

## FRANCHISE DISCLOSURE DOCUMENT



CELEBREE ENTERPRISES, LLC,  
a Maryland limited liability company  
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Celebree School franchises offer infant care, pre-school, before and after-school programs for school aged children, summer camps, back-up care and emergency care (each a “**Celebree School**” or “**School**”).

The initial investment necessary to begin operation of a Celebree School where you pay for leasehold improvements ranges from \$2,003,000 to \$3,009,000. This includes \$140,600 that must be paid to us and excludes real estate acquisition costs. The initial investment necessary to begin operation of a Celebree School where the landlord constructs the leasehold improvements ranges from \$838,000 to \$1,214,000. This includes \$140,600 that must be paid to us and excludes real estate acquisition costs. The initial investment necessary to sign a Development Agreement to reserve the right to develop between two and three Celebree Schools ranges from \$100,000 to \$122,500. This includes \$95,000 to \$115,000 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 governmental agency has verified the information contained in this disclosure 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 Chris Kelleher, Chief Development Officer, Celebree Enterprises, LLC, at 8029 Corporate Drive, Nottingham, Maryland 21236 and (410) 515-8750.

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

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

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

The issuance date of this Franchise Disclosure Document is April 11, 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<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 or Exhibit I.
<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 D 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 Celebree School 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 Celebree School franchisee?</b>	Item 20 or Exhibit I 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 E.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by litigation only in Maryland. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with us in Maryland than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Licensed Trademark.** Celebree Enterprises, LLC does not hold the primary trademark you will use in your business. Our affiliate, HWG IP, LLC has granted us a license to use and permit our franchisees to use the primary trademark under an Intellectual Property License Agreement. HWG IP, LLC has the right to terminate the Intellectual Property License Agreement if we commit a breach of the License Agreement. In that event, HWG IP, LLC will assume our obligations under your Franchise Agreement. HWG IP, LLC is not a party to the Franchise Agreement and is not bound by any agreements you sign with us except as outlined above.
4. **Financial Condition.** The franchisor's financial condition as reflected in its financial statements (see Item 21) call into question the franchisor's financial ability to provide support and services to you.

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

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

This disclosure document describes the Celebree School franchise offering. In this disclosure document, “**we**,” “**us**,” and “**our**” means Celebree Enterprises, LLC, the franchisor, and “**you**” or “**your**” means the purchaser of the franchise. If the purchaser of the franchise is a corporation, partnership, or limited liability company, “**you**” means both the purchaser and the persons who own the business entity.

**The Franchisor**

We are a Maryland limited liability company formed on June 7, 2018. We do business only under our corporate name. Our principal place of business is 8029 Corporate Drive, Nottingham, Maryland 21236. Our agents for service of process are listed in Exhibit E. We began offering franchises on June 28, 2018. We do not operate any Celebree Schools, however, as of December 31, 2023, our affiliates operated 26 Celebree Schools (“**Company-Operated Schools**”) and there were 20 franchised Celebree Schools in operation. We have never offered franchises in any other line of business.

**Our Parent, Affiliates and Predecessors**

Our affiliate, HWG IP, LLC , is a Florida limited liability company organized on February 12, 2024 with a principal business address of 1917 Winding Oaks Way, Naples, Florida 34109. HWG IP, LLC owns the trademarks and intellectual property related to Celebree Schools. We have a license from HWG IP, LLC to use and license such trademarks and intellectual property to our franchisees.

Our affiliate, Celebree Property Investments, LLC (“CPI”), is a Maryland limited liability company organized on January 10, 2006 with a principal business address of 8029 Corporate Drive, Nottingham, Maryland 21236. CPI, through its subsidiaries invests in real estate and may lease premises to our franchisees to operate their Celebree Schools.

We do not have a parent company or any predecessors or additional affiliates that we are required to disclose in this Item.

**Celebree School Franchises**

Celebree Schools are early childhood education schools that provide a stimulating environment and curriculum through age-appropriate play, projects, and activities. Our core values are to protect, educate, and nurture children with a focus on developing positive social skills, values, and school age readiness. Celebree Schools offer infant care, pre-school, before and after-school programs for school aged children, summer camps, back-up care, and emergency care for children who are between six weeks and 12 years old.

Qualified entities and individuals can buy a franchise to develop and operate a Celebree School. You should not acquire any interest in a site for your School (“**Franchised Location**”) until we have approved your franchise application, you and we have signed a Franchise Agreement (the current form of which appears in Exhibit A), you have paid the initial franchise fee described in Item 5, and we have approved the Franchised Location in writing. Each Franchise Agreement will be between you and us, and certain of your owners will be required to personally guarantee your obligations to us. The procedures for finding, selecting and receiving our approval of a site for your School are described in Item 11 of this disclosure document.

Under the Franchise Agreement, you will be licensed to use the service mark “Celebree School” as well as related trade names, service marks, trademarks, logos, emblems, and indicia of origin (the “**Proprietary Marks**”) and certain copyrights and copyrighted materials (the “**Works**”) owned by HWG IP,

LLC and licensed to us for the operation of Celebree Schools. We and our affiliates may modify the Proprietary Marks and the Works from time to time.

Celebree Schools operate according to a distinctive format, appearance, and set specifications and operating procedures (“**System**”). You will be licensed to utilize our System under the Franchise Agreement. Our mandatory and recommended standards, policies and procedures are represented in our confidential and proprietary operations and instructional manuals (the “**Manuals**”), which we will make available to you during the term of your Franchise Agreement. We have the right to modify the Manuals and the elements of the System at any time without consultation with you.

The distinguishing characteristics of the System include our: standards; policies and procedures for the design, layout and build-out of a Celebree School to create a stimulating and nurturing atmosphere for children; sales strategies and enrollment procedures; class and camp curricula and teaching methods and aids, staff training and employee development programs; customer service; procedures to maintain the quality and consistency of experiences for children; community involvement; information technology systems, and assistance with advertising, promotion, public relations, and social media, all of which we may change, improve and further develop over time.

### **Development Agreement**

We may offer qualified entities the right to develop multiple Celebree Schools within a specified nonexclusive geographic area (“**Designated Search Area**”) according to a mandatory development schedule (“**Development Schedule**”) under our Multi-Unit Development Agreement (“**Development Agreement**”) (the current form of which appears in Exhibit B). When you sign the Development Agreement, you will pay the Development Fee described in Item 5. You must also sign the Franchise Agreement for your first School when you sign the Development Agreement. You will negotiate both the number of Celebree Schools and the Development Schedule with us. You must agree to develop at least two Celebree Schools under the Development Agreement. You (or your affiliate) will sign our then-current form of Franchise Agreement for each Celebree School franchise that you develop under the Development Agreement. Our then-current form of Franchise Agreement may differ from the version of Franchise Agreement attached to this disclosure document. You or your affiliates will (1) sign Franchise Agreements for each Celebree School; (2) open Celebree School; and (3) and begin operating each Celebree School on or before the dates listed in the Development Schedule. We will grant Franchise Agreements to operate Celebree School franchises under the Development Agreement only to you or to a corporation, limited liability company or other entity of which you or one or more of your owners owns more than 50% of your total authorized ownership interests, as long as you or such owner(s) have the right to control the entity’s management and policies.

### **Industry-Specific Laws**

Childhood education facilities are subject to a myriad of federal, state and local laws and regulations. You are responsible for ensuring that you comply with all applicable local, county, state and federal laws and regulations. We are not aware of any laws or regulations applicable to Celebree Schools that do not apply generally to children’s pre-school, kindergarten or supplemental education businesses. There is a wide variation in legal requirements among various state and local laws and regulations. All states will require you and your School Director (as defined in Item 15) to meet specific requirements to obtain a child care license to operate a school. You also must meet all state required mandates to identify the facility as a school. All states require background checks and screening of proposed employees and volunteers. In addition, each state imposes educational qualifications for the School Director, staff and volunteers. States also can regulate a school’s curriculum and typically require submission of the School’s program plans, discipline policy, emergency and evacuation plans, specific equipment, maintenance of records, CPR and first aid requirements. Proof and documentation for all of the above topics is required to be maintained and present at your School. State agencies may conduct scheduled and unscheduled inspections of your School. Failure by a school to comply with applicable laws and regulations can result in state sanctions; which could include fines, corrective orders, probation or, in serious cases, suspension or revocation of the School’s license.



There are other laws and regulations applicable to businesses generally (such as the Americans with Disabilities Act) with which you must comply. You should consult with your attorney and local, county, state and federal government agencies concerning these and other laws and ordinances that may affect the operations of a Celebree School before you sign a Franchise Agreement or a Development Agreement. You also must obtain all applicable real estate permits and licenses and operational licenses. It is your, and only your, responsibility on a continuous basis to investigate and satisfy all local, county, state and federal laws as they vary from place to place and may change from time to time.

### **Market and Competition**

We believe the market for early childhood education and supplemental education is well established and growing. Your School will compete with other pre-school, kindergarten, and supplemental education programs. These competitors may include independent child care providers, national child care chains, state run childcare and educational facilities, and other businesses offering similar education programs and children's camps. These competitors may have substantial financial, marketing, and other resources and they may be well established in your market. The ability of each Celebree School business to compete depends on its ability to attract students and employees, its location, customer service, overhead costs, changing local market and economic conditions and many other factors both within and outside your control or our control.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Chief Executive Officer and Director – Richard Huffman**

Mr. Huffman has served as our Chief Executive Officer and Director since June 2018. He has held these same positions for our affiliate, HWG IP, LLC since February 2024 and for our affiliates, Celebree Holding, Inc. and Enchanted Childcare International, Inc. ("ECI") since September 1994.

### **Chief Financial Officer, Secretary, Treasurer, and Director – Allan Greenberg**

Mr. Greenberg has served as our Chief Financial Officer, Secretary, Treasurer, and Director since June 2018. He has held these same positions for ECI since November 2017.

### **Chief Talent Officer and Director – Lisa Bricker**

Ms. Bricker has served as our Chief Talent Officer and Director since June 2018. She has held this same position for ECI since January 2016. From April 2004 to January 2016, Ms. Bricker served as the Director of Human Resources for ECI.

### **Chief Operating Officer – Allison Tsomos**

Ms. Tsomos has served as our Chief Operating Officer since January 2022. She served as our Vice President of Operations from September 2018 to January 2022. She has held this same position for ECI since September 2018. From July 2000 to August 2018, she served as ECI's District Director. From September 1999 to June 2000, she served as a School Director for ECI.

### **Chief Development Officer and Director – Christopher Kelleher**

Mr. Kelleher has served as our Chief Development Officer since August 2022 and our Director since June 2018. From June 2018 to December 2021, he served as our Vice President of Franchise Operations and Franchise Development and has served as the Director of Business Development and Franchising for ECI since April 2016.

### **Chief Marketing Officer – Laura Rice**

Ms. Rice has served as our Chief Marketing Officer since March 2022. Ms. Rice served as our Vice President of Franchise Marketing from June 2021 to February 2022. From November 2019 to June 2020, she was Director of Marketing for Heartland Home Foods, Inc. in Halethorpe, Maryland. From October 2018 to November 2019, Ms. Rice was Senior Product Marketing Manager for Walden University in Columbia, Maryland.

### **Vice President, Franchise Sales and Development – Kimberly Mitchell Wolff**

Ms. Wolff has served as our Vice President, Franchise Sales and Development since April 2023. From June 2020 to April 2022, she served as Vice President, Global Sales Enablement & Client Service Management for Mood Media Corporation in Fort Mill, South Carolina. From October 2018 to June 2020, she served as Vice President, Enablement & Solutions for Mood Media Corporation in Fort Mill, South Carolina.

### **Director of Marketing – Lauren Moran**

Ms. Moran has served as our Director of Marketing since June 2018. She has held this same position for ECI since August 2013.

### **Director of Education - Kristen Miller**

Ms. Miller has served as our Director of Education since May 2022. She has held several positions for ECI, including as Director of Education since May 2022, Director of Accreditation from April 2016 to April 2022, and as a School Director from December 2015 to April 2016.

### **Director of Franchise Sales – Michael Carahaly**

Mr. Carahaly has served as our Director of Franchise Sales since June 2023. From October 2022 to May 2023, he served as Director, Franchise Sales for X-Golf America, Inc. in Los Angeles, California. From March 2022 to September 2022, he served as Director, Franchise Sales for Crest Foods, Inc. in Richardson, Texas. From June 2021 to October 2021, he served as Director, Franchise Sales for iCode Franchise, Inc. in Frisco, Texas. From January 2015 to August 2020, he was the Owner of All County Property Management Franchise Corporation in Exton, Pennsylvania.

### **Director of Franchise Training – Stefanie Shurer**

Mrs. Shurer has served as our Director of Franchise Training since April 2023. She has been Director of Training for ECI since June 2018.

### **Market Director - Michael Forrest**

Mr. Forrest has served as our Market Director since April 2023. From October 2022 to April 2023, he was Managing Director for Preschool Solutions, LLC in Decatur, Georgia. From August 2021 to October 2022, he was our Director of Franchise Operations. From February 2021 to August 2021, he was Vice President of Franchise Relations for the Asian American Hotel Owners Association Inc. in Atlanta, Georgia. From November 2017 to February 2021, he was a Regional Manager for Goddard Systems Inc. in King of Prussia, Pennsylvania.

## **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

**Franchise Agreement**

Initial Franchise Fee. You must pay us an initial franchise fee in a lump sum in the amount of \$75,000 when you sign the Franchise Agreement.

Site Development Assistance Fee. You must pay us a site development assistance fee in a lump sum in the amount of \$30,000 when you sign a letter of intent for a lease or your affiliate signs a purchase agreement for the Franchised Location. This fee covers our review of multiple sites for your School, traveling to your local market area to evaluate potential sites for your School, and providing demographic and other relevant information in identifying your Franchised Location.

Site Review Fees and Expenses. We do not charge any fees to conduct up to three separate visits to your local market area to evaluate potential sites for your School. If we require or you request additional site visits, you must pay our Site Review Fee in the amount of \$3,000 and reimburse us for our travel expenses.

Training and Opening Support Fee. You must pay us a training and opening support fee in a lump sum in the amount of \$30,000 prior to attending the management training program. This fee covers the management training program, opening support provided by our School Opening and Franchise Business Consultant teams and additional training necessary to support the School opening and initial enrollment period.

Centralized System Fee. When we set up your marketing and technology systems, which will be approximately four months prior to the opening date of your School, you must begin to pay us the monthly Centralized System Fee, which is currently \$1,400 per month. This fee is for the administration and provision of incoming lead management, tour scheduling, centralized and telephone answering services, website management, software licenses, applicant tracking software, and technology developments. We may modify the Centralized System Fee from time to time.

**Development Agreement**

If you sign a Development Agreement to develop multiple Celebree Schools, you must pay us a lump sum development fee for each School you agree to develop in the amount set forth in the table below. We will insert the amount of the Development Fee in the Development Agreement before signing it. The development fee is non-refundable. As noted in the table below, we offer reduced initial franchise fees for your second and third School if they are developed under a Development Agreement. We will apply a credit in the amount of the development fee that you pay for each School to the initial franchise fee owed under each Franchise Agreement that you sign pursuant to the Development Agreement.

