

## FRANCHISE DISCLOSURE DOCUMENT

Let Mommy Sleep Franchising, LLC  
A Virginia Limited Liability Company

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# Let Mommy Sleep Franchising

Let Mommy Sleep Franchising, LLC offers franchises to business owners to operate a Let Mommy Sleep postpartum and newborn care business. We grant franchises for five years, and we provide franchisees with an opportunity to enter the baby nurse and newborn care industry.

The total investment necessary to begin operation of a Let Mommy Sleep Franchising franchised business ranges from \$38,629.99 to \$58,279. This includes \$29,000 that must be paid to us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Denise Stern at the above address and phone number.

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

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

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

Issuance Date: June 24, 2024

## 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
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Let Mommy Sleep business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Let Mommy Sleep franchisee?</b>	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Virginia. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Virginia than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.

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

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#### FRANCHISE AGREEMENT

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

To simplify the language in this Disclosure Document, “LMS”, “we,” “us,” and “our” means Let Mommy Sleep Franchising, LLC, the franchisor, and “you” or “your” means the entity who buys the franchise (the franchisee). We refer to a person who buys a franchise from us as “you” and to each of your owners as “Owner”. Our Franchise Agreement is attached to this Disclosure Document as Exhibit A.

This Disclosure Document describes the offer of a franchise to use our proprietary system which we call the “LMS System” under the registered trademark, Let Mommy Sleep. We call the franchised business you will operate under a franchise agreement a “Franchised Business.”

The Franchisor and our Affiliate

We are a Virginia Limited Liability Company. Our principal business address is 6630 Rutledge Drive, Fairfax Station, VA 22039. We were formed in 2013 by Denise Stern, but we were inactive until August 2017, when we began offering franchises under the name Let Mommy Sleep Franchising. We do not have any predecessors. We no longer operate a business of the type being franchised. We do not offer franchises in any other line of business and we do not engage in any other line of business.

Our affiliate, Let Mommy Sleep, LLC, was also a Virginia Limited Liability Company and had the same principal business address as ours from 2010-2021. It operated a business of the type we are franchising under the name Let Mommy Sleep in Northern Virginia, Washington, D.C., and parts of Maryland. Let Mommy Sleep, LLC was founded in September 2010 by Denise Stern and operated until 2021 when it was sold to another LMS franchise team. The “LMS System” is designed to provide uniform, high quality care by an elite team of caregivers to families of newborns.

Before we began franchising, Let Mommy Sleep, LLC offered franchises of the type we are offering. It sold a franchise in Pennsylvania and a franchise in New Jersey. Let Mommy Sleep, LLC subsequently assigned the two franchise agreements to us. Let Mommy Sleep, LLC is no longer franchising. It has not offered franchises in any other line of business.

Our agents for service of process are disclosed in Exhibit C to this disclosure document.

The Franchised Business

As a franchisee, you will form a team of nurses and other newborn care providers to provide nurturing care to newborns and evidence-based support to their parents. Your main duties will be to manage this team, communicate with the public and to promote and develop your Franchised Business. Nurses and care providers choose their own schedules and accept short- or long- term assignments. Nurses and care providers are paid as independent contractors. We will grant you a “Protected Territory” in which to operate your business and, as long as you comply with the Franchise Agreement, we will not grant anyone else the right to operate a Let Mommy Sleep franchise within your Protected Territory. The LMS System is designed so that you can operate your Franchised Business from a home office and/or remote location outside of your territory.

In addition to providing overnight care to newborns in your customer's homes, in your business you will have the opportunity to provide hotel childcare, conduct in-home instructional classes, postpartum visits, and teach approved Newborn Care classes online or in person in your area.

We will supply you with management support for your Franchised Business, including strategic marketing services, and initial and ongoing operational, sales and business training.

### Target Market and Competition

Let Mommy Sleep customers are parents who need support with their newborns. They want the best for their newborn(s) and their family. They also are families with disposable income who can afford to pay for the type of services you will provide. Customers typically fall into one of five categories:

1. First time parents with no extended family help in need of education and support.
2. Second and third time parents who need the relief to be present for their family and jobs during the day.
3. Parents of multiples who quite literally need an extra hand.
4. Parents whose partners travel and are unable to physically be present or have very limited maternity/paternity leave.
5. Parents whose babies are coming home and in need of extra care.

The market for home-based childcare can be highly competitive. You may have to compete with individuals and other businesses, including childcare chains and independently owned companies, offering similar services. You will also face other normal business risks that could have an adverse effect on your business. These may include industry developments, such as pricing policies of competitors, and supply and demand.

### Regulations

You must comply with any federal, state or local licensing or regulatory requirements that may apply to your Franchised Business and you must comply with all applicable federal, state or local laws related to the Franchised Business. You must also comply with all appropriate health care related laws, regulations and recommendations including HIPPA and AAP SIDS recommendations. There are licensing requirements for nurses and other professionals who serve as caregivers. Each state establishes its own licensing requirements regulating the services that will be offered by your Franchised Business, and those requirements may change from time to time. You are solely responsible for taking all necessary actions, at your expense, to ensure that your Franchised Business remains in compliance with those requirements at all times. We strongly recommend that you consult with an attorney to determine exactly what permits and licenses you will need and how much those permits and licenses will cost. There may be other laws of general

applicability that could impact your operation.

Also there are many business law requirements for you and your employees, including federal and state withholding, workers compensation, unemployment insurance and other insurance requirements. In addition, there are statutes and regulations that are common to all businesses, including those governing health and labor issues, zoning and safety. You should obtain a complete copy of the relevant statutes and regulations of the Federal government and of your state and discuss them with your attorney. You should also investigate applicable county and city ordinances and regulations.

**Item 2. BUSINESS EXPERIENCE**

Denise Stern, President

Denise Stern is our founder and has served as its Managing Member and President since its formation. Ms. Stern is also the founder of our affiliated company Let Mommy Sleep, LLC, and served as its Managing Member and President since its formation in September 2010 to November 2021.

**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**

You must pay a lump sum initial fee of \$29,000 for the right to operate the franchise in a Protected Territory, which will have at least 200,000 households based on the most recent applicable US Census data. The initial franchise fee is uniformly charged to new franchisees and is payable when you sign the Franchise Agreement. It is non-refundable when paid.

**Item 6.**

**OTHER FEES**

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
<p>Royalty and Service Fee<sup>1</sup></p>	<p>4% of Gross Revenue<sup>2</sup> on all revenue generated.</p> <p>Beginning in your 13<sup>th</sup> full month of operation you are required to achieve a minimum level of Gross Revenue and pay the greater of 4% of your Gross revenue or a set minimum royalty as follows:</p> <p>Months 13-24: Minimum Gross Revenue of \$5,000 with minimum royalty fee of \$400.00</p> <p>Months 25-60: Minimum Gross Revenue of \$10,000 with minimum royalty fee of \$600.00</p>	<p>The 15<sup>th</sup> day of each month, based upon Gross Revenue for the previous month, by electronic funds transfer (or the next business day, if the 15<sup>th</sup> of any month is not a business day).</p> <p>Does not begin accruing until after the first month or partial month (if less than a full month) of operation.</p>	<p>If you have not begun operating (actively seeking clients) on or before the 90<sup>th</sup> day following the completion of the Initial Training, we may, at our option, terminate the Franchise Agreement.</p> <p>Minimums are required to ensure franchisees do not abandon their area and maintain the reputation of the brand.</p>
<p>Local Advertising<sup>2</sup></p>	<p>Suggested amount: \$200 each month</p>	<p>Suggested to be spent monthly</p>	<p>Common advertising: search engines, clinical partnerships, community networking.</p>
<p>Technology &amp; Advertising Fee<sup>3</sup></p>	<p>\$300 per month;</p> <p>We reserve the right to increase up to \$500 per month upon 30 days' notice to you.</p>	<p>Due by the 15<sup>th</sup> day of each month.</p>	<p>Includes: email, SSL Certificates, automated websites, social media platform, proprietary software, security monitoring, internet listings and media relations.</p>
<p>Insurance, including liability &amp; malpractice insurance</p>	<p>Your insurance company determines the amount. The estimated cost of the coverage required by the Franchise Agreement is \$3,000 to \$7,500 per year.</p> <p>This amount varies per your location and your state's requirements.</p>	<p>As required by your insurance provider</p>	<p>Paid to your insurance provider, but if you fail to maintain adequate insurance coverage, we may obtain it on your behalf and you will pay the associated costs and expenses we incur.</p>

Initial Training Program	We do not charge for up to three (3) individuals to attend the Initial Training, but we charge \$350 for each additional trainee who attends.	15 days before training begins	
Additional On- Site Assistance	Currently \$350 per day, plus all travel expenses incurred	15 days after billing	We will provide you on-site assistance at times mutually agreed upon, subject to support personnel availability.
Transfer Fee <sup>5</sup>	\$2,500 if you transfer the Franchise Business to another Let Mommy Sleep franchisee; 50% of the then current Franchise Fee in all other cases	After our approval and prior to transfer	
Renewal	35% of the then current initial franchise fee	At time of renewal of the Franchise Agreement	Occurs once, after 5 years.
Interest on Late Payments	Two percent (2%) per annum above the lowest annual rate of interest quoted by our bank or the maximum legal rate of interest, whichever is less.	Interest begins from the date the unpaid amount was due	Interest owed on all overdue sums.

Late Charge	Late charge equal to ten percent (10%) on any past due amounts	Due when you fail to pay on time.	The late charge covers our administrative costs for collecting the late payment.
Audit	The amount of understatement; or the cost of such audit.	Within fifteen (15) days after receipt of the audit report	If an audit of your financial records reveals that you understated your Gross Revenue by 2% or more for any monthly period, you must reimburse us for the missing revenue and all of our costs in conducting the audit.
Management Fee	Varies based upon actual costs incurred with management of business such as manager compensation, living and travel expenses, and other overhead costs.	As incurred	Payable in the event that we take over your Franchised Business due to your failure to conduct the business.
Indemnification	Varies under circumstances	As incurred	You must reimburse us for our losses from claims, damages, or lawsuits arising from your operation of the Franchised Business.
Costs and Attorneys' Fees	Varies under circumstances	As incurred	If we are the prevailing party in any proceeding relating to the Franchise Agreement or our relationship, you are responsible for paying our attorney fees and costs.

Liquidated Damages	Average monthly Royalty Fees you paid to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is less.	Varies	If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages.
Reimbursement of Taxes and Fees	Varies	Within ten (10) days after written notice that we are entitled to reimbursement for payment of such taxes and other amounts as set forth in the Franchise Agreement.	Should any taxing authority impose upon us any “franchise” or other tax that is based on the gross sales, gross revenues, business activities, or operation of the Franchised Business, rather than our revenues, you will reimburse us in an amount equal to the amount of such taxes imposed on us and related costs and expenses paid by us.

NOTES:

1. Unless otherwise indicated, all fees are nonrefundable and are imposed by and payable only to us. The fees are uniformly imposed on our franchisees. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any other third party. All fees are payable in US Dollars. We do not expect to change any fees over which we have control. However, we cannot guaranty you that the amounts you pay to third parties will not change during the term of your Franchise Agreement.

“Gross Revenue” means the actual gross charges, whether or not actually collected, for all goods and services purchased by or provided to your customers, whether for cash, credit, barter, or in kind, and whether in, upon, from, through or by any means, related to the Franchised Business. Gross Revenue will exclude the price of goods exchanged for goods, the sale of which has already been included in Gross Revenue, and the amount of any retail tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers at the point of sale by you acting as agent for such authority.

2. For the first six months of operation it is suggested to spend at least this amount monthly

for local advertising or recruiting. This is paid to third party vendors. Advertising and promotional materials must be approved by us. Not currently imposed, but if we establish an Advertising Program, we may require you to contribute towards the expense of the Advertising Program by paying a monthly advertising fee to fund the development costs, marketing, advertising, production and media expenses we incur related to the Advertising Program.

You will be responsible for paying to third party vendors the travel expenses associated with your trainees to attend the Initial Training, including transportation, food, and lodging costs.

3. We maintain websites that benefit all our franchisees and we will provide you pages on our website to include local information about your Franchised Business, and provide email, e-commerce, social media management, content creation, security certificates and monthly SEO maintenance.
4. There is no transfer fee if you initially sign the Franchise Agreement in your name and subsequently transfer the agreement with our approval to an entity you form.

### **Discount for Current Franchisees Purchasing Another Outlet**

As part of our commitment to supporting the growth and success of our existing franchisees, we offer a special discount to current franchisees who choose to purchase additional outlets within our franchise system. Current franchisees will receive a discount of 50% off the standard franchise fee for the additional outlet(s) they are purchasing (\$14,500).

Eligibility Requirements: To be eligible for the discount as a current franchisee purchasing another outlet, the following conditions must be met:

- a. Good Standing: The current franchisee must be in good standing with our franchise system, including compliance with all contractual obligations, adherence to operational standards, and satisfactory financial performance.
- b. Operational Capacity: The current franchisee must demonstrate the ability to effectively manage and operate the additional outlet, taking into consideration their existing outlet(s) and available resources.
- c. Financial Qualifications: The current franchisee should meet the financial requirements outlined in our FDD, including having sufficient capital to support the additional outlet, cover the discounted franchise fee, and meet ongoing expenses associated with the new location.

Application Process: Current franchisees interested in purchasing another outlet can submit an application to our franchise development team. The application will be evaluated based on the eligibility requirements mentioned above, and upon approval, the discount will be applied to the franchise fee outlined in this section.

Limitations and Expiration: The discount for current franchisees purchasing another outlet is subject to limitations and expiration. These include:

- a. Time Limit: The discount expires at time of the 5 year renewal.
- b. Number of Outlets: The discount applies to 2 additional outlets.

Renewal: Before the end of the existing Term, you pay us a non-refundable renewal fee equal to 35% of the initial discounted franchise fee under the renewal terms described in the Franchise Agreement.

## Item 7.

**ESTIMATED INITIAL INVESTMENT****YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <sup>1</sup>	\$29,000	Lump Sum	Upon execution of the Franchise Agreement	Franchisor
Travel and Other Expenses While Training <sup>2</sup>	\$1,000 to \$3,000	As required	As incurred	Airlines, Hotels, Restaurants
Business Licenses and Professional Fees <sup>3</sup>	\$500 - \$3,000	Cash	As incurred	Attorney, Accountant, Municipality or other business licensing entities
General Liability & Worker's Comp Insurance <sup>4</sup>	\$2500-\$5,000 per year	As required	As determined by the provider	Insurance Provider
Office Equipment and Computer and Communications Equipment <sup>5</sup>	\$500-\$2,000	As Incurred	As determined by your providers	Communications, computer and software providers
Local Advertising <sup>6</sup>	\$100 - \$1200	As Incurred	As incurred	Advertising vendors
Background Check <sup>7</sup>	\$29.99 per employee, \$79 per manager	As Incurred	As incurred	LMS approved vender
Additional Funds Months <sup>8</sup>	\$5,000 - \$15,000	As Incurred	As incurred	Working capital for 3 months
<b>Totals</b>	\$38,629.99-\$58,279			

Notes:

- <sup>1</sup> The initial franchise fee of \$29,000 is to be paid by all franchisees and must be paid upon execution of the franchise agreement. It is non-refundable, except if you do not complete the Initial Training prior to opening to our satisfaction we will refund one-half of the initial franchise fee.
- <sup>2</sup> We will provide our Initial Training Program to three people at no additional charge, but you must pay for your trainee's expenses while attending training. These expenses include travel, lodging, meals and wages you pay your attendees. The low end of the estimate assumes that you are within driving distance of our training facility in Virginia. The higher end of the estimate assumes that airline travel will be needed. The amount you spend will depend on how far you must travel, the number of people attending training, the method of travel and the accommodations chosen.
- <sup>3</sup> The cost of licenses will depend upon the business license requirements for the jurisdiction(s) in which you operate. The cost for legal and accounting fees for organizing your business can vary substantially.
- <sup>4</sup> We require our franchisees to purchase their own general liability business insurance and worker's compensation insurance on all employees, workers and owners (if applicable). This can be done independently through a vendor of your choice or through our preferred vendor. Regardless of the vendor used, the coverage must be equivalent to or greater than the minimum level of insurance required by us. The range of fees shown is based on an expected cost for three months' premium, assuming the owner is the only worker. (For more information on insurance, see Item 8 of this Disclosure Document.)
- <sup>5</sup> Unless your state's licensing requirements dictate that you maintain an office, we encourage you to operate from your home, in which case you will not incur any rental expenses. Therefore, this estimate does not include the cost of rent or of leasehold improvements. You must have a laptop computer that must have the capability to securely connect to the internet using a high-speed connection to communicate with us and conduct the franchise business. You will need to have a mobile phone that includes a data plan capable of receiving email and text messages. The amount includes the estimated cost of purchasing a laptop computer, software, mobile phone and general office supplies. Your costs will vary depending on whether you already have computer equipment and software and a mobile phone suitable for the Franchised Business.
- <sup>6</sup> During the first six months of operation, it is suggested to spend at least \$200 monthly in Advertising.
- <sup>7</sup> All franchisees must conduct a background check of all workers. The cost of the background check depends on the position being filled. Background checks start at \$29.99 per employee. The cost increases for higher level employees and more in-depth checks.
- <sup>8</sup> This total is an estimate of the working capital needed to cover business expenses you will incur during the first three months of the Franchise Business operations. This amount is based upon the experience of our affiliate, Let Mommy Sleep, LLC, in operating a business similar to the business being franchised and information from industry sources.

**Item 8.**

**RESTRICTIONS ON SOURCES OF PRODUCTS OR SERVICES**

In order to maintain the uniformly high standards and reputation of the LMS System, we will formulate standards and specifications we deem necessary to protect our marks and image. Accordingly, you will be required to purchase certain items from suppliers designated or approved by us, which we specify in our Franchise Operations Manual or otherwise in writing. This requirement applies to signage, accounting software, payroll services, and merchant services. Except as described in this Disclosure Document, you may buy equipment and supplies from any vendor, if you comply with our standards. You are required to conduct criminal background screens according to the Franchise Operations Manual on all of your workers and ensure that they are properly licensed within their state.

As of the Issuance Date of this Disclosure Document, we have approved the following suppliers:

- (a) CM&F Group is an approved supplier for caregiver and nurses personal malpractice insurance. <https://www.cmfgroup.com>.
- (b) VistaPrint.com and Zazzle.com are approved suppliers for printing, direct mail and collateral fulfillment. <https://www.vistaprint.com> and [zazzle.com](https://www.zazzle.com).
- (c) Payroll may be administered internally by you through Quickbooks. Quickbooks or other accounting software must be used to submit monthly profit and loss statements.
- (d) Stripe is the only approved supplier of merchant services. The Stripe platform is used for secure credit card transactions.

None of our Officers, Directors or owners has an ownership interest in any of these suppliers. Currently, neither we, nor our affiliates, are approved suppliers of goods and services to our franchisees.

If we have designated a supplier for particular goods or services and you propose to purchase any of those goods or services from a supplier not previously designated or approved by us in writing, you must first notify us and obtain our written approval. We do not charge you a fee to secure our approval to buy from alternative suppliers. We may require, among other things, submission of sufficient samples, specifications, photographs, drawings and other related information to determine whether, in our opinion, the supplier's products or services are of the same quality, appearance, safety, function and reliability as the products or services we have designated for use in the Franchised Business. We will notify you of our determination within thirty (30) days of your submission of the requested information. Other than what is set forth in our Franchise Operations Manual, we do not have written specifications and standards for approving products and services. We will provide you with any written standards and specifications we may prepare from time to time.

We do not derive revenue or other consideration from the purchase of goods and services by our franchisees from suppliers we designate.

In our previous fiscal year, we did not receive any revenue from our franchisees' required purchases or leases.

We estimate that approximately 60%-70% of your expenditures for purchases in establishing your Franchised Business will be for goods and services that must be purchased either from us, our affiliates or an approved supplier, or in accordance with our standards and specifications. We estimate that approximately 30%-40% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either us, our affiliates, approved suppliers or in accordance with our standards and specifications.

We do not negotiate any special purchase arrangements with suppliers for the benefit of our franchisees. We do not provide any material benefits to franchisees based on their purchase of particular products or services or the use of particular suppliers.

### Computer Equipment and Technology

As set forth more fully in Item 11 of this Disclosure Document, you must have a computer dedicated solely to your Franchised Business that provides you with secure access to the Internet through a high-speed connection (i.e. DSL or Cable) to communicate with us and conduct the franchise business. We do not currently require a specific type of computer or software, but under the Franchise Agreement we may establish minimum specifications and standards for your computer system and software from time to time on a system-wide basis in the Franchise Operations Manual or otherwise in writing, including requiring that your computer system be configured to allow us to have remote access to the information and data related to your Franchised Business stored on your computer system.

You will need to have a mobile phone. We will provide you with a business email address, which you must use to communicate with us and customers. Your mobile phone must include a data plan capable of receiving email, text and voice mail. We do not require a specific type of device or configuration. You must access email, group messaging and sharing software on a regular basis to communicate with us, receive updates on the business, and in support of the franchise business on a day-to-day basis.

## Insurance Specifications

Before beginning the Franchised Business, you must obtain and maintain, at your own expense, the insurance coverage that we require and meets the other insurance-related obligations in the Franchise Agreement. Currently, you must maintain the following minimum insurance coverages: (1) comprehensive general and professional liability insurance coverages in an amount of not less than One Million Dollars per occurrence; (2) Workers' Compensation as required by applicable state law and employer's liability insurance with limits of not less than \$100,000.00 per person, as well as any other insurance as may be required by statute or rule in the state in which your Franchised Business is located; and (3) automobile liability coverage (if applicable) with limits of not less than \$500,000.00 per accident, including coverage of owned, non-owned and hired vehicles. If you lease a space for your Business, you may need to obtain additional insurance coverages according to the terms of your lease.

To gain adequate protection, you should discuss with your insurance agent and financial advisor if your personal situation requires you to maintain coverage in addition to the minimums that we require. You are not obligated by the terms of the Franchise Agreement to purchase your insurance from any specific provider; however, all policies must be written by an insurance company(ies) that is/are licensed in the state in which you are doing business, and that has an A.M. Best rating of "A" or better.

At least ten (10) days prior to commencing business or whenever a modification or change is made in your insurance policy, and annually thereafter, you are required to submit to us a copy or certificate or other acceptable proof of insurance. You may not attend our initial training program until you have provided the certificates of insurance or other acceptable proof of all insurances.

We may regulate the types, amounts, terms and conditions or insurance coverage required for your Franchised Business and standards for underwriters of policies providing required insurance coverage; our protection and rights under the policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims. Each insurance policy must name us (and if we request, our directors, employees or shareholders) as additional insureds and must provide us with 30 days' advance written notice of any material modification, cancellation or expiration of the policy.

