 12456 S. Van Dyke Road Plainfield, IL 60585 Telephone: (815) 617-9552 (opened 2013)	ASR Schools, LLC Contact: Selvei Rajkumar
Illinois	KLA Schools of Naperville 1440 Tuthill Road Naperville, IL 60563 Telephone: (630) 448-2552 (opened 2019)	SAR Schools, LLC Contact: Selvei Rajkumar
Oregon	KLA Schools of Hillsboro 1855 NE 48 th Avenue Hillsboro, OR 97124 Telephone: (503) 333-2002 (opened 2017)	Snow Flakes Daycare, LLC Contact: Shlomit Engel
Texas	KLA Schools of Flower Mound 4600 Bridlewood Blvd. Flower Mound, TX 75028 Telephone: (469) 99F3-1031 (opened 2016)	New Vision Education, LLC Contact: Sital Patel
Texas	KLA Schools of Sweetwater 18101 West State Highway 71 Austin, TX 78738 Telephone: (512) 900-3581 (opened 2020)	The Gyan Learning, LLC Contact: Sanampreet Madampath
Washington	KLA Schools of Bellevue 14508 NE 20th Street Bellevue, WA 98007 Telephone: (425) 747-4861 (opened 2013)	Bright Mind School, Inc. Contact: Luz María González Duran and Miguel Hernández

WE CURRENTLY HAVE NO AREA DEVELOPERS.

EXHIBIT J-2 TO THE DISCLOSURE DOCUMENT

LIST OF TERMINATED/NOT RENEWED/LEFT SYSTEM FRANCHISEES

(Since January 1, 2021 to Date of Issuance)

Cromwell Enterprises, LLC (Marolda Cameron)

3304 W. Santiago Street

Tampa, FL 33629

Telephone: 832-798-2569

(outlet never opened)

Sampari LLC (Ruchit Patel)

14 Veterans Drive

Wood Ridge, NJ 07075

Telephone: 732-668-7332

(outlet never opened)

EXHIBIT K TO DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE QUESTIONNAIRE

The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. **Do not sign or date this Questionnaire the day as the Receipt for the Franchise Disclosure Document; you should sign and date this Questionnaire the same day you sign the Franchise Agreement.** Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement and each Addendum (if any) and related agreement (i.e., personal guaranty) attached to them?

Yes _____ No _____

2. Did you receive the Franchise Agreement, and each related agreement, containing all material terms, at least 7 days before signing any binding agreement (other than any deposit agreement) with us or an affiliate?*

Yes _____ No _____

* This does not include changes to any agreement arising out of negotiations you initiated with us.

3. Do you understand all of the information contained in our Franchise Agreement and each Addendum (if any) and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary.)

4. Have you received and personally reviewed our Franchise Disclosure Document (“FDD”)?

Yes _____ No _____

5. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, or before paying any funds to us or an affiliate?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

K-1

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If no, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages if necessary.)

8. Have you discussed the benefits and risks of purchasing a KLA School franchise with an attorney, accountant or other professional advisor?

Yes _____ No _____

If no, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your KLA School franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes _____ No _____

10. Is it true that no employee or other person speaking on our behalf has made any statement or promise concerning the revenues, profits or the amount of money you may earn relating to a KLA School franchise that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

11. Is it true that no employee or other person speaking on our behalf has made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a KLA School franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

12. Is it true that no employee or other person speaking on our behalf has made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

13. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes _____ No _____

14. You signed the Franchise Agreement, and Addendum (if any) and related agreements on _____, and acknowledge that no agreement or addendum is effective until signed and dated by us.

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. All representations requiring franchisees to asset to a release, estoppel or waiver of any 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.

FRANCHISEE APPLICANT:

Signature

Printed Name

Date

Signature

Printed Name

Date

EXHIBIT L TO THE DISCLOSURE DOCUMENT

**KLA FRANCHISE, LLC
MULTI-STATE ADDENDA**

**ADDENDUM TO THE
KLA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

4. Neither the franchisor, 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 these persons from membership in the association or exchange.

5. Your spouse will be liable for all financial obligations under the franchise agreement even through your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps even your house, at risk if your franchise fails.

6. ITEM 17 of the Disclosure Document is amended to add the following:

- The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning transfer, termination or non-renewal 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 that extends beyond the term of the agreement. This provision might not be enforceable under California law.
- The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.
- The Franchise Agreement requires application of the laws of the state of Florida. This provision might not be enforceable under California law.
- The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- The Franchise Agreement requires binding arbitration. The arbitration will occur at the forum indicated in Item 17 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (including Business and Professions Code

Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

7. Each owner of the franchise is required to execute a personal guarantee. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

8. **Registration of this franchise does not constitute approval, recommendation, or endorsement by the commissioner.**

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

**ADDENDUM TO THE
KLA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF ILLINOIS

- The following is added at the end of Item 5:
 - Pursuant to Section 200.508 of the Illinois Administrative Rules, the initial franchise fee will not be due and payable until Franchisor has met pre-opening obligations and franchise is open for business.
 - The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.
- The following is added at the end of Item 17:
 -
 - The conditions under which your franchise can be terminated and your rights upon non-renewal of a franchise agreement are found in Illinois law, 815 ILCS 705/19 and 20.
 - Illinois law governs the agreements between the parties to this franchise.
 - Section 4 of Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.
 - Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

**ADDENDUM TO THE
KLA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF MARYLAND

Item 5 is amended to add the following as the last sentence of Item 5.