<b>School No.</b>	<b>Development Fee</b>	<b>Initial Franchise Fee</b>	<b>Amount to be Paid When Sign Franchise Agreement After Applying Credit</b>
First	\$0	\$75,000	\$75,000
Second	\$20,000	\$70,000	\$50,000
Third	\$20,000	\$65,000	\$45,000

\* \* \* \* \*

The fees noted above are fully earned when paid and are not refundable. These fees are typically uniform for all new franchisees in the system; however, in certain circumstances, we may reduce or waive a fee.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>1</sup>	Amount	Date Due	Remarks
Royalty Fee	7% of Net Revenues	Weekly <sup>3</sup>	See Note 2 for the definition of “Gross Revenues” and “Net Revenues” and Note 3 for an explanation of our electronic funds transfer process. See Note 4 for credits that are available if you reach certain enrollment levels in a calendar year.
Brand Fund Contribution	You must start contributing to the Brand Fund at the rate we are then charging to the System (currently 2% of Net Revenues) commencing on the seven month anniversary of the opening date of your School.	Weekly	We may modify your Brand Fund Contribution upon 90 days’ prior written notice by increments of up to 0.5% (to a maximum of 3% of Net Revenues); however, we will not increase your Brand Fund Contribution by more than 1% per year. See Item 11 for further details.
Local Advertising	\$750 / week until your Net Revenues in any week exceed \$28,000; thereafter, 2% of Net Revenues	Weekly	Paid to third party vendors. You must spend this amount on approved local community awareness, advertising, public relations, community involvement activities, sponsorships, business partnerships and promotion in accordance with approved marketing plans. You must report your local advertising expenditures to us on a quarterly basis. If you fail to spend the required amount annually, you must, at our option, spend the deficit for local advertising in the first quarter of the following year or contribute the deficit to the Brand Fund. Please see Item 11 for further details.

Type of Fee <sup>1</sup>	Amount	Date Due	Remarks
Cooperative Contributions	0.5% of Net Revenues unless members of the Cooperative agree to a higher amount.	Monthly	If we establish a regional marketing cooperative (“Cooperative”) in your market, you must join and make contributions to the Cooperative. We intend to form Cooperatives in any market with five or more open Celebree Schools. Our Company-Operated Schools will join any applicable Cooperative and will have the same voting rights as any franchised School in the Cooperative. See Item 11 for further details.
Centralized System Fee	Currently, \$1,400 per month	Monthly, due on the 1 <sup>st</sup> Wednesday of the month	Payable commencing approximately four months prior to the opening date of your School when we set up your marketing and technology systems. We may modify the Centralized System Fee from time to time.
Collection Costs and Expenses	Amount incurred	Upon demand	You must pay our collection costs and expenses, which include collection agency fees, costs incurred in creating reports demonstrating Gross Revenues, attorney’s fees, and related expenses we incur in enforcing the terms of the Franchise and Development Agreements.
Convention Registration	Currently, \$1,000 to \$1,500 per person	Upon demand	Your Operating Principal (as defined in Item 15) and School Director must pay a registration fee to attend our Annual Convention and pay any travel costs for up to three days each year. You may send up to two additional participants to our Annual Convention for the applicable registration fee.
Customer Complaints	Our reasonable costs and expenses	Upon demand	You must reimburse us for our reasonable costs and expenses incurred in resolving customer complaints that you failed to resolve at your School.
Enforcement Expenses	Reasonable cost of our attorneys’ fees and expenses	Upon demand	Payable if we obtain injunctive or other relief for the enforcement of any term of the Franchise and Development Agreement.

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Date Due</b>	<b>Remarks</b>
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we incur any expense, including attorneys' fees and other costs, or are held liable for claims arising out of the operation of your School.
Interest	1.5% per month or the maximum rate permitted by applicable law	With payment of overdue amount	We calculate interest from the date the payment was due until paid in full.
Late Fee	\$250 plus \$100/day beginning on the third day after the event which resulted in the imposition of the late fee	Upon demand	Payable if you fail to (1) timely notify us and/or deliver copies of any adverse action or order which may adversely affect any permit, certificate or license, the operation of the School or your financial condition; (b) timely submit to us any of the forms, reports, records, information and/or data you are required to submit to us; or (c) update on a daily basis all customer records in our designated customer relationship management system and billing system.
Management Fee	Reasonable fees	Upon Demand	Due if we or a third party manage the operation of your School upon the Operating Principal's death or disability.
Private Securities Offering	\$10,000 or such greater amount as is necessary to reimburse us and our outside advisors for our expenses	With submission of offering materials for our review	Payable if you intend to offer securities to investors. You also must reimburse us on an annual basis for our costs associated with providing information for your annual reports.
Relocation Fee	\$10,000	Upon demand	Payable if you relocate your School to cover administrative costs associated with evaluating the proposed site and preparing a new Franchise Agreement (See Item 12).
Reimbursement of Costs of Audit	Actual cost of audit, including travel, lodging, wages and reasonable accounting and legal costs	Upon demand	Payable only if an examination or audit reveals an understatement of the Gross Revenues of 2% or more.

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Date Due</b>	<b>Remarks</b>
Reimbursement of our Expenses	Amount we pay on your behalf	Upon demand	Payable only if we pay, or become obligated to pay, monies on your behalf by consent or otherwise under the Franchise Agreement including amounts we pay to obtain insurance on your behalf if you fail to maintain the required insurance policies.
Renewal Franchise Fee	Our documented costs to process the renewal, which shall not exceed \$10,000	Upon execution of a renewal franchise agreement	If you choose to and are approved to renew your Franchise Agreement, you must sign our then current form of renewal franchise agreement.
Supplier Evaluation	Reasonable costs of evaluation, which currently are expected to range between \$1,000 and \$1,500 although costs could be less than or exceed these amounts depending on the product and the supplier.	Upon demand	Payable whether or not we approve the supplier. Please see item 8 for additional details.
Taxes	Amount imposed on us	Upon demand	You must reimburse us for any taxes, fees or assessments imposed on us for acting as a franchisor or licensing the Proprietary Marks to you.
Training – Additional Programs	We do not currently charge these fees.	Upon demand	We have the right to charge you reasonable training fees for additional training programs that we administer during the term of your Franchise Agreement.
Training – Replacement Personnel	Currently, \$3,000 per person per week	Upon demand	If you need to send your replacement Operating Principal, School Director, Trainers or managerial staff to our management training program. Please see Item 11 for a description of these roles and additional details on our management training program.
Training – On Site	Currently, \$500 per representative per day and travel expenses	Upon demand	If we send a representative to your School to provide training for your staff.

Type of Fee <sup>1</sup>	Amount	Date Due	Remarks
Transfer Fee	\$15,000	Upon demand	Payable if you propose to sell or transfer your business (or a partial ownership interest). We will reduce the transfer fee to \$12,000 if the transfer is to an immediate family member of an owner for estate planning purposes.
Transfer Fee (Transfer to Wholly Owned Entity)	\$5,000 if the transfer takes place more than 30 days after signing the Franchise Agreement or Development Agreement	Upon demand	If you sign your Franchise or Development Agreement as an individual or a group of individuals, you must transfer the agreement to a corporation or limited liability company wholly owned by you before you open your School under the Franchise Agreement and before you open the first School that you develop under a Development Agreement. There is no transfer fee if this transfer is completed within 30 days after signing the agreement. Otherwise, you must pay a transfer fee of \$5,000.
Transfer Fee – Referred Candidate	Then-current initial franchise fee	Upon closing	Your transfer fee will equal our then-current initial franchise fee if you sell your School to a purchaser that we refer to you (including any current or former franchisee, franchise applicant, or School Director of a Celebree School).
Quality Control Programs	Our out of pocket costs	As incurred	You must pay costs that we incur to third parties to carry out quality control programs at your School if you don't pay third parties directly for their services.

**NOTES**

- (1) Unless otherwise noted, all of the fees or charges described in this Item derive from the Franchise Agreement and all fees are non-refundable, payable to us, and uniformly imposed on all franchisees receiving this offering; however, we may, in some instances, waive or reduce some or all of these fees for particular franchisees.
- (2) **“Gross Revenues”** means the aggregate amount of all revenues billed and generated regardless of collection from the delivery of services and all other income of every kind and nature related to your School. The following are not included in Gross Revenues: (1) any bona fide documented federal, state, or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority, if applicable; (2) customer refunds made in good faith and recorded as a reduction of Gross Revenues; (3) student security deposits; and (4) revenues received from enrichment programs. You may not reduce Gross Revenues by the amount of any discounts provided to your family members or your employees. We reserve the right to modify our policies consistent with education services industry



practices regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from “Gross Revenues” as circumstances, business practices, and technology change. “**Net Revenues**” means the amount billed for weekly tuition reduced by 2% of Gross Revenues to accommodate scholarships and discounts provided to your customers and includes registration fees and application fees.

- (3) You must designate an account at a commercial bank of your choice (“**Account**”) for the payment of amounts due to us and/or our affiliates, including but not limited to weekly Royalty Fees and Brand Fund Contributions and monthly Centralized System Fees. You must furnish us and the bank with authorizations as necessary to permit us to make withdrawals from the Account by electronic funds transfer. Weekly payments shall be due on Wednesday of each week. Monthly payments shall be due on the first Wednesday of the month. We may modify the due dates from time to time. On the relevant due date, we will transfer from the Account an amount equal to the Royalty Fees, Brand Fund Contributions, and Centralized System Fees due from you as well as any other fees due to us and/or our affiliates. We will obtain payment by electronic debit to your Account each week.
- (4) If your enrollment figures are at 85% of capacity on January 1 and December 31 of any calendar year and you are in good standing under your Franchise Agreement, we will issue a credit against the Royalty Fees that you owe equal to 0.25% of the total Royalty Fees paid to us for that calendar year. This would reduce your effective Royalty Fee rate from 7% to 6.75% for that calendar year. At our option, in lieu of offering this credit, we may refund to you 0.25% of the total Royalty Fees paid to us for that calendar year in one lump sum.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**TABLE NO. 1  
YOUR ESTIMATED INITIAL INVESTMENT WITH LEASEHOLD IMPROVEMENTS**

1.	Nature of Expenditure	Amount Low Estimate	Amount High Estimate	Payment Method	When Due	Payment To
2.	Initial Franchise Fee	\$75,000	\$75,000	Lump sum	At signing of Franchise Agreement	Us
3.	Site Development Assistance Fee	\$30,000	\$30,000	Lump sum	At lease or purchase of the School	Us
4.	Training Assistance and Opening Support Fee	\$30,000	\$30,000	Lump sum	Prior to attending training program	Us
5.	Pre-Opening Centralized System Fees	\$5,600	\$5,600	As incurred	Before opening	Us
6.	Architectural, Civil Design, Permitting	\$58,000	\$100,000	As incurred	Before opening	Suppliers
7.	Construction and Leasehold Improvements	\$1,100,000	\$1,680,000	As incurred	Before opening	Suppliers
8.	Pre-Opening Temporary Welcome Center Expenses	\$5,000	\$9,000	As incurred	Before opening	Suppliers
9.	Furniture and Fixtures	\$110,000	\$140,000	As incurred	Before opening	Suppliers

1.	Nature of Expenditure	Amount Low Estimate	Amount High Estimate	Payment Method	When Due	Payment To
10.	Equipment and Toys	\$75,000	\$90,000	As incurred	Before opening	Suppliers
11.	Start-Up Supplies and Inventory	\$12,000	\$15,000	As incurred	Before opening	Suppliers
12.	Outdoor Playground Equipment & Surfacing	\$100,000	\$190,000	As incurred	Before opening	Suppliers
13.	Transportation Vehicle and Associated Expenses	\$9,000	\$14,000	As incurred	Before opening	Suppliers
14.	Information Technology Equipment and Software	\$45,000	\$60,000	As incurred	Before opening	Suppliers
15.	Security & Electronic Access System	\$10,000	\$15,000	As incurred	Before opening	Suppliers
16.	Exterior and Interior Signs	\$9,000	\$20,000	As incurred	Before opening	Suppliers
17.	Professional Fees	\$40,000	\$50,000	As incurred	Before and after opening	Suppliers
18.	Training Expenses	\$2,000	\$5,000	As incurred	Before opening	Suppliers
19.	Pre-Opening Enrollment and Grand Opening Marketing	\$45,000	\$60,000	As incurred	Before opening	Suppliers
20.	Insurance	\$3,000	\$5,000	As incurred	Before opening	Suppliers
21.	Licenses and Permits	\$4,000	\$25,000	As incurred	Before opening	Suppliers
22.	Lease / Security Deposit	\$20,000	\$60,000	As incurred	Before opening	Suppliers
23.	Lease (3 months)	\$40,000	\$75,000	As incurred	After opening	Suppliers
24.	Utility Deposits	\$2,000	\$4,000	As incurred	Before opening	Suppliers
25.	Pre-Opening Working Capital	\$50,000	\$75,000	As incurred	Before opening	Various
26.	Additional Funds – 3 Months (Working Capital)	\$125,000	\$175,000	As incurred	After opening	Various
28.	Total	\$2,003,000	\$3,009,000	(Does not include real estate acquisition costs)		

**TABLE NO. 2  
YOUR ESTIMATED INITIAL INVESTMENT WHERE LANDLORD CONSTRUCTS IMPROVEMENTS**

1.	Nature of Expenditure	Amount Low Estimate	Amount High Estimate	Payment Method	When Due	Payment To
2.	Initial Franchise Fee	\$75,000	\$75,000	Lump sum	At signing of Franchise Agreement	Us

1.	Nature of Expenditure	Amount Low Estimate	Amount High Estimate	Payment Method	When Due	Payment To
3.	Site Development Assistance Fee	\$30,000	\$30,000	Lump sum	At lease or purchase of the School	Us
4.	Training Assistance and Opening Support Fee	\$30,000	\$30,000	Lump sum	Prior to attending training program	Us
5.	Pre-Opening Centralized System Fees	\$5,600	\$5,600	As incurred	Before opening	Us
6.	Architectural, Civil Design, Permitting, Construction and Leasehold Improvements	\$0	\$0	As incurred	Before opening	Suppliers
7.	Pre-Opening Temporary Welcome Center Expenses	\$5,000	\$9,000	As incurred	Before opening	Suppliers
8.	Furniture and Fixtures	\$110,000	\$140,000	As incurred	Before opening	Suppliers
9.	Equipment and Toys	\$75,000	\$90,000	As incurred	Before opening	Suppliers
10.	Start-Up Supplies and Inventory	\$12,000	\$15,000	As incurred	Before opening	Suppliers
11.	Outdoor Playground Equipment & Surfacing	\$100,000	\$190,000	As incurred	Before opening	Suppliers
12.	Transportation Vehicle and Associated Expenses	\$9,000	\$14,000	As incurred	Before opening	Suppliers
13.	Information Technology Equipment and Software	\$36,000	\$45,000	As incurred	Before opening	Suppliers
14.	Security & Electronic Access System	\$10,000	\$15,000	As incurred	Before opening	Suppliers
15.	Exterior and Interior Signs	\$9,000	\$20,000	As incurred	Before opening	Suppliers
16.	Professional Fees	\$40,000	\$50,000	As incurred	Before and after opening	Suppliers
17.	Training Expenses	\$2,000	\$5,000	As incurred	Before opening	Suppliers
18.	Pre-Opening Enrollment and Grand Opening Marketing	\$45,000	\$60,000	As incurred	Before opening	Suppliers
19.	Insurance	\$3,000	\$5,000	As incurred	Before opening	Suppliers
20.	Licenses and Permits	\$4,000	\$25,000	As incurred	Before opening	Suppliers
21.	Lease / Security Deposit	\$20,000	\$60,000	As incurred	Before opening	Suppliers
22.	Lease (3 months)	\$40,000	\$75,000	As incurred	After opening	Suppliers
23.	Utility Deposits	\$2,000	\$4,000	As incurred	Before opening	Suppliers