**Item 9.****FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Not Applicable	Items 7 and 11
b. Pre-opening purchases/leases	Sections 3	Items 7, 10, and 11
c. Site development and other pre-opening requirements	Not Applicable	Items 7, 11
d. Initial and ongoing training	Section 4	Items 6, 7, 11, 15 and 17
e. Opening	Section 3	Item 11
f. Fees	Sections 8 and 9	Items 5, 6, 7 and 11
g. Compliance with standards and policies/ Franchise Operations Manual	Section 4	Items 1, 8, and 11
h. Trademarks and proprietary information	Section 7	Items 13 and 14
i. Restrictions on products/services offered	Section 5	Items 8 and 16
j. Warranty and customer service requirements	Section 5	Items 11 and 15
k. Territorial development and sales quotas	Section 9	Item 12
l. Ongoing product/service purchases	Section 5	Items 8, and 16
m. Maintenance, appearance and remodeling requirements	Section 15	N/A
n. Insurance	Section 6	Items 1, 6, 7, and 8
o. Advertising	Section 10	Items 6 and 11
p. Indemnification	Section 17	Item 6
q. Owner's participation/management/ staffing	Section 4	Item 15

r. Records and reports	Section 11, 12, and 15	Item 11
s. Inspections and audits	Section 12	Item 6
t. Transfer	Section 16	Items 6 and 17
u. Renewal	Section 1	Items 6 and 17
v. Post-termination obligations	Sections 1, 14, and 15	Item 17
w. Non-competition covenants	Sections 5.6 and 15.5	Item 17
x. Dispute resolution	Section 18	Item 17

**Item 10. FINANCING**

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

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

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

Our Pre-opening Obligations: Before you begin operating your Franchised Business, we will:

(1) Approve the location from which you operate your Franchised Business. Because the Franchised Business is designed to be a home-based business, typically franchisees operate from a home office. Your home office may be located outside your Protected Territory (See Item 12 of this Disclosure Document for more information on the Protected Territory.) Because we expect our franchisees to operate the Franchised Business from their home, currently we do not have any specifications or standards our franchisees must follow that pertain to operating from a leased premises, nor do we provide any assistance in the selection of a leased premises, but the Franchise Agreement gives us the right to impose specifications and standards for the selection of a leased premises in the future. (Franchise Agreement-Section 3). If you and we cannot agree on a site and you do not commence operations within the required amount of time, we may terminate the franchise agreement.

(2) Provide an initial training program to you and to individuals who will principally manage your Franchised Business and individuals who will be engaged in the daily operation of the business. (Franchise Agreement-Section 4).

(3) Grant you rights to a Protected Territory within which you will operate your Franchised Business. (Franchise Agreement-Section 2). We will designate your Protected Territory. (Franchise Agreement-Exhibit A).

(4) Give you access to our Franchise Operations Manual for the Franchised Business containing mandatory and suggested specifications, standards and operating procedures for the Franchised Business. (Franchise Agreement-Section 4.6).

(5) Although not required under the Franchise Agreement, we will promote your opening and highlight your business on our national social media platform.

Our Obligations Once You Begin Operating Your Business:

During the operation of your Franchised Business, we will:

(1) Provide guidance and ongoing training and assistance in the operation of your Franchised Business. This guidance may be provided in the form of periodic e-mail, telephone communications, and/or on-site visits to your location (Franchise Agreement-Section 4).

(2) Issue, modify and supplement standards for the LMS System that may affect various aspects of your Franchised Business, such as: (a) hours of operation, (b) marketing and sale of services, (c) sources of equipment and supplies, and (d) general rules for the conduct of your Franchised Business that, in our sole judgment, require system-wide standardization and uniformity. (Franchise Agreement-Section 5).

(3) Provide advertising and promotional materials for you to duplicate on an as needed basis. Materials provided may include copy-ready print advertising materials, posters, banners and miscellaneous items. If you want additional copies you must pay duplication costs. We may use both outside advertising and marketing agencies and internal staff to create advertising. You may develop advertising materials for your own use, including social media content and contributions at your own cost, but we must approve of these advertising materials before you may use them (Franchise Agreement-Section 10).

(4) Provide updates to the Franchise Operations Manual periodically. (Franchise Agreement-Section 4.6).

(5) We will provide you, through our Website which we maintain, a personalized section for content focused on your local audience. (Franchise Agreement-Section 10.4).

(6) We may require that you provide to your clients and request that they fill out and submit a customer satisfaction survey upon completion of services. Completed surveys will be submitted directly to both us and you. In this way, we can monitor your business, and determine levels of customer satisfaction and whether additional training is necessary. (Franchise Agreement-Section 4.7).

## Time Period to Begin Operations

You are required by the Franchise Agreement to commence your Franchised Business as soon as possible after you and we sign the Franchise Agreement, but in any event no later than ninety (90) days after you complete our Initial Training program to our satisfaction. Our franchisees typically begin serving accounts 30 to 90 days after they sign the Franchise Agreement. Factors that may impact the time period include when you attend training, when you obtain business and any professional licenses that may be required in the jurisdiction in which you will be operating, and how quickly you employ caregivers to provide the services.

## Advertising Fund

At our discretion, we may, but are not obligated to, develop and conduct a national, regional, and/or local advertising and promotional program (“Advertising Program”) in such form and type of media that we deem to be beneficial to the general recognition of our trademarks and the success of our franchisees. If we develop and conduct an Advertising Program, we may require you to contribute toward the expense of the Advertising Program by paying a monthly advertising fee (“Advertising Fee”) of up to two percent (2%) of your Gross Revenue (to be paid when you pay your monthly Royalty and Service Fee), which you agree to pay if we impose it. The Advertising Fee will be deposited directly into a national advertising fund (“Advertising Fund”) which we will control. The Advertising Fund will be used by us to pay for development costs, marketing, advertising, production and media expenses related to the Advertising Program, including the payment of overhead expenses and employee salaries for services provided in developing and conducting the Advertising Program. Currently we do not have an Advertising Program for which we impose an Advertising Fee. The Advertising Fund, if instituted, will be audited annually, within three (3) months following the end of our fiscal year (which is currently a calendar year). We have not established an Advertising Council to advise us on advertising policies.

## Local Advertising

It is suggested but not required that you spend a minimum of \$200 during each of the first six months of operation on local/regional advertising, although you may place your local advertising in a collaborative effort with other Let Mommy Sleep franchisees if you prefer. You must provide us with monthly reports documenting your advertising expenditures, to include Profit and Loss Statements and other documentation as requested, that we may verify your local advertising. Your first three (3) years advertising planner must be approved by the Franchisor. All local advertising you conduct must be completely factual and comply with our guidelines for advertising as specified in the Franchise Operations Manual or other written directives. You must submit all advertising material you intend to use to us for our approval or disapproval at least two (2) weeks prior to publication. If disapproved, we will notify you in writing within one (1) week following the receipt of your material. You will not publish, broadcast, display or use in any way advertising that we have disapproved. Brochures and advertising templates are available in the Franchise Manual.

At our request, you must include certain language in your local advertising, such as “Franchises Available” and our Website and telephone number. You must place advertisements in on-line

phone directories for your Franchised Business, and you may purchase additional advertising on-line. Any ads you intend to place in any on-line format must be pre-approved by us. We provide content and images in our Manual for use on-line in the Franchise Operations Manual.

We retain the sole right to market and advertise the LMS System and the Franchised Business on the Internet, including the use of websites, domain names, uniform resource locator's, linking, search engines (and search engine optimization techniques), banner ads, meta- tags, social networking sites (including but not limited to Facebook, Twitter, LinkedIn, Google, YouTube, blogs, vlogs, and other applications), auction sites, e-commerce and co-branding arrangements.

You are encouraged to contribute local content for our corporate social media accounts and establish and maintain a local social media presence in your territory. We will maintain a website for our benefit and the benefit of our franchisees. You will not establish a website or permit any other party to establish a website that relates in any manner to the LMS System, the Franchised Business or referring to the Marks without our written approval. We provide, through our public website, the opportunity for you to have your own personalized section to focus on your local audience. The content of your personalized section will be subject to our approval. You acknowledge that our public website ([www.letmommysleep.com](http://www.letmommysleep.com)) is an advertising vehicle and that you are required to fully utilize all of its capabilities including on- line documentation.

Franchisees are not required to participate in any Advertising Cooperatives.

### Manual

We have a Franchise Operations Manual. A copy of the Table of Contents of the Franchise Operations Manual as of the Issuance Date, is attached to this Disclosure Document as Exhibit D. Currently, we make the manual available to you online through a secure website.

## Computer Systems

You must use any computer hardware and software that we specify in writing for the operation of your business, or any comparable hardware or software approved by us. Further, your computer system hardware and software must meet any System-wide minimum specifications that we establish from time to time, including, without limitation, being configured to allow us to have remote access to the information and data related to your Franchised Business stored on your computer system. There are no contractual limitations on our independent access to the information and data that is electronically generated.

Currently, the only specifications we have for your computer is that you have a computer dedicated solely to your Franchised Business that provides you with secured access to the Internet through a high-speed data connection and provides you with the capability to communicate with us, caregivers and your customers in the conduct of your Franchised Business. Further, we require you to have software that will allow you to do the following: scheduling, billing and accounts receivable, sales reporting, employee production tracking and other business and operational reporting and tracking functions. Other than QuickBooks accounting software, we do not currently specify a particular software package for use in your Franchised Business. If you do not already have a computer and software for use in your Franchised Business, we estimate that the cost of purchasing a computer and software will be in the range of \$1,000 to \$3,500.

You must use the email address that we provide. You may not use an ISP that requires the use of a proprietary browser to access email and internet content, and it must allow for the use of POP3 email accounts we provide.

You are responsible for maintaining all the above hardware and software in good operating condition. We do not have any obligation to provide you with hardware or software maintenance and support. We recommend but do not require that you have a maintenance and support contract for your hardware or software. The cost of such contracts varies widely depending upon your needs and location. You may have to upgrade your hardware and software to comply with any changes we make to the hardware and software requirements for franchisees. There are no contractual limitations on the frequency or the cost of these upgrades.

## Training Programs

The Franchisee must successfully complete our Initial Training program within 90 days of signing the Franchise Agreement. You (or your controlling owner if you are an entity), the individual(s) who will principally manage the Franchised Business and anyone else who will be engaged in the daily operation of the Franchised Business must complete our Initial Training program to our satisfaction prior to the commencement of your operation of the Franchised Business. We do not charge for up to 3 people to attend the Initial Training Program, but you must pay our then current training fee for any additional people who attend the Initial Training, which is currently \$350 per person. Further, you are responsible for the travel related costs, such as airfare, hotel and meals for all your trainees attending Initial Training.

The Initial Training is designed to prepare you to operate a Franchised Business using the LMS System. We conduct the Initial Training in Manassas, Virginia or via Zoom. The training consists of classroom instruction. We use various materials for the training, including the Best Practices Manual, forms, videos and other written materials we have developed over time for the LMS System. Initial Training sessions will be scheduled at least once per quarter.

You may enter the Initial Training immediately upon your signing and return to us of the Franchise Agreement and the initial fees. The Initial Training program must be successfully completed within 90 days of your signing and returning the Franchise Agreement. The Initial Training itinerary is summarized below. We reserve the right to make changes to the Initial Training program.

*[Initial Training Itinerary beginning on next page]*

## INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Executive Planning	2	1	Virginia/Virtual
Accounting	2	1	Virginia/Virtual
Marketing and Promotion	2	2	Virginia/Virtual
Caregiver Recruiting & Training	4	2	Virginia/Virtual
Operations & Case Management Procedures	5	2	Virginia/Virtual
Quality Control	1	1	Virginia/Virtual
Operations: Daily Routines, Policies, Reporting & Support	6	1	Virginia/Virtual
Website & Technical Training Customer Service	3	1	Virginia/Virtual
Ongoing Training and Monthly Meetings	Monthly & As needed	As needed	Virtual
Total	25+	11+	

After successful completion of the Initial Training Program, you are ready to open for business. Following the opening of your business, our training team will be available to talk with you regularly on the telephone and for an on-site or Zoom visit to your location to reinforce the training you have received. On-site visits to your location will be on dates and at times you and we mutually agree. If you request an on-site training visit, in addition to our then current fee of \$350 per day per trainer for on-site training, you will pay the travel expenses we incur in providing the training, including the cost of airfare, hotel, and meals for our trainer.

After you open for business, all new employees you hire that will be charged with management responsibility for the day-to-day operations of the Franchised Business must either attend the Initial Training Program at our then current training fee or otherwise be trained by you to our satisfaction. Further, from time to time we may offer additional training programs for you and/or your staff and may charge a fee for the program. Attendance may be mandatory for specific trainings, as they may contain updates and continuing education from the American Academy of Pediatrics and other medical advisory boards. Travel and livings expenses for attendance of your employees for additional training are your responsibility. Trainings may be offered via webinars and online as well as in person at our discretion.

You must ensure that your caregivers who are nurses have completed all required educational programs and certifications, that all of their licensing and certifications are current and that they are in compliance with all federal, state and local regulations. Caregivers do not need to be Registered Nurses, but may also be Certified Nursing Assistants, Licensed Practical Nurses, Medical Technicians, Post-Partum Care Technicians or Newborn Care Providers with Mother/Baby and Postpartum care unit, child care center or private duty experience. They may also be Certified Lactation Counselors. We will make exceptions for caregivers who are not clinically licensed if they have at least five years of newborn/infant care experience, such as an individual who has five years of experience working in an infant

daycare room or a nanny who has significant experience caring for multiples. All workers must have current vaccinations. Your workers will be responsible for the cost of licenses, certifications, and/or vaccinations, if needed.

We expect all caregivers to be childcare experts upon hire. You must vet all caregivers in a manner satisfactory to us. You are responsible for insuring that they have the necessary training and experience. We have a Newborn and Postpartum Care Course that is available to potential caregivers. Enrollees in the course are responsible for the fees and expenses associated with the course. The Newborn and Postpartum Care Course can be made available for no charge.

As an additional mechanism to monitor the quality of service and care you are providing, we may ask that you provide to your clients a link to review your services. In this manner, we will be able to monitor the quality of service provided and see if your franchise requires any help in staffing or training. We want to be able to provide guidance to you and help. Although not required by the Franchise Agreement, we may conduct a review with you after your first three (3) months in operation. We may then follow up with reviews every six (6) months to discuss any issues you may be having and how to resolve those issues. We expect our franchisees to attain a high level of quality of service to their customers as they are representing the LMS System.

### Our Training Team

Our training team currently consists of the following individuals:

Denise Stern, our founder and President, provides training on all aspects of the Franchised Business. From 2010 to 2021 she managed the daily operations of Let Mommy Sleep, LLC, providing homecare to newborns and their families. During that time she developed the LMS System. Prior to starting Let Mommy Sleep, LLC, Ms. Stern was President of Occoquan Basket Co., during which she managed all production and all aspects of daily operations, accounting and customer service.

Joy Becker, LPN provides training in the areas of caregiving, recruitment and training of caregivers. She has been our Director of Recruiting since 2016 for our affiliate, Let Mommy Sleep, LLC, for a total of 10 years. She is now a franchise owner. For over two years of her time with our affiliate, she provided in home care, including feeding, bathing, postpartum and basic care education and support for families with single babies and twins.

Heidi Christianson, RT. Heidi has worked in healthcare since 1992 in respiratory care, sleep medicine and with children and their families She has been the owner of Let Mommy Sleep Idaho since November 2021 and her training focus is on case management and continuing mentorship.

Jasmine Brunnelson developed and continually refines the LMS Franchise Bookkeeping Manual. Prior to ownership of the Washington DC franchise, Jasmine was the dedicated bookkeeper and also worked in the field with families. Jasmine shares not only the how-to's of bookkeeping but also the unique way billing and communication equates to customer service.

**Item 12.****TERRITORY**

Your Protected Territory will be identified in your Franchise Agreement by contiguous zip codes, street boundaries, city boundaries, or county boundaries. A typical “Protected Territory” is an area containing at least 200,000 households, as determined by the latest U.S. Census data. The boundaries of your Protected Territory will not change, regardless of increases or decreases in the population of your Protected Territory. If you are in compliance with the Franchise Agreement during its term, we will not establish or operate or license others to establish or operate a Let Mommy Sleep Franchised Business within your “Protected Territory.” You will receive an exclusive territory.

The Franchise Agreement grants you the right to operate a Let Mommy Sleep Franchised Business at a home office located within or outside your “Protected Territory.” If you do not operate from a home office, the office location will be subject to our approval, which will not be unreasonably withheld. You may not relocate your office without our prior written approval.

You must use your best efforts to promote and increase the sales and services of your Let Mommy Sleep Franchised Business to affect the widest and best possible distribution and sale of products and services and to solicit potential customers and accounts for services within your Protected Territory. Beginning with the 13th month of your operation of the Franchised Business under the Franchise Agreement and for each month thereafter, you must generate a minimum amount of Gross Revenue each calendar month and pay us a minimum monthly royalty based on Gross Revenue requirements set forth in the first box of the chart in Item 6 of this Disclosure Document. If you do not achieve minimum Gross Revenue levels for three or more consecutive months, without waiving our right to terminate your Franchise Agreement for a default, we have a right to operate ourselves or enfranchise others to operate a Let Mommy Sleep Franchised Business within your Protected Territory. There are no other circumstances that permit us to modify your territorial rights.

During the term of the Franchise Agreement, we (and any affiliates that we periodically might have) have the right:

- (1) to establish and operate, and grant rights to others to establish and operate, the Franchised Business and any other similar or dissimilar business at any locations and on any terms and conditions we deem appropriate outside of the Protected Territory; provided however, that no other Franchised Business will be granted a Protected Territory that overlaps with any portion of your Protected Territory, and we will not knowingly permit any other franchisee to target its marketing activities into your Protected Territory or otherwise directly solicit customers within your Protected Territory;
- (2) within and outside the Protected Territory, to develop and establish other business systems (including systems that distribute products or services similar to those offered by the Franchised Business) using names or marks other than the Proprietary

Marks, and to grant licenses to use those systems;

- (3) to sell any products and related services identical or similar to, or dissimilar from, those your Franchised Business sells, whether identified by the Proprietary Marks or other trademarks or service marks, within and outside your Protected Territory, through any method of distribution other than a dedicated Let Mommy Sleep Franchised Business, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "Alternative Distribution Channels"). We are not required to compensate you for soliciting or accepting orders from inside your territory:
- (4) to permit our franchisees operating Franchised Businesses at any location to provide in-home care services in any of their client's homes located anywhere in the world;
- (5) to advertise and promote the System in any or all geographic areas (including the Protected Territory) as we determine appropriate in our sole discretion;
- (6) to purchase or otherwise acquire the assets or controlling ownership of one or more businesses identical or similar to your Franchised Business (and/or franchise, license, and/or similar agreements for these business), some or all of which might be located in or near your Protected Territory;
- (7) to be acquired (regardless of the form of transaction) by a business identical or similar to Let Mommy Sleep Franchised Business, even if the other business operates, franchises and/or licenses competitive businesses located in or near your Protected Territory; and
- (8) to engage in any other business activities not expressly prohibited by the Franchise Agreement, anywhere.

With our permission, you may provide the services licensed by this Franchise Agreement to locations outside of your Protected Territory, provided that the location where the services are provided does not fall within the Protected Territory of any other Let Mommy Sleep franchisee, or within an exclusive territory of any Let Mommy Sleep business operated by us or any of our affiliates. If the location falls within a Protected Territory of another franchisee or of ours, you may provide services at that location only after receiving the express prior written consent of both the other franchisee and from us, which consent may be revoked at any time by either of such consenting parties. If you are servicing a location outside of the Protected Territory and not within the Protected Territory of another franchisee, but the area in which that location is situated is later sold to another franchisee, you will immediately upon receipt of notice of such a sale, and at our discretion, cooperate with the new franchisee in transferring the account over to the new franchisee, with no financial benefit accruing to you. If you purchase a territory that contains customers that are being serviced by another franchisee, these customers will be turned over to you if and when we determine it is appropriate. The transfer is at the sole discretion of us and these rights may be revoked if we determine you fail to maintain these accounts to our standards.

With our permission, you may solicit and accept orders from consumers outside of your territory through other channels of distribution, such as the Internet, catalog sales, telemarketing,

or other direct marketing, provided that the location where the solicitation or services provided does not fall within the Protected Territory of another Let Mommy Sleep franchisee, or within the exclusive territory of any Let Mommy Sleep business operated by us or any of our affiliates. If the location falls within a Protected Territory of another franchisee or of ours, you may solicit sales or provide services only after receiving express written consent from us and the other franchisee prior to any solicitation or provision of services. If you are servicing a location outside of the Protected Territory and not within the Protected Territory of another franchisee, but the area in which that location is situated is later sold to another franchisee, you will immediately upon receipt of notice of such a sale, and at our discretion, cooperate with the new franchisee in transferring the account over to the new franchisee, with no financial benefit accruing to you. If you purchase a territory that contains customers that are being serviced by another franchisee, these customers will be turned over to you if and when we determine it is appropriate. The transfer is at the sole discretion of us and these rights may be revoked if we determine you fail to maintain these accounts to our standards.

Except for any other franchise program that we may develop in the future, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company owned-facility which provide similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

You will not receive any franchisee options, rights of first refusal, or similar rights to acquire additional franchises.

### **Item 13. TRADEMARKS**

Under the terms of the Franchise Agreement, we grant you the right to operate your business under the trade name “Let Mommy Sleep” and the logo shown on the cover (the “Principal Trademarks”) as well as certain other marks (collectively the “Trademarks”).

The following is a description of the principal trademark we have applied for in the United States:

Mark	Serial Number	Application Date
LET MOMMY SLEEP	88829230	March 10, 2020

We do not have a principal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must follow our rules when you use the Trademarks. If you do not, you breach the Franchise Agreement and infringe our rights in the Trademarks. Your use of the Trademarks and any goodwill established by your use will benefit us exclusively. The Franchise Agreement does not give you any goodwill or other interests in the Trademarks other than the right to operate a business in compliance with the Franchise Agreement. All terms of the Franchise Agreement that apply to the Trademarks will apply to any additional proprietary marks and commercial symbols

that we authorize you to use in the future.

You must use the Trademarks as the sole identification for the franchise business, and you must identify yourself as an independent business owner. You may not use any Trademark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos franchised to you under the Franchise Agreement), or in any modified form, nor may you use any Trademark in any manner that we have not expressly authorized. You must display all Trademarks as we require, and you must use the registration symbol ® in using any registered Trademark. You cannot use any business or marketing practice that may damage our business and the goodwill associated with the Trademarks and other franchisees. All web media marketing must have corporate approval.

There are no currently effective determinations of the U.S. Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of any state, or any court, nor are there any pending interference, opposition or cancellation proceedings or any pending material litigation, involving the trademarks. There are no agreements that significantly limit our rights to use or franchise the use of any of these trademarks.

If we decide that you or we should change or stop using any Trademark or use other marks, you must follow our directions to change or stop using the Trademark or use one or more other marks within a reasonable time after notice from us. We will reimburse you for your reasonable direct expenses in changing or stopping the use of a Trademark. However, we do not have to pay you for any loss of goodwill associated with any modified or discontinued Trademark or for any expenses you may have to promote a different mark.