The Maryland Securities Division has required that all initial fees payable to the franchisor, including the initial franchise fee, the site selection fee and the center development fee and other fees payable to the franchisor before the franchise has opened, are due and payable upon our satisfaction of all of our pre-opening obligations. In addition, all development fees and other amounts paid by developers under the Area Development Agreement shall be deferred until the first franchise opens under the Area Development Agreement.

The summary columns for the Franchise Agreement for Sections (c) and (m) of Item 17 are amended by adding the following language:

Pursuant to COMAR 02.02.08.16L, any general release required as a condition of renewal, sale, and/or assignment or transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 is amended by adding the following language after the table:

You may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under Federal Bankruptcy Law (11 U.S.C. Section 1010 et seq.)

**ADDENDUM TO THE
KLA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF MINNESOTA

Additional Disclosures:

1. MINNESOTA LAW PROVIDES YOU WITH CERTAIN TERMINATION AND NON-RENEWAL RIGHTS. MINN. STAT. §80C.14 SUBD. 3, 4 AND 5 REQUIRE, EXCEPT IN CERTAIN CASE, THAT YOU BE GIVEN 90 DAYS' NOTICE OF TERMINATION (WITH 60 DAYS TO CURE) AND 180 DAYS' NOTICE FOR NONRENEWAL OF THE FRANCHISE AGREEMENT.
2. MINN. STAT. §80C.21 AND MINN. RULE 2860.4400J PROHIBIT US FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA. IN ADDITION, NOTHING IN THE DISCLOSURE DOCUMENT OR AGREEMENT CAN ABROGATE OR REDUCE ANY OF YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES, CHAPTER 80C, OR YOUR RIGHTS TO ANY PROCEDURE, FORUM, OR REMEDIES PROVIDED FOR BY THE LAWS OF THE JURISDICTION.
3. The summary columns for Sections (c) and (m) of the Franchise Agreement for Item 17 are amended by adding the following language: "Any general release required to be signed at renewal or transfer will not apply to matters arising under the Minnesota Franchise law."
4. The summary column for (f) of the Franchise Agreement for Item 17 is amended to add the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement and that consent to transfer of the franchise will not be unreasonably withheld.

5. The summary columns for (v) and (w) for all agreements of Item 17 are amended to add the following:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

**ADDENDUM TO THE
KLA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF NEW YORK

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

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by

franchisee”

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

THE FRANCHISEE WILL BE REQUIRED TO MAKE AN INITIAL INVESTMENT RANGING FROM \$1,121,000 TO \$5,804,750. THESE AMOUNTS EXCEED THE FRANCHISOR’S STOCKHOLDERS EQUITY AT DECEMBER 31, 2021, WHICH WAS \$1,244,286.

**ADDENDUM TO THE
KLA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF NORTH DAKOTA

Pursuant to North Dakota Century Code Section 51-19-09:

1. Item 17, summary column for (c) of the Franchise Agreement is amended remove the requirement that a release be signed as a condition to renewal.
2. Item 17, summary column for (r) of the Franchise Agreement is amended to state that every contract by which a franchisee or guarantor, or any other person, is restrained from exercising a lawful profession, trade, or business of any kind is subject to Section 9-08-06 of the North Dakota Century Code.
3. Item 17, summary columns for (u) for all agreements are amended to provide that the site of arbitration or mediation needs be agreeable to all parties and may not be remote from the franchisee's place of business.
4. Item 17, summary columns for (v) for all agreements are amended to provide that the venue is North Dakota.
5. Item 17, summary columns for (w) for all agreements are amended to provide that North Dakota laws apply.

**ADDENDUM TO THE
KLA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF RHODE ISLAND

ITEM 17 of the Disclosure Document is amended to add the following:

- The Rhode Island Franchise Investment Act, R.I. Gen. Law Ch. 395 Sec. 19-28.1-14 provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.
- Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

**ADDENDUM TO THE
KLA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act (the “Act”), the KLA Franchise, LLC Franchise Disclosure Document for use in the Commonwealth of Virginia is amended as follows:

THE FRANCHISOR’S FINANCIAL CONDITION, AS REFLECTED IN ITS FINANCIAL STATEMENTS (SEE ITEM 21), CALLS INTO QUESTION THE FRANCHISOR’S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU.

Pursuant to Section 13.1-564 of the Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Act or the Laws of Virginia, that provision may not be enforceable.