1.	Nature of Expenditure	Amount Low Estimate	Amount High Estimate	Payment Method	When Due	Payment To
24.	Pre-Opening Working Capital	\$50,000	\$75,000	As incurred	Before opening	Various
25.	Additional Funds – 3 Months (Working Capital)	\$125,000	\$175,000	As incurred	After opening	Various
28.	Total	\$838,000	\$1,214,000	(Does not include real estate acquisition costs)		

**YOUR ESTIMATED INITIAL INVESTMENT  
DEVELOPMENT AGREEMENT FOR TWO TO THREE SCHOOLS**

Type of Expenditure	Amount Low Estimate <sup>1</sup>	Amount High Estimate <sup>1</sup>	Method of Payment <sup>1</sup>	When Due	To whom payment is to be made
Development Fee and Initial Franchise Fee for the First School <sup>26</sup>	\$95,000	\$115,000	Lump sum	Upon signing Development Agreement	Us
Business Plan Preparation/ Miscellaneous Expenses <sup>27</sup>	\$5,000	\$7,500	As incurred	As incurred	Third parties
Total <sup>28</sup>	\$100,000	\$122,500			

**NOTES**

- (1) Amount and Method of Payment. Costs paid to us are not refundable, except as specifically described below. Whether any costs paid to third parties are refundable will vary based on the practice in the area where your School is located. We do not provide any direct or indirect financing for the initial franchise fee or other fees and costs paid to us or to third parties. If you meet the credit requirements determined by third party vendors, you may be able to obtain financing. The availability and terms of financing will depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of the financial institutions from which you request a loan. We do not determine the terms and conditions of any financing and we do not provide any guarantees for any financing provided to you by third parties.
- (2) Initial Franchise Fee. The manner in which the Initial Franchise Fee is paid is explained in detail in Item 5.
- (3) Site Development Assistance Fee. The manner in which the Site Development Assistance Fee is paid is explained in detail in Item 5.
- (4) Training Assistance and Opening Support Fee. The manner in which the Training Assistance and Opening Support Fee is paid is explained in detail in Item 5.
- (5) Pre-Opening Centralized System Fee. The Centralized System Fee is described in Item 5. You must begin to pay this monthly approximately four months prior to opening.
- (6) and (7) Architectural, Civil Design, Permitting, Construction and Leasehold Improvements. A typical Celebree School ranges in size from approximately 9,000 square feet to 12,000 square feet for the building, and at least 4,000 to 6,000 square feet of outdoor space for a dedicated activity and playground area. If you do not own a suitable location for developing a School, your affiliate must purchase the Franchised Location and lease it to you or you must lease the Franchised Location.

The cost of purchasing or leasing real estate will vary, depending on location, the actual size, design and layout, site selected, market conditions, and other factors. If your affiliate purchases the land and the building, the cost will be substantially higher, and will vary depending on the market for real estate in your area. We anticipate that you will lease rather than purchase the Franchised Location. Therefore, we have not included any costs for land or building acquisition in our estimates. This estimate also includes the cost of playground fencing and safety bollards. You may, but are not required to, choose to engage with one of our approved vendors for the management of construction and leasehold improvements.

Most Celebree Schools are fit-out projects where the property owner or your general contractor will remodel an existing shell according to our specifications and the property owner will amortize your building costs over the initial term of the lease or pay for all or a portion of the buildout as a tenant improvement allowance; however, you may be required to pay for some or all of the building costs not included in the lease. These costs can range from \$0 to \$140 per square foot as reflected in Table No. 1. In most localities, you are responsible for engaging the services of a professional, licensed and approved architect to produce blueprint drawings for your School. Prior to submitting the drawings to the local municipality for review and approval, we must review them to assess their conformity to our requirements and could potentially return them to your architect for additional modifications. You must engage our designated or approved architect. Any modifications may incur further services by your architect, and these services may likely incur higher fees. These costs are included in the square footage costs above. Your exact costs will depend on the architect you select and/or if an engineer is necessary. You are responsible for ensuring that the plans meet all state and local requirements including the Americans with Disabilities Act. The cost per square foot estimate above reflects the construction and leasehold improvement costs with typical tenant improvement allowances that are offered by landlords of Celebree Schools if the landlord delivers the space according to our specifications. Under these circumstances, these allowances will typically be included in the lease rate. In some instances, landlords may provide monetary allowances for materials or work, or rent credits during the time of construction which may be included in your lease rate. We recommend that you interview several contractors and check their references before engaging a contractor.

- (8) Pre-Opening Temporary Welcome Center Expenses. You are required to open a temporary welcome center at least 90 days prior to opening your School ("Temporary Welcome Center"). These expenses can include leasehold expenses for a temporary space to support enrollment activities prior to opening. This also includes elements of technology including software setup fees, furniture, fixtures and equipment necessary to outfit the temporary space. Once your School opens, these items will be used in your School for ongoing operations.
- (9) Furniture and Fixtures. These figures represent the purchase of the furniture and fixtures needed for the operation of your School, including the classroom furniture and equipment, lobby furniture, office furniture and kitchen equipment.
- (10) Equipment and Toys. You must purchase appropriate amounts of toys to outfit each classroom. Toys must be age appropriate for each classroom. This estimate also covers playground toys. Playgrounds must have age appropriate toys and equipment.
- (11) Start-up Supplies and Inventory. Manipulatives, art supplies, and other supplies must also be purchased for classrooms and offices.
- (12) Outdoor Playground Equipment & Surfacing. You must furnish approximately 4,000 to 6,000 square feet of playground structures, surfacing material, and equipment. The playground equipment must be suitable for children from age two through age twelve. Generally, this requires at least two playground units and appropriate surfacing underneath each playground in the fall zones. A shade should also be included in the playground.

- (13) Transportation Vehicle & Associated Expenses. The estimate includes the cost of the down payment, vinyl vehicle wrapping and pre-opening leasing costs for a vehicle that meets the specifications set forth in our Manual to transport children to and from local elementary schools for before and after care programs as well as summer camp field trips. Your first vehicle must be purchased one to three months prior to opening your School. You may need to purchase a second vehicle within six months after opening your School depending on your School's needs. Your vehicles must be branded with our Proprietary Marks according to our standards. If you elect to purchase a vehicle, your pre-opening expenses will be higher than the estimate presented. You should investigate the cost differential in your area. You will not incur these expenses if local laws or regulations prohibit you from offering transportation services.
- (14) Information Technology Equipment and Software. This includes approximately \$52,000 for a core information technology package through our approved supplier, which includes specific equipment, configuration and installation of equipment and software to ensure minimum brand standards and system security protocols are met. The balance of the information technology infrastructure can be purchased directly by you or through an IT vendor, but must meet our minimum requirements and must be configured by our approved vendor prior to connecting to our network. You will not be granted administrator rights to our network.
- (15) Security & Electronic Access System. This estimate covers the purchase and installation of a security system and electronic access system.
- (16) Exterior and Interior Signs. This is an estimate of the cost to procure and install one to two exterior signs for your School. Signs will need 110 or 240 volt electrical hookups, depending on the sign. The low estimate covers the fabrication of standard signage, while the high estimate takes into consideration a larger sign fabrication, as well as the configuration of the building, zoning laws and requirements, and restrictions imposed by your landlord. All signage must be in compliance with our standards and your local building and other codes. You must outfit the interior of your School with various vinyl wall signage and a raised school logo in the lobby.
- (17) Professional Fees. These fees are representative of the costs for engagement of professionals for the start-up of an educational service business. We also strongly recommend that you seek the assistance of attorneys and accountants for the initial review and resulting advisories concerning this franchise opportunity, this disclosure document, and subsequently, the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as a part of developing your School. These amounts also include the mandatory use of the accounting firm we designate for your Schools' first year of operations, as well as an estimate any loan financing costs. It is best to ask your professional advisors for a fee schedule prior to engaging them to perform any services on your behalf.
- (18) Training Expenses. The estimate assumes that you will pay for the travel, meals, lodging, and wages, for two individuals to attend our management training program. The cost you incur will vary depending upon factors such as the distance traveled, mode of transportation, per diem expenses actually incurred, as well as your chosen style of travel and accommodations.
- (19) Pre-Opening Enrollment and Grand Opening Marketing. You must advertise and promote your School and begin enrolling students in the School at least 120 days prior to opening the School and you must host a grand opening event within 30 days of your School opening. We will work with you to develop a marketing plan and marketing materials (as outlined in the Manuals) for the School and you must spend \$45,000 to \$60,000 marketing the School during these pre-opening and grand opening periods. We must review and approve your marketing plan and marketing materials, including total expenditures.
- (20) Insurance. This estimate includes the cost of insurance deposits and premiums during the construction and pre-opening phase. An insurance deposit may be required by the issuing company in order to obtain the minimum required insurance as listed in Item 8 of this disclosure document.

You will need to check with your local carrier for actual premium quotes and costs, as well as the actual cost of the deposit. The cost of coverage will vary based upon the area in which your business will be located, your experience with the insurance carrier, the loss experience of the carrier, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our stated minimums.

- (21) Licenses and Permits. You will be required to acquire and maintain the necessary permits, bonds, merchant accounts, licenses (including child care licenses) to develop and open your School.
- (22) Lease/Security Deposit. This range of expenses assumes the first and last month's rent as a security deposit for a commercial lease. Pre-paid rent is generally non-refundable, while security or other deposits may be refundable either in full, or in part, depending upon the lease contract.
- (23) Lease (3 months). This range includes the first three months of rent after opening for 9,000 square feet to 12,000 square feet of space. We estimate the cost of leasing commercial space per square foot to be anywhere from \$16 to \$50 per square foot. This estimate does not include triple net charges your landlord may require you to pay. The cost per square foot of leasing commercial space varies considerably depending upon the location and market conditions affecting commercial property. Since real estate values vary dramatically from region to region, your rental expenses may fall outside the low-high ranges provided.
- (24) Utility Deposits. This estimate is for deposits for regular utilities, such as gas, water, and electricity. Utility deposits may be required for first time customers and a credit check may be conducted by the issuing company before beginning services. These costs will vary and are due to the type of services required for the facility and the municipality from which it is being contracted. We recommend that you check the requirements in your local area.
- (25) Pre-Opening Working Capital. This is the estimate of the working capital you may need to develop your School prior to opening including pre-opening wages that you pay your staff, payroll taxes, office supplies, travel expenses, recruiting costs and other expenses necessary to prepare to open your School.
- (26) Additional Funds – 3 Months (Working Capital). This is an estimate of the additional working capital you may need to operate your School during the first three months of operation, assuming no revenue. This estimate is based upon our affiliates' experience in opening and operating Celebree Schools. The estimate includes items such as initial payroll taxes, professional and accounting fees, additional advertising, insurance, health insurance and workers' compensation, repairs and maintenance, bank charges (including interest), miscellaneous supplies and equipment, initial staff recruiting expenses, state tax and license fees, deposits and prepaid expenses (if applicable) and other unforeseen miscellaneous items. The expenses you incur during the initial start-up period will depend on factors such as the time of year you open, local economic and market conditions, the cost of labor in your area, the amount you pay your staff, the number of employees you hire, your experience and business acumen, competition, and the level of enrollment you reach during this initial period. We do not include any estimate for your Royalty Fees, Centralized System Fees, and Brand Fund Contribution payments or minimum Local Advertising expenditure requirement, which are stated as a percentage of Net Revenues, as we do not estimate any amount of revenue (from which these contributions and payments would be calculated). You will incur additional operating expenses in connection with the ongoing operation of your School.
- (27) Development Fee. These amounts estimate that you will reserve the right to develop two to three Celebree Schools in the Designated Search Area. You must sign the Franchise Agreement and pay the Initial Franchise Fee for your first School when you sign your Development Agreement. Your estimated initial investment under the Development Agreement will vary depending on the number of Celebree Schools you agree to develop within the Designated Search Area. This estimate does not include the estimated initial investment disclosed in the Franchise Agreement table to develop and open a Celebree School under a Franchise Agreement. No part of this initial

investment is refundable, although we will apply a credit in the amount of the development fee paid for each School towards the initial franchise fee owed under the Franchise Agreement for each School.

- (28) Business Plan Preparation/Miscellaneous Expenses. We recommend that you prepare a business plan prior to signing a Franchise Agreement for your second School. Except for the development fee, there is no additional initial investment for training, real property, equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements, decorating costs, inventory, security deposits, utility deposit, business licenses, other prepaid expenses or other costs required to begin operating under the Development Agreement.
- (29) Your Estimated Initial Investment. This estimate is based upon our affiliates' experience in opening and operating Celebree Schools. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. You should review this estimate and work with knowledgeable advisors including lawyers, accountants, childcare and educational advisors, local contractors, engineers, and architects before making any decision to invest in our franchise opportunity.

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

### **System Standards**

To protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate the School in strict conformance with our System standards, including the curricula, methods, standards, and specifications we prescribe from time to time in the Manuals or otherwise in writing. The System standards may relate to any aspect of the appearance, function, cleanliness, and operation of Celebree Schools.

### **Suppliers**

You must purchase your supplies, equipment, furnishings, merchandise, promotional items, information technology services, credit card processing services, architectural services, and other products and services that you purchase for operation of or sale in the School in accordance with our specifications and quality standards and, if applicable, only from suppliers we have designated or approved (which may include us or our affiliates). We and our affiliates may earn a profit on products and services sold to you and other Celebree School franchisees, and may receive rebates or other consideration from unaffiliated suppliers with respect to their sales of products or services to you or other Celebree School franchisees, whether or not the product or service is presently mentioned in this Item. As of the issuance date of this disclosure document, neither we nor any of our affiliates is an approved supplier for any products that are sold to Celebree Schools. However, we reserve the right to designate ourselves an approved supplier, or as the only approved supplier, for particular products and services in the future.

If we require you to use an approved supplier for a particular item, but you wish to purchase the item from a supplier that we have not approved, you may submit a written request for approval of the supplier, unless it is an item for which we have designated a particular vendor as the source for the particular product or service. We will provide our standards and specifications to you or to the proposed supplier, subject to the supplier's execution of a confidentiality agreement in a form acceptable to us. We have the right to inspect the proposed supplier's facilities and to require delivery of product samples either to us or to an independent laboratory designated by us for testing. You may be required to pay a fee, which will not exceed our reasonable costs incurred in evaluating the supplier, regardless of whether or not we approve the supplier. You may not purchase, sell, or offer for sale any products or services of the proposed supplier until you receive our written approval of the proposed supplier. We generally will give you written notice of approval or disapproval of the proposed supplier within 30 days after receiving your request and completion



of evaluation and testing, if required. You may not sell or offer for sale any products or services of the proposed supplier until you receive our written approval.