You must immediately notify us of any apparent infringement of or challenge to your use of any Trademark or claim by any person of any rights in any Trademark, and you must not communicate with any person other than us or our counsel about the infringement, challenge, or claim. We have sole discretion to take the action we deem appropriate and the exclusive right to control any litigation, U.S. Patent and Trademark Office proceeding, or any other administrative or court proceeding concerning any Trademark. You must execute any instruments and documents, give us any reasonable assistance, and do those things that, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or U.S. Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Trademarks. At our option, we may defend and control the defense of any proceeding arising out of your authorized use of any Trademark.

We know of no superior prior rights or infringing uses that could materially affect your use of any Trademark.

#### **Item 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

There are no patents, pending patent applications, or registered copyrights that are material to your Franchise.

We rely on our common law copyright and trade secret protection to protect our rights in manuals, brochures, materials, systems, processes, and other proprietary items described in Item

Although we have not filed an application for copyright registration for any of these items, we claim a copyright and the information is proprietary. Item 11 describes the limits on your use of these items. You must promptly tell us when you learn about unauthorized use of this information. We do not have to take any action but will respond to this information as we think appropriate. We will indemnify you for losses in any action brought by a third party concerning your use of this information.

We claim proprietary rights in the contents of our Confidential Franchise Operations Manual and in all other materials and information related to the LMS System, including our methods of operating a business, specifications, marketing and sales techniques, advertising programs, supplier lists, price lists, expansion plans, advertising strategies, and other information we create or use. You agree to maintain the confidentiality of this information both during and after the term of the Franchise Agreement, and agree that you will not use this information in any other business or in any manner that we do not approve in writing. You may not communicate, divulge, or otherwise display this information to anyone other than your employees who have a need to know of it in order to operate your Franchised Business. You must have all your management personnel execute a non-disclosure/non-compete agreement, in a form we prepare, to ensure that they maintain the confidentiality of our confidential and proprietary information. Your client lists are our property, and you cannot use them for any purpose other than to support your Franchised Business. We have the right to take legal action against you if there has been an unauthorized use of our confidential information through you.

We are not required to protect or defend our copyrights, although we intend to do when it is in the best interests of the LMS System. We have the exclusive right to control any copyright litigation. We are not required to participate in your defense or to indemnify you for damages or expenses you incur if you are a party to any administrative or judicial proceeding involving our confidential information or copyrighted materials.

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

Either you (or your majority owner if you are an entity) or another person who you appoint and we have approved, must serve as the Agency Director who is responsible for directly managing and supervising the day-to-day operations of the Franchised Business. Your Agency Director must have successfully completed our Initial Training program. We do not require your Agency Director, who we approve and has successfully completed our Initial Training Program, to own an equity interest in the Franchised Business. In addition to the Agency Director, management positions shall include Office Manager and Recruiter/Caregiver Trainer. The same person can hold one or more management positions. We impose no limitations as to whom you may hire for management positions, except that each manager must have a current clean background check and that you must comply with all applicable laws and that you must not harm the goodwill associated with the Franchised Business and the Proprietary Marks (this requirement may affect who you hire as your manager).

An officer, a director, owner, or manager of Franchisee or an employee of Franchisee who will have access to the Confidential Information (as defined below) in connection with the operation of the Franchised Business at the Premises, must sign a Confidentiality and Non-Competition Agreement in a form attached as Exhibit B to the Franchise Agreement, agreeing not

to compete with Franchised Businesses while employed by you and for two years after their employment ends, and an agreement not to reveal confidential information obtained while employed by you. See Item 17 of this Disclosure Document for a description of these obligations.

If you are a corporation, limited liability company, or partnership, your owners who own more than a 10% ownership interest must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. The form of the “Guarantee and Assumption of Obligations” is attached as Exhibit E to the Franchise Agreement.

**Item 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer for sale and sell only those services and products that we have authorized in the Franchise Operations Manual or in writing, which may be updated periodically as we may determine necessary to add or remove products or services. You may not offer for sale any products or perform any services that we have not authorized. We have the right to change the types of authorized services and there are no limits upon our right to do so. Except as described below, we do not place restrictions upon your ability to serve clients provided you do so within your Protected Territory or within areas that are not assigned to other franchisees or otherwise restricted by us.

We may offer certain designated products or services that are not a normal part of the LMS System to franchisees for test marketing purposes, which may not be made immediately available to you, if ever. We may also give certain franchisees permission to sell certain products or services that are not a normal part of the LMS System, which you may not be permitted to purchase or sell.

**Item 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 1.1	Initial term is five years. Unless renewed, the Franchise Agreement will terminate upon expiration of the initial term.
b. Renewal or extension of the term	Section 1.2	One (1) renewal term of five years, subject to performance of contractual requirements.
c. Requirements for franchisee to renew or extend	Section 1.2	For each renewal term: give notice, comply with all material provisions, meet current standards for equipment and supplies, complete new training by Operating Manager, pay renewal fee, sign new Franchise Agreement (may include materially different terms and conditions), and sign general release (subject to state law).

d. Termination by franchisee	Section 14.1	In event we breach the Franchise Agreement, you may terminate after written notice to us of the breach, unless we are diligently attempting to cure the breach.
e. Termination by franchisor without cause	None	We cannot terminate the Franchise Agreement without cause.
f. Termination by franchisor with cause	Section 14.2-4	We may terminate the Franchise Agreement only if you default.
g. "Cause" defined - curable defaults	Section 14	You will be in default with an opportunity to cure such default if you: Fail or refuse to pay any amount you owe us or any affiliated company for any debt within ten (10) days after a demand from us for payment; offer for sale or sell any unauthorized product or service for more than three (3) days after notice to cease such offers or sales; operate the Franchised Business in a manner that presents a health or safety hazard and such manner of operation continues uncorrected for two (2) days after notice; failure to cure defaults under the Franchise Agreement within thirty (30) days after written notice; failure to make timely payments to any of the vendors we have designated and do not bring those payments current within ten (10) days of receipt of notice from us.
h. "Cause" defined – non-curable defaults	Section 14.3	You are insolvent or make an assignment for the benefit of creditors or have a receiver for your business appointed; you file a petition for bankruptcy or have a petition filed against you that is not dismissed in 30 days; you are adjudicated bankrupt; you take the benefit of any act or proceeding for winding up your affairs or compromising your debts; make a Transfer without first complying with the Franchise Agreement; you violate any law, ordinance, rule, or regulation applicable to the Franchised Business or involving moral turpitude; you make any unauthorized use of the Marks, make an unauthorized copy or disclosure of the Confidential Information; receive two (2) or more notices of default under during any twelve (12) consecutive month period.
i. Franchisee's obligations on termination/	Section 15	Pay amounts due; continue releases and waivers; not disclose Confidential Information; stop use of Trademarks; return manual, deliver to us all client

nonrenewal		information and all signs, computers, equipment, supplies and materials displaying the Trademarks; abide by noncompetition agreement.
j. Assignment of contract by Franchisor	Section 16.1	No restriction on our right to assign.
k. "Transfer" by Franchisee - defined	Section 16.2	Includes transfer of Franchise Agreement or ownership change.
l. Franchisor approval of transfer by Franchisee	Section 16.2	Our approval of a transfer is required. We will not unreasonably withhold our approval of a transfer provided the conditions for our approval of transfer are met.
m. Conditions for franchisor approval of transfer	Section 16.2	Transferee qualifies; your obligations are paid and you are not in default; transferee agrees to complete training and assumes obligations under existing agreement or signs our then current agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 16.6	We have a right to match any bona fide offer you receive for the purchase of your Franchised Business.
o. Franchisor's option to purchase franchisee's business	Section 15.6	Upon termination of your Franchise Agreement, we have the right to purchase all or part of the physical assets used in your Franchised Business, except your personal assets.
p. Death or disability of franchisee	Section 16.5	Your interest in the Franchise Agreement must be transferred within ninety (90) days to an approved buyer.
q. Non-competition covenants during the term of the franchise	Section 5.6	Includes prohibition on owning, operating, or being employed by a business that offers the same or similar services.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.5	For a period of two (2) years you will not have any interest as owner, partner, director, officer, lender, employee, consultant, representative, or agent, in a business that provides newborn care or overnight infant care service business within the Protected Territory or the Protected Territory of another franchisee, nor will you influence or

		attempt to influence your customers or former customers to divert this business from us, any of our affiliates, or another franchisee.
s. Modification of the agreement	Section 18	Any modification or amendment to the Franchise Agreement signed by all parties.
t. Integration/merger clause	Section 18	Only the terms of the Franchise Agreement are binding (subject to state law). Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	None	
v. Choice of forum	Section 18.17	All actions related to the Franchise Agreement will be brought in any state or federal court of general jurisdiction serving the County of Fairfax, Commonwealth of Virginia (subject to state law)
w. Choice of law	Section 18.17	The laws of the Commonwealth of Virginia apply (subject to state law)

**Item 18. PUBLIC FIGURES**

We currently do not use, compensate or provide any benefit to any public figure to promote our franchise, but we reserve the right to do so in the future.

**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 a franchisee is 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.

**Let Mommy Sleep Franchise Locations,  
Monthly Gross Income 2023**

	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>
<b># of Operating Locations</b>	9	9	9	10	10	10
<b>High</b>	\$ 142,829	\$103,471	\$82,995	\$66,645	\$94,391	\$ 105,148
<b>Low</b>	\$ 1,708	\$6,109	\$2984	\$500*	\$0*	\$1890*
<b>Average</b>	\$ 31,049	\$25,763	\$20,780	\$15,501	\$22,172	\$20,177

*\*new locations*

<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>
10	10	10	11	11	12
\$119,746	\$133,498	\$100,818	\$153,266	\$113,776	\$83,452
\$0	\$0	\$0	\$0*	\$0*	\$0*
\$21,730	\$21,965	\$14,336	\$23,067	\$ 19,313	\$17,103

**Item 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-wide Outlet Summary  
For Years 2020 to 2022**

\*The Company Owned Outlet identified in this and subsequent tables was operated by our affiliate Let Mommy Sleep LLC in Northern Virginia, Washington DC and portions of Maryland.

<u>Outlet Type</u>	<u>Year</u>	<u>Outlets at the Start of the Year</u>	<u>Outlets at the End of the Year</u>	<u>Net Change</u>
Franchised	2021	7	9	2
	2022	9	9	0
	2023	10	12	2
Company-Owned	2021*	1	0	1
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	8	9	1
	2022	9	9	0
	2023	10	12	2

**Table No. 2**  
**Transfer of Outlets from Franchisees to New Owners**  
**(Other than the Franchisor) For Years 2020 through 2022**

<u>State</u>	<u>Year</u>	<u>Number of Transfers</u>
Florida	2021	0
	2022	0
	2023	0
Illinois	2021	0
	2022	0
	2023	0
Maryland	2021	0
	2022	0
	2023	0
Nevada	2021	1
	2022	0
	2023	0
New Jersey	2021	0
	2022	0
	2023	0
Pennsylvania	2021	0
	2022	0
	2023	0
Virginia	2021	0
	2022	0
	2023	0
Total Outlets	2021	1
	2022	0
	2023	0

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2021 through 2023**

State	Year	Outlets at Beginning of Year	Outlets Opened	Terminations	Non Renewals	Re-acquired by Franchisor	Ceased Operations- other Reasons	Outlets at the End of the Year
Florida	2021	1	1	0	0	0	0	2
	2022	2	0	0	1	0	0	1
	2023	1	0	0	0	0	0	1
Idaho	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Illinois	2021	0	1	0	0	0	0	1
	2022	0	1	0	0	0	0	1
	2023	0	1	0	0	0	0	1
Kansas	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	1	0	0	0	0	0	1
Maryland	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	0	2	0	0	0	1	1
	2022	1	1	0	0	0	0	1
	2023	1	1	0	0	0	0	1
Pennsylvania	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	2	0	0	0	0	3
Virginia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total Outlets	2021	3	6	0	0	0	1	8
	2022	8	1	0	1	0	0	9
	2023	9	3	0	0	0	0	12

**Table No. 4**  
**Status of Company Owned Outlets**  
**For Years 2021 through 2023**

<b>State</b>	<b>Year</b>	<b><u>Outlets at the Start of the Year</u></b>	<b><u>Outlets Opened</u></b>	<b><u>Outlets Reacquired from Franchisee</u></b>	<b><u>Outlets Closed</u></b>	<b><u>Outlets Sold to Franchisee</u></b>	<b><u>Outlets at the End of the Year</u></b>
Virginia	2021	1	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total Outlets*	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

\*The company-owned units refer to our affiliate, Let Mommy Sleep, LLC.

**Table No. 5**  
**Projected Openings in 2024 as of December 31, 2023**

<b>State</b>	<b><u>Franchise Agreements Signed but Outlet not Opened (or opened as of Jan. 1 2023)</u></b>	<b><u>Projected New Franchised Outlet in the Next Fiscal Year, 2024</u></b>	<b><u>Potential New Company-Owned Outlet in the Next Fiscal Year</u></b>
California	0	2	2
North Carolina	0	1	1
Texas	1	1	1
TOTAL	1	4	4

There are no franchisees who had a franchise terminated, cancelled and not renewed, or who have not communicated with us within 10 weeks of the date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Wichita Kansas will transfer ownership on April 1, 2024.

No franchisees or developers have signed a confidentiality clause in a franchise agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with us.

There are currently no franchisee organizations associated with the franchise system that we created, sponsored, or endorsed, or any trademark-specific independent franchisee association that is incorporated or otherwise organized under state law and have asked to be included in this Franchise Disclosure Document.

There are currently 12 Franchised Businesses in operation. A list of franchisees in operation as of the Issuance Date is below:

**Florida**

Fitted AC Filters, LLC  
11702 SW 253 street  
Homestead, FL 33032  
786-473-7390

**Idaho**

HKAC Enterprises, LLC  
1486 S. Boulder View Lane  
Boise, ID 83712  
208-647-5337

**Illinois**

Dramedy7Fitness, LLC  
741 N. Kenilworth  
Elmhurst, IL 60126  
(773) 619-3092

**Kansas**

Dramedy7Fitness, LLC  
741 N. Kenilworth  
Elmhurst, IL 60126  
(773) 619-3092  
(transferred April 1, 2024)

**Maryland**

Joy Squared, LLC  
8494 Inspiration Avenue  
Walkersville MD 21793  
(240) 367-4456

**Nevada**

HC Seidel, LLC  
8586 S. Eastern Ave  
Las Vegas, NV  
702-518-4375

**New Jersey**

ARS RN, LLC  
177 West 51<sup>st</sup> Street  
Bayonne, NJ 07002  
201-844-8615

**Pennsylvania**

ALGroves, LLC  
P.O. Box 1812 Leesburg, VA 20177  
251-584-3554

**Texas, Dallas**

KhaLor Childcare, LLC  
5473 Blair Road, Ste 100  
Dallas, TX 75231  
945-234-1444

**Texas, Houston**

NFL Enterprises, LLC  
8507 Powell Ridge Drive  
Cypress, TX 77433  
832-497-8765

**Texas, San Antonio**

BolaBrunn, LLC  
9833 Ripple Dr.  
Williamsport MD 21795  
(210) 816-0711

**Virginia**

ALGroves, LLC  
P.O. Box 1812  
Leesburg, VA 20177  
(703) 600-9369

**As of the Issuance Date, we have 2 franchisees that has signed a  
Franchise Agreement in 2024:**

1. North Carolina - Lucky Star Placement, LLC has purchased the territory of Charlotte, NC.
2. Texas - NFL Enterprises, LLC has purchase a second location, of Austin, TX.

**Item 21. FINANCIAL STATEMENTS**

Attached as Exhibit E are our audited financial statements for the periods ending December 31, 2023. Our fiscal year end is December 31.

**Item 22.           CONTRACTS**

The following agreements and other required exhibits are attached to this disclosure document in the pages immediately following:

Ex. A: Franchise Agreement, including the following exhibits:

- A.     Protected Territory
- B.     Confidentiality and Non-Competition Agreement
- C.     ACH Authorization
- D.     Assignment of Franchise Agreement to a Corporation or Limited Liability Company
- E.     Guarantee of Obligations

**Item 23.           RECEIPTS**

The last two pages of this disclosure document are detachable receipt pages. Please sign and date as of the date you received this disclosure document, keep a copy for your records, and return the other copy to us.

**EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT BETWEEN  
LET MOMMY SLEEP FRANCHISING, LLC  
AND**

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**FRANCHISEE**

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**DATE OF AGREEMENT**

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EXHIBITS TO FRANCHISE AGREEMENT:

- A. Protected Territory
- B. Confidentiality and Non-Competition Agreement
- C. ACH Authorization
- D. Assignment of Franchise Agreement to a Corporation or Limited Liability Company
- E. Guarantee of Obligations

**LET MOMMY SLEEP FRANCHISING, LLC  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20 (the "Effective Date"), by and between LET MOMMY SLEEP FRANCHISING, LLC, a Virginia Limited Liability Company with its principal place of business at 6630 Rutledge Drive, Fairfax Station, VA 22039, Virginia ("we," "us," or the "Company") and \_\_\_\_\_, whose principal address is shown on Schedule A to this Agreement ("you" or "Franchisee").

WITNESSETH:

WHEREAS, we have developed, equipped, organized, managed and operated a business and business system (the "Business" or "Let Mommy Sleep") to provide support to families as they transition from hospital to home with their newborns, and includes management programs, standards, service programs, business methods, product specifications, software and proprietary marks and information ("Approved Products and Services"). The business system, which may be modified and further developed by us from time to time, provides programs for personnel management, sales promotion, advertising programs, franchisee training, business administration, business operations methods and other procedures and methods related to the operation of the Business (the "LMS System");

WHEREAS, we have certain rights to, and have registered in certain jurisdictions, the service mark "Let Mommy Sleep" and the trademarks, service marks, trade names, logotypes, commercial symbols, and styles related thereto which we specify in writing (collectively, the "Marks") for use in connection the operation of a business under the LMS System; and

WHEREAS, we license franchisees the right to use the Marks in connection with the operation and promotion of a business using the LMS System in accordance with the terms set forth in this Agreement and in our Franchise Operations Manual (the "Manual"), which may be revised by us from time to time; and

WHEREAS, you desire to establish a team to provide nurturing, overnight care of newborns and support to their parents as they transition from hospital to home with their newborns using the LMS System, including the Marks and Manuals, and have applied to us for such a right; and

WHEREAS, we desire to grant you such a right, under the terms and conditions set forth in this Agreement; and

WHEREAS, you understand and acknowledge the importance of our high uniform standards of quality, service, and appearance and the importance of ensuring the maintenance of those high standards in the territory described herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein, and for other valuable consideration, the receipt and sufficiency of

all of which are hereby acknowledged, you and we agree as follows:

## 1. GRANT AND RENEWAL OF FRANCHISE

1.1 *Grant of Franchise.* Subject to all the terms and conditions of this Agreement, we hereby grant you, and you hereby accept, the franchise and right (hereinafter the “Franchise”) to open and operate a business using the LMS System (the “Franchised Business”) within the area (the “Protected Territory”) described in Exhibit A attached to this Agreement, for a term of five (5) years (the “Term”), commencing on the Effective Date of this Agreement.

1.2 *Renewal of Franchise.* You may renew the Franchise for an additional five (5) year term, provided:

- (a) You deliver written notice to us of your intention to renew, less than nine (9) months but more than six (6) months before the end of the Term;
- (b) You are in full compliance with this Agreement or any other agreement with us or any of our affiliates, and no event shall have occurred that, with the giving of notice, the passage of time, or both, would constitute a default under this Agreement or any other agreement with us or any of our affiliates, including all financial obligations to us;
- (c) You execute our then-current standard franchise agreement, which may contain terms that differ significantly from the terms of this Agreement; which differences may include, without limitation, different provisions regarding Royalty and Service Fees, Technology Fees, Advertising Fees, sales quotas, and the length of the Term;
- (d) Before the end of the existing Term, you pay us a non-refundable renewal fee equal to 35% of the initial franchise fee; and
- (e) You execute a general release, in a form we prepare at our sole cost and expense, of any and all claims against us and our affiliates, directors, officers, and employees.

For the purposes of this Section 1.2, you will be deemed to have irrevocably declined to renew the Franchise and the foregoing option will automatically terminate if you fail to execute and deliver to us all documents required for such renewal, including the then-current franchise agreement and the general release, within thirty (30) days after we deliver them to you for signature.

1.3 *Effect of Termination.* Termination or expiration of this Agreement will constitute a termination or expiration of the Franchise and will require immediate cessation of the Franchised Business.

## 2. PROTECTED TERRITORY

2.1 *Designation of Protected Territory.* Except as otherwise set forth below, during the Term of this Agreement we will not operate ourselves, nor enfranchise others to operate, a business that is the same or substantially similar to the Franchised Business within your Protected Territory.

2.2 *Our Rights Within Your Protected Territory.* During the term of the Franchise Agreement, we (and any of our affiliates) have the right:

- (a) to establish and operate, and grant rights to others to establish and operate, the Franchised Business and any other similar or dissimilar business at any locations and on any terms and conditions we deem appropriate outside of the Protected Territory; provided however, that no other Franchised Business will be granted a protected territory that overlaps with any portion of your Protected Territory, and we will not knowingly permit any other franchisee to target its marketing activities into your Protected Territory or otherwise directly solicit customers within your Protected Territory;
- (b) within and outside the Protected Territory, to develop and establish other business systems (including systems that distribute products or services similar to those offered by the Franchised Business) using names or marks other than the Marks, and to grant licenses to use those systems;
- (c) to sell any products and related services identical or similar to, or dissimilar from, those your Franchised Business sells, whether identified by the Marks or other trademarks or service marks, within and outside your Protected Territory, through any method of distribution other than a dedicated Let Mommy Sleep Franchised Business, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "Alternative Distribution Channels");
- (d) to permit our franchisees operating Franchised Businesses at any location to provide in-home care services in any of their client's homes located anywhere in the world;
- (e) to advertise and promote the LMS System in any or all geographic areas (including the Protected Territory) as we determine appropriate in our sole discretion;
- (f) to purchase or otherwise acquire the assets or controlling ownership of one or more businesses identical or similar to your Franchised Business (and/or franchise, license, and/or similar agreements for these business), some or all of which might be located in or near your Protected Territory;
- (g) to be acquired (regardless of the form of transaction) by a business identical or similar to Let Mommy Sleep Franchised Business, even if the other business

operates, franchises and/or licenses competitive businesses located in or near your Protected Territory; and

- (h) to engage in any other business activities not expressly prohibited by the Franchise Agreement, anywhere.