Item 5 is amended to add:

“The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial fees owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

**WASHINGTON ADDENDUM TO THE KLA FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AREA
DEVELOPMENT AGREEMENT, CENTER DEVELOPMENT AGREEMENT, FRANCHISEE
DISCLOSURE QUESTIONNAIRE AND RELATED AGREEMENTS**

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 agreements 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 agreements in your relationship with the franchisor including the areas of termination and renewal of your franchise.

Payment of initial fees is deferred until the Franchisor has completed its pre-opening obligations under the agreements. Under the area development agreement, payment is deferred until the first franchise is open under the area development agreement.

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 agreements, 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 shall 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 limitation period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

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 agreements 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 agreements or elsewhere are void and unenforceable in Washington.

In Item 11, in "Advertising and Promotion", Section 3(f), the following is added: "No terms of any loans to the Marketing Fund have been established as there is no Marketing Fund and we have not made any loan to the Marketing Fund to date. The terms of any future loans will be commercially reasonable."

Items 17(o) (referencing any agreement), and the agreements, are amended to provide that we may be required to purchase your assets by law. RCW 19.100.180(2)(i) states: “For the purposes of this chapter and without limiting its general application, it shall be an unfair or deceptive act or practice or an unfair method of competition and therefore unlawful and a violation of this chapter for any person to . . . [r]efuse to renew a franchise without fairly compensating the franchisee for the fair market value, at the time of expiration of the franchise, of the franchisee’s inventory, supplies, equipment, and furnishings purchased from the franchisor, and good will, exclusive of personalized materials which have no value to the franchisor, and inventory, supplies, equipment, and furnishings not reasonably required in the conduct of the franchise business; PROVIDED, that compensation need not be made to a franchisee for good will if (i) the franchisee has been given one year’s notice of nonrenewal; and (ii) the franchisor agrees in writing not to enforce any covenant which restrains the franchisee from competing with the franchisor; PROVIDER FURTHER, that a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor.”

Further, with regard to termination for good cause, RCW 19.100.180(2)(j) states in relevant part: “Upon termination for good cause, the franchisor shall purchase from the franchisee at a fair market value at the time of termination, the franchisee’s inventory and supplies, exclusive of (i) personalized materials which have no value to franchisor; (ii) inventory and supplies not reasonably required in the conduct of the franchise business; and (iii) if the franchisee is to retain control of the premises of the franchise business, any inventory and supplies not purchased from the franchisor or on his or her express requirement; PROVIDED that a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor.”

Any of franchisee’s indemnification obligations under the agreements shall not extend to claims caused by Franchisor’s gross negligence, strict liability, willful misconduct or fraud.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

KLA FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, 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	
California	Pending
Hawaii	NA
Illinois	NA
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	NA
New York	NA
North Dakota	NA
Rhode Island	NA
South Dakota	NA
Virginia	Pending
Washington	Pending
Wisconsin	NA

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.

Receipt

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If KLA FRANCHISE, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan and Washington require that KLA FRANCHISE, LLC gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If KLA FRANCHISE, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Exhibit A to this disclosure document).

The franchisor is KLA Franchise, LLC located at 1750 Coral Way, Suite 301, Miami, Florida, 33145. Its telephone number is (305) 912-5521 EXT 1235. KLA FRANCHISE, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for KLA FRANCHISE, LLC if KLA FRANCHISE, LLC is registered in the particular state.

Issuance Date: March 16, 2022.

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

Roberto Ortega	Jose Ortega
1750 Coral Way, Suite 301	1750 Coral Way, Suite 301
Miami, FL 33145	Miami, FL 33145
(305) 912-5521 EXT 1235	(305) 912-5521 EXT 1235

I received a disclosure document dated March 16, 2022. The disclosure document included the following Exhibits:

A	List of State Administrators/Agents for Service of Process	G	Agreement to Lease
B	Franchise Agreement	H	Table of Contents to the Manual
C	Center Development Agreement	I	Financial Statements
D	Area Development Agreement	J-1	List of Current Franchisees
E	Conditional Assignment and Assumption of Telephone Numbers and Listings	J-2	List of Terminated/Not Renewed/Left System Franchisees
F	Conditional Assignment and Assumption of Lease	K	Franchisee Disclosure Questionnaire
		L	Multi-State Addenda

Please sign and print your name below, date and return one copy of this receipt to KLA Franchise, LLC and keep the other for your records.

Date _____

Franchisee

Date _____

Franchisee

[Retain this Receipt for your records]

Receipt

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If KLA FRANCHISE, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan and Washington require that KLA FRANCHISE, LLC gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If KLA FRANCHISE, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Exhibit A to this disclosure document).

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F	Conditional Assignment and Assumption of Lease	K	Franchisee Disclosure Questionnaire
		L	Multi-State Addenda

Please sign and print your name below, date and return one copy of this receipt to KLA Franchise, LLC and keep the other for your records.

Date _____

Franchisee

Date _____

Franchisee

[Return this Receipt to us]