We have the right to revoke approval of particular suppliers if we determine that the suppliers or their products or services no longer meet our standards. Upon receipt of written notice of revocation, you must stop buying from the disapproved supplier. In addition, if we revoke our approval of the products because they fail to meet our standards, you may be required not to use your remaining inventory of those products.

None of our officers or directors owns an interest in any other suppliers of products or services to our franchisees. In our last fiscal year, we and our affiliates did not receive any rebates or payments from approved suppliers on account of franchisee purchases or leases of required and approved items from those suppliers.

There currently are no purchasing or distribution cooperatives for the System. We and our affiliates may negotiate purchasing arrangements with suppliers (including price terms) for the benefit of our franchisees and our affiliates for the items and services that you may obtain only from approved suppliers. In doing so, we and our affiliates seek to promote the overall interests of the Celebree School System. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

### **Accounting Services**

You must use the accounting firm we designate for your School's first year of operations. This firm will help set up your chart of accounts and required monthly reporting, and will prepare your first year tax returns and create an opening balance sheet. You will need to retain an additional accounting firm to prepare the annual financial statements as required by the Franchise Agreement. Our designated accounting firm can make a referral for you or you may select and obtain our approval of an accounting firm.

### **Lease**

If you lease the Franchised Location, you must submit the proposed lease to us for approval before you sign it and you must use our form of Lease Addendum attached as Exhibit F to the Franchise Agreement. See Item 11 under the heading "Site Selection and Construction" for additional details. The entity that owns the Franchised Location must be a separate entity from the entity that is the franchisee under the Franchise Agreement.

Our affiliate, CPI, through its subsidiaries invests in real estate and may lease premises to our franchisees to operate their Celebree Schools. No rental income was earned by CPI in 2023.

### **Furnishings, Fixtures, Equipment and Signs**

We have identified a specific recommended brand and model for many of the furnishings, fixtures, equipment and signage items required to equip a School. You must purchase these items only from approved suppliers. We may negotiate with vendors for the price, warranties, guarantees, delivery costs, maintenance contracts, etc. We do not represent that we will be able to obtain for you the lowest costs or best terms available. The type and number of pieces of furnishings, fixtures, equipment and signs you require will be based on the size of your School.

### **Curriculum Requirements**

You are required to purchase our approved, nationally recognized curriculum and implement that curriculum in your School. We will support you in implementing this curriculum and will supply you with additional materials, resources and guides to compliment the curriculum. Appropriate use of the curriculum will be required by us and will serve to aid you as you become accredited.

## **Technology and Computer System Requirements**

You must acquire and install in your School, at your own expense, a core information technology package through our approved supplier, which includes specific equipment, configuration and installation of equipment and software to ensure minimum brand standards and system security protocols are met. You will also be required to use our approved vendor for ongoing management of your information technology systems. Our specifications may evolve over time and, in some cases, required items may only be available through us and/or designated suppliers. The balance of the information technology infrastructure can be purchased directly by you or through an IT vendor but must meet our minimum requirements and must be configured by our approved vendor prior to connecting to our network. You will not be granted administrator rights to our network. Please see Item 11 for further information on technology and computer system requirements.

## **Insurance**

Before undertaking any activities in connection with your franchise, you must obtain insurance policies meeting our current requirements, at your expense. This insurance must protect you, us, and our affiliates, officers, directors, shareholders and employees against all claims for personal injury, death, or property damage, or any loss, liability or expense arising from the operation of your School.

All insurance policies must be written by a carrier with an industry rating by A.M. Best of A or better (or any similar criteria that we periodically specify). Liability policies must name us as an additional insured, and must provide us with 30 days prior written notice of termination, expiration or cancellation of the policy. You must provide us with certificates of insurance evidencing the proper types and at least the minimum amounts of coverage that we require. Currently we require the following insurance:

<b>Type of Insurance Policy</b>	<b>Coverage Requirements</b>
Commercial General	\$1M occurrence / \$3M aggregate
Liability & Abuse/Molestation	\$1M occurrence / \$3M aggregate
Errors and Omissions	\$1M aggregate
Auto	\$1M occurrence
Umbrella	\$5M occurrence / \$5M aggregate
Workers Compensation and Employers Liability	\$500,000
All Risk Property Insurance	Replacement Value
Cybersecurity	\$1M occurrence / \$1M aggregate

We have the right to increase the amounts of coverage required and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, new risks, and changes in the law or standards of liability, higher damage awards or other relevant changes in circumstances.

All public liability and property damage policies must be primary and non-contributory and must contain a waiver by the insurance company of subrogation rights against us and our affiliates, successors and assigns. If you fail to maintain the required coverage, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you must reimburse us for the cost of insurance, plus a reasonable fee for our services.

## **Accreditation**

Your School must gain accreditation through either your state accreditation program (if applicable) or through NAEYC (National Association for the Education of Young Children), which is a nationally recognized accreditation program. You are required to begin this process within three years from School opening, and successfully complete this process within five years from opening. Our Director of Curriculum and Accreditation will support your journey through the accreditation process via training, evaluations and

regular guidance. However, it is ultimately your responsibility to achieve and maintain your accreditation status for your School. Once you achieve your accreditation, you must maintain it throughout the term of your Franchise Agreement. Any failure to obtain or maintain accreditation will result in a default of your Franchise Agreement.

\* \* \*

We estimate that approximately 90% of your total purchases and leases in establishing your School and approximately 90% of your total purchases and leases in operating your School will be subject to at least one of the restrictions described in this Item 8.

### ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement and Development Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	FA: 3.2 and 3.3 DA: 3.2	5, 7, 8, 11 and 12
b. Pre-opening purchases/ leases	FA: 3.2, 3.3, 3.4, 3.8, and 10 DA: Not Applicable	5, 7, 8 and 12
c. Site development and other pre-opening requirements	FA: 3 DA: 3	5, 6, 7, 8, 11 and 12
d. Initial and ongoing training	FA: 6 DA: 4.5	6, 7 and 11
e. Opening	FA: 3.10 DA: Not Applicable	11
f. Fees	FA: 4, 6.3, 6.4, 8.3, 8.6, 8.15, 8.19, 10.2, 10.3, 16.4, 16.7 and 17.3 DA: 2	5, 6 and 7
g. Compliance with standards and policies/Operating Manual	FA: 7, 8 and 9 DA: 4	11 and 14
h. Trademarks and proprietary information	FA: 13 DA: Not Applicable	13 and 14
i. Restrictions on products/ services offered	FA: 8.2, 8.3, 8.5 and 8.7, 8.8 DA: Not Applicable	8 and 16
j. Warranty and guest service requirements	FA: 8.7 and 8.11 DA: Not Applicable	Not Applicable
k. Territorial development and sales quotas	FA: 2.2 DA: 1.2, 1.3., 1.4 and 3.1	1 and 12

Obligation	Section in Franchise Agreement and Development Agreement	Disclosure Document Item
l. Ongoing product/service purchases	FA: 8.2 DA: Not Applicable	6, 7 and 8
m. Maintenance, appearance and remodeling requirements	FA: 8.6 DA: Not Applicable	11
n. Insurance	FA: 11 DA: Not Applicable	7 and 8
o. Advertising	FA: 10 DA: Not Applicable	6 and 11
p. Indemnification	FA: 20 DA: 8	Not Applicable
q. Owner's participation/management/staffing	FA: 6, 8.12, 8.13, 14 and Exhibit B DA: 4	11 and 15
r. Records and reports	FA: 12 DA: Not Applicable	6
s. Inspections and audits	FA: 8.7, 8.8 and 12.3 DA: Not Applicable	6 and 11
t. Transfer	FA: 16 DA: 6	17
u. Renewal	FA: 17 DA: Not Applicable	17
v. Post-termination obligations	FA: 19 DA: 7.5	17
w. Non-competition covenants	FA: 15 DA: 5	17
x. Dispute resolution	FA: 25 DA: 13	17
y. Other – Personal Guarantee	FA: Exhibit C DA: Exhibit C	15

## ITEM 10 FINANCING

CPI or its subsidiaries may offer to lease the premises of your Celebree School to you. The precise terms of CPI's lease in [Exhibit L](#) may vary depending on the size and location of the premises, however monthly rent for a Celebree School between 9,000 square feet and 12,000 square feet in size may range from \$30,000 to \$50,000 and you will be required to pay of one month's rent as a security deposit. (Lease Agreement, Section 28) The lease is a triple net lease. (Lease Agreement Section 26) The term of the lease will be ten years, with an option to renew the lease for two five-year renewal terms. (Lease Agreement, Section 1) Your owners and their spouses must sign a personal guarantee of the lease. (Lease Agreement, Exhibit B) If you default under the lease, CPI has the right to repossess the premises, terminate

the lease, collect the unpaid rent, relet the premises, accelerate and recover rent and other amounts due under the lease for nine months following the acceleration note discounted to present value, or require payment of rental payments for the balance of the term of the Lease. A default of the Franchise Agreement will result in a default of the Lease. (Lease Agreement, Section 13). A default of the Lease Agreement will result in a default of the Franchise Agreement. (Franchise Agreement, Section 18.2) In addition to the Lease, you must sign our Lease Addendum attached as Exhibit F to the Franchise Agreement. You must pay CPI's attorneys fees and collection costs to enforce the Lease Agreement. (Lease Agreement, Section 13(a)(3)). From time to time in rare situations we or our affiliates may provide a short term limited lease guarantee.

Except as described above, we do not offer direct or indirect financing to franchisees. We will not guarantee your note, lease, or other obligation.

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

**Except as listed below, Celebree Enterprises, LLC is not required to provide you with any assistance.**

### **Our Obligations Prior to Opening:**

Before your School opens, we will:

1. Provide you with our site selection criteria. (Franchise Agreement, Section 3.2.1)
2. Review sites you propose for your School, as described in more detail below. (Franchise Agreement, Section 3.2.3)
3. Review the lease for your School. (Franchise Agreement, Section 3.3.2)
4. Provide one set of our prototypical general plans for a Celebree School. (Franchise Agreement, Section 3.4.3)
5. Review your complete set of preliminary and final drawings and specifications for our Celebree brand standards and notify you of our approval or rejection within 30 days. (Franchise Agreement, Section 3.4.4)
6. Provide the Manuals on loan for the term of the Franchise Agreement. (Franchise Agreement, Sections 5.2 and 7) The table of contents for the Manuals appears in Exhibit C of this disclosure document. As of the issuance date of this disclosure document, the Manuals contain 227 pages.
7. Provide a management training program for your Operating Principal and School Director. See below under "Training." (Franchise Agreement, Sections 5.3 and 6)
8. Provide pre-opening and opening supervision and assistance, as we deem advisable. (Franchise Agreement, Section 5.4)
9. Review and approve in writing your proposed marketing plan and materials for use in connection with advertising of the School, as described below under "Advertising." (Franchise Agreement, Sections 3.8 and 10.5)

## Continuing Obligations

After your School opens, we will:

1. Administer the Brand Fund and make available to you for purchase any advertising and promotional materials that we may produce independently from the Brand Fund. (Franchise Agreement, Sections 5.6 and 10.2.4)
2. Provide advice and written materials concerning techniques of managing and operating a Celebree School. (Franchise Agreement, Section 5.7)
3. At your request, review any proposed supplier to determine whether the supplier and its products or services meet our standards. (Franchise Agreement, Section 8.3)

## Site Selection and Construction

The procedure for constructing and opening a Celebree School is outlined in Section 3 of the Franchise Agreement, Section 3 of the Development Agreement, and the Manual. You must secure a site and construct your School at your own expense.

You must obtain our acceptance of a site within the non-exclusive Designated Search Area set forth in your Franchise Agreement within 180 days after you sign the Franchise Agreement (“**Site Acceptance Deadline**”). If you sign a Development Agreement, you must obtain our acceptance of each site in your Designated Search Area within the deadlines set forth in the Development Schedule. Each Designated Search Area will have a priority list of franchisees (“**Site Priority List**”) based on the date that each franchisee signed their Franchise Agreements and/or Development Agreements. If we or our established commercial real estate broker network identifies a site within a Designated Search Area for a Celebree School, we will offer the site to the franchisee that has the highest priority on the Site Priority List. If that franchisee rejects the site, the site would then be offered to the next franchisee on the Site Priority List. If a franchisee identifies a site by themselves and obtains our acceptance of that site, then that site will be first available to the identifying franchisee. We reserve the right at any time to deviate from this site selection policy if we determine that a site will be operationally inefficient to the next franchisee in line on the Site Priority List.

For each proposed site for your School that you develop under a Franchise Agreement and for each proposed site for the Schools that you develop under a Development Agreement, we will help you build a site review kit that you will submit to us including a complete site report and other materials and information we request. You may choose to work with our network of commercial real estate agents or request and obtain our approval of a real estate agent who will assist you with the site selection process. Within 30 days after we receive your detailed site review kit, we or our designee will conduct an evaluation of the proposed site(s) and accept or reject your proposed sites. We do not charge any fees to conduct up to three market visits, however; if we require, or if you request, any additional market visits, you must pay a Site Review Fee to us in the amount of \$500 and reimburse us for our travel expenses associated with such visits. We will not unreasonably withhold our acceptance of a site that meets our site selection criteria. In evaluating your proposed site, we will consider demographic data you provide, as well as other information regarding the characteristics of the site and trade area including access, the proximity of competing businesses, and traffic patterns. We also may consider the site’s proximity both to the Designated Search Area’s boundaries and to other existing or potential sites for Celebree Schools located outside the Designated Search Area.

After we accept the site for the Franchised Location and when you sign a letter of intent for a lease or your affiliate signs a purchase agreement to acquire the real estate for the Franchised Location, you must pay the Site Development Assistance Fee. If you propose to purchase the site for your School, it must be purchased by one of your affiliates who will then lease the Franchised Location to you. You must provide us with a copy of the deed (or other evidence of ownership) and the fully executed lease and our Lease Addendum for the site within 60 days after we accept the site (the “**Site Acquisition Period**”). If you

lease the Franchised Location from an independent landlord, you must provide us with a copy of the fully executed lease and our Lease Addendum within the Site Acquisition Period. We have the right to review the terms of the lease before you sign the lease. We will modify Exhibit A to the Franchise Agreement to designate the site that we accept and that you acquire as the Franchised Location. We will also identify your Protected Territory at that time, which will be smaller than your Designated Search Area.

You must promptly begin the permitting, licensing and approval process to ensure that construction of the School commences within 30 days after you purchase or lease the Franchised Location. We will provide prototypical plans and specifications for a Celebree School. You must have prepared all required construction plans, specifications and drawings for the School ("**Plans**") to suit the shape, dimensions and utility requirements of the Franchised Location and you must ensure that these Plans comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You may use only approved registered architects, approved registered engineers, and approved professional and licensed contractors.

Prior to submission to local authorities, you must submit proposed Plans to us and you must, upon our request, submit all revised or "as built" Plans during the course of such construction. We will approve or reject the Plans and notify you within 30 days after we receive the Plans. Once we have approved the Plans, no substantial change shall be made to the Plans without our prior approval. You may not begin site preparation or construction prior to receiving written notification from us that we have approved the Plans. You must construct the School in accordance with Plans approved by us and must comply in all respects with applicable laws, ordinances and local rules and regulations. You must install all furniture, fixtures, equipment and signs in accordance with the plans and specifications that we have approved. You are responsible for obtaining all zoning and health permits at your own expense.