*2.3 Services Outside Your Protected Territory.* With our permission, you may provide the services licensed by this Franchise Agreement to locations outside of your Protected Territory, provided that the location does not fall within the protected territory of any other Let Mommy Sleep franchisee, or within the territory of any Let Mommy Sleep business operated by us or any of our affiliates. If the location falls within a protected territory of another franchisee or a territory in which we or our affiliate operates, you may provide services at that location only after receiving the express prior written consent of both the other franchisee and from us, which consent may be revoked at any time by either of such consenting parties. If you are servicing a location outside of the Protected Territory and not within the protected territory of another franchisee, but the area in which that location is situated is later sold to another franchisee, you will immediately upon receipt of notice of such a sale, and at our discretion, cooperate with the new franchisee in transferring the account over to the new franchisee, with no financial benefit accruing to you. If you purchase a territory that contains customers that are being serviced by another franchisee, these customers will be turned over to you if and when we determine it is appropriate. The transfer is at the sole discretion of us and these rights may be revoked if we determine you fail to maintain these accounts to our standards.

*2.4 Marketing Activities.* You may not market or otherwise solicit business outside of your Protected Territory. The only exception to this rule is that you may advertise online. Any ads you intend to place in any on-line format must be pre-approved by us.

*2.5. Minimum Gross Revenues.* Notwithstanding anything in this Agreement to the contrary, beginning the thirteenth (13) month following the Effective Date, if you do not achieve the minimum Gross Revenue amounts set forth in Section 9.1 below for three or more consecutive months, such failure shall constitute a default of this Agreement and, without waiving our right to exercise any other remedies available to us under this Agreement in the event of a default, we may operate or enfranchise others to operate a business substantially similar to the Franchised Business within your Protected Territory.

### **3. COMMENCEMENT OF BUSINESS**

You may commence your Franchised Business only after you (or your controlling owner if you are an entity) successfully complete our Initial Training program described in Section 4.1 of this Agreement and only if you are then in full compliance with the terms and conditions of this Agreement. Prior to commencement of your operations, you must establish a business premises for the Franchised Business. The business premises may be your home (or in the case you are an entity, the home of the majority owner), which may be located within or outside your Protected Territory. In the event that you decide to lease your business premises, you will comply with any conditions and standards we may impose with respect to the terms of the lease and the operation of a Franchised Business from a leased premises. You will commence your

Franchised Business as soon as possible after the date of this Agreement, but in any event not later than ninety (90) days after you complete our Initial Training program to our satisfaction.

#### **4. TRAINING AND OPERATING ASSISTANCE**

4.1 *Training.* Before you begin your operation of the Franchised Business, you (or your controlling owner if you are an entity), the individual(s) who will principally manage the Franchised Business and anyone else who will be engaged in the daily operation of the Franchised Business must complete our Initial Training program involving the operation of a Let Mommy Sleep Franchise. We will conduct the Initial Training through our private website and our Franchise Operations Manual, and Initial Training Seminar held at our headquarters in Virginia. We will not charge you any additional fees for up to three (3) individuals to attend the Initial Training program. We will charge you our then current training fee for any additional people attending the Initial Training program. The attendees will travel to our Virginia Headquarters to attend the Initial Training program. You will be responsible for the expenses associated with your attendees in connection with attending the Initial Training program including, without limitation, the transportation, food, lodging, salary costs and benefit costs of your attendees.

4.2 *Completion of Training Program/Termination.* You must complete the Initial Training program to our reasonable satisfaction before you begin your operation of the Franchised Business. If, for any reason, you fail to satisfactorily prepare for or honor your training program obligations, you may be responsible for any additional expenses that may be incurred by our Trainer or Training Department.

4.3 *Hiring and Training of Employees and Vendors.* Management employee positions shall include an Agency Director, Office Manager and a Recruiter/Caregiver Trainer. The same person may hold one or more of the identified management positions. As more fully described in Section 5.6 of this Agreement, the Agency Director shall be responsible for the day to day oversight and supervision of the Franchised Business. You will be solely responsible for the terms of employment and compensation of all employees and vendors. You will perform a background check on every applicant. You will not hire anyone: (i) who does not possess applicable state and federal certifications and licenses; (ii) whose background check suggests that such person does not adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct; or (iii) who refuses or fails to complete satisfactorily the training program you or we, as the case may be, conduct. All your employees and vendors charged with management responsibility for the day-to-day operations of the Franchised Business must either be trained by us pursuant to Section 4.1 above or otherwise trained by you to our satisfaction. All such management personnel must execute a Confidentiality and Non-Competition Agreement in the form of Exhibit B to this Agreement, or in such other form as we may require, agreeing to maintain the confidential nature of our trade secrets, confidential and proprietary information, and the LMS System, including the Franchise Operations Manual, during the term of their employment and thereafter. You must inform us in writing immediately on the termination of employment of any management personnel.

4.4 *Additional Training.* From time to time we may offer additional training programs for you

and/or your staff. Attendance may be mandatory for specific trainings, as they may contain updates and continuing education from the American Academy of Pediatrics and other medical advisory boards. Fees and expenses for attendance is your responsibility. Trainings may be offered via webinars and online as well as in person, at our discretion.

*4.5 Operating Assistance.* At no additional cost to you, we will furnish you with such advice and ongoing assistance in connection with the operation of the Franchised Business as we deem necessary in our exercise of Reasonable Business Judgment, as defined in Section 18.23 of this Agreement. Operating assistance may consist of advice and guidance with respect to:

- (a) Methods and procedures for the purchase and use of equipment, materials, forms, displays, supplies, and other items you need to conduct your Franchised Business;
- (b) Such additional services and products as we may approve, from time to time, to be offered through your Franchised Business;
- (c) Formulating and implementing advertising and promotional programs using such merchandising, marketing, and advertising research, data, and advice as we may develop from time to time and deem to be helpful in the operation of the Franchised Business;
- (d) The establishment and implementation of administration, bookkeeping, accounting, and general operating procedures for the proper operation of the Franchised Business; and
- (e) Additional advice regarding your use of the LMS System.

In addition, we will provide you with the following assistance:

- (f) On-Site Training, on dates and at times that you and we mutually agree. To deliver the On-Site Training, our employee will travel to your location to provide you with additional training and assistance in the establishment and operation of the Franchised Business. Our On-Site training and assistance may cover the following areas: (i) assistance with developing training programs that you use to train your employees, representatives, and agents; (ii) in-house sales presentations; (iii) daily office operations; and (iv) operations review and assistance. You will pay us the then current fee for On-Site Training, plus the travel expenses we incur.
- (g) During the first three years of business your advertising plan must be approved by us. We will assist you with the preparation and the implementation of your advertising plan.
- (h) Ongoing assistance via weekly conference calls and phone calls and emails as needed to assist you with issues that arise that concern the Franchise.

You acknowledge and agree that we may grant to a sub-franchisor or area representative the right to sell franchises in operating territories not already licensed to franchisees of ours and may appoint the sub-franchisor or area representative to perform certain obligations of ours under this Agreement including, without limitation, providing you with ongoing operating assistance.

*4.6 Franchise Operations Manual.* In order to protect the reputation and goodwill associated with the LMS System, the Marks, and other Let Mommy Sleep franchises, you will conduct and operate your Franchised Business in accordance with the terms of this Agreement, our Franchise Operations Manual, a copy of which will be loaned to you during the Term, other written directives we issue from time to time, whether or not made a part of the Franchise Operations Manual, and other materials we approve for use in operating the Franchised Business. The Franchise Operations Manual will contain mandatory specifications, standards, and operating procedures we prescribe from time to time for all Let Mommy Sleep franchises and information related to your other obligations under this Agreement and to the operation of the Franchised Business. We will have the right to add to and otherwise modify the Franchise Operations Manual and from time to time to make changes to the LMS System, including changes to the Marks, authorized services or the methods of operation of the Franchised Business. We also may issue written directives that will accomplish the same purpose. All such specifications, standards, and operating procedures will be reasonable and consistent with your obligations under applicable law. Specifications, standards, and operating procedures we prescribe from time to time in the Franchise Operations Manual or otherwise communicate to you in writing will constitute provisions of this Agreement as if fully set forth herein. You will keep Franchise Operations Manual up-to-date with replacement pages and insertions as we instruct. You will hold the Franchise Operations Manual and any other written directives or materials of ours in trust and as our confidential and proprietary information, and you will use all reasonable efforts to protect such confidentiality. You will not at any time copy, duplicate, or reproduce any manual or other directive (“Items”) and not distribute, disseminate, transfer, or otherwise make the Items available to any unauthorized person. You will return the Franchise Operations Manual and all other Items to us at the end of the Term or immediately on termination of the Franchise or this Agreement for any reason. All Items, including the Franchise Operations Manual, will at all times remain our sole property and will at all times be kept and maintained in a secure place on your business premises. We may make the Franchise Operations Manual and any other Item available to you electronically online, on disk, or on some other medium, and you will be bound by this Agreement as if such Items were a printed paper copy.

## **5. OPERATING STANDARDS AND SERVICES**

*5.1 Services.* You will offer support to families as they transition from hospital to home with their newborns pursuant to the System-wide standards and specifications that we establish from time to time, providing all services, and only those services, that we authorize and may modify from time to time.

*5.2 Supplies and Materials.* You will use only supplies, materials, and forms (“Products”) we specify or otherwise approve as meeting our standards and specifications. If you propose to use any item or supplier that we have not specified or approved in writing, you will notify us and will submit to us, on our request, sufficient specifications, photographs, and other information or samples for examination and testing to permit us to determine whether, in our opinion, the Products

are of the same quality, appearance, safety, function and reliability as the Products we have approved, and in the case of suppliers, that the supplier is capable of supplying Products of the same quality, appearance safety, function and reliability. We will communicate our determination to you no more than thirty (30) day after we receive the foregoing information from you. We will not charge you any fee for reasonable examination or testing you request that we perform. We will provide you with a copy of any written standards and specifications beyond those specified in this Section 5.2 that we may from time to time establish for the approval of alternative Products and suppliers.

*5.3 Use of Materials Imprinted with Names and Marks.* You agree that the proper display of the Marks is important to the public recognition of the LMS System and, as a result, to the growth of your Franchised Business and the franchised businesses of our other franchises. As a result, you agree that you will use, whenever reasonably practicable, uniforms, clothing, sales slips, receipts, notices and other forms and materials imprinted with the Marks.

*5.4 Standards of Service.* You and your employees and caregivers will at all times give prompt, courteous, and efficient service to customers of the Franchised Business. In all dealings with customers, suppliers, and the public, you and your employees and caregivers will adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. All your advertising and promotion of the Franchised Business and its services will be in strict compliance with the standards we establish, will be completely factual, and will conform to the highest standards of ethical advertising. You agree to refrain from any business or advertising practice that may be injurious to the goodwill associated with other Let Mommy Sleep franchises or the LMS System, including the Marks. You agree that you will not deviate from the standards we set for the operation of the Franchised Business. You will guarantee your services and will respond promptly to all inquiries and complaints in order to achieve customer satisfaction. If in our

Reasonable Business Judgement it is necessary to take action to resolve a customer complaint, we may offer a reasonable settlement, and you will pay our cost of doing so promptly on our request. If a customer refuses to do business with you because of poor customer service and in our Reasonable Business Judgment another Let Mommy Sleep franchisee or our affiliate can meet the needs of the customer, you agree to allow another Let Mommy Sleep franchisee of our choosing or our affiliate to service and receive payment from that customer even though the customer is in your Protected Territory.

You acknowledge that it may be necessary or desirable to change or modify the LMS System and the methods and procedures you use to conduct the Franchised Business, and on notice from us, you will promptly implement such changes and modifications at your cost. You agree to comply with all of our specifications, standards, and operating procedures related to the operation of your Franchised Business; including, without limitation, specifications, standards, and operating procedures related to:

- (a) the providing of services for baby nurse and postpartum care;
- (b) the training of caregivers and their continued licensing requirements;
- (c) the general appearance of you and your caregivers;
- (d) the use of the Marks;

- (e) the hours that you will conduct the Franchised Business, subject to local laws and market conditions;
- (f) your use of signs, posters, displays, brochures, flyers, forms, and similar items; and
- (g) the identification of yourself as the owner of the Franchised Business and a licensed user of the Marks.

You further agree, as additional customer service programs, to:

- (h) contact each of your customers following the termination of service to discuss if their needs were met and to provide any follow up care or advice where needed; and
- (i) to report to us regularly (not less than each ninety (90) day period) regarding your compliance with these obligations.

*5.5 Pricing.* We may from time to time offer you advice or guidance concerning suggested prices you may wish to charge that we reasonably believe would constitute a good business practice for you. You will not be obligated to accept any such advice or guidance and you have the sole right to determine the prices you charge. No such advice or guidance will be deemed or construed to impose on you any obligation to charge any fixed, minimum, or maximum price for any product or service. Such advice or guidance concerning suggested prices may be contained in instructional material, the Franchise Operations Manual, or advertisements we prepare or arrange.

*5.6 Management/Conflicting and Competing Interests.* You (or if you are an entity, the controlling owner) or another person who we have approved and has successfully completed our Initial Training program described in Section 4.1 of this Agreement will serve as the Agency Director. The Agency Director shall directly manage the Franchised Business at all times, except for minor, temporary absences and reasonable vacations, in which case fully-trained management personnel will directly manage the Franchised Business at all times. You agree that you and your managers will at all times faithfully and diligently perform your obligations hereunder, that you and your managers will continuously devote your full-time attention, energy, and best efforts to promote and enhance the Franchised Business, and you and your managers will not engage in any business or other activity that will conflict with your obligations hereunder. You acknowledge that the operation of your Franchised Business is a full-time occupation and, therefore, you agree that you will not, during the Term of this Agreement, without our written approval, have any interest as an owner (except of publicly traded securities), lender, director, officer, employee, vendor, consultant, representative, or agent, or in any other capacity, in any other business that is similar to the Franchised Business, except other Let Mommy Sleep franchises.

*5.7 Computer Requirements.* You must have a computer dedicated solely to your Franchised Business that provides you with secured access to the Internet through a high-speed data connection and provides you with the capability to communicate with us, caregivers and your customers in the conduct of your Franchised Business. You must use any computer hardware and software that we specify in writing for the operation of your business, or any comparable hardware

or software approved by us in accordance with Section 5.2 of this Agreement. Further, your computer system hardware and software must meet any System-wide minimum specifications that we establish from time to time, including without limitation being configured to allow us to have remote access to the information and data related to your Franchised Business stored on your computer system.

*5.8 Compliance with Laws/Credit Cards.* You agree to comply with all laws applicable to the operation of your Franchised Business, including, without limitation, all wage and hour laws, labor department, workers' compensation and unemployment laws and rules. In addition, with respect to all credit card transactions and the customer information obtained through credit card usage, you agree to diligently comply with all statutes and rules regarding such usage and you will protect the privacy of your credit card customers. You agree that your obligations to indemnify us under Section 17.2 below includes any claims arising out of your failure to perform your obligations set out in this Section 5.8.

*5.9. Gift Card/Gift Certificates.* You agree to participate in gift certificate programs, or in any other gift card/gift certificate or customer loyalty program that we may institute from time to time for use by franchisees, under the terms and conditions that we specify. We may discontinue or change any such programs, provided, however, that we will provide you at least thirty (30) day advance written notice of the institution, change or discontinuance of any such program.

## **6. INSURANCE AND EMPLOYEE BOND**

*6.1 Insurance.* You will procure, and maintain in full force and effect throughout the Term, the following insurance:

- (a) Insurance on the generally accepted "all risk" form insuring all personal property, leasehold improvements (if you lease an office), and assets of every description and kind you use in the Franchised Business, for the full insurable value thereof;
- (b) Comprehensive general and professional liability insurance with a limit of not less than One Million Dollars (\$1,000,000) per occurrence (combined single limit for bodily injury and property damage) or, if higher, the statutory limit required by law, for bodily injury, death and property damage caused by or occurring in conjunction with the operation of your Franchised Business, premises/operations, products/completed operations, and contractual liability, and deletion of the standard "care, custody and control" exclusion, with respect to the activities you and any employee or other person performing work on your behalf conducts;
- (c) Automobile liability insurance (where applicable) with limits of not less than Five Hundred Thousand Dollars (\$500,000) per accident for all owned, hired, and non-owned vehicles you, your employees, or any other person performing work on your behalf operate; and
- (d) Workers' compensation insurance as required by state law, and employers' liability insurance with limits of not less than \$100,000 per person.

All such insurance policies will be written by responsible insurers with an A.M. Best rating of “A” or better, licensed to conduct business in the Protected Territory, will name us as an additional insured, and will provide that we receive thirty (30) days’ written notice prior to termination, expiration, or cancellation. At least ten (10) days before you begin operation of the Franchised Business, and annually thereafter, you will submit to us a copy or certificate or other acceptable proof of such insurance. During the Term, we may increase the minimum insurance limits from time to time and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, court awards, and other relevant circumstances. If you at any time fail or refuse to maintain in effect any insurance coverage required by this Agreement, we may, at our option and in addition to our other rights and remedies under this Agreement, obtain such insurance coverage on your behalf, and you will promptly execute any applications or other forms or instruments required to obtain any such insurance and, on demand, reimburse us for any and all costs or expenses we incur and premiums we pay related to such insurance.

## **7. PROPRIETARY INFORMATION**

7.1 *Trade Secrets.* You acknowledge that your knowledge of the distinctive methods,

techniques, specifications, standards, policies and concepts of the LMS System are derived solely from information we disclose to you pursuant to this Agreement, the Let Mommy Sleep training programs, the Franchise Operations Manual, and otherwise in connection with your use of the LMS System (the “Confidential Information”). You acknowledge and agree that the Confidential Information is a valuable asset of ours, is proprietary, includes trade secrets, and is disclosed to you solely to benefit the Franchised Business. You agree that you will not use the Confidential Information in connection with any other business and will maintain its secrecy and confidentiality during the Term and thereafter. In addition, you agree not to copy, reproduce, disseminate, or otherwise disclose the Confidential Information except with our written consent, or to your employees and vendors to the extent necessary for them to operate the Franchised Business, and will take all necessary action to prevent the unauthorized use of, or access to, the Confidential Information. You also agree that you acquire no interest in the Confidential Information other than the right to use it in the operation of the Franchised Business. You agree to require all of your owners (if you are an entity), your officers, directors, managers and employees who will have access to Confidential Information to sign a Confidentiality and Non- Competition Agreement in the form of Exhibit B to this Agreement, or in such other form requested by us.

*7.2 Customer Names.* You agree that any and all customer lists, and their contents, are our property whether supplied by us or not. You agree that you will treat customer lists and their content as Confidential Information and you will not use the customer lists or their content for any purpose other than in relation to the operation of your Franchised Business. You will, on demand, promptly deliver to us a complete list of your customers including all information we may request related to such customers. You acknowledge that you may be required to provide the list via electronic transfer or computer disk.

## **8. INITIAL FRANCHISE FEE AND INITIAL PACKAGE**

*8.1 Initial Franchise Fee.* You will pay us, in full, on the delivery of this Agreement, a non-recurring initial franchise fee of Twenty Nine Thousand Dollars (\$29,000.00) (“Initial Franchise Fee”). The Initial Franchise Fee is fully earned when you pay it and is non-refundable, except as set forth in Section 14.2 of this Agreement.

*8.2 Discount for Purchase of Additional Outlets.* Current franchisees receive a discount of 50% off the standard franchise fee for the additional outlet(s) they are purchasing. Purchase price is Fourteen Thousand Five Hundred Dollars (\$14,500). The discount applies to 2 additional outlets.

## **9. ROYALTY AND SERVICE FEE**

*9.1 Amount and Payment of Royalty and Service Fee.* You will pay us a non-refundable monthly fee (the “Royalty and Service Fee”) equal to four percent (4%) of your monthly Gross Revenue; provided, however, beginning with the thirteenth (13<sup>th</sup>) month following the Effective Date, for any month the Gross Revenue is less than the following minimum amounts, then you will pay the following amount as the Royalty and Service Fee for that month:

<u>Months</u>	<u>Minimum Gross Revenue</u>	<u>Royalty and Service Fee</u>
13-24	\$5,000	\$400.00
25-37	\$10,000	\$600.00
38-60	\$15,000	\$600.00

Royalty and Service Fees are payable by the fifteenth (15<sup>th</sup>) day of each month throughout the Term, based on Gross Revenue for the preceding month.

9.2 *Technology Fee.* In exchange for us maintaining the Let Mommy Sleep website pursuant to Section 10.4 that will benefit you and our franchisees, you will pay us a non-refundable monthly fee of Three Hundred Dollars (\$300.00) (hereinafter “Technology Fee”). We reserve the right to increase the amount of the Technology Fee up to Five Hundred Dollars (\$500.00) per month upon thirty (30) days’ notice to you. Upon the termination of this Agreement at the end of the Term or for any other reason, the Technology Fee for the calendar quarter in which the termination occurs will be prorated and will be payable on the termination date.

9.3 *Definition of Gross Revenue.* As used in this Agreement, the term “Gross Revenue” means the actual gross charges, whether or not actually collected, for all goods and services purchased by or provided to your customers, whether for cash, credit, barter, or in kind, and whether in, upon, from, through or by any means, related to the Franchised Business. Gross Revenue will exclude the price of goods exchanged for goods, the sale of which has already been included in Gross Revenue, and the amount of any retail tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers at the point of sale by you acting as agent for such authority.

9.4 *Electronic Funds Transfer.* You acknowledge that we have entered into a relationship with a firm for electronic funds transfer services between our franchisees and us. As a result, upon our request you will pay all Royalty and Service Fees, Technology Fees and Advertising Fees (defined below) through the electronic funds transfer service we have established or such other service as we may designate from time to time, and will follow all procedures we establish in connection therewith, which you acknowledge and agree may involve authorizing us or our designee, through a telephone or computer link, to transfer funds electronically from your financial institution to one or more bank accounts we hold. We agree to provide you with reasonable operating procedures in order to facilitate use of such electronic funds transfer services. If you fail to timely pay any Royalty and Service Fees, Technology Fees or Advertising Fees more than twice during the term hereof, we may thereafter require that all such fees and other sums payable by you to us be paid by bank draft that we may do with your bank account. For this purpose, you agree, upon execution of this Agreement, to execute the Authorization Form attached hereto as Exhibit C and thereafter any other form that we may request, in order to enable us to draft your accounts. In the event you fail to provide us with the required information enabling us to calculate the amounts payable to us, we have the right to estimate the amounts due and draft that amount, adjusting the amount later as the correct amount may become known to us. You further agree that upon termination or expiration of this Agreement, if you owe us any money, we may draft your account for that sum.

9.5 *Reimbursement of Taxes and Costs.* Should any taxing authority impose upon us any “franchise” or other tax that is based on the gross sales, gross revenues, business activities, or operation of the Franchised Business, rather than our revenues, you will reimburse us in an amount equal to the amount of such taxes imposed on us and related costs and expenses paid by us. You will make such reimbursement within ten (10) days after written notice that we are entitled to reimbursement for payment of such taxes and other amounts as set forth in this Agreement.

## 10. ADVERTISING AND PROMOTION

10.1 *By Us.* We may develop national, regional and local advertising materials, marketing programs and media placement as appropriate, including internet alliances that will directly or indirectly cover the area of dominant influence where your office is located; and engage in test marketing and conduct surveys within and outside your Protected Territory. If we develop and conduct a national, regional, and/or local advertising and promotional program (“Advertising Program”), we may require you to contribute toward the expense of the Advertising Program by paying a monthly advertising fee (“Advertising Fee”), of up to two percent (2%) of your Gross Revenue (to be paid monthly when you pay your Royalty and Service Fee), which you agree to pay if we impose it. The Advertising Fee will be deposited directly into an advertising fund (“Advertising Fund”) which we will control. The Advertising Fund will be used for development costs, marketing, advertising, production and media expenses related to the Advertising Program, including the payment of overhead expenses and employee salaries for services provided in developing and conducting the Advertising Program. You acknowledge and agree that our advertising efforts are intended to maximize general public recognition and acceptance of the LMS System and that we are not obligated to ensure that any particular Let Mommy Sleep franchise or you benefit directly from expenditures of the Advertising Fund, if one is established.

10.2 *By You.* It is suggested that you spend a minimum of \$200 during each of the first six months of operations on local or regional advertising, although you may place your local advertising in a collaborative effort with other Let Mommy Sleep franchisees if you prefer. You must provide us with monthly reports documenting your advertising expenditures, to include Profit and Loss Statements and other documentation as requested, so that we may verify your expenses. All your local advertising must be completely factual and must comply with our guidelines for advertising as specified in the Franchise Operations Manual or other written directives. You must submit all advertising material to us for our approval or disapproval at least two (2) weeks prior to publication. If disapproved, we will notify you in writing within one (1) week following the receipt of your material. You will not publish, broadcast, display or use in any way advertising that we have disapproved.

10.3 *Franchisee’s Name and Photograph.* You hereby grant us the right, without compensation to you, to use your name, business address, photograph, and biographical information in any publication related to the LMS System, including in relation to the sale of other Let Mommy Sleep franchises.

10.4 *Advertising on the Internet.* We retain the sole right to market and advertise the LMS System and the Franchised Business on the Internet, including the use of websites, domain names, uniform resource locator's, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, social networking sites (including but not limited to Facebook, Twitter, LinkedIn, Google, YouTube, blogs, vlogs, and other applications), auction sites, e-commerce and co-branding arrangements. We will maintain a website for our benefit and the benefit of our franchisees. You will not establish a website or permit any other party to establish a website that relates in any manner to the LMS System, the Franchised Business or referring to the Marks without our written approval. We provide, through our public website, the opportunity for you to have your own personalized section to focus on your local audience. The content of your personalized section will be subject to our approval. You acknowledge that our public website ([www.letmommysleep.com](http://www.letmommysleep.com)) is an advertising vehicle and that you are required to fully utilize all of its capabilities including on-line documentation.

## **11. RECORDS AND REPORTING**

11.1 *Bookkeeping, Accounting and Records.* You will employ a qualified bookkeeping service or individual we approve to maintain a bookkeeping, accounting, and record-keeping system for the Franchised Business, which system will conform to the requirements we prescribe including, without limitation, the use and retention of invoices, time-cards, payroll records, check stubs, bank deposit receipts, sales tax records, federal and state income tax returns, cash disbursements, journals, and general ledgers. You will keep such documents at your business premises throughout the Term, and thereafter will keep us advised of their location.

11.2 *Reports and Tax Returns.* You will furnish to us, in a form and manner we prescribe:

- (a) A report of your monthly Gross Revenue, as defined in Section 9.3 above, for the preceding month. The report must be transmitted via electronic mail ("e-mail") so we receive it by the fifteenth (5<sup>th</sup>) day of each month for the previous month. To facilitate the transmittal of these reports, you agree to comply with reasonable operating procedures we establish and to access the necessary e-mail program to communicate with us;
- (b) An exact copy of all returns, schedules, and reports you file for federal and state income, corporate, or sales tax purposes, within thirty (30) days after you file such documents;
- (c) A monthly profit and loss statement, and a profit and loss statement from the beginning of your current fiscal year to the end of the preceding month, verified and signed by you, on the 5<sup>th</sup> of each month;

- (d) An unaudited annual statement of profit and loss and the source and application of funds for the Franchised Business for that fiscal year, together with a balance sheet as of the end of the fiscal year prepared by a certified public accountant and verified as to the information you furnished to such accountant, within sixty (60) days after the end of each fiscal year; and
- (e) Such other reports, sales slips, refunds, order forms, and records as we may from time to time require.

11.3 *Audited Financial Statements.* If we determine in our Reasonable Business Judgment that any report, financial statement, tax return, or financial schedule you furnish understates your Gross Revenue, distorts any other information, or is incomplete, unclear or misleading, we will have the right to require you to furnish audited financial statements for the fiscal year in question.

## 12. INSPECTIONS AND AUDITS

12.1 *Our Right to Inspect.* To determine whether you are complying with this Agreement, we will have the right, at any time during normal business hours, and without prior notice to you, to enter onto your business premises or such other premises where you are then conducting the Franchised Business or where you maintain the records of the Franchised Business or request via electronic means or written documentation, and inspect your business records, which records will include, but will not be limited to, your online caregiver documentation system, your bookkeeping and accounting records, invoices, payroll records, ledgers, sales reports, timecards, check stubs, bank deposits, receipts, sales tax records and returns, inventory records, nurses reports and caregiver records, and other documents. We will further have the right to take or supervise a physical count of all inventory, materials, and supplies associated with the Franchised Business. You will cooperate fully with our representatives making, conducting, supervising, or observing any such inspection. On notice that your bookkeeping or record keeping system is inadequate or that any materials or supplies do not meet specifications, standards, or requirements, or that the inspection otherwise reveals that you are in violation of this Agreement, you will take all appropriate action immediately to correct such deficiency or violation.

12.2 *Our Right to Audit.* We will have the right at any time during normal business hours, and without prior notice to you, to audit or cause to be audited, your books, records, reports, financial statements, and tax returns that you are required to submit to us under this Agreement as well as those of any corporation to which you have assigned this Agreement. If we should determine that an audit is necessary after the expiration or termination of this Agreement, you will, on notice, deliver all required records and documents to us, failing which we may enter onto the premises where you are then keeping such records and documents and conduct such an audit. You will cooperate fully with our representatives and accountants conducting any such audit. In the event that any such audit should disclose an understatement of Gross Revenue for any period or periods, you will pay, within fifteen (15) days after receipt of the audit report, the amount of such understatement. Further, in the event such audit is made necessary by your failure to furnish books, records, reports, financial statements, tax returns, or schedules as herein required,

or if an understatement of Gross Revenue for any period is determined by any such audit to be greater than two percent (2%) of the Gross Revenue for such period, you will reimburse us for the cost of such audit including, without limitation, the charges of any accountant and the transportation, food, lodging, salary, and benefit expenses of our employees or representatives who conducted the audit.

12.3 *Information from Others.* You hereby authorize us to make reasonable inquires of your bank, suppliers, and trade creditors concerning the operation and business affairs of your Franchised Business, and hereby direct such persons and companies to provide to us with such information and copies of any such documents we may request.

### **13. OWNERSHIP OF MARKS**

13.1 *Ownership of Names and Marks.* You acknowledge that we are the owner of the Marks, that your right to use them is derived solely from this Agreement, and that such right is limited to the operation of the Franchised Business in accordance with this Agreement and all standards, specifications, and operating procedures we prescribe from time to time. You agree that your usage of the Marks and any goodwill established in the Marks will inure to our exclusive benefit and that this Agreement does not confer any goodwill or other interest in the Marks on you except the limited and non-exclusive right of use set forth in this Agreement. You further agree that after the termination or expiration of this Agreement, you will not, directly or indirectly, at any time or in any manner, identify any premises or any other business as a franchise of ours, or yourself as a franchisee of or otherwise associated with us; nor will you use in any manner or for any purpose any of the Marks or colorable imitations of them.

13.2 *Limitations on Your Use of Marks.* You will use “Let Mommy Sleep”, along with a description we approve identifying the geographic area of your Protected Territory, to identify the Franchised Business. All stationery and other written materials you use will conform to our standards and specifications but, in any event, such items will clearly indicate that you are a business independent from us and that you are solely a licensed user of the Marks. If local laws require that you file an affidavit or other registration disclosing that you are conducting business under an assumed or trade name, you will state in such filing or affidavit that you are using such name as our franchisee. You will not use any of the Marks as part of any corporate name or with any other prefix, suffix, or other modifying words, terms, designs or symbols (other than as required in this Agreement or with logos licensed to you under this Agreement), or in any modified form; nor will you use any Mark in connection with the sale of any unauthorized product or service or in any other manner we do not expressly authorize in writing. You will enter into contracts only in your name or the name of your corporation. On written notice from us, you will display the “®” or “TM” symbols beside any or all of the Marks as we may require. If it becomes advisable at any time in our opinion for you to modify or discontinue use of any Mark, or to use one or more additional or substitute Marks, you agree to do so, and our sole obligation in any such event will be to reimburse you for your reasonable out- of-pocket costs of complying with this obligation excluding, without limitation, any expenditures relating to advertising or promotional material, and compensation for goodwill, related to the discontinued Marks.

13.3 *Notification of Infringements and Claims.* You will notify us immediately of any apparent infringement of, or challenge to, your use of any of the Marks, and of any claim by any person of any rights to any of the Marks. You will not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim. We will have the right to take such action as we deem appropriate, and the exclusive right to control any litigation or administrative proceeding of a regulatory agency or court of law related to any infringement of, or challenge or claim to, any of the Marks, or in any way related to the Marks. Any damages or other benefits related to any such infringement, challenge, claim or proceeding will accrue exclusively to us.

## 14. TERMINATION OF FRANCHISE

14.1 *By You.* If you are in substantial compliance with this Agreement and we breach this Agreement and do not correct such breach within thirty (30) days after we receive written notice describing such breach, or if such breach cannot be cured within a thirty (30) day period and we do not undertake diligently to attempt to cure the breach within the cure period and continue to do so thereafter until the breach is cured, then you may terminate this Agreement effective ten (10) days after we receive your written notice of termination. Your termination of this Agreement, except in accordance with this Section 14.1, will be deemed to be a termination without cause and a breach of this Agreement by you.

14.2 *By Us: Partial Return of Initial Franchise Fee.* In the event that:

- (a) You do not commence operating the Franchised Business as required in Section 3 above; or,
- (b) You are unable to complete satisfactorily the Initial Training program, as required in Section 4 above, within ninety (90) days following the Effective Date; then we may terminate this Agreement, effective immediately on delivery to you of written notice of termination. In the event of such termination and on delivery to us of all releases, waivers, and other instruments we may require to effect the termination of this Agreement and all other related agreements and to settle all purchases and other transactions, we will refund to you fifty percent (50%) the Initial Franchise Fee.

14.3 *By Us.* This Agreement will terminate at the expiration of the Term unless renewed in accordance with Section 1.2 hereof. We may terminate this Agreement without notice, without any refund of the Initial Franchise Fee, or any other fees paid under this Agreement, and without giving you an opportunity to cure, if you or any entity to which you have assigned this Agreement:

- (a) become insolvent or make an assignment for the benefit of creditors;
- (b) files a petition in bankruptcy, if such a petition is filed against you and is not dismissed within thirty (30) days from the filing date, or if you are adjudicated bankrupt;

- (c) fail to contest, satisfy, lift, or vacate, within thirty (30) days, any execution, seizure, foreclosure, levy, or distress against the assets of the Franchised Business;
- (d) have a receiver or other custodian appointed for your Franchised Business or, within thirty (30) days from the filing of a proceeding for the appointment of a temporary or permanent receiver or other custodian of the Franchised Business, the proceeding is not dismissed;
- (e) take the benefit of any act or proceeding for winding up your affairs or compromising your debts;
- (f) make a Transfer, as defined in Sections 16.2 and 16.3 below, of the Franchise or Franchised Business without first complying with the relevant provisions of this Agreement;
- (g) make any unauthorized use of the Marks, make an unauthorized copy or disclosure of the Confidential Information, make an unauthorized copy or disclosure of the Franchise Operations Manual or seek to challenge our ownership rights in the LMS System, including the Marks and Confidential Information;
- (h) abandon or surrender or transfer control of the operation of the Franchised Business or fail to actively conduct the Franchised Business as required in this Agreement and such condition continues for two (2) days after notice of such default is given; provided, however, we will not terminate this Agreement solely as a result of abandonment of the operation of the Franchised Business due to your death without first giving ten (10) days' prior written notice to your trustee, executor, administrator, or next of kin as shown in our files;
- (i) submit on two (2) or more occasions at any time during any calendar year, a report, financial statement, tax return, schedule, or other information, or any supporting record, that understates your Gross Revenue for any period by more than two percent (2%), unless you demonstrate that such understatement resulted from inadvertent error;
- (j) fail or refuse to submit any report, financial statement, tax return, schedule, or other information or supporting record required under this Agreement, or submit such report or record more than five (5) days late on two (2) or more occasions during the Term;
- (k) operate the Franchised Business in a manner that presents a health or safety hazard to your customers, employees, vendors or the public, and such manner of operation continues uncorrected for two (2) days after notice to correct such hazard;

- (l) fail or refuse to pay any amount you owe us or any affiliated company for any debt whatsoever within ten (10) days after a demand for payment, or fail to honor on two (2) or more occasions during the Term checks presented to us or any affiliated company for payment, or repeatedly and consistently pay any amount due under this Agreement after its due date;
- (m) offer for sale or sell any unauthorized product or service for more than three (3) days after notice to cease such offers or sales;
- (n) fail to comply with any other provision of this Agreement or any other specification, standard, or operating procedure we prescribe and do not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you;
- (o) violate any law, ordinance, rule, or regulation applicable to the Franchised Business or involving moral turpitude, and do not correct such violation promptly after notification thereof from any source, unless there is a *bona fide* dispute as to the violation or status of such law, ordinance, rule, or regulation, and you promptly resort to courts of appropriate jurisdiction to contest such violation or status;
- (p) receive two (2) or more notices of default under this Agreement during any twelve (12) consecutive month period regardless of whether or not you cure such defaults and whether or not they relate to the same default;
- (q) appear in our Reasonable Business Judgment applying generally accepted accounting principles to be in danger of becoming an insolvent person or entity unless within twenty (20) days after notice of default under this subparagraph you demonstrate to our satisfaction that you are, in fact, in no danger whatsoever of becoming insolvent and that you are financially able to fulfill all of your obligations to your customers, us, and all other creditors;
- (r) die or become permanently incapacitated, as described in Section 16.5 below, and the Franchise and Franchised Business have not been assigned to a person acceptable to us within ninety (90) days after such death or incapacity; or
- (s) fail to satisfy any complaint received within three (3) months and/or receive six (6) complaints within any twelve (12) consecutive month period;
- (t) fail to make timely payments to any of the vendors we have designated to you and do not bring those payments current within ten (10) days of receipt of notice from us.

14.4 *Statutory Cure Period.* If the status in the state or municipality in which the Franchised

Business is located requires application of that statute or municipal law, and that statute requires a cure period for the applicable default which is longer than any cure period specified in Section 14, the statutory cure period will apply.

14.5 *Liquidated Damages*: If we terminate this Agreement for cause, you must pay us within fifteen (15) days after the effective date of termination liquidated damages equal to the average monthly Royalty and Service Fees you paid to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lesser. This payment is in addition to any other amounts you owe to us and any affiliate of ours upon termination, and any other rights and remedies available to us upon termination under this Agreement, at law and in equity.

## **15. YOUR RIGHTS AND OBLIGATIONS ON TERMINATION OR EXPIRATION**

15.1 *Payment of Amounts Owed*. You agree that within five (5) days after the effective date of termination or expiration of this Agreement, you will pay all amounts you owe to us and any affiliate of ours, and you will pay your trade and other creditors that are then unpaid. All periodic payments will be deemed to accrue daily and will be adjusted accordingly.

15.2 *Return of Manuals and Retention of Records*. You agree that within five (5) days after the effective date of termination or expiration of this Agreement, you will return to us all copies of all Confidential Information previously received from us; including, without limitation, the Franchise Operations Manual and any other manuals we provided to you for use in the Franchised Business, any software belonging to us or our affiliates, and a complete list of your past and present customers, including their addresses and telephone numbers. You will promptly and professionally correspond with all current customers and return all customer property including keys. You will retain all business records described above in Section 12 of this Agreement (including ledgers, sales reports, accounts, and checks) for at least six (6) years after the effective date of termination or expiration and will keep us advised of the location of such records. You will permit us to inspect such records at any time during normal business hours.

15.3 *Transfer of Telephone Numbers and Directory Listings*. You agree that immediately on termination or expiration of this Agreement, you will take such action as is required pursuant to that certain Telephone Listing Agreement attached to this Agreement as Schedule D.

15.4 *Cancellation of Names*. You agree that within five (5) days after the effective date of termination or expiration of this Agreement, you will cancel any trade names or d/b/a names using our name or any of the Marks.

15.5 *Covenant Not to Compete*. If this Agreement either expires and is not renewed, or is terminated prior to its designated expiration date by us in accordance with the provisions of this Agreement or by you without cause, you agree that for a period of two (2) years, commencing on the earlier of: (i) the effective date of any injunction or other court order against you barring you from conducting the Franchised Business and using the Marks; or (ii) the date on which you cease to conduct the Franchised Business, you will not have any interest as owner (except up to a

5% ownership interest in publicly held corporations registered under the Securities Exchange Act of 1934), partner, director, officer, lender, employee, consultant, representative, or agent, in a business that provides newborn care or overnight infant care services within the Protected Territory or the Protected Territory of another Let Mommy Sleep franchisee, nor will you influence or attempt to influence your customers or former customers to divert their business from us, any of our affiliates or another Let Mommy Sleep franchisee. If all or any portion of a covenant in this Section 15.5 is held unreasonable or unenforceable by a court, agency, or other tribunal having valid jurisdiction in an un-appealed final decision to which we are party, you agree to be bound by any lesser covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this Section 15.5. Furthermore, you acknowledge and agree that we will have the right, in our sole discretion, to reduce the scope of any covenant contained in this Section 15.5 without your consent, effective immediately on your receipt of written notice, and you agree that you will comply forthwith with any covenant so modified.

*15.6 Our Right to Purchase.* In the event this Agreement is terminated for any reason or is not renewed, we will have the right, but not the obligation, exercisable by written notice delivered to you at any time after delivery of a notice of default under this Agreement or within thirty (30) days after the date of termination or expiration, to purchase all or part of your physical assets used in the Franchised Business except your personal assets. There will be no compensation for goodwill, and the purchase price for such assets will be equal to their fair market value less such goodwill. If you and we cannot agree on the purchase price for the assets that we desire to purchase within ten (10) days following our exercise of our option to buy, an independent appraiser you and we agree on will determine the fair market value, and you and we will share equally the cost of the appraiser. Such appraiser's decision will be final and binding with no appeal therefrom. The closing of the purchase will take place at a location, and on a date, we choose in our Reasonable Business Judgment, and will be completed in accordance with all applicable bulk sales legislation. At closing, you will deliver to us a bill of sale for the assets, in a form acceptable to us. We will be entitled to set off against the purchase price any amounts you then owe us or any affiliate of ours, and to pay out of the purchase price any of your unpaid creditors. In addition, and whether or not we purchase your business assets, we have the right, upon termination or non-renewal, to assume your lease for your business premises and take over possession of such premises.

*15.7 Continuing Obligations.* All obligations of the parties hereto that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Sections 7, 13, 15, and 17 hereof will survive termination or expiration of this Agreement.

*15.8 Signs and Appearance of Your Business Premises.* After the termination or expiration of the Franchise, you agree that you will immediately make such removals of or changes in signs and colors as we reasonably request so you are no longer identified as a Franchised Business. If you fail to make such changes immediately, then we may enter on your premises and make such changes at our expense without such action constituting a trespass.

15.9 *Transfer or Termination of Access to Website.* On termination or expiration of this Franchise Agreement, we will have the absolute right to terminate and deny you access to all subsites and access to the Let Mommy Sleep website. You acknowledge and agree that we have the absolute right to, and interest in, all domain names, websites, and search engines related to the Franchised Business and that we have the full right and authority to direct the above and all search engines to transfer your domain names, websites, and search engines to us or our designee if this Franchise Agreement expires or is terminated for any reason. You further acknowledge that this Agreement will constitute a release by you of the above and all other search engines from any and all claims, liabilities, actions, and damages that you may, at any time, have the right to allege against them in connection with this Section 15.9.

## **16. ASSIGNMENT, TRANSFER, AND ENCUMBRANCE**

16.1 *By Us.* This Agreement is fully assignable by us in whole or in part, and will inure to the benefit of and be binding on any assignee or other legal successor to our interest in this Agreement; provided, however, we will not assign this Agreement to any party unless we, in our Reasonable Business Judgment, determine that such party is able to perform all our obligations set forth in this Agreement.

16.2 *By You.* You will not assign, pledge, or encumber this Agreement, the Franchise, or the Franchised Business. This Agreement and the Franchise are personal to you and, except as provided in Section 16.3 below, neither this Agreement nor any part of the ownership in the Franchise or the Franchised Business may be voluntarily or involuntarily, directly or indirectly, assigned, subdivided, subfranchised, or otherwise transferred by you (including, without limitation, any such attempted transfer by your personal representatives in the event of your death, or by will, declaration of trust, or the laws of intestate succession) without our prior written approval, which approval we will not unreasonably withhold or delay. If we grant such approval, it will be conditioned on the following:

- (a) You paying us all amounts due and unpaid plus a transfer fee equal to 50% of the then current Initial Franchise Fee charged to new franchisees provided, however, if the transferee is an existing Let Mommy Sleep franchisee in good standing, an amount that we then charge for a transfer to a franchisee;
- (b) The transferee executing our then-current form of franchise agreement and which may contain financial terms different from those contained in this Agreement. The transferee will also execute such other documents as we then customarily use to grant Let Mommy Sleep franchises;
- (c) You executing a general release, in form we prepare, of any and all claims against us and our affiliates, directors, officers, shareholders, employees, and agents, and the successors and assigns of us and any of them;
- (d) You executing a noncompetition agreement that is consistent with Section 15.5 above, and which will provide that: (i) you will not for a period of two (2) years after the transfer have any interest, directly or indirectly, in any new born care or

overnight service business in the Protected Territory or the protected territory of another franchisee; and (ii) you will not influence or attempt to influence your former or existing customers to divert their business from us or another Let Mommy Sleep franchisee;

- (e) The transferee purchasing all of your assets used in the Franchised Business and assuming all of your liabilities associated with the Franchised Business;
- (f) The transferee having, in our Reasonable Business Judgment, adequate financial resources and, in our Reasonable Business Judgment, is otherwise capable of operating a Let Mommy Sleep franchisee;
- (g) The transferee paying for and successfully completing the Initial Training program(s) then required for new franchisees or having agreed, in writing, to complete such training within a period of time agreed upon by us; and
- (h) Compliance by you and the transferee with such other requirements as we deem appropriate in our Reasonable Business Judgment.