It typically takes 180 to 270 days to select and lease or acquire the premises for a Celebree School from the signing of the Franchise Agreement. It typically takes an additional nine to eleven months to complete the permitting process and build out of the School at an existing leased premises. If you purchase real estate and build the School from the ground up, we estimate the permitting and construction process will take 14 to 18 months. The actual time will vary depending on the availability of financing and the time you need to obtain the necessary permits and licenses for the construction and operation of the School. Neither of these factors is within our control. You must open the School within two years after signing the Franchise Agreement ("**Opening Deadline**"). We will not unreasonably withhold our consent to extend the Opening Deadline provided that you are able to demonstrate that you are making reasonable efforts to develop and open the School. If you fail to obtain our acceptance of a site before the Site Acceptance Deadline or if you fail to open the School before the Opening Deadline, we can terminate the Franchise Agreement without providing you an opportunity to cure the default.

### **Technology and Computer System Requirements**

You must acquire and install in your School, at your own expense, a core information technology package through our approved supplier, which includes specific equipment, configuration and installation of equipment and software to ensure minimum brand standards and system security protocols are met. Our specifications may evolve over time and, in some cases, required items may only be available through us and/or designated suppliers. The balance of the information technology infrastructure can be purchased directly by you or through our approved information technology supplier. All information technology equipment must be certified by our approved information technology supplier prior to be added to our network.

You must transmit data to us at the times we specify and give us independent access to your systems (and provide us with any user names and passwords necessary for that purpose). There are no contractual limitations on our ability to access the information and data contained in your systems. We and our affiliates have the right to retain the information and to use it internally without restriction.

You also must purchase a computer for management use that uses a designated operating system and is capable of running the required software and a printer. The computer must have a high-speed

interface that permits you to connect to the Internet and to transmit and receive email and access Internet websites. You must purchase this equipment from our approved supplier.

You also must obtain the software that we specify including our required school management platform software, which currently is DayCare Works, our CRM software, which currently is ChildCare CRM, and our parent communication platform which is Hi Mamma. In addition, you must obtain a web based general ledger package through Quickbooks and a financial reporting package through Qvinci. License fees for the foregoing software, excluding Quickbooks and Qvinci are currently covered by the Centralized Software Fee. You must use our standard chart of accounts, and provide performance reports to us. The type and number of computers and other hardware, software, and telecommunications equipment may vary depending on the size of your School.

The estimated computer system costs range from \$36,000 to \$45,000 per Celebree School for computers, tablets, and installation. There will be additional costs for required software such as accounting, School Management, and CRM software, which are included in the Centralized System Fee. You must purchase a maintenance agreement for both hardware and software in order to reduce downtime and costs associated with repairs. We estimate that the cost of an annual support contract for your systems will be approximately \$7,200 to \$8,400 per year for your School, which is provided by our approved supplier. You must pay all amounts charged by any supplier or licensor of the systems and programs you use, including charges for use, maintenance, support and/or update of these systems or programs.

You must promptly update and upgrade your computer hardware and software systems as we require, at your expense. There is no contractual limitation on the cost or frequency of this obligation. We are not required to provide ongoing maintenance, repairs, upgrades or updates to your computer system.

You must honor all credit, charge, courtesy or cash cards or other credit devices that we specify. You must comply with the then-current Payment Card Industry Data Security Standards (PCI/DSS), as those standards may be revised by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)) or successor organization.

## **Training**

### **Pre-Opening Training**

We will provide a pre-opening management training program for your School. Your Operating Principal and School Director must complete the management training program to our satisfaction at least 30 days before opening your Temporary Welcome Center. Additional staff persons may attend the management training program upon request. This training includes online instruction, classroom training, on-site training at another Celebree School chosen by us, and training programs offered by third parties. Before attending the in-person training, your attendees must complete 22 hours of online instruction, you must pay us the Training and Opening Support Fee, your attendees must successfully complete all training required for an owner/operator by your state's office of child care licensing, and you must present the certificates of completion to us. We may increase or reduce the required training based on our assessment of an individual's prior experience. All participants in our training program must sign our Training Participation and Non-Disclosure Agreement attached as Exhibit K.

You must also pay all expenses of your trainees. Your expenses will include the cost of travel, lodging, meals, and the wages of your employees. We will certify any supervisory employee of yours who successfully completes the management training program to our satisfaction as a "**Trainer.**" We will authorize the School to open only after your Operating Principal and School Director have each been approved by us and certified as a Trainer after successfully completing the management training program to our satisfaction.



## TRAINING PROGRAM

Subject	Hours of Online Classes	Hours of Classroom Training	Hours of On The Job Training	Location
Introductions: Overview of Training, Celebree School History, our Mission and Vision	1	1	0	Online, our office in Nottingham, Maryland and a Celebree School chosen by us
Marketing: Enrollment, Grand Opening Planning, On-going Marketing Initiatives, Scheduling Tours, and Programs Offered	2	6	2	Online, our office in Nottingham, Maryland and a Celebree School chosen by us
Daily Operations: Our Curriculums and Programs, Ideal Classroom Schedules, Conscious Discipline, Child Development	8	5	8	Online, our office in Nottingham, Maryland and a Celebree School chosen by us
Human Resources: Staffing, Recruiting, Training, Development & Retention	4	4	8	Online, our office in Nottingham, Maryland and a Celebree School chosen by us
Financial Management: Tuition Billing, Payment Processing, Royalty Reporting, KPIs and Business Management	0	7	8	Our office in Nottingham, Maryland and a Celebree School chosen by us
Enrollment: Handling Inquiries, School Visits, and Enrolling	4	6	8	Online, our office in Nottingham, Maryland and a Celebree School chosen by us
Licensing: Initial and On-Going Compliance	0	4	0	Our office in Nottingham, Maryland and a Celebree School chosen by us
Operations: Celebree Priorities, Friday Management Meeting, Daily Management Schedule, and Introduction to Staffing the School	3	5	6	Online, our office in Nottingham, Maryland and a Celebree School chosen by us
<b>Total Hours – 100</b>	<b>22</b>	<b>38</b>	<b>40</b>	

We will schedule the management training program as needed according to the new opening timeline for new franchisees. We may from time to time offer some of the classroom training online or through a virtual learning experience. The program is offered only in English. Our Director of Franchise Training, Stefanie Shurer and our Chief Talent Officer, Lisa Bricker, will direct our management training program. Mrs. Shurer has more than 15 years of experience with us in training and school operations. Mrs. Bricker has more than 20 years of experience with us in human resources, training and operations.

Instructional materials used in the management training program may include the Franchise Manual in addition to other methodology which may include online, observation and role play activities. We may utilize programs offered by third parties.

### Opening Training and Support

We will send a representative to your School to provide on-site training for your Trainers, managers and staff members for a three-day period focusing on the Celebree School curriculum, brand, and educational philosophy, including conscious discipline (“Opening Training”). Your Operating Principal and School Director must attend the Opening Training in its entirety and Opening Training will not proceed without their attendance. You will not be required to pay any additional costs for any of the travel or living

expenses incurred by our representative while they provide the Opening Training. If we provide additional onsite training at your request, you will be required to pay our then-current per diem training fees and charges (which are currently \$500 per representative, per day) and all travel, living and other expenses incurred by each representative.

#### Train the Trainer Program

You must have a full staff in place and available for training at least 14 days before your School opens. We will authorize you to open only after an adequate number of your employees, as determined by us in our sole discretion, have been trained to our satisfaction for the position for which they were hired. Periodically, you must conduct such training programs for your employees as we may require, including those training programs required for your employees to become certified for the position(s) for which each employee was hired. After we complete the Opening Training, you and your Trainers are responsible for fully training an appropriate number of your employees prior to your School opening that aligns with any state required ratios based on the expected number of children pre-enrolled in your School. You will be responsible for all costs that you incur in training your employees.

Your Trainers also will offer the management training program to your replacement Operating Principal and School Director before they assume their role at your School. We will evaluate all individuals trained by you and determine whether to certify them as Trainers. If you need to send your replacement Operating Principal or School Director to our management training program, you must pay our then-current training fee (which is currently \$3,000 per person, per week) for each person attending the management training program. If we have to send our representative to your School to provide training for your staff, you must pay our then-current training fee (which is currently \$500 per representative, per day), and all travel, living and other expenses incurred by our representative.

#### Additional Training Programs

We may require you or your employees to attend and pass additional training programs at your expense. These additional training programs may include classroom training, web-based training and programs offered by third parties. Your Operating Principal and School Director must attend a national business meeting or annual convention of franchisees for up to three days each year.

We will advise and consult with you periodically in connection with the operation of your School. We may provide these services through visits by our representatives to your School or your offices, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, e-mail communications or other communications. We will periodically inspect your School and its operations to assist your operations and ensure compliance with the System. At your request, we may provide special assistance at your School for which you will be required to pay our per diem training fees and charges that we may establish from time to time.

#### Business Plan

At least 120 days prior to opening your School, you must develop and submit to us, a three year financial pro forma and business plan (“**Business Plan**”) outlining the actions that you will take to ensure that your operation and management of your School are in compliance with our standards. You must revise the Business Plan on an annual basis as required by us and implement that Business Plan as approved by us.

#### Advertising

Pre-Opening Enrollment and Grand Opening Marketing. You must advertise and promote your School and be capable of enrolling students in your School at least 150 days prior to opening. You will host a grand opening event within 30 days of your School opening. We will work with you to develop a marketing plan and marketing materials (as outlined in the Manuals) for your School and you must spend \$45,000 to \$60,000 marketing your School during these pre-opening and grand opening periods. We must review and

approve your marketing plan and marketing materials, including total expenditures. You may spend more than the required amount. If you fail to spend the required amount, you must spend the balance for Local Advertising (as defined below) within 30 days after opening your School.

### Brand Fund

We plan to establish the Brand Fund in 2024 for the enhancement, promotion and protection of the System and the Proprietary Marks and for the development of advertising, marketing, and public relations programs and materials. Commencing with the seven month anniversary of the opening date of your School, you must start making a nonrefundable contribution to the Brand Fund at the rate that we set for the System at that time. We may modify your Brand Fund Contribution by increments of up to 0.5% upon 90 days' prior written notice (to a maximum of 3% of Net Revenues); however, we will not increase your Brand Fund Contribution by more than 1% per year. Celebree Schools operated by us and our affiliates will contribute to the Brand Fund on the same basis as comparable franchisees. We have the right to direct all advertising, media placement, marketing and public relations programs and activities financed by the Brand Fund, with final discretion over the strategic direction, creative concepts, materials and endorsements used, and the geographic, market and media placement and allocation. The Brand Fund may conduct advertising through national, regional, or local media. We may prepare advertising materials in house and through third party advertising agencies. You must participate in all advertising, marketing, promotions, research, and public relations programs instituted by the Brand Fund.

Among the programs, concepts, and expenditures for which we may utilize the Brand Fund monies are: (1) creative development and production of print ads, commercials, radio spots, point of purchase materials, direct mail pieces, door hangers, free standing inserts, brochures, logo wear, labeling, video, audio, and written materials and electronic media, and other advertising and promotional materials; (2) media placement and buying, including all associated expenses and fees; (3) administering regional and multi-regional marketing and advertising programs; (4) market research and customer satisfaction surveys; (5) the creative development of, and actual production associated with, premium items, giveaways, promotions, sweepstakes, contests, public relation events, and charitable or nonprofit events; (6) creative development of signage, posters, and individual Celebree School décor items including wall graphics; (7) recognition and awards events and programs including periodic national and regional conventions and meetings; (8) design, establishment, and maintenance of websites, extranets, intranets, search rankings, social media profiles, mobile application and other digital marketing; (9) retention and payment of personalities engaged as spokespersons, advertising and promotional agencies, endorsement contracts, and other outside advisors including retainer and management fees; (10) sponsorship of sporting, charitable, or similar events; (11) review of locally produced marketing materials; (12) list acquisition and development; (13) association dues; (14) affinity program development; (15) development of third party facilities for the development of local advertising; and (16) public relations and community involvement activities and programs.

We may sell certain advertising materials, merchandise and premium items to you that are developed by the Brand Fund and the earnings from such sales will be deposited in the Brand Fund. The Brand Fund also may be used to pay our reasonable salaries and expenses of our and our affiliates' employees who work on advertising, marketing, public relations materials, programs, activities or promotions prepared, planned or undertaken on behalf of the Brand Fund and professional fees and administrative costs and overhead that we or our affiliates incur in activities reasonably related to the administration and activities of the Brand Fund (including accounting fees, legal fees, and interest on monies borrowed by the Brand Fund). We will not use the Brand Fund for anything whose sole purpose is the marketing of franchises, however, the System website, public relations activities, community involvement activities and other activities supported by the Brand Fund may contain information about franchising opportunities.

We will seek the advice of Celebree School franchisees by formal or informal means with respect to the creative concepts and media used for programs financed by the Brand Fund. However, we retain final authority on all programs financed by the Brand Fund. We do not currently have an advertising council composed of franchisees; however, we may establish one in the future.

We will prepare an annual, unaudited report (in a format of our choosing) of Brand Fund collections and expenses within 60 days after our fiscal year end and will provide a copy of the report to all franchisees. We retain the final authority on all programs financed by the Brand Fund. Any funds in the Brand Fund that are not spent in any year will be carried over to the following year. We have the right to change or dissolve the Brand Fund at any time. If we disband the Brand Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to contributors in proportion to their respective Brand Fund Contributions during the preceding 12 month period. Since the Brand Fund was not in place in 2023, we do not have any expenditures to report for 2023.

The Brand Fund (including any earnings on unspent funds) will be used to maximize general public recognition, acceptance, and patronage of Celebree Schools. We are not obligated to make Brand Fund expenditures for you which are equivalent or proportional to your contributions, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Fund. The Brand Fund is not a trust and we have no fiduciary obligation in collecting payments, maintaining the bank account, bookkeeping, or disbursement of monies from the Brand Fund.

#### Local Advertising

You must develop, on an annual basis, a Marketing Plan (which may be included with your Business Plan) that we have approved for your School. You must comply with all requirements regarding the Marketing Plan, including the use of approved advertising and marketing materials, required special events, placement and purchase of advertising and marketing materials and media, search engine optimization activities, and compliance with all promotional recommendations. Until your School's Net Revenues in any week exceed \$28,000, you must spend \$750 per week for approved local community awareness, advertising, public relations, community involvement activities, sponsorships, business partnerships and promotion in accordance with your approved Marketing Plan ("**Local Advertising**"). Thereafter, you must spend 2% of the weekly Net Revenues of the School for Local Advertising. Within 30 days after the end of each quarter, you agree to send to us, in the manner we prescribe, an accounting of your Local Advertising expenditures during the preceding quarter. If you fail to spend on an annual basis, the required amount, then you must contribute to the Brand Fund any amounts that you should have expended to reach the Local Advertising requirement within 30 days after the close of our fiscal year. We must approve all Local Advertising materials as described below.

#### Joint Marketing Programs and Cooperatives

We have the right to establish: (1) co-marketing programs in which we and our franchisees join with suppliers or other third parties to cross-promote goods and services; (2) joint marketing efforts in which multiple franchised and affiliate-owned Celebree Schools contribute to a specific ad or event; and/or (3) local or regional Cooperatives that pool funds of franchised and affiliate-owned Celebree Schools on an ongoing basis to jointly promote the Proprietary Marks and the Celebree Schools operated by members of the Cooperative. You must participate in each applicable joint marketing program and comply with the rules of the program. The following provisions apply to Cooperatives:

- We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative. If a Cooperative is applicable to your School, you must become a member and begin contributing. You will not have to contribute to more than one Cooperative for the same School at the same time. We (or our affiliates, as the case may be) will become a member of any Cooperative that is applicable to a School owned by us or our affiliates.
- Each Cooperative will adopt a cooperative agreement governing the organization and operation of the Cooperative, subject to our approval. If the members of the Cooperative do not sign an agreement within a reasonable time, you agree to sign our recommended form of Cooperative Agreement, which we will make available for your review. We reserve the right to change the form of organization, governing documents, and manner of operation of any Cooperative. No changes in the bylaws or other governing documents of a Cooperative may

be made without our prior written consent. The Franchise Agreement does not require a Cooperative to prepare annual financial statements for review by its members; however, a Cooperative may elect to make this disclosure through adoption of their cooperative agreements.

- Each Cooperative will be organized for the exclusive purpose of developing, administering, and executing advertising programs for the members of the Cooperative. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval as described below.
- You and each other member of the Cooperative must contribute up to 0.5% of the Net Revenues of your School to the Cooperative at the time and in the manner as required by the Cooperative (unless a majority of the Cooperative votes to increase that amount)
- We may grant any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, and/or from the obligation to contribute (including a reduction, deferral or waiver of the contribution), upon written request stating reasons that we deem sufficient to support the exemption. Our decision concerning any request for exemption will be final. If we grant an exemption to a franchisee, the franchisee will be required to spend on Local Advertising the amount the franchisee otherwise would have been required to contribute to the Cooperative.

#### Approval Requirement

All advertising and promotion by you and by any Cooperative must be in the type of media and format that we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. You or the Cooperative must submit written samples of all proposed advertising and promotional plans and materials for our approval at least 15 days before their intended use, unless the plans and materials were prepared by us or have been approved by us within the last 12 months.

#### Electronic Marketing and Electronic Communications

We will host and maintain an independent webpage for your School at an Internet address that we specify. We will provide and maintain this webpage using a standard template. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any URL, social networking platform, blog, messaging system, email account, user name, text address, mobile application, or other electronic, mobile or Internet presence that uses or displays any of the Proprietary Marks (or any derivative thereof) or that promotes any products or services of your School. The use of any electronic medium constitutes advertising and promotion subject to our approval as described above. You may not transmit or cause any other party to transmit advertisements or solicitations by broadcast media, telephone, e-mail, text message, instant message, social network, VoIP, streaming media, or other electronic media without first obtaining our written consent as to: (1) the content of the advertisements or solicitations; and (2) the type of media intended to be used. All telephone answering messages, email auto-signatures, and other identifiers of your School must be in the form we prescribe. If we approve the use of an electronic medium, our approval will be conditioned on your compliance with any standards and procedures we issue with respect to that type of electronic medium, including the use of any disclaimers, warnings, and other statements that we may prescribe.

#### Pricing and Promotional Activities

To the extent permitted by applicable law, we have the right to establish maximum and/or minimum prices that you must follow for enrollment, merchandise, and other services and products offered and sold at your School.

## ITEM 12 TERRITORY

### Franchise Agreement

#### Designated Search Area

When you sign the Franchise Agreement, if you have not previously identified and we have not previously accepted a site for your School, you and we will mutually agree upon a non-exclusive Designated Search Area in which you will seek to identify a site for your School. The perimeters of the Designated Search Area will be described by specific street boundaries, county lines, municipal boundaries, railroad tracks or other similar boundary descriptions, and the size may range from a portion of a metropolitan area to a county. You do not receive any territorial rights in the Designated Search Area and we and our affiliates may develop and operate, and license others to develop and operate, Celebree Schools at any location within the Designated Search Area.

#### Protected Territory

You must operate your School only at your Franchised Location, which is a specific site that you select and we accept. After we accept the site for your School, we will assign a geographic area around the Franchised Location ("**Protected Territory**") after considering the density and demographics of the area. We will record the Protected Territory on Exhibit A to your Franchise Agreement. During the term of the Franchise Agreement, we and our affiliates will not operate, or license others to operate, any new school, child care, or learning center identified in whole or in part by the Proprietary Marks within the Protected Territory, provided that you are in compliance with the terms of the Agreement and any other agreements with us and our affiliates and you are current on all obligations due to us and our affiliates. The perimeters of the Protected Territory may be described by specific street boundaries, county lines, state lines, municipal boundaries, railroad tracks or other similar boundary descriptions, and the size may range from a portion of a metropolitan area to group of contiguous zip codes or counties.

We and our affiliates reserve all rights that are not expressly granted to you under the Franchise Agreement. Among other things, we and our affiliates have the sole right to do any or all of the following: operate, and license others to operate, any type of school, child care, or learning center identified in whole or in part by the Proprietary Marks in the Protected Territory that is open and operating or under development as of the date of your Franchise Agreement; during the term of the Franchise Agreement, operate, and license others to operate, any type of school, child care, or learning center identified in whole or in part by the Proprietary Marks at any location outside the Protected Territory; after the Franchise Agreement terminates or expires, operate, and license others to operate, any type of school, child care, or learning center identified in whole or in part by the Proprietary Marks at any location including locations within the Protected Territory; during or after the term of the Franchise Agreement, operate, or license others to operate, at any location, any type of school, child care, or learning center other than a facility identified in whole or in part by the Proprietary Marks; merchandise and distribute goods and services identified by the Proprietary Marks at any location through any other method or channel of distribution; develop and own other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks; and purchase, be purchased by, merge or combine with, businesses that directly compete with Celebree Schools.

You do not have any exclusive right to advertise and market the services of your School and directly solicit students inside the Protected Territory. Advertising and promotional materials created, placed, and/or distributed by us, other franchisees operating under the System, or other entities authorized by us, may appear in media distributed in, or may be directed to prospective students located within, the Protected Territory, including on the System website. You may enroll students at the School that reside outside the Protected Territory and students that reside in your Protected Territory may be enrolled in Celebree Schools located outside your Protected Territory.

### Relocation

You may not relocate the School without our prior written approval. We will base the approval on a variety of factors, including population density, the proximity of other Celebree Schools and other relevant demographic factors. If we approve a relocation of the School, you must pay the relocation fee, follow our site selection procedures, sign our then-current form of Franchise Agreement for a term that expires as of the expiration date of your original Franchise Agreement, and re-open the School for business within 180 days of closing the School at the previous location.

### Other Channels of Distribution

You receive the right to provide services and/or products to enrolled students at the Franchised Location. The Franchise Agreement does not authorize you to sell services or products through other channels of distribution, such as the Internet, catalog sales, or telemarketing, or other direct marketing efforts. We may permit you to advertise the School through the Internet and other electronic means, but we have the right to approve and control any electronic, mobile or Internet presence that uses or displays any of our Proprietary Marks.

### Development Agreement

If you sign a Development Agreement, you and we will mutually agree upon a non-exclusive Designated Search Area taking into consideration the density of the area and the number of Celebree Schools you agree to develop. A description of the Designated Search Area will be attached as an appendix to the Development Agreement. The perimeters of the Designated Search Area may be described by specific street boundaries, county lines, state lines, municipal boundaries, railroad tracks or other similar boundary descriptions, and the size may range from a portion of a metropolitan area to group of contiguous zip codes or counties. You do not receive any territorial rights in the Designated Search Area and we and our affiliates may develop and operate, and license others to develop and operate, Celebree Schools at any location within the Designated Search Area. The procedures described above with respect to the designation of a Protected Territory under your Franchise Agreement will apply to each School that you develop under the Development Agreement.

\* \* \* \* \*

You will not receive an exclusive territory under the Franchise Agreement or the Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We will have no obligation to compensate you in connection with any such activities. We do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises under the Franchise Agreement or the Development Agreement.



### Other Businesses

Our affiliate, Hot Spots Extended Care Program Inc., doing business as Caliday (“**Caliday**”), offers before- and after- school child care services at elementary schools in Maryland under the “Caliday School Age Programs” name and mark. Caliday does not offer franchises. Its principal business address is 8691 La Salle Road, Suite 206, Towson, Maryland 21286. Caliday currently offers services in areas where we operate our Company-Operated Schools and may offer their programs and solicit customers in areas where our franchisees develop and operate Celebree Schools. If there is a conflict between you and us caused by a Caliday School Age Program, our management team will attempt to resolve the conflict after taking into account the specific facts of each situation and what is in the best interests of the affected business.

Except as previously described in this Item 12, neither we nor any of our affiliates have established or presently intends to establish, other franchises or company-operated outlets selling or leasing similar products or services under a different trade name or trademark; however, we retain the right to do so in the future.

**ITEM 13  
TRADEMARKS**

We grant you a non-exclusive license to use the Proprietary Marks during the term of the Franchise Agreement. We may also authorize you to use other current or future Proprietary Marks to operate your School. By Proprietary Marks, we mean trade names, trademarks, service marks and logos we use to identify Celebree Schools and the products and services offered at Celebree Schools. Our affiliate, HWG IP, LLC, is the owner of the Proprietary Marks. HWG IP, LLC has registered the following marks and filed all required affidavits with the United States Patent and Trademark Office (“USPTO”) on the Principal Register:

Mark	Registration Date	Registration Number
CELEBREE	January 11, 2005	2918160
	January 21, 2020	5969352
	January 21, 2020	5969355
CELEBREE SCHOOL	January 21, 2020	5969351
PROTECT EDUCATE NURTURE	March 11, 2008	3394644
WHERE WE GROW PEOPLE BIG AND SMALL	June 5, 2018	5486477

HWG IP, LLC has granted us a license to use and permit our franchisees to use the Proprietary Marks under an Intellectual Property License Agreement. HWG IP, LLC has the right to terminate the Intellectual Property License Agreement if we commit a breach of the agreement or if there is a change in control of the ownership of HWG IP, LLC. In that event, HWG IP, LLC will assume our obligations under your Franchise Agreement. There are no other agreements that limit our right to license the Proprietary Marks to you under the Franchise Agreement.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving the principal mark, nor any pending infringement, opposition, or cancellation proceedings or material litigation involving the Proprietary Marks. We are not aware of any infringing uses that could materially affect your use of the Proprietary Marks. There are no agreements that limit our rights to use or license the use of the Proprietary Marks and we are not aware of any superior rights that could affect your use of the Proprietary Marks.

You must notify us of any unauthorized use of the Proprietary Marks. You must also notify us of any challenge to the validity of, or the right to use, any of the Proprietary Marks. We have the right to control any administrative proceeding or litigation that involves the Proprietary Marks. This right includes the right to settle any of those disputes. We may, but are not required to, try to stop other people from using the Proprietary Marks.



We will defend you against any infringement claims that arise from your use of the Proprietary Marks or the Works (as defined in Item 14) at our expense, including the cost of any judgment or settlement, if your use of the Proprietary Marks and the Works complied with the Franchise Agreement, but at your expense if your use of the Proprietary Marks and the Works did not comply with the Franchise Agreement. You must assist us in any action we take to protect the Proprietary Marks. Unless this action results from your inappropriate use of the Proprietary Marks, we will reimburse you for your out-of-pocket costs in assisting us.

**You must follow our rules when you use the Proprietary Marks. You may not use any of the Proprietary Marks as part of your corporate name, Internet domain name, or e-mail address, or with modifying words, designs or symbols. You may not use the Proprietary Marks for the sale of an unauthorized product or in any other manner not authorized by the Franchise Agreement.**

We can modify the Proprietary Marks and/or substitute different marks for use in identifying our Schools and the System. You must promptly implement any modification or substitution at your own cost and expense. We will have no obligation or liability to you as a result of the modification or substitution.

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

### **Patents**

No patents are material to the operation of your School.

### **Copyrights**

We and our affiliates claim copyright protection for certain proprietary materials (the “Works”), which include, but are not limited to, the Manuals, training materials, advertisements, promotional materials, labels, newsletters, curricula, posters, coupons, gift certificates, signs, websites, store designs, and prototype plans and specifications that we have created and will create in the future. Neither we nor our affiliates have registered the copyrights in any of the Works but we are not required to do so. You can use the Works only for the purpose of developing and operating your School. You must notify us of any unauthorized use of the Works. You must also notify us of any challenge to the validity of, or the right to use, any of the Works. We have the right to control any administrative proceeding or litigation that involves the Works. This right includes the right to settle any of those disputes. We may, but are not required to, try to stop other people from using the Works.

### **The Manuals and Confidential Information**

We will loan you one copy of, or electronic access to, the Manuals, which contains information and knowledge that is unique, necessary and material to the System. The Manuals contain detailed standards, specifications, instructions, requirements, methods and procedures for management and operation of the School. The Manuals also may relate to: (1) the curricula; (2) management and employee training; (3) marketing, advertising and sales promotions; (4) maintenance and repair of the School building, grounds, equipment, graphics, signs, interior and exterior décor items, fixtures and furnishings; (5) employee dress attire and appearance standards; (6) accounting, bookkeeping, records retention and other business systems, procedures and operations; (7) news flashes covering important developments to the System; (8) reports and other information useful for financial evaluation and planning; (9) resources, tools, training materials, marketing resources, reference materials and promotional initiatives; and (10) contact information for Celebree School vendors, franchisees, and other Celebree School locations. You must at all times to operate the School in strict conformity with the Manuals; maintain the Manuals at the School; not reproduce the Manuals or any part of them; treat the Manuals as confidential and proprietary and disclose the contents of the Manuals only to your employees who have signed a confidentiality agreement and who have a demonstrated need to know the information contained in the Manuals.

At our request, you must require your employees, landlord, contractors, and any other person to whom you wish to disclose any of our confidential information to agree in writing not to disclose that information to others or to use it for their own benefit. We must approve these agreements.

### **Customer Data**

We claim ownership of the customer data you obtain during the operation of your School. This includes all databases (whether in print or electronic form) including names, addresses, phone numbers, e-mail addresses and customer purchase data. We reserve the right to use or transfer these records as we deem appropriate and to provide the information to our affiliates. Furthermore, we reserve the right to contact customers of your School, as well as your employees, suppliers and other service providers, for purposes of conducting quality control, market research and for other business reasons as we deem appropriate.

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

You must designate one of your owners as and obtain our approval of your “**Operating Principal**,” who will be the person with whom we communicate and who will have the authority to bind you with respect to all financial, operational and legal matters related to the School and the Franchise Agreement and Development Agreement (if applicable). Your Operating Principal must own a legal or beneficial interest of ten percent (10%) or more in your entity and must successfully complete our management training program. You must designate, and obtain our approval of, a replacement Operating Principal within 30 days after your Operating Principal leaves his or her position.