16.3 *Assignment to an Entity.* If you are an individual you may assign this Agreement without charge, once only, to a newly formed corporation or limited liability company that will conduct no business other than the Franchised Business, which you actively manage, and in which you own and control all of the equity and voting power. Such assignment will not relieve you of your personal obligations to us under this Agreement. To effectuate this assignment, you and your corporation will execute the assignment agreement in the form of Exhibit D to this Agreement or in such other form we may require.

16.4 *Transfer Among Owners.* In the event that you are comprised of two or more individuals, we will not unreasonably withhold our consent to a sale, assignment, or transfer of any kind (a "Transfer") of the interest of one of you under this Agreement (the "Transferor") to the other or others (whether one or more, the "Transferee"); provided, however:

- (a) The Transferor must transfer all of his or her interest in this Agreement;
- (b) The Transfer will not relieve the Transferor of his or her obligations under this Agreement to us;
- (c) The Transfer will be completed in accordance with all applicable bulk sales legislation;
- (d) The Transferor will give us at least thirty (30) days' prior written notice of the proposed Transfer together with all details of the Transfer that we request; and,
- (e) The Transferee is capable, in our Reasonable Business Judgment, of operating the Franchised Business without the Transferor.

*16.5 Death or Incapacity.* If you are an individual, upon your death or permanent incapacity, subject to written notice by your representative to us within ninety (90) days of your death or permanent incapacity, your estate may assign this Agreement and the Franchised Business to your spouse, or to any one or more of your adult children, subject to our approval on the terms and conditions for an assignment to a third party transferee set forth in Section 16.2 above, but without the necessity of paying a transfer fee.

If you are a business entity, in the event of the death or permanent incapacity of an individual owning a controlling interest in you, subject to written notice to us by the owner's representative within ninety (90) days of death or permanent incapacity, the ownership interest may be assigned to the owner's spouse or one or more adult children, or to another one of your owners, subject to our approval under the terms and conditions for an assignment to a third party transferee set forth in Section 16.2 above, but without the necessity of paying a transfer fee.

For the purposes of this Section 16.5, "permanent incapacity" will be deemed to have occurred if, due to mental or physical infirmity, you or your controlling owner (if you are a business entity) does not participate actively in the Franchised Business for a total of ninety (90) days at any time or times throughout any 365-consecutive-day period.

*16.6 Our Right of First Refusal.* If you determine at any time to sell the Franchised Business or an ownership interest in the Franchised Business, you will obtain a *bona fide* executed written offer to purchase the Franchised Business and all assets you use in the Franchised Business from a responsible and fully-disclosed purchaser, and will submit an exact copy of such offer to us. We will have the right, but not the obligation, exercisable by written notice to you within ten (10) days from the date we receive such documented offer, to purchase all of the Franchised Business and its assets for the price (minus any sales commission that would have been payable as a result of the proposed sale) and on the terms and conditions contained in such offer; provided, however, we may substitute cash for any other form of consideration proposed in such offer. We may deduct from the purchase price any unpaid debts you owe us and may pay out of the purchase price any of your unpaid trade creditors. If we do not exercise our right of first refusal, you may complete the sale of the Franchised Business to such purchaser on the same terms as offered to us, subject to the provisions of Section 16.2 of this Agreement. If the sale to such purchaser is not completed within sixty (60) days after delivery of such offer to us, or if the purchaser makes any proposed material modifications to the offer, we will again have the right of first refusal set forth in this Section 16.6.

*16.7 Our Temporary Operation of Business.* In the event that you: (a) fail to conduct the Franchised Business during the hours of business we specify; (b) abandon the Franchised Business; or (c) die or become permanently incapacitated (as described in Section 16.5 above), and you or your estate, as the case may be, fail to assign this Agreement by means of an assignment (with our approval) pursuant to Sections 16.2 or 16.5 of this Agreement; then unless and until we terminate this Agreement pursuant to Section 14 hereof, we may enter the Protected Territory and operate and manage Franchised Business for your or your estate's account until this Agreement is terminated or assigned to a party acceptable to us, or until you resume control over the Franchised Business and operate it in accordance with this Agreement; provided, however, no such operation and management by us will continue for more than ninety (90) days

without your written consent or the written consent of the representative of your estate. In the event that we so operate the Franchised Business, we will account to you or your estate for all net income from such operation, less the reasonable expenses we incurred in, and a reasonable management fee for our operation of the Franchised Business.

16.8 *Personal Guaranty by Owners.* If you are a corporation, limited liability company or partnership, your owners who own more than a ten percent (10%) ownership interest must sign the Guarantee and Assumption of Obligations in the form attached as Exhibit E to this Agreement, personally guaranteeing your obligations under this Agreement and agreeing to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. Further, you will furnish us at any time upon request, in such form as we may require, a list of your owners (of record and beneficially) reflecting their respective ownership interests.

## 17. INDEMNIFICATION

17.1 *By Us.* We agree to indemnify, defend and hold you harmless against, and to reimburse you for, all damages for which you are held liable, and all costs you reasonably incur in the defense of any claim brought against you, in any proceeding arising out of:

- (a) Your proper use of the Marks in accordance with this Agreement, subject to the provisions of Section 13.2 of this Agreement;
- (b) False representations or warranties we made; or
- (c) The gross negligent or willful acts or omissions of us or our directors, officers, employees, or agents under this Agreement.

We will have the right to participate in and to control any litigation or proceeding related to the claim, including the right to compromise or settle such litigation or proceeding, to the extent that we deem necessary or advisable. As a condition of this indemnification, you must timely notify us of a claim subject to indemnification and have otherwise complied with this Agreement.

17.2 *By You.* You agree to indemnify, defend, and hold us, and our affiliates, directors, officers, owners, employees, agents, successors and assigns, harmless against, and to reimburse us and them for, all losses, claims, or obligations that are related to or are based on your acquisition, management or operation of the Franchised Business; including, without limitation:

- (a) Your breach of any provision contained in this Agreement or any other agreement between you and us or any of our affiliates;
- (b) Acts, errors, or omissions of you or any of your agents, servants, employees, contractors, partners, affiliates, or representatives;
- (c) Your violation, breach, or asserted violation or breach of any federal, state, or local law, rule, ordinance, regulation, standard, or directive, or of any industry

standard;

- (d) Your taxes, liabilities, costs, or expenses related to the Franchised Business;
- (e) Any advertising or promotional material distributed, broadcast, or in any way disseminated by you or on your behalf, unless we have produced such material or approved it in writing in advance; and
- (f) The negligent operation of the Franchised Business.

For purposes of this indemnification, “loss, claims, or obligations” will include, without limitation, all loss, losses, damage, damages (whether compensatory, exemplary, or punitive ), fines, charges, costs, lost profits, attorneys’ fees and costs, accountants’ fees, expenses, court costs, settlement amounts, judgments, expert witness fees, other litigation expenses, and travel and living expenses. We will have the right to defend any such claim against us in such manner as we deem appropriate in our Reasonable Business Judgment. This indemnification will survive the termination of this Agreement.

## **18. MISCELLANEOUS**

18.1 *Enforcement.* You acknowledge that any failure by you to comply with the terms of this Agreement could cause us irreparable harm that may not be compensable by the payment of money; and, therefore, you agree that we will be entitled to appoint a receiver of the Franchised Business and to seek to obtain declarations, temporary and permanent injunctions, and orders of specific performance enforcing the provisions of this Agreement related to your use of the Marks, your obligations on termination or expiration of this Agreement, and assignment of this Agreement, and to prohibit any act or omission by you, or any employee of yours, that constitutes a violation of any applicable law, by-law, or regulation, is dishonest or misleading to Let Mommy Sleep customers or prospective customers; or constitutes a danger to employees, customers, or to the public; or that may impair the goodwill associated with the Marks. If we secure any such injunction, declaration or order of specific performance, or bring any proceeding to enforce the provisions of this Agreement, you agree to pay to us an amount equal to the aggregate of our reasonable costs of obtaining such relief including, without limitation, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and any damages related to the breach of any such provision.

18.2 *Severability.* All provisions of this Agreement are severable. In the event that any provision of the Agreement is ruled by a court, agency, or arbitrator having jurisdiction over the subject matter and the parties to be invalid or unenforceable, this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained in this Agreement; and all partially valid and enforceable provisions will be enforced to the extent they are valid and enforceable. If any provision of this Agreement that restricts competitive activity is declared invalid or unenforceable due to its scope, geographic restriction, or length of time, but could be enforceable if any of the foregoing are reduced, you agree that the restrictions will be enforced to the fullest extent permitted by law in the jurisdiction in which we seek enforcement.

18.3 *Compliance with Local Law.* If any applicable and binding law or rule of any jurisdiction requires greater prior notice of the termination of, or the refusal to renew, this Agreement than is required under this Agreement, or the taking of some other action not required under this Agreement, the prior notice or other action required by such law or rule will be substituted for the notice requirements set forth in this Agreement. Such modifications of this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions.

18.4 *Waiver of Obligations and Amendments.* Either party to this Agreement may, by written instrument delivered to the other, unilaterally waive any obligation of, or restriction placed solely on, the other party under this Agreement. No acceptance by us of any payment by you, and no failure, refusal, or neglect of us or you to exercise any right under this Agreement or to insist on full compliance by the other with its obligations under this Agreement, will constitute a waiver of any provision in this Agreement. Any waiver we grant will be without prejudice to any other rights we may have and may be revoked at any time, and for any reason, by written notice. No failure, refusal, or neglect of the parties to this Agreement to exercise any rights contained in this Agreement will be deemed a waiver of such rights unless notice is given in writing as provided in this Agreement. Any modification or amendment to this Agreement, except as noted above, will be in writing signed by all parties to this Agreement.

18.5 *Withholding Payments.* You will not, for any reason, withhold payment of any Royalty and Service Fees, Technology Fees, Advertising Fees or any other fees or payments due to us under this Agreement. You will not have the right to withhold or offset any liquidated or unliquidated amounts, damages, or other monies allegedly due to you by us against any Royalty and Service Fees, Technology Fees, Advertising Fees or any other fees due to us under this Agreement. No endorsement or statement on any check or payment of any sum less than the full sum due to us will be construed as an acknowledgment of payment in full or an accord and satisfaction, and we may accept and cash such check or payment without prejudice to our right to recover the balance due or pursue any other remedy provided in this Agreement or by law. We may apply any payments you make against any of your past due indebtedness as we deem appropriate. We may set off sums we owe you against any unpaid debts you owe us.

18.6 *Rights of Parties Are Cumulative.* The rights of the parties under this Agreement are cumulative, and no exercise or enforcement by a party of any right or remedy under this Agreement will preclude the exercise or enforcement by that party of any other right or remedy contained in this Agreement, or to which it is entitled by law.

18.7 *Construction.* The headings of the several sections and paragraphs of this Agreement are for convenience only and do not define, limit, or have any effect on the construction of the contents of such sections or paragraphs. The term “you” as used in this Agreement is applicable to one or more persons, a corporation, a limited liability company, or a partnership, as the case may be, and the singular usage (where applicable) includes the plural, and the masculine and neuter usages (where applicable) include the other and the feminine. All dollar amounts in this Agreement described are United States dollars. The word “Term” will include a renewal Term hereof, if this Agreement is renewed in accordance with Section 1.2 above, unless the context

requires otherwise. When calculating the date on which, or the time within which, any act is to be done under this Agreement, the date that is the reference date in calculating such period will be excluded. If the last of such period is a non-business day, the period in question will end on the next business day.

*18.8 Independent Contractors.* The parties to this Agreement are independent contractors and no training, supervision, or assistance we give will be deemed to negate such independence. You acknowledge that the success of the Franchised Business depends substantially on your own efforts and on circumstances beyond our control, such as general economic conditions and the economic conditions in your Protected Territory, and you hereby assume the sole responsibility for its success or failure. You will conspicuously identify yourself at the Franchised Business premises as the owner or tenant, as the case may be, of the premises and a licensed franchisee of ours. Neither party to this Agreement will make any agreements, representations, or warranties (except by us in advertising as provided for in this Agreement) in the name of, or on behalf of, the other, or that their relationship is other than that of franchisor and franchisee; neither party hereto will be obligated by nor has any liability for, any agreements, representations, or warranties made by the other (except by us in advertising as provided for in this Agreement); nor will we be liable for any damages to any person or property, directly or indirectly, related to your operation of the Franchised Business. We will have no liability for any sales, use, excise, income, property, or other tax levied on the Franchised Business or its assets related to the services you perform.

*18.9 General Due Date; Interest and Late Charges.* All amounts payable under this Agreement or any other agreement between the parties to this Agreement: (i) will, except where a due date is otherwise specified, be due ten (10) days after we deliver notice of the amount due, or demand for payment of the amount due, to you; and (ii) will bear interest after the date on which such payment becomes due at two percent (2%) per annum above the lowest annual rate of interest quoted by our bank to its most creditworthy borrowers for prime business loans at the time such payment becomes due, or the maximum legal rate of interest, whichever is less.

Payments of Royalty and Service Fees, Technology Fees and Advertising Fees must be submitted to us as provided in this Agreement, and if any such payment is made late or is not made, we may require you to pay a late charge equal to ten percent (10%) of such payment due to cover our administrative costs related to such payment.

*18.10 Entire Agreement.* This Agreement, including exhibits and any other documents expressly referred to herein or otherwise attached hereto, sets forth the sole and entire agreement between the parties and supersedes all prior discussions, understandings, and agreements between the parties with respect to the matters contained herein. The parties expressly confirm that there are no other oral or written agreements, "side-deals," arrangements, or understandings between them with respect to the matters contained herein except as set forth herein. No modification, amendment, or waiver of this Agreement, or any provision hereof, will be binding on either party unless evidenced by an instrument in writing duly signed by an authorized officer or employee of the party against whom enforcement is sought. You acknowledge and agree that you have not been induced to enter into this Agreement in reliance on, nor as a result of, any statements, representations, warranties, covenants, promises, or inducements whatsoever, whether oral or

written, and whether directly related to the contents hereof or collateral thereto, made by us or our affiliates, directors, officers, shareholders, employees. You acknowledge that we have granted you the Franchise in reliance on the information you supplied to us in your application for a Let Mommy Sleep franchise.

18.11 *Notices.* Any notice, request, or demand that the parties to this Agreement may be required or permitted to give to the other party (collectively the “Notice”) will be in writing and will be delivered by: (i) personal delivery; (ii) facsimile transmission; (iii) courier delivery by a national courier service, such as Federal Express, UPS, or Airborne, for overnight delivery; or (iv) prepaid certified mail; and will be deemed given on the earlier of: (a) receipt; (b) refusal to accept delivery; (c) facsimile printout acknowledging receipt of facsimile transmission; or (d) three (3) business days after deposit in the mail. All such notices will be addressed as shown on the first page or Exhibit A of this Agreement, to the site of the Franchised Business in case of notices given to you, or to such other address as may be designated by a party to this Agreement by written notice to the other party.

18.12 *Force Majeure.* Neither party to this Agreement will be liable for any loss or damage due to any delay in the due performance of the terms of this Agreement (except for the payment of money) by reason of strikes, lockouts, fires, riots, wars, embargoes, civil commotion, or acts of God. Any such delay will extend performance only so long as such event is in progress.

18.13 *Time of the Essence.* In all respects, time will be of the essence to this Agreement.

18.14 *Further Assurances.* Each party to this Agreement will execute and deliver such further instruments, contracts, forms, and other documents, and will perform such further acts, as may be necessary or desirable to carry out, complete, and perform all terms, covenants, and obligations contained in this Agreement.

18.15 *Joint and Several Liability.* In the event that you as franchisee consist of more than one person, entity, or combination of the two, your liability under this Agreement will be both joint and several. A breach of this Agreement by one such person or entity will be deemed to be a breach by both or all persons or entities.

18.16 *Successors Bound.* This Agreement will inure to the benefit of, and be binding on, the parties to this Agreement and their permitted successors and assigns.

18.17 *Governing Law/Venue.* Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*), or any other federal law, this Agreement will be interpreted and construed in accordance with, and be governed by the laws of the Commonwealth of Virginia, without regard to its conflict of law principles. You agree that all actions related to this Agreement will be tried in any state or federal court of general jurisdiction serving the County of Fairfax, Commonwealth of Virginia, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to the jurisdiction or venue of such courts.

18.18 *Limitation on Remedies.* To the extent permitted by law, and except as otherwise provided

under this Agreement, during the Term and afterwards you and we waive any right or claim for any punitive, speculative, exemplary, special, consequential or multiplied damages against the other and agree that in the event of a dispute between you and us, each will be limited to the recovery of actual damages sustained.

18.19 *Costs and Fees.* Except as otherwise provided in this Agreement, in any judicial, administrative or other action or proceeding during the Term or thereafter arising out of or relating to this Agreement or the relationship between you and us under this Agreement, the prevailing party shall be entitled to recover its out-of-pocket costs and expenses, including all court costs and attorneys', accountants', consultants' and experts' fees, costs and expenses.

18.20. *WAIVER OF TRIAL BY JURY.* TO THE EXTENT PERMITTED BY LAW, YOU AND WE IRREVOCABLY WAIVE TRIAL BY JURY ON ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER AGAINST THE OTHER DURING THE TERM OF THIS AGREEMENT AND AFTERWARDS.

18.21 *LIMITATION ON CLAIMS.* TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL CLAIMS RELATED TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN YOU AND US WILL BE BARRED UNLESS AN ACTION OR PROCEEDING IS COMMENCED WITHIN TWO YEARS FROM THE DATE ON WHICH YOU AND WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE INVESTIGATION, OF THE FACTS GIVING RISE TO SUCH CLAIMS, UNLESS ANY APPLICABLE LAW OR STATUTE PROVIDES FOR A SHORTER PERIOD. THIS LIMITATION OF CLAIMS WILL NOT APPLY TO CLAIMS OR PROCEEDINGS FOR THE RECOVERY OF MONIES OWED UNDER THIS AGREEMENT, THE ENFORCEMENT OF OUR INTELLECTUAL PROPERTY RIGHTS AND CLAIMS SEEKING INJUNCTIVE OR EQUITABLE RELIEF.

18.22 *Acknowledgments.* You acknowledge that you have:

- (a) Received a copy of our complete Franchise Disclosure Document (with all its exhibits, including this Agreement with all its exhibits) at least fourteen (14) days prior to the date on which you executed this Agreement or paid any monies to us or our agent (or earlier upon your reasonable request);
- (b) Read and understood this Agreement, and all related agreements, before signing this Agreement;
- (c) Been accorded ample time and opportunity to consult with an attorney and other advisers of your own choosing before signing this Agreement about the potential benefits and risks of entering into this Agreement;
- (d) Had ample opportunity to perform an independent investigation regarding the business to be conducted under this Agreement and to obtain professional advice regarding the laws, regulations and licensing requirements applicable to the conduct of such business within your Protected Territory;

- (e) Received no representations, promises, guarantees, projections, or warranties of any kind from us to induce the execution of this Agreement or related to this Agreement except as specifically set forth in writing in the Franchise Disclosure Document you received from us and in this Agreement; and
- (f) Received no guarantee from us or any other party as to your success in the Franchised Business; and that the number of qualified households within the Protected Territory is not an indicator or predictor of future success.

1823 *Reasonable Business Judgment.* “Reasonable Business Judgment” means that our determinations or choices will prevail, even if other alternatives are also reasonable or arguably preferable, if we intend to benefit, or are acting in a way that could benefit, the LMS System (by, for example, enhancing the value of the Marks, increasing customer satisfaction, minimizing possible customer confusion as to the Marks or the location of any Let Mommy Sleep business, or increasing our financial strength). You agree to this concept of Reasonable Business Judgment in acknowledgment of the fact that we should have at least as much discretion in administering the LMS System as a corporate board of directors has in directing a corporation and because the long-term interests of the System and all franchisees and owners of Franchised Businesses in the LMS System require that we have the latitude to exercise Reasonable Business Judgment. We shall not be required to consider your particular economic or other circumstances or to slight our own economic or other business interests when exercising our Reasonable Business Judgment. You acknowledge that: (i) we have a legitimate interest in seeking to maximize our profit; and (ii) the fact that we benefit economically from an action will not be relevant to showing that we did not exercise Reasonable Business Judgment. Neither you nor any third party (including but not limited to any third party acting as a trier of fact) shall substitute your or its judgment for our Reasonable Business Judgment. You agree that, in a given situation, you have the burden of establishing, by clear and convincing proof that we failed to exercise Reasonable Business Judgment.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound, hereby have duly executed and delivered this Agreement in multiple counterparts, any of which will have the effect of an original and all of which, when taken together, will constitute one and the same instrument, as of the Effective Date first above written.

**FRANCHISOR:**

LET MOMMY SLEEP FRANCHISING, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_ Date

**FRANCHISEE:** (This is signed by all individuals comprising the Franchisee, if the Franchisee is an individual; or the authorized officer, manager or partner of Franchisee, if Franchisee is a corporation, limited liability company or partnership):

Legal Name of Franchisee (if entity): \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_ Date

If Franchisee is an individual or individuals:

Printed Name: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Printed Name: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**EXHIBIT A TO FRANCHISE AGREEMENT**

**PROTECTED TERRITORY**

Your Protected Territory will be: \_\_\_\_\_.

Your Principal Business Address is: \_\_\_\_\_.

Description of Protected Territory: \_\_\_\_\_.

Your Initial Franchise Fee is: \$29,000.

**Franchisee:**

**[Insert name of person/corporation/limited liability company]**

**By:** \_\_\_\_\_

**Its:** \_\_\_\_\_

**Franchisor:**

**LET MOMMY SLEEP FRANCHISING, LLC**

**By:** \_\_\_\_\_

**Its:** \_\_\_\_\_

**EXHIBIT B TO FRANCHISE AGREEMENT**

**BY AND BETWEEN LET MOMMY SLEEP FRANCHISING, LLC AND**

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**DATED \_\_\_\_\_.**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

THIS AGREEMENT is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and among Let Mommy Sleep Franchising, LLC, a Virginia Limited Liability Company (“Franchisor”), \_\_\_\_\_, a corporation/limited liability company (“Franchisee”), and \_\_\_\_\_, residing at \_\_\_\_\_ (“Covenantor”).

**WITNESSETH:**

WHEREAS, pursuant to the terms of that certain Franchise Agreement between Franchisor and Franchisee dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), Franchisor has granted to Franchisee the right to own and operate a “Let Mommy Sleep” Franchised Business. (All capitalized terms not defined herein shall have the respective meanings set forth in the Franchise Agreement);

WHEREAS, Covenantor is either an officer, director, owner and/or manager of Franchisee, or is an employee of Franchisee who will have access to the Confidential Information (as defined below) in connection with the operation of the Franchised Business;

WHEREAS, in consideration of the grant of the franchise for the Franchised Business to Franchisee pursuant to the Franchise Agreement and the employment of Covenantor (in the event Covenantor is an employee of Franchisee), as a condition precedent to allowing Covenantor to have access to the Confidential Information, and as a material term of the Franchise Agreement necessary to protect Franchisor’s ownership interest in the Franchisee’s right to use the Confidential Information in the Franchised Business, Franchisor and Franchisee require that Covenantor enter into this Agreement;

WHEREAS, to induce Franchisor to enter into the Franchise Agreement and to avoid a material breach thereof, as the case may be, Franchisor, Franchisee and Covenantor desire, and deem it to be in Covenantor’s personal best interest that Covenantor enter into this Agreement; and

WHEREAS, due to the nature of Franchisor’s business, any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause Franchisor and Franchisee substantial harm.