For each School, you must designate one person who will serve as the director of your School (“**School Director**”) who will supervise the day-to-day operation of the School. The School Director must have an associate’s or bachelor’s degree in early childhood education or similar field and be “director qualified” as defined by applicable state requirements in the state where the School is located. Your School Director must successfully complete our management training program and be approved by us prior to serving as the School Director of your School. We do not require the School Director to have an equity ownership interest in your company. Your Operating Principal may not serve as your School Director. You must hire the School Director at least five months prior to opening your School. You also must hire an Assistant Director to support your School Director prior to opening your Temporary Welcome Center.

We may require that your Operating Principal and School Director, among others, sign an agreement with you not to compete with Celebree School for a period after their employment with you. We may also require that you have them sign an agreement not to reveal confidential information they obtain in the course of their employment with you. These agreements must be in a form we approve and specifically identify us as a third party beneficiary with the independent right to enforce the agreement. See Items 14 and 17 for further information.

You must conduct appropriate criminal background checks and due diligence on your Operating Principal, School Director, and all employees of the School to determine that your employees meet the high ethical standards necessary for working with children. You must comply with all state and local laws and regulations regarding the staffing and on-premises management of personnel including, but not limited to, any required licenses and any regulations dealing with the ratio of your staff or equipment to the children on the premises. You must employ only suitable persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of Celebree School and the System and, while on duty, comply with the dress attire, personal appearance and hygiene standards set forth in the Manuals.

You are solely responsible for all employment decisions and functions for your School, including, those related to hiring, firing, remuneration, compensation, personnel policies, training, benefits, insurance, compliance with wage and hour requirements, recordkeeping, and the supervision and discipline of

employees. The people that you hire to work in your School will be your agents and employees. They are not our agents or employees and we are not a joint employer of those persons.

If you are any type of business entity, then we will identify your “Control Group”, which includes your Operating Principal and all of your owners who own at least 10% of your ownership interests. Your Control Group must own 51% of your ownership interests at all times. The members of the Control Group will be listed in an exhibit to the Franchise Agreement and the Development Agreement, and you must notify us of any change in the Control Group.

Each member of the Control Group, each person who holds a legal or beneficial interest in you of 10% or more, your officers, directors and limited liability manager, and each of their spouses, must sign a personal guarantee assuming and agreeing to discharge all of your obligations to us. The personal guarantee includes a commitment to be bound personally by the confidentiality and non-competition provisions of the Franchise Agreement and the Development Agreement.

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

You must operate the School in strict conformity with the methods, standards and specifications that we prescribe in the Manuals or otherwise in writing. You may only offer to students and operate your School using only the curriculum, products, services and techniques that we have approved. You may not deviate from the approved curriculum and our standards and specifications, including the manner in which the curriculum is implemented at your School and you must stop offering or teaching any aspect(s) of the curriculum that we at any time disapprove in writing (recognizing that we have the right to do so at any time). Some aspects of the curriculum may be designated as “core” or mandatory and others as optional as set forth in the Manuals. You may offer your services only from the Franchised Location, only in accordance with the requirements of the Franchise Agreement and the procedures set forth in the Manuals, and only to customers and students enrolled at your School. You must operate the School for those days and hours as we specify in the Manuals or otherwise in writing.

We have the right to change or modify the System from time to time, including modifications to the Manuals, the approved curriculum, approved suppliers, required equipment, signage, the building and premises of Celebree Schools (including the trade dress, décor and color schemes), the presentation of the Proprietary Marks, the adoption of new administrative forms and methods of reporting and payment of any monies owed to us (including electronic means of reporting and payment) and the adoption and use of new or modified Proprietary Marks or copyrighted materials.

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

**THE FRANCHISE RELATIONSHIP**

The tables list 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 (FA) or Development Agreement (DA)	Summary
a. Length of the franchise term	FA: 2.3 DA: 7.1	FA: 10 years from the opening date of the School. DA: The term expires on the earlier of the opening date or the opening deadline for the last School you commit to develop in the Development Schedule.

Provision	Section in Franchise Agreement (FA) or Development Agreement (DA)	Summary
b. Renewal or extension of the term	FA: 17.1 DA: Not Applicable	FA: Provided we are still franchising and have not made a decision to withdraw from the geographic market of the School, and if you are in good standing, you can obtain two successor franchise agreements, each with a five-year term.
c. Requirements for you to renew or extend	FA: 17.2 & 17.3 DA: Not Applicable	FA: Provide written notice of intent to renew; be in compliance with other agreements with us; demonstrate right to remain in possession of the Franchised Location; agree to renovate the School; meet our standards for new franchisees; sign successor franchise agreement, sign general release (see Exhibit H) and pay renewal franchise fee. The renewal franchise agreement may contain terms that are materially different from your expiring Franchise Agreement, such as different fee requirements, but will not include an initial franchise fee.
d. Termination by you	Not Applicable	Subject to state law, you may not terminate either the Franchise Agreement or Development Agreement.
e. Termination by us without cause	Not Applicable	We may not terminate either the Franchise Agreement or the Development Agreement without cause.
f. Termination by us with cause	FA: 18 DA: 7.2, 7.3, and 7.4	We may terminate the Franchise Agreement and the Development Agreement only if you or your owners commit any one of several violations.
g. "Cause" defined - defaults which can be cured	FA: 18.3 DA: 7.2 and 7.6	FA: You have five days to cure non-payment of fees or non-submission of reports and 30 days to cure other defaults, except for those described in h. below. DA: You have five days to cure non-payment of fees and 30 days to cure other defaults, except for those described in h. below. In addition to our right to terminate the agreement, we may (1) temporarily suspend your rights to develop additional Celebree Schools in any part of the Designated Search Area; (2) reduce the size of the Designated Search Area; or (3) extend the Development Schedule.
h. "Cause" defined - noncurable defaults	FA: 18.1 and 18.2 DA: 7.3	FA: Non-curable defaults: insolvency, bankruptcy; failure to complete training; failure to timely open the School; abandonment; loss of possession of Franchised Location; default on material indebtedness; commission of felony; threat to public safety; unapproved transfers; operating Competing Business (see q. below); disclosure of trade secrets; filing false reports; repeated defaults even if cured; default of any other agreements between you or your affiliates and us or our affiliates; and others.

Provision	Section in Franchise Agreement (FA) or Development Agreement (DA)	Summary
		DA: Non-curable defaults: failure to meet your development obligations; failure to satisfactorily complete the management training program; violation of the Patriot Act or Foreign Corrupt Practices Act; disclosures of trade secrets; operating Competing Business; unauthorized transfer; material misrepresentation; filing false reports; conviction of felony; termination of any franchise agreement between you or your affiliates and us or our affiliates; and others.
i. Your obligations on termination/ non-renewal	FA: 19 DA: Not Applicable	FA: Obligations include closing the School, de-identifying Franchised Location; paying amounts due and return of all of our materials (also see o. and r. below).
j. Assignment of contract by us	FA: 16.1 DA: 6.1	There are no restrictions on our right to assign.
k. "Transfer" by you – definition	FA: 16.2 and 16.5 DA: 6.2	Restrictions apply to transfer of any direct or indirect interest in the Agreement, in you (if you are a corporation or other entity) (or for the Franchise Agreement: in substantially all of the assets of the School).
l. Our approval of transfer by you	FA: 16.2 DA: 6.2	FA: We have the right to approve all transfers. DA: You have no right to assign the Development Agreement.
m. Conditions for our approval of transfer	FA: 16.4 DA: Not applicable	Transferee qualified; accrued fees paid; no default exists; sales price reasonable; transferee signs new franchise agreement; (for FA: training arranged and transfer training fee paid); transferee agrees to upgrade and remodel the School; you sign release (see Exhibit H) and pay transfer fee.
n. Our right of first refusal to acquire your business	FA: 16.3 DA: Not applicable	We have the right to match any offer.
o. Our option to purchase your business	FA: 19.2 DA: Not Applicable	Upon expiration or termination of the Franchise Agreement, we can take assignment of your lease and purchase the School assets.
p. Your death or disability	FA: 16.6 DA: Not applicable	Executor or personal representative must assign your interest to approved party within three months. If the deceased or incapacitated person is the Operating Principal, we have the right to manage operation of the School until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services.

Provision	Section in Franchise Agreement (FA) or Development Agreement (DA)	Summary
q. Non-competition covenants during the term of the franchise	FA: 15.2 DA: 5.2	No diverting customers to a Competing Business; no hiring of employees of Celebree or its affiliates and franchisees; no involvement in a “ <b>Competing Business</b> ” which is defined as (1) any business that provides childcare services, educational services or programs, enrichment programs for children, or before and after-school programs for school-aged children; or (2) whose method of operation or trade dress is similar to that employed in the System. During the term of the Franchise Agreement, there is no geographical limitation on this restriction.
r. Non-competition covenants after the franchise is terminated or expires	FA: 15.2 DA: 5.2	FA: No involvement with any Competing Business for two years within 25 miles of Franchised Location or within 25 miles of any other Celebree School. DA: No involvement with Competing Business for two years within the Designated Search Area, within 25 miles of the border of the Designated Search Area or within 25 miles of any other Celebree School.
s. Modification of the agreement	FA: 24 DA: 12	No modification generally without signed agreement, but we may modify the System and the Manual.
t. Integration/merger clause	FA: 24 DA: 12	Only the terms of the Franchise Agreement and Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document, Franchise Agreement and Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	FA: 26.2 DA: 13.2	Subject to state law, all claims brought by you must be filed in the jurisdiction where we have our principal place of business, which is currently Maryland. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time of suit, in the jurisdiction where you reside or do business, where the School is or was located, or where the claim arose.
w. Choice of law	FA: 26.1 DA: 13.1	Subject to state law, the law of the state in which we have our principal place of business (currently Maryland).

**ITEM 18  
PUBLIC FIGURES**

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

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

**2023 REVENUES AND EXPENSES FOR 26 COMPANY-OPERATED SCHOOLS**

The information appearing in the tables below presents the annual financial performance results for the 26 Company-Operated Schools operated by our affiliates that were open and operating throughout 2023. All operational expenses and revenue have been expressed as a percentage of Gross Revenues.

	<b>Revenues and Expenses</b>	<b>% of Gross Revenues</b>	<b>Number and % of Schools Equal to or Favorable to Revenue and Expenses</b>
Occupancy (1)	87.06%		
Average Gross Revenues (2)	\$2,157,998	100.00%	12 / 46.15%
Average Net Revenues (3)	\$2,087,325	96.73%	12 / 46.15%
Employment Expenses (4)	\$999,010	46.29%	14 / 53.85%
Classroom Supplies and Food Expenses (5)	\$68,420	3.17%	13 / 50.00%
Occupancy, Administrative and Transportation Expenses (6)	\$440,843	20.43%	12 / 46.15%
EBIT (7)	\$579,051	26.83%	14 / 53.85%
Depreciation	\$31,880	1.48%	19 / 73.08%
EBITDA (8)	\$610,931	28.31%	14 / 53.85%
Rent/RE taxes	\$235,230	10.90%	13 / 50.00%
EBITDAR (9)	\$846,161	39.21%	13 / 50.00%
Median Gross Revenues	\$2,103,167		13 / 50.00%
Range of Gross Revenues	\$1,674,139 to \$2,708,031		

<b>2023 ADDITIONAL EXPENSES FOR FRANCHISED SCHOOLS BASED ON THE AVERAGE NET REVENUES ABOVE (10)</b>	
Royalty Fees	\$148,039
Brand Fund Contributions*	\$42,297
Centralized Systems Fees	\$16,800

## 2023 REVENUES AND EXPENSES FOR 13 FRANCHISED SCHOOLS

The information appearing in the table below presents the annual financial performance results for the 13 franchised Schools that were open and operating throughout 2023. All operational expenses and revenue have been expressed as a percentage of Gross Revenues. There were 20 franchised School in operation as of December 31, 2023. This table excludes the performance of seven franchised Schools that opened during 2023. No franchised Schools that closed during 2023.

	<b>Revenues And Expenses</b>	<b>% Of Gross Revenues</b>	<b>Number and % of Schools Equal to or Favorable to Revenue and Expenses</b>
Occupancy (1)	56.31%		
Average Gross Revenues (2)	\$1,726,043	100.00%	4 / 30.77%
Average Net Revenues (3)	\$1,663,639	96.38%	5 / 38.46%
Employment Expenses (4)	\$851,836	49.35%	8 / 61.54%
Classroom Supplies and Food Expenses (5)	\$39,044	2.26%	8 / 61.54%
Occupancy, Administrative and Transportation Expenses (6)	\$580,420	33.63%	9 / 69.23%
EBIT (7)	\$192,339	11.14%	6 / 46.15%
Depreciation	\$74,021	4.29%	6 / 46.15%
EBITDA (8)	\$266,360	15.43%	7 / 53.85%
Rent/RE taxes	\$203,936	11.82%	8 / 61.54%
EBITDAR (9)	\$470,296	27.25%	6 / 46.15%
Median Gross Revenues	\$1,627,916		6 / 46.15%
Range of Gross Revenues	\$820,185 to \$3,655,918		

### NOTES

1. Occupancy % means the average occupancy percentage of the Schools on December 31, 2023.
2. Gross Revenues means the aggregate amount of all revenues generated from the delivery of services and all other income of every kind and nature related to a Celebree School. The following items are not included in Gross Revenues: (1) any bona fide documented federal, state, or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority, if applicable; (2) customer refunds made in good faith and recorded as a reduction of Gross Revenues; (3) student security deposits; and (4) revenues received from enrichment programs.
3. Net Revenues means the amount billed for weekly tuition reduced by all scholarships and discounts provided to customers and includes registration fees and application fees.
4. Employment Expenses includes the cost for salaried, hourly and management labor costs including wages and benefits, employee training expenses, payroll taxes, and corporate insurance allocations for group health, workers' compensation, and vacation pay. Other benefits which you elect to provide your employees, such as the amount of vacation time and vacation pay, are factors that will affect Employee Expenses. The costs of providing group health insurance for employees and workers' compensation insurance will vary depending on many factors, including the extent and amount of coverage provided, the loss experience of the group, and which insurance provider is chosen. Therefore, you may encounter higher relative costs in obtaining comparable insurance coverage.



5. Classroom Supplies and Food Expenses include educational materials, books, manipulatives, crafts and other items necessary to support the curriculum and lesson plans as well as consumables and disposables such as snacks, juices, dairy products, fruits, vegetables and paper products.
6. Occupancy, Administrative and Transportation Expenses include the payments to landlords for rent, real estate taxes, insurance and common area expenses, vehicle lease payments maintenance and fuel, school utilities, security system monitoring, internet and telephone services and outsourced janitorial costs, marketing expenses, professional fees, Royalty Fees and Centralized System Fees, and business insurance.
7. EBIT is calculated by subtracting all expenses from Net Revenues and adding back interest and tax payments.
8. EBITDA is calculated using EBIT and adding back for non-cash items such as depreciation and amortization.
9. EBITDAR is calculated using EBITDA and adding back amounts paid for rent and real estate taxes. This metric normalizes operating results for the disparity in rents paid to landlords.
10. Additional Expenses For Franchised Schools. The figures presented show the Royalty Fees, Brand Fund Contributions, and Centralized System Fees that a prospective franchisee would expect to pay whose School achieved the Average Net Revenues presented in the Company-Operated School table. The table for the franchised Schools open and operating for the full calendar year are net of the Royalty Fee payments and the Centralized System Fees paid to us. The Brand Fund had not been established as of December 31, 2023.