NOW, THEREFORE, to induce Franchisor to enter into the Franchise Agreement and/or to prevent Franchisor from declaring a material breach thereunder, and in consideration of the covenants and mutual agreements contained herein and other good and valuable consideration,

the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Recitals.

The recitals set forth above shall be deemed to be incorporated herein as if fully set forth in this Agreement, and this Agreement shall be interpreted in light of such recitals.

2. Definition of Confidential Information.

As used herein, the term “Confidential Information” shall mean certain confidential and proprietary information and trade secrets consisting of the following categories of information and knowledge developed or to be developed or acquired by Franchisor, its Affiliates and/or its franchisees and Franchisee (the “Confidential Information”), including, without limitation: (a) distinctive methods, techniques, equipment, specification, standards, policies, procedures, information, concepts and systems relating to, and knowledge of and experience in the development, operation and franchising of the Franchised Business; and (b) marketing and promotional programs for the Franchised Business.

3. Protection of Confidential Information.

Franchisor will disclose to Franchisee the Confidential Information pursuant to the Franchise Agreement. Covenantor acknowledges and agrees that Covenantor will not acquire any interest in or right to use the Confidential Information, except the right to use it strictly in accordance with the Franchise Agreement, and that the use or duplication of the Confidential Information in any other business would be detrimental to Franchisor and would constitute an unfair method of competition with Franchisor and other Franchised Business owners. Covenantor acknowledges and agrees that the Confidential Information is a valuable asset of Franchisor, is proprietary, includes trade secrets of valuable asset of Franchisor, and is disclosed to Covenantor by Franchisee solely on the condition that Covenantor agrees, and Covenantor hereby does agree, that Covenantor:

- (a) will not use the Confidential Information in any other business or capacity;
- (b) will maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of the Franchise Agreement;
- (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and
- (d) will follow all reasonable procedures prescribed from time to time by Franchisor and Franchisee to prevent unauthorized use or disclosure of or access to the Confidential Information. Notwithstanding the foregoing, nothing herein shall prevent Covenantor from continuing to use, after termination of this Agreement, any portion of the Confidential Information that has become generally known or easily accessible, other than by

any person's or entity's breach of any obligation of confidentiality to Franchisor or Franchisee. Nothing contained herein shall be construed to prohibit Covenantor from using the Confidential Information in connection with the operation of a "Let Mommy Sleep" business (other than the Franchised Business) pursuant to a Franchise Agreement between Covenantor and Franchisor. Covenantor agrees to disclose to Franchisor all ideas, concepts, methods, techniques and products relating to the development and operation of the Franchised Business conceived or developed by Covenantor during the term of this Agreement, and Franchisor shall have a perpetual, non-exclusive and worldwide right to incorporate same in the System for use in all Let Mommy Sleep businesses operated by Franchisor and its Franchisees. Franchisor shall have no obligation to make any payment to Covenantor with respect to any idea, concept, method, technique or product developed or suggested by Covenantor and incorporated by Franchisor in the Franchised Business. Covenantor agrees that Covenantor will not use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

4. Restrictive Covenant During the Term of the Franchise Agreement.

Covenantor acknowledges and agrees that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Let Mommy Sleep franchisees if persons or entities authorized to use the Confidential Information were permitted to hold interest in or perform services for a Competitive Business. As used in this Agreement, "Competitive Business" means any enterprise that:

- (a) provides newborn care or overnight infant care services similar to the business engaged in by Franchisee; or
- (b) grants a franchise or license or establishes a joint venture, for the development and/or operation of an enterprise described in the foregoing clause(a).

Covenantor further acknowledges that restrictions on his/her direct or indirect ownership of interests in a Competitive Business will not hinder Covenantor's activities in connection with Franchisee's performance of the Franchise Agreement or in general.

Covenantor therefore agrees that during the term of the Franchise Agreement and so long as Covenantor is either a shareholder, partner, employee, officer, director, or owner of Franchisee, Covenantor shall not directly or indirectly engage in any Competitive Business. As used in this Paragraph 4, and in Paragraphs 5 and 6 below, the phrase "directly or indirectly engage in any Competitive Business" shall include, without limitation: (x) the ownership of an interest in a Competitive Business by Covenantor; and (y) the performance of services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business by Covenantor. The restrictions of this Paragraph shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the total number of issued and outstanding shares of that class of securities.

5. Restrictive Covenant upon Transfer of Covenantor's Ownership Interest in Franchisee.

If Covenantor transfers his/her entire ownership interest in Franchisee and is not thereafter an employee, officer or director of Franchisee, Covenantor agrees that Covenantor will not directly or indirectly engage in any Competitive Business which is located or operating within the Protected Territory of the Franchisee or within the Protected Territory of any Let Mommy Sleep franchisee or any territory in which the Franchisor or its affiliates operate a Let Mommy Sleep business. This restriction shall last for a period of two (2) years commencing on the effective date of such transfer.

6. Restrictive Covenant upon Termination or Expiration of the Franchise Agreement.

Upon the first to occur of (a) termination of the Franchise Agreement; (b) expiration of the Franchise Agreement; or (c) the date as of which Covenantor is neither a shareholder, owner, partner, employee, officer nor director of Franchisee (other than in the case of a transfer governed by Paragraph 5 above), Covenantor agrees that Covenantor will not directly or indirectly engage in a Competitive Business located or operating within the Protected Territory of the Franchisee or within the Protected Territory of any Let Mommy Sleep franchisee or any territory in which the Franchisor or its affiliates operate a Let Mommy Sleep business. This restriction shall last for a period of two (2) years commencing on the effective date of the applicable event.

7. Surrender of Documents.

Covenantor agrees that, as of the effective date of the earlier of (a) the covenant set forth in Paragraph 5 or (b) the covenant set forth in Paragraph 6, Covenantor shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by Covenantor, return to Franchisor all copies of the Confidential Information loaned or made available to Covenantor.

8. Indemnification/Costs and Attorneys' Fees.

Covenantor agrees to indemnify and hold Franchisor and Franchisee harmless from and against any and all loss, cost, damage, liability and expense (including, without limitation, reasonable attorneys' fees, court costs and other reasonable litigation expenses) suffered, sustained or incurred by Franchisor or Franchisee as a result of, arising out of, or in connection with any failure of performance or breach of this Agreement by Covenantor. The party or parties prevailing in any judicial proceeding in connection with this Agreement shall be entitled to reimbursement of their costs and expenses, including but not limited to, reasonable accounting, paralegal, legal, expert witness and attorneys' fees, whether incurred prior to, in preparation for or in contemplation of the filing of such proceeding.

9. Waiver.

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times.

10. Severability.

The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision of this Agreement and any such provision which is adjudicated to be invalid or unenforceable shall be severed from this Agreement, provided that such severance is to apply only with respect to the operation of such provisions in the particular jurisdiction in which such adjudication is made. To the extent any restriction herein is deemed unenforceable by virtue of its scope in terms of time, geography or business activity prohibited, but may be made enforceable by reducing any or all thereof, the parties agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction where enforcement is sought.

11. Rights of Parties are Cumulative.

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce.

12. Benefit.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

13. Entire Agreement.

This Agreement contains the entire agreement among the parties hereto with respect to the subject matter hereof and all prior negotiations, agreements and understandings are merged herein. This Agreement may not be modified or rescinded except by a written agreement to such effect signed by the party against whom enforcement is sought.

14. Governing Law.

This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the internal laws of the Commonwealth of Virginia exclusive of such state's choice of law or conflict of law rules.

15. Counterparts.

This Agreement may be executed in counterparts, each of which will be deemed an original.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Print name of Covenantor below:

LET MOMMY SLEEP FRANCHISING, LLC

\_\_\_\_\_

By: \_\_\_\_\_

Signature of Covenantor:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

FRANCHISEE:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT C TO FRANCHISE AGREEMENT**

**ACH AUTOMATIC WITHDRAWAL AUTHORIZATION**

Directions: For each bank in which the Franchisee does business, the Franchisee completes and signs two copies of this Authorization and returns them to the Franchisor.

This ACH Automatic Withdrawal Authorization (“Authorization”) is made and entered into on _____ (“Authorization Date”) by _____ (the “Franchisee”) with its principal office at _____ and Let Mommy Sleep Franchising, LLC (the “Franchisor”). Franchisee agrees to pay the Franchisor electronically through Franchisee’s bank account described below on the terms and conditions described in this Withdrawal Authorization:		
Bank Name:		
Bank Address:		
9 Digit Bank Routing #:		
Account Number:		
Name(s) on Account:		
Withdrawal Amount: To be determined by Franchisor based on the total dollar amount of all invoices or fees specified by Franchisor that are due and payable by Franchisee under its Franchise Agreement and any other agreements with Franchisor (collectively, “Payment Obligations”) at the time of the withdrawal.		
Withdrawal Date: To be determined and/or specified by Franchisor based on when invoices or fees are due and payable.		
Type of Account (circle one):                      Checking                      Savings		
Franchisee’s name(s):		
Street address:		
City:	State:	Zip:
The Franchisee hereby acknowledges that it has Payment Obligations to the Franchisor, Let Mommy Sleep Franchising, LLC, it is required to make direct payment to Let Mommy Sleep Franchising, LLC from Franchisee’s bank accounts and that the account referenced above is an account Franchisee has designated for this purpose (a “Designated Account”). In this connection and to carry out the purposes of this Withdrawal Authorization, Franchisee authorizes Let Mommy Sleep Franchising, LLC to withdraw monies from the Designated Account. The Franchisee has reviewed and agrees with all of the provisions of this Withdrawal Authorization, and does hereby indemnify and hold harmless Let Mommy Sleep Franchising, LLC from any damages that may occur subsequent to or as a result of this		

Withdrawal Authorization. The Franchisee agrees to deposit all monies received in connection with its Payment Obligations only in the Designated Account; to use such monies only for operation of the Franchisee's franchised business under the Let Mommy Sleep Franchising Agreements; not to divert any monies in the Designated Account to any other account; and not to close the Designated Account during the term of the Franchise Agreement without the Franchisor's prior written approval. The Franchisee consents to Let Mommy Sleep Franchising, LLC directly transacting business with the Franchisee's bank above to fully effectuate the terms of this Authorization.

**Please attach a voided check for processing**

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the Authorization Date.

For the Franchisor, Let Mommy Sleep Franchising, LLC,

Print name	Signature	Title
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For the Franchisee

Name of Franchisee:

Print name	Signature	Title
------------	-----------	-------

Print name	Signature	Title
------------	-----------	-------

Print name	Signature	Title
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Print name	Signature	Title
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**EXHIBIT D TO FRANCHISE AGREEMENT**

**ASSIGNMENT OF FRANCHISE AGREEMENT TO A CORPORATION OR LIMITED LIABILITY COMPANY**

Each of the undersigned, an Officer, Director and/or Owner of a majority of the issued and outstanding voting stock of the corporation set forth below, or of the issued and outstanding interests of the Limited Liability Company set forth below, and the Franchisee under a Let Mommy Sleep Franchise Agreement (“Franchise Agreement”) executed on the date set forth below, granting him/her a franchise to operate at the location set forth below, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Section 16.3 of the Franchise Agreement, agree as follows:

1. He/she shall remain personally liable in all respects under the Franchise Agreement and shall be personally bound, jointly and severally, by all the provisions of the Franchise Agreement including, without limitation, the payment obligations of the Franchisee thereunder and the covenants contained in Sections 7.1 (Confidentiality) and 15.5 (Non-Competition), to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisee and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company, shall bear the following legend:

“The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between \_\_\_\_\_ and Let Mommy Sleep Franchising, LLC”

or

“The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between \_\_\_\_\_ and Let Mommy Sleep Franchising, LLC”

3. The undersigned represents that \_\_\_\_\_ shall directly manage the Franchised Business on behalf of the Corporation or Limited Liability Company and devote his/her best efforts to the day-to-day operation and development of the Let Mommy Sleep Franchised Business.

4. [Inert Name of Corporation or Limited Liability Company] hereby assumes all of the rights and obligations of the Franchisee under the Franchise Agreement as if it was an original party thereto and hereby agrees to be and is deemed to be the Franchisee thereunder, bound by

all of the provisions of the Franchise Agreement in accordance with their terms.

Date of Franchise Agreement: \_\_\_\_\_

Location of Franchised Business: \_\_\_\_\_

WITNESS:

\_\_\_\_\_

\_\_\_\_\_  
[Name], Individually

\_\_\_\_\_

\_\_\_\_\_  
[Name], Individually

ATTEST:

\_\_\_\_\_  
Name of Corp. or Limited Liability

\_\_\_\_\_

By: \_\_\_\_\_(SEAL)

Title: \_\_\_\_\_

In consideration of the execution of the above Agreement, Let Mommy Sleep Franchising, LLC hereby consents to the above referred to assignment on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

LET MOMMY SLEEP FRANCHISING, LLC

By: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT E TO FRANCHISE AGREEMENT

### GUARANTEE AND ASSUMPTION OF OBLIGATIONS

In consideration for, and as an inducement to, Let Mommy Sleep Franchising, LCC (“Franchisor”) executing and delivering the Let Mommy Sleep Franchise Agreement dated \_\_\_\_\_20\_\_ (the “Franchise Agreement”), each of the undersigned (“Guarantors”) hereby personally, unconditionally, and irrevocably (1) guarantees to Franchisor and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that Guarantors shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement. Each of the undersigned Guarantors waives:

1. Acceptance and notice of acceptance by Franchisor of the foregoing undertakings;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
5. All rights to payments and claims for reimbursement or subrogation which any of the Guarantors may have against Franchisee arising as a result of the Guarantors’ execution of and performance under this guaranty.

Each of the undersigned consents and agrees that:

1. His/her direct and immediate liability under this guaranty shall be joint and several;
2. He/she shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;
3. Such liability shall not be contingent upon or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
4. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or the 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 Franchise Agreement.

If Franchisor is required to enforce this Guaranty and Assumption of Obligations in any judicial or arbitration proceeding or appeal thereof, the Guarantors shall reimburse Franchisor for its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty and Assumption of Obligations.

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

WITNESS

GUARANTOR(S)

\_\_\_\_\_

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

## EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT

### LIST OF STATE ADMINISTRATORS

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

#### **California**

(808) 586-2722

Department of Financial  
Protection and Innovation One  
Sansome Street, Ste. 600  
San Francisco, California 94104

Department of Financial  
Protection and Innovation 320 W.  
4th Street, Suite 700  
Los Angeles, California 90013

Department of Financial  
Protection and Innovation 2101  
Arena Blvd  
Sacramento, California 95834  
(866) 275-2677 Toll Free

#### **Connecticut**

Connecticut Banking Commissioner  
Department of Banking  
Securities & Business Investments Division  
260 Constitution Plaza  
Hartford, Connecticut 06103  
(860) 240-8299

#### **Georgia**

Office of Secretary of State  
Corporations Division  
315 West Tower, #2  
Martin Luther King, Jr. Drive  
Atlanta, Georgia 30334

#### **Hawaii**

Commissioner of Securities of the  
State of Hawaii  
Department of Commerce & Consumer  
Affairs Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

**Illinois**

Illinois Office of the  
Attorney General  
Franchise Bureau 500  
South Second Street  
Springfield, Illinois  
62706  
(217) 782-4465

**Indiana**

Indiana Secretary  
of State Securities  
Division  
302 West Washington Street,  
Room E-111 Indianapolis, Indiana  
46204  
(317) 232-6681

**Louisiana**

Office of the Attorney  
General Consumer  
Protection Section  
P.O. Box 94005  
Baton Rouge, Louisiana 70804-9005

**Maryland**

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

**Michigan**

Department of Attorney  
General Consumer  
Protection Division  
G. Mennan Williams Building, 1<sup>st</sup>  
Floor 525 West Ottawa Street  
Lansing, MI 48933  
(517) 373-7117

**Minnesota**

Minnesota Department of Commerce  
Securities-Franchise Registration  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1600

**New York**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8285

**North Carolina**

Secretary of State  
Securities Division  
Old Revenue Complex  
2 South Salisbury Street  
Raleigh, North Carolina 27601

**North Dakota**

North Dakota Securities Department  
600 East Boulevard Avenue  
Fifth Floor, Department 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

**Oklahoma**

Secretary of State  
2300 N. Lincoln Boulevard, Ste. 101  
Oklahoma City, Oklahoma 73105-4897

**Rhode Island**

Department of Business Regulation  
Securities Division  
Bldg. 69, First Floor  
John O. Pastore Center  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9527

**South Carolina**

Office of the Secretary of State  
1205 Pendleton Street  
Edgar Brown Building, Suite 525  
Columbia, South Carolina 29201

**South Dakota**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

**Utah**

State of Utah, Division of Consumer  
Protection  
160 East Three Hundred South  
Salt Lake City, Utah 84145-0804  
(801) 530-6601

**Virginia**

State Corporation Commission  
Division of Securities and Retail  
Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219

**Washington**

Department of Financial Institutions  
Securities Division  
PO Box 9033  
Olympia, Washington 98507  
(360) 902-8760

**Wisconsin**

Commissioner of Securities  
Department of Financial Institutions  
201 W. Washington Ave., Suite 300  
Madison, Wisconsin 53703  
(608) 266-2139

## EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT

### LIST OF STATE AGENTS FOR SERVICE OF PROCESS

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

#### **California**

Commissioner of Financial  
Protection and Innovation One  
Sansome Street, Suite 600  
San Francisco, California 94104

Commissioner of Financial  
Protection and Innovation 320 W.  
4th Street, Suite 700  
Los Angeles, California 90013

Commissioner of Financial  
Protection and Innovation 2101  
Arena Blvd  
Sacramento, California 95834  
(866) 275-2677

#### **Connecticut**

Connecticut Banking Commissioner  
Department of Banking  
Securities & Business Investments Division  
260 Constitution Plaza  
Hartford, Connecticut 06103

#### **Georgia**

Office of Secretary of State Corporations  
Division  
315 West Tower, #2  
Martin Luther King, Jr. Drive  
Atlanta, Georgia 30334

#### **Hawaii**

Commissioner of Securities of the  
State of Hawaii  
Department of Commerce and Consumer  
Affairs Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

#### **Illinois**

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

#### **Indiana**

Indiana Secretary of State  
302 W. Washington Street,  
Room E-111  
Indianapolis, Indiana 46204

#### **Louisiana**

Office of the Attorney  
General Consumer Protection Section  
P.O. Box 94005  
Baton Rouge, Louisiana 70804-9005

#### **Maryland**

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

#### **Michigan**

Department of Attorney General  
Consumer Protection Division  
G. Mennan Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, MI 48933  
(517) 373-7117

#### **Minnesota**

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

**New York**

New York State Department of State  
One Commerce Plaza  
99 Washington Avenue, 6<sup>th</sup> Floor  
Albany, NY 12231  
(518) 473-2492

**North Carolina**

Secretary of State  
Securities Division  
Old Revenue Complex  
2 South Salisbury Street  
Raleigh, North Carolina 27601

**North Dakota**

North Dakota Securities Commissioner  
State Capitol  
600 East Boulevard, Fifth Floor  
Bismarck, North Dakota 58505-0510

**Oklahoma**

Secretary of State  
2300 N. Lincoln Boulevard, Ste. 101  
Oklahoma City, Oklahoma 73105-4897

**Rhode Island**

Director of Department of Business  
Regulation  
Department of Business Regulation  
Securities Division- Bldg. 69  
John O. Pastore Center  
1511 Pontiac Avenue, First Floor  
Cranston, Rhode Island 02920

**South Carolina**

Office of the Secretary of State  
1205 Pendleton Street  
Edgar Brown Building, Suite 525  
Columbia, South Carolina 29201

**South Dakota**

Director of Division of Insurance  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501

**Utah**

State of Utah, Division of Consumer  
Protection  
160 East Three Hundred South  
Salt Lake City, Utah 84145-0804  
(801) 530-6601

**Virginia**

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

**Washington**

Department of Financial Institutions  
Securities Division  
150 Israel Road, S.W.  
Tumwater, Washington 98501  
(360) 725-0377

**Wisconsin**

Commissioner of Securities  
Department of Financial Institutions  
201 W. Washington Ave., Suite 300  
Madison, Wisconsin 53703  
(608) 266-2139

**EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT**

**TABLE OF CONTENTS OF  
CONFIDENTIAL POLICIES AND PROCEDURES MANUAL**

**LET MOMMY SLEEP FRANCHISING,  
LLC CONFIDENTIAL FRANCHISE  
OPERATIONS MANUAL  
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Franchisee Contact List  
Health Care Definitions  
Opening Checklist, Pre Opening Checklist  
Suggested Rates  
What's a Tech Fee?

**Section 2 MARKETING AND PROMOTION**

General Marketing  
Physical Flyers & QR Codes  
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Certemy Onboarding Platform  
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Where and When to Recruit  
Nurse Profile Templates

**Section 4 CASE MANAGEMENT**

Communication Templates  
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Newborn Care Classes  
Postpartum Check-Ups  
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**Section 6 CORPORATE CARE**

Selling Corporate Care  
Hotel & Event Care  
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**Section 7 TECHNOLOGY**

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- LMS Live App
- Email Set-up and Signature
- Your Website

**Section 8 BOOKKEEPING**

- Bookkeeping Manual (Quickbooks)
- Credit Card Processing
- Updating your Bookkeeper
- Working with an Outside Bookkeeper

**Section 9 HUMAN RESOURCES and INTERNAL COMMUNICATION**

- Common LMS Letters
- Emergency letters and waivers
- General HR Templates
- Roundtable Minutes
- Partners and Vendors Handbook

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**EXHIBIT E TO FRANCHISE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

**MUHAMMAD ZUBAIRY, CPA PC**

265 POST AVENUE, SUITE 170, WESTBURY, NY 11590

Certified Public Accountant

646.327.7013

**CONSENT**

Muhammad Zubairy, CPA hereby consents to the use in the Franchise Disclosure Document issued Let Mommy Sleep Franchising, LLC on June 24, 2024, as it may be amended, of our report dated June 24, 2024, relating to the financial statements of Franchisor for the period ending December 31, 2023.



Muhammad Zubairy, CPA PC

Westbury, NY

June 24, 2024

**LET MOMMY SLEEP FRANCHISING, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**LET MOMMY SLEEP FRANCHISING, LLC**  
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<b>Balance Sheets</b>	<b>Page 3</b>
<b>Statements of Operations and Member's (Deficit)</b>	<b>Page 4</b>
<b>Statements of Cash Flows</b>	<b>Page 5</b>
<b>Footnotes</b>	<b>Page 6</b>

# MUHAMMAD ZUBAIRY, CPA PC

Certified Public Accountant

646.327.7013

## INDEPENDENT AUDITOR'S REPORT

**To the members**

**Let Mommy Sleep Franchising, LLC**

### **Opinion**

We have audited the financial statements of Let Mommy Sleep Franchising, LLC which comprise the balance sheets as of December 31, 2023 and 2022, and the related statement of operations, changes in members' equity and cash flow for the years then ended and the related notes to the financial statements. In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Let Mommy Sleep Franchising, LLC at December 31, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Let Mommy Sleep Franchising, LLC'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

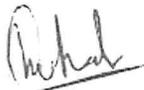
Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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

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

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

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



Muhammad Zubairy, CPA PC  
Westbury, NY  
June 24, 2024

LET MOMMY SLEEP FRANCHISING, LLC  
BALANCE SHEET

ASSETS	YEARS ENDED DECMEBER 31	
	2023	2022
	Current Assets	
Cash	\$ 21,906	\$ 25,228
Accounts receivable	9,276	7,934
Prepaid expenses	9,166	-
Due from related parties	3,000	-
Contract asset	2,730	2,730
	46,078	35,892
Contract asset, net of current	7,053	9,783
Total Assets	\$ 53,131	\$ 45,675
LIABILITIES AND MEMBERS' (DEFICIT)		
Current Liabilities		
Contract liabilities	\$ 49,530	\$ 31,900
Contract liabilities, net of current	103,682	83,692
Members' (deficit)	(100,081)	(69,917)
Total Liabilities and Members' (Deficit)	\$ 53,131	\$ 45,675

See notes to financial statements

LET MOMMY SLEEP FRANCHISING, LLC  
STATEMENT OF OPERATIONS AND MEMBER'S EQUITY(DEFICIT)

	YEARS ENDED DECMEBER 31	
	2023	2022
Revenues		
Franchise Fees	\$ 84,030	\$ 48,184
Royalties	98,080	91,525
Service fees	36,204	27,261
Other	(375)	676
Total revenue	<u>217,939</u>	<u>167,646</u>
General and Administrative Expenses	<u>23,479</u>	<u>21,437</u>
Net Income	194,460	146,209
Equity(Deficit)-Beginning	(69,917)	(54,211)
Member distributions	<u>(224,624)</u>	<u>(161,915)</u>
Equity (Deficit)-Ending	<u>\$ (100,081)</u>	<u>\$ (69,917)</u>

See notes to financial statements

**LET MOMMY SLEEP FRANCHISING, LLC**  
**STATEMENTS OF CASHFLOWS**

	YEARS ENDED DECMEBER 31	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 194,460	\$ 146,209
Adjustments to reconcile net profit to net cash provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	(1,342)	(7,934)
Prepaid expenses	(9,166)	-
Due from related parties	(3,000)	-
Contract asset	2,730	(12,513)
Contract liabilities	37,620	(9,184)
	<u>221,302</u>	<u>116,578</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Member distributions	<u>(224,624)</u>	<u>(161,915)</u>
Increase(Decrease) in cash	(3,322)	(45,337)
Cash-Beginning	<u>25,228</u>	<u>70,565</u>
Cash-Ending	<u>\$ 21,906</u>	<u>\$ 25,228</u>

See notes to financial statements

LET MOMMY SLEEP FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS

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**1. THE COMPANY**

Let Mommy Sleep Franchising is a Virginia limited liability company that was formed in October 2013. The Company offers franchises to operate a baby nurse and newborn care business. The Company was inactive from its founding until June 2017.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of funds.

**Franchise Arrangements**-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a business using the Let Mommy Sleep™ system for a specified number of years.

**Concentration of Credit Risk**— Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts do not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$ 250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

**Use of Estimates**- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**Cash**- Cash consists of unrestricted cash on deposit at financial institutions.

**Taxes on Income** - The Company has elected to be taxed as a limited liability company for federal and state income tax purposes. Income and expenses for the Company pass through directly to the shareholders and is reported on their individual income tax returns.

**3. REVENUE RECOGNITION**

In May 2014, the FASB issued a new accounting standard ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements. The revenue standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing and uncertainty of the revenue recorded.

### 3. REVENUE RECOGNITION (cont'd)

The new standard will change how the Company records initial franchise fees from franchisees, area developer fees and brand development fees. Under Legacy GAAP, franchise fees, which are non-refundable, were recognized as income when substantially all services to be performed by the Company and conditions relating to the sale of the franchise were performed or satisfied, which generally occurred when the franchisee commenced operations.

In January 2021 the FASB issued ASU 2021-02 which allows a non- public franchisor to use a practical expedient when identifying performance obligations with its franchisees. The practical expedient allows for the treatment of certain pre-opening expenses as distinct from the franchise license. These pre-opening services consist of the following activities:

- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manual and similar materials concerning operations, administration and record keeping.
- Bookkeeping, information technology and advisory's services, including setting up the franchisee's records and advising the franchisee about income, real estate and other taxes or about regulations affecting the franchisee's business.
- Inspection, testing and other quality control programs.

The adoption of the new guidance will also change the reporting of brand development fund contributions from franchisees and related expenditures, which are not currently included in the Statement of Earnings but are reported on the balance sheet. The new guidance requires these contributions and expenditures to be reported on a gross basis in the Statement fo Earnings which will impact our total revenues and expenses although we do not expect a material impact on net income as the fund is managed such that revenues and expenditures are generally offsetting.

The Company adopted this new accounting standard effective with the period ending December 2020, its initial reporting period. The adoption resulted in a retroactive reduction to equity of (\$63,700) as of 12/31/2019. Deferred franchise fees as of December 31, 2023 and 2022 were \$153,212 and \$115,592 respectively.

In compliance with the Financial Accounting Standards Board ("FASB") for revenue recognition ("Topic 606"), the Company records its commissions paid as prepaid to be recognized over the life of the franchise agreement. The prepaid commissions as of December 31, 2023 and 2022, were \$9,783 and \$12,513 respectively.

### 4. RELATED PARTY TRANSACTIONS

The Company periodically receives funds from its stockholder or related companies. These advances are due upon demand and do not bear interest. As of December 31, 2023, and 2022 the balances due to related parties were \$3,000 and \$0 respectively.

### 5. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through June 24, 2024, which is the date the financial statements were available to be issued.

MONIS J. SIDDIQUI, CPA P.C.

Certified Public Accountant

84-09 246<sup>th</sup> street, Bellerose, NY 11426  
917.309.5670

**CONSENT**

Monis Siddiqui, CPA hereby consents to the use in the Franchise Disclosure Document issued Let Mommy Sleep Franchising, LLC on April 30, 2023, as it may be amended, of our report dated March 25, 2023, relating to the financial statements of Franchisor for the period ending December 31, 2022.

*Monis Siddiqui, CPA P.C.*

Monis Siddiqui, CPA  
Bellerose, New York

**LET MOMMY SLEEP FRANCHISING,LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**LET MOMMY SLEEP FRANCHISING, LLC**

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<b>Independent Auditor's Report</b>	<b>Page 1</b>
<b>Balance Sheets</b>	<b>Page 3</b>
<b>Statements of Operations and Member's (Deficit)</b>	<b>Page 4</b>
<b>Statements of Cash Flows</b>	<b>Page 5</b>
<b>Footnotes</b>	<b>Page 6</b>

# MONIS J. SIDDIQUI, CPA P.C.

Certified Public Accountant  
917.309.5670

## INDEPENDENT AUDITOR'S REPORT

To the members  
Let Mommy Sleep Franchising, LLC

### **Opinion**

We have audited the financial statements of Let Mommy Sleep Franchising, LLC which comprise the balance sheets as of December 31, 2022 and 2021, and the related statement of operations, changes in members' equity and cash flow for the years ended December 31, 2022 and 2021, and the related notes to the financial statements. In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Let Mommy Sleep Franchising, LLC at December 31, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Let Mommy Sleep Franchising, LLC'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

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

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

*Monis Siddiqui, CPA P.C.*

Monis Siddiqui, CPA P.C.  
Bellerose, NY  
March 25, 2023

LET MOMMY SLEEP FRANCHISING, LLC  
BALANCE SHEET

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	ASSETS	
	DECMEBER 31	
	2022	2021
<b>Current Assets</b>		
Cash	\$ 25,228	\$ 70,565
Accounts receivable	7,934	—
Prepaid Commission	2,730	—
	<u>35,892</u>	<u>70,565</u>
Prepaid Commission net of current	9,783	—
<b>Total Assets</b>	<u>\$ 45,675</u>	<u>\$ 70,565</u>
	<b>LIABILITIES AND MEMBERS' (DEFICIT)</b>	
<b>Current Liabilities</b>		
Contract obligations	\$ 31,900	\$ 35,767
Contract obligations-net of current	83,692	89,009
Members' (deficit)	<u>(69,917)</u>	<u>(54,211)</u>
<b>Total Liabilities and Members' (Deficit)</b>	<u>\$ 45,675</u>	<u>\$ 70,565</u>

See notes to financial statements

LET MOMMY SLEEP FRANCHISING, LLC  
STATEMENT OF OPERATIONS AND MEMBER'S EQUITY(DEFICIT)

	YEAR ENDED OCTOBER 31	
	2022	2021
Revenues		
Franchise Fees	\$ 48,184	\$ 84,099
Royalties	91,525	30,763
Service fees	27,261	15,479
Other	676	1,224
Total revenue	<u>167,646</u>	<u>131,565</u>
General and Administrative Expenses	<u>21,437</u>	<u>29,908</u>
Net Income	146,209	101,657
Equity(Deficit)-Beginning	(54,211)	(57,383)
Member distributions	<u>(161,915)</u>	<u>(98,485)</u>
Equity (Deficit)-Ending	<u>\$ (69,917)</u>	<u>\$ (54,211)</u>

See notes to financial statements

**LET MOMMY SLEEP FRANCHISING,LLC**  
**STATEMENTS OF CASHFLOWS**

	DECEMBER 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 146,209	\$ 101,657
Adjustments to reconcile net profit to net cash provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	(7,934)	1,329
Prepaid Commission	(12,513)	
Contract obligations	(9,184)	-
	<u>116,578</u>	<u>166,662</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Member distributions	(161,915)	(98,485)
Increase(Decrease) in cash	(45,337)	68,177
Cash-Beginning	<u>70,565</u>	<u>2,388</u>
Cash-Ending	<u>\$ 25,228</u>	<u>\$ 70,565</u>

See notes to financial statements

LET MOMMY SLEEP FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS

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**1. THE COMPANY**

Let Mommy Sleep Franchising is a Virginia limited liability company that was formed in October 2013. The Company offers franchises to operate a baby nurse and newborn care business. The Company was inactive from its founding until June 2017.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of funds.

**Franchise Arrangements**-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a business using the Let Mommy Sleep™ system for a specified number of years.

**Concentration of Credit Risk**— Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts do not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$ 250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

**Use of Estimates**- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**Cash**- Cash consists of unrestricted cash on deposit at financial institutions.

**Taxes on Income** - The Company has elected to be taxed as a limited liability company for federal and state income tax purposes. Income and expenses for the Company pass through directly to the shareholders and is reported on their individual income tax returns.

**3. REVENUE RECOGNITION**

In May 2014, the FASB issued a new accounting standard ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements. The revenue standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing and uncertainty of the revenue recorded.

### 3. REVENUE RECOGNITION (cont'd)

The new standard will change how the Company records initial franchise fees from franchisees, area developer fees and brand development fees. Under Legacy GAAP, franchise fees, which are non-refundable, were recognized as income when substantially all services to be performed by the Company and conditions relating to the sale of the franchise were performed or satisfied, which generally occurred when the franchisee commenced operations.

In January 2021 the FASB issued ASU 2021-02 which allows a non- public franchisor to use a practical expedient when identifying performance obligations with its franchisees. The practical expedient allows for the treatment of certain pre-opening expenses as distinct from the franchise license. These pre-opening services consist of the following activities:

- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manual and similar materials concerning operations, administration and record keeping.
- Bookkeeping, information technology and advisory's services, including setting up the franchisee's records and advising the franchisee about income, real estate and other taxes or about regulations affecting the franchisee's business.
- Inspection, testing and other quality control programs.

The adoption of the new guidance will also change the reporting of brand development fund contributions from franchisees and related expenditures, which are not currently included in the Statement of Earnings but are reported on the balance sheet. The new guidance requires these contributions and expenditures to be reported on a gross basis in the Statement of Earnings which will impact our total revenues and expenses although we do not expect a material impact on net income as the fund is managed such that revenues and expenditures are generally offsetting.

The Company adopted this new accounting standard effective with the period ending December 2020, its initial reporting period. The adoption resulted in a retroactive reduction to equity of (\$63,700) as of 12/31/2019. Deferred franchise fees as of December 31, 2022 and December 31, 2021 were \$115,592 and \$124,776 respectively.

In compliance with the Financial Accounting Standards Board ("FASB") for revenue recognition ("Topic 606"), the Company records its commissions paid as prepaid to be recognized over the life of the franchise agreement. The prepaid commissions as of December 31, 2022, and 2021, were \$12,513 and \$0, respectively.

**5. SUBSEQUENT EVENTS-** The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through March 25, 2023, which is the date the financial statements were available to be issued.

**EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT**

**ASSIGNMENT OF TELEPHONE NUMBERS**

For value received, the undersigned (hereinafter called the “Franchisee”) hereby irrevocably assigns the telephone numbers listed below to Let Mommy Sleep Franchising, LLC (hereinafter called “Franchisor”), effective upon the date of termination or expiration of the Franchise Agreement between Franchisor and Franchisee of even date herewith.

This assignment is made pursuant to the terms of the Franchise Agreement between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers used by the Franchisee in the Protected Territory described in the Franchise Agreement. The Franchisee shall retain the limited right to use the telephone listing and numbers solely for the transaction and advertising of the Franchised Business as defined in the Franchise Agreement as long as the Franchise Agreement shall remain in full force and effect, but upon termination or expiration of the Franchise Agreement for any reason whatsoever, the limited right of use of the telephone listing and numbers by the Franchisee shall also terminate.

The telephone listing and numbers subject to this assignment are:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

and any telephone numbers used by the Franchisee in the operation of the Franchised Business in the future.

The Franchisee authorizes the Franchisor, immediately upon the termination of the Franchise Agreement, to present this assignment to the telephone company or other entity or person with authority to re-assign the telephone numbers to Franchisor and request reassignment of the numbers to Franchisor.

IN WITNESS WHEREOF, the Franchisee has hereunto set his/her hand and seal this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

FRANCHISEE:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT G TO FRANCHISE  
DISCLOSURE DOCUMENT**

**OWNERS**

**(To be completed if Franchisee is a corporation, partnership, or limited liability company)**

- Owners.** Pursuant to Section 16 of the Franchise Agreement, you acknowledge and agree that the following is a complete list of all of the shareholders, partners, or members of Franchisee and the percentage interest of each individual as of the Agreement Date set forth in the Franchise Agreement:

Name	Address	Percent Interest

- Changes in Owners.** Pursuant to Section 16.8 of the Franchise Agreement, you agree to notify in writing the Franchisor of any changes to the Owners.

IN WITNESS WHEREOF, the Franchisee has executed this exhibit on the Agreement Date set forth in the Franchise Agreement.

Name of Franchisee (enter same name that appears in the table before Paragraph 1 of the Franchise Agreement)	
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Print Name	Signature	Title
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Print Name	Signature	Title
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Print Name	Signature	Title
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## EXHIBIT H TO FRANCHISE DISCLOSURE DOCUMENT

### STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

#### CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

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

1. Item 17 “Renewal, Termination, Transfer and Dispute Resolution: The Franchise Relationship,” is supplemented by the addition of the following:

A. 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.

B. The franchisor, any person or franchise broker in Item 2 of the FDD is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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

D. 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.).

E. The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

F. The Franchise Agreement requires binding arbitration. The arbitration will occur in Virginia with the costs being borne by the franchisee and franchisor.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

G. The Franchise Agreement requires application of the laws of the State of Virginia. This provision may not be enforceable under California law.

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 of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516).

4. Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

5. Item 6 “Other Fees,” is supplemented by the addition of the following statement: “The highest interest rate allowed by law in the State of California is 10%.”

6. The following URL address is for the franchisor’s website: [www.letmommysleepfranchising.com](http://www.letmommysleepfranchising.com)

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

7. California’s Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees or its agents make to you, (ii) our ability to rely on any representations it makes to you, or (iii) any violation of the law.

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

9. The department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collections of all initial fees from California franchisee until we have completed all of our pre-opening obligations, and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

### **ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Illinois only, this Disclosure Document is amended as follows:

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

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

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

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

Item 5 of the Franchise Disclosure Document is amended to add the following: “In the State of Illinois, all Initial Franchise Fees and payments paid under the franchise agreement shall be deferred until such time as the franchisor has completed its initial obligations.” The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

IF YOU ARE NOT LICENSED/CERTIFIED IN ILLINOIS TO PROVIDE SERVICES OF THE NATURE DESCRIBED IN THIS DISCLOSURE DOCUMENT, YOU MAY HAVE TO CONTRACT WITH LICENSED PROFESSIONALS WHO WILL PROVIDE THE SERVICES THAT YOUR FRANCHISED BUSINESS OFFERS. YOU SHOULD RETAIN AN EXPERIENCED ATTORNEY WHO WILL LOOK FOR YOUR BEST INTERESTS IN THIS BUSINESS VENTURE.

The Nurse Practice Act is set forth in Illinois law at: 225 ILCS 65/50 (West 2016)

YOU ARE REQUIRED TO SUCCESSFULLY COMPLETE THE INITIAL TRAINING FOR THIS FRANCHISE OPPORTUNITY WITHIN 90 DAYS OF SIGNING YOUR FRANCHISE AGREEMENT.

## **VIRGINIA ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the restrictions contained in Section 13.1 – 564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Let Mommy Sleep Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following Risk Factors are added to the “Special Risk(s) to Consider About *This Franchise*” page:

1. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$72,900 TO \$91,600. THIS AMOUNT EXCEEDS THE FRANCHISOR’S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2018, WHICH IS \$2,652.
2. THE PRIMARY TRADEMARK THAT YOU WILL USE IN YOUR BUSINESS IS NOT FEDERALLY REGISTERED. IF THE FRANCHISOR’S RIGHT TO USE THIS TRADEMARK IN YOUR AREA IS CHALLENGED, YOU MAY HAVE TO IDENTIFY YOUR BUSINESS AND ITS PRODUCTS OR SERVICES WITH A NAME THAT DIFFERS FROM THAT USED BY OTHER

FRANCHISEES OR THE FRANCHISOR. THIS CHANGE CAN BE EXPENSIVE AND MAY REDUCE BRAND RECOGNITION OF THE PRODUCTS OR SERVICES YOU OFFER.

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

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

**EXHIBIT I TO FRANCHISE DISCLOSURE  
DOCUMENT STATE SPECIFIC ADDENDA TO  
FRANCHISE AGREEMENT**

**CALIFORNIA ADDENDA TO FRANCHISE  
AGREEMENT AND DEVELOPMENT  
AGREEMENT**

This Rider amends the Franchise Agreement and Development Agreement (if applicable) dated \_\_\_\_\_ (the “Agreement”), between Let Mommy Sleep Franchising, LLC, a Virginia Limited Liability Company (“Let Mommy Sleep”) and \_\_\_\_\_, a/an \_\_\_\_\_ (“Franchisee”).

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

2. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

3. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

4. Section 18.22 of the Franchise Agreement does not apply to California franchisees.

5. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

LET MOMMY SLEEP FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ILLINOIS ADDENDA TO FRANCHISE  
AGREEMENT**

This Rider amends the Franchise Agreement dated \_\_\_\_\_ (the “Agreement”), between Let Mommy Sleep Franchising, LLC, a Virginia Limited Liability Company (“Let Mommy Sleep”) and \_\_\_\_\_, a/an \_\_\_\_\_ (“Franchisee”).

6. **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.

7. **Waivers Void.** In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

8. Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.

IF YOU ARE NOT LICENSED/CERTIFIED IN ILLINOIS TO PROVIDE SERVICES OF THE NATURE DESCRIBED IN THIS DISCLOSURE DOCUMENT, YOU MAY HAVE TO CONTRACT WITH LICENSED PROFESSIONALS WHO WILL PROVIDE THE SERVICES THAT YOUR FRANCHISED BUSINESS OFFERS. YOU SHOULD RETAIN AN EXPERIENCED ATTORNEY WHO WILL LOOK FOR YOUR BEST INTERESTS IN THIS BUSINESS VENTURE.

The Nurse Practice Act is set forth in Illinois law at: 225 ILCS 65/50 (West 2016)

YOU ARE REQUIRED TO SUCCESSFULLY COMPLETE THE INITIAL TRAINING FOR THIS FRANCHISE OPPORTUNITY WITHIN 90 DAYS OF SIGNING YOUR FRANCHISE AGREEMENT.

9. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

LET MOMMY SLEEP FRANCHISING, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Florida	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Carolina	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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 plan

## 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 Let Mommy Sleep Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you:

- (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale or grant, or
- (b) Under New York and Rhode Island law, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or
- (c) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Let Mommy Sleep Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit A.

The franchise seller is Denise Stern, President of Let Mommy Sleep Franchising, LLC, 6630 Rutledge Drive, Fairfax Station, VA 22039; Telephone: (703) 627-7225.

Issuance date:

Let Mommy Sleep Franchising, LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated April 30, 2023 that included the

following exhibits:

A. FRANCHISE AGREEMENT

Exhibits to Franchise Agreement:

- a. Protected Territory
- b. Confidentiality and Non-Competition Agreement
- c. ACH Authorization
- d. Assignment of Franchise Agreement to a Corporation or Limited Liability Company
- e. Guarantee of Obligations

B. LIST OF STATE ADMINISTRATORS

C. LIST OF STATE AGENTS FOR SERVICE OF PROCESS

- D. TABLE OF CONTENTS OF CONFIDENTIAL FRANCHISE OPERATIONS MANUAL
- E. FINANCIAL STATEMENTS
- F. ASSIGNMENT OF TELEPHONE NUMBERS
- G. OWNERS
- H. STATE SPECIFIC ADDENDA TO DISCLOSURE DOCUMENT
- I. STATE SPECIFIC ADDENDA TO FRANCHISE AGREEMENT

\_\_\_\_\_  
Date Received:

\_\_\_\_\_  
Prospective Franchisee:

\_\_\_\_\_  
Name (please print):

Address: \_\_\_\_\_  
\_\_\_\_\_

Please remove this page, sign and date this page, make a copy for your records and return the original to:

**Let Mommy Sleep Franchising, LLC,  
ATTN: Denise Stern, President  
6630 Rutledge Drive  
Fairfax Station, VA 22039**