The results shown in this Item 19 for the Company-Operated Schools were prepared from data compiled in the ordinary course of business by our employees. The Company-Operated Schools reflected in this financial performance representation offer services for sale that are substantially similar to the services that you will offer for sale in your School. The results are unaudited. This financial performance representation is based on the performance of Company-Operated Schools located in Maryland and Delaware.

The results for the franchised Schools were derived from unaudited financial reports submitted by franchisees.

The financial performance representations appearing in this Item 19 constitute a historic representation and are not a forecast of future financial performance.

Written substantiation for the financial performance representations appearing in this Item 19 will be made available to all prospective franchisees upon reasonable request.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Celebree School, however, we may provide you with the actual records of that School. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Christopher Kelleher, Chief Development Officer, Celebree Enterprises, LLC, at 8029 Corporate Drive, Nottingham, Maryland 21236 and (410) 515-8750, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2021 to 2023\***

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised Outlets	2021	0	3	+3
	2022	3	13	+10
	2023	13	20	+7
Company Owned	2021	26	26	0
	2022	26	26	0
	2023	26	26	0
Total Outlets	2021	26	29	+3
	2022	29	39	+10
	2023	39	46	+7

\* As of December 31 of each year.

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners  
(Other than the Franchisor)  
For Years 2021 to 2023\***

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Maryland	2021	0
	2022	0
	2023	1
Total	2021	0
	2022	0
	2023	1

\* As of December 31 of each year. States not listed had no activity to report.

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

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations Other Reasons</b>	<b>Outlets at End of the Year</b>
MD	2021	0	2	0	0	0	0	2
	2022	2	4	0	0	0	0	6
	2023	6	3	0	0	0	0	9
PA	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	2	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
SC	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
VA	2021	0	1	0	0	0	0	1
	2022	1	3	0	0	0	0	4
	2023	4	2	0	0	0	0	6
Total	2021	0	3	0	0	0	0	3
	2022	3	10	0	0	0	0	13
	2023	13	7	0	0	0	0	20

\* As of December 31 of each year. States not listed had no activity to report.

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

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
DE	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
MD	2021	24	0	0	0	0	24
	2022	24	0	0	0	0	24
	2023	24	0	0	0	0	24
Total	2021	26	0	0	0	0	26
	2022	26	0	0	0	0	26
	2023	26	0	0	0	0	26

\* As of December 31 of each year. States not listed had no activity to report.

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

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the next Fiscal Year	Projected New Company Owned Outlets in the next Fiscal Year
Delaware	1	1	0
Florida	4	0	0
Georgia	3	0	0
Illinois	1	0	0
Kentucky	1	0	0
Maryland	4	2	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the next Fiscal Year	Projected New Company Owned Outlets in the next Fiscal Year
Massachusetts	1	0	0
New Jersey	8	0	0
North Carolina	5	1	0
Oklahoma	1	0	0
Pennsylvania	5	3	0
Tennessee	1	0	0
Texas	12	3	1
Virginia	13	2	0
Wisconsin	1	0	0
Total	61	12	1

Exhibit I contains our list of current franchisees and franchisees who had an outlet terminated, transferred cancelled, not renewed, cease to operate or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We do not have any franchisees during the last three fiscal years who have signed confidentiality clauses.

We do not have a franchise advisory council at this time and no independent franchisee organization has asked to be included in this disclosure document.

## ITEM 21 FINANCIAL STATEMENTS

Exhibit D contains our audited financial statement for the fiscal years ended December 31, 2021, December 31, 2022, and December 31, 2023. Our fiscal year ends on December 31 of each year as well.

## ITEM 22 CONTRACTS

Exhibit A	Franchise Agreement
Exhibit B	Development Agreement
Exhibit H	General Release
Exhibit J	Training Participation and Non-Disclosure Agreement

You must sign our Disclosure Acknowledgement Form, which is attached as Exhibit K, before signing your Franchise Agreement.

## ITEM 23 RECEIPTS

Two copies of a receipt form appear at the end of this disclosure document. Please fill out and sign both receipts, return one copy to us and keep the other for your records.

**EXHIBIT A**  
**FRANCHISE AGREEMENT**



**CELEBREE SCHOOL FRANCHISE AGREEMENT**

**Franchisee:**

**CELEBREE SCHOOL FRANCHISE AGREEMENT  
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Exhibits

- A - Franchise Information
- B - Ownership Information
- C - Guarantee and Assumption of Franchisee's Obligations
- D - Conditional Assignment and Power of Attorney - Telephone and On-Line Numbers and Listings
- E - Form of Lease Addendum
- F - ACH Authorization Form

## CELEBREE SCHOOL FRANCHISE AGREEMENT

**THIS AGREEMENT** is entered into by and between **CELEBREE ENTERPRISES LLC**, a Maryland limited liability company with its principal business address at 8029 Corporate Drive, Nottingham, MD 21236 (“**we**,” “**us**,” “**our**,” or “**Franchisor**”) and the person(s) or entity identified on Exhibit A to this Agreement (“**you**,” “**your**,” or “**Franchisee**”) as of the Effective Date (as defined in Section 1 and as indicated on the signature page of this Agreement).

### BACKGROUND

A. We and our affiliates as the result of the expenditure of time, skill, effort and money, have developed and own a unique and distinctive system (the “**System**”) relating to the establishment and operation of early childhood education schools that provide a stimulating curriculum through age-appropriate play, projects, and activities which protect, educate, and nurture children with a focus on developing positive social skills, values, and school readiness. Services include infant care, pre-school, before and after-school programs for school aged children, summer camps, back-up care and emergency care.

B. The distinguishing characteristics of the System include our: standards; policies and procedures for the design, layout and build-out of a school to create a stimulating and nurturing atmosphere for children; sales strategies and enrollment procedures; class and camp curricula and teaching methods and aids, staff training and employee development programs; customer service; procedures to maintain the quality and consistency of experiences for children; community involvement; information technology systems, and assistance with advertising, promotion, public relations, and social media, all of which we may change, improve and further develop over time.

C. We and our affiliates identify the System and the schools operating under it by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark “Celebree School” and such other trade names, service marks, and trademarks as we may in the future designate for use in connection with the System (the “**Proprietary Marks**”).

D. You wish to obtain the right to establish and operate a franchised school operating under the Proprietary Marks at a specific location that we have accepted.

In recognition of all of the details noted above, the parties have decided to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and they agree as follows:

### 1 DEFINITIONS

The terms defined in the “Background” section and this Section 1 have the meanings set forth in those sections. Other capitalized terms used in this Agreement are defined where they appear within the text of the Agreement.

1.1 “**Brand Fund**” means the common pool of funds for the enhancement, advancement and protection of the System, advertising and promotion to which Celebree Schools contribute and which we administer as provided in Section 10.

1.2 “**Celebree School**” means an educational facility operated by us, our affiliate, or an authorized franchisee using the System and the Proprietary Marks.

1.3 “**Designated Supplier**” means a manufacturer, wholesaler, distributor, dealer, retailer, or other vendor or source that we designate as the source for particular products or services.



1.4 **“Effective Date”** means the date entered in the space so designated on the signature page of this Agreement, which is the date that we counter-sign this Agreement.

1.5 **“Force Majeure”** means any natural disaster, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, pandemic, fire or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby.

1.6 **“Franchised Location”** means the location that we have accepted for the School, as specified in Exhibit A.

1.7 **“Franchisee Affiliate”** means any business entity that controls, is controlled by, or is under common control with Franchisee.

1.8 **“Gross Revenues”** means the aggregate amount of all revenues billed and generated regardless of collection from the delivery of services and all other income of every kind and nature related to your School. The following are not included in Gross Revenues: 1) any bona fide documented federal, state, or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority, if applicable; (2) customer refunds made in good faith and recorded as a reduction of Gross Revenues; (3) student security deposits; and (4) revenues received from enrichment programs. You may not reduce Gross Revenues by the amount of any discounts provided to your family members or your employees. We reserve the right to modify our policies consistent with education services industry practices regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from “Gross Revenues” as circumstances, business practices, and technology change.

1.9 **“Including”** or **“Includes”** means “including (or includes), but not limited to,” “including (or includes) without limitation,” and similar constructions.

1.10 **“Manuals”** means our set of confidential operations and instructional manuals. The term “Manuals” also includes all written correspondence from us regarding the System, other publications, materials, drawings, memoranda, videos, DVDs, CDs, and electronic media that we from time to time may provide to you.

1.11 **“Net Revenues”** means the amount billed for weekly tuition reduced by two percent (2%) of Gross Revenues accommodate scholarships and discounts provided to customers of the School and includes registration fees and application fees.

1.12 **“Operating Principal”** means the individual whose role is defined in Section 14.5 and who is identified in Exhibit B.

1.13 **“School”** means the franchised Celebree School that you operate at the Franchised Location.

1.14 **“School Director”** means the individual whose role is defined in Section 8.12.

## **2 GRANT AND INITIAL TERM**

2.1 Grant. We grant you the non-exclusive right, and you undertake the obligation, on the terms and conditions set forth in this Agreement, to establish and operate the School at the Franchised Location and a license to use the Proprietary Marks and the System solely in connection with the School in compliance with the operating standards set forth in the Manuals (the **“Franchise”**).

### **2.2 Protected Territory and Reserved Rights**

2.2.1 Provided that you are in compliance with the terms of this Agreement and any other agreements with us and our affiliates and you are current on all obligations due to us and our affiliates,

during the term of this Agreement, we and our affiliates will not operate, or license others to operate, any new school, child care, or learning center identified in whole or in part by the Proprietary Marks within the geographic area described on Exhibit A (“**Protected Territory**”). You acknowledge that the rights granted under this Agreement are non-exclusive and that, except as expressly provided in this Section 2.2, you have no exclusive territorial rights or other right to exclude, control or impose conditions on the location or development of a Celebree School under the Proprietary Marks, on any sales or distribution of products under the Proprietary Marks, or on our (and our affiliates’) business activities.

2.2.2 Nothing in this Agreement prohibits us or our affiliates from, among other things:

2.2.2.1 during the term of this Agreement, operating, and licensing others to operate, any type of school, child care, or learning center identified in whole or in part by the Proprietary Marks at any location outside the Protected Territory;

2.2.2.2 after this Agreement terminates or expires, operating, and licensing others to operate, any type of school, child care, or learning center identified in whole or in part by the Proprietary Marks at any location including locations within the Protected Territory;

2.2.2.3 during or after the term of this Agreement, operating, or licensing others to operate, at any location, any type of school, child care, or learning center other than a facility identified in whole or in part by the Proprietary Marks;

2.2.2.4 merchandising and distributing goods and services identified by the Proprietary Marks at any location through any other method or channel of distribution;

2.2.2.5 developing and owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks; or

2.2.2.6 purchasing, being purchased by, merging or combining with, businesses that directly compete with Celebree Schools.

2.2.3 We reserve all rights to use and license the System and the Proprietary Marks other than those expressly granted under this Agreement. You do not have any exclusive right to advertise and market the services of the School and directly solicit students inside the Protected Territory. You acknowledge that advertising and promotional materials created, placed, and/or distributed by us, other franchisees operating under the System, or other entities authorized by us, may appear in media distributed in, or may be directed to prospective students located within, the Protected Territory, including on the System website. You may enroll students at the School that reside outside the Protected Territory and students that reside in your Protected Territory may be enrolled in Celebree Schools located outside your Protected Territory.

2.3 Initial Term. Unless terminated sooner as provided in this Agreement, the initial term of this Agreement (the “**Initial Term**”) expires on the ten (10) year anniversary of the opening date of the School. Your rights to seek a renewal franchise agreement for an additional term are set forth in Section 17.

2.4 Forms of Agreement. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and our affiliates and other franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

2.5 Best Efforts. You agree that you will at all times faithfully, honestly and diligently perform your obligations under this Agreement that you will continuously exert your best efforts to promote and enhance the business of the School and that you will not engage in any other business or activity that may

conflict with your obligations under this Agreement, except the operation of other Celebree Schools or other educational facilities operated by you that are franchised by us or our affiliates.

### 3 DEVELOPMENT OF THE SCHOOL

#### 3.1 Your Responsibility.

3.1.1 You assume all cost, liability, expense, and responsibility for constructing, equipping and operating the School in accordance with our standards at the Franchised Location. If the Franchised Location has not been designated as of the Effective Date, then you must: (1) follow the site selection procedures set forth in Section 3.2 below; and (2) obtain our acceptance of a site and acquire a leasehold interest in the site within one hundred eighty (180) days after the Effective Date (“**Site Acceptance Deadline**”). Such site must be located within the geographic area specified on Exhibit A (the “**Designated Search Area**”). The Designated Search Area is described solely for the purpose of selecting a site for the School.

3.1.2 You must open the School within two (2) years after the Effective Date (“**Opening Deadline**”). Any failure by you to meet the Site Acceptance Deadline (if applicable) or the Opening Deadline shall be a default of this Agreement for which we can terminate this Agreement without providing you an opportunity to cure the default. Notwithstanding the foregoing, we will not unreasonably withhold our consent to extend the Opening Deadline provided that you are able to demonstrate that you are making reasonable efforts to develop and open the School.

#### 3.2 Site Selection

3.2.1 We will provide you with our site selection criteria and, as you may request, a reasonable amount of consultation with respect to the site selection process. Periodically, we may modify our site selection criteria, which may include demographic characteristics, population density and composition, leasing costs, parking, visibility, character of the neighborhood, accessibility to a fenced outdoor activity area, competition from other childcare and educational facilities in the area, proximity to other businesses (including businesses operated or franchised by us or our affiliates), the nature of other businesses in proximity to the site and other commercial characteristics, and the size, appearance, other physical characteristics of the site plan for Celebree Schools. At our option, you must engage our designated or approved supplier of real estate services to assist you in the site selection and/or lease negotiation process.

3.2.2 Each Designated Search Area will have a priority list of franchisees (“**Site Priority List**”) based on the date that each franchisee signed their Franchise Agreement and/or Development Agreement. If we or our established commercial real estate broker network identifies a site within a Designated Search Area for a Celebree School, we will offer the site to the franchisee that has the highest priority on the Site Priority List. If that franchisee rejects the site, the site would then be offered to the next franchisee on the Site Priority List. If a franchisee identifies a site by themselves and obtains our acceptance of that site, then that site will be first available to the identifying franchisee. We reserve the right at any time to deviate from this site selection policy if we determine that a site will be operationally inefficient to the next franchisee in line on the Site Priority List.

3.2.3 For each proposed site for your School, we will help you build a site review kit that you will submit to us including a complete site report and other materials and information we request for a suitable site located within the Designated Search Area. You should not make any binding commitments to acquire any interest in any site for the School until we have accepted that site in writing. You may choose to work with our network of commercial real estate agents or request and obtain our approval of a real estate agent who will assist you with the site selection process.

3.2.4 Within thirty (30) days after we receive the detailed site review kit, we or our designee will conduct an evaluation of the proposed site(s) and accept or reject your proposed site(s). At

our option, we may conduct an on-site evaluation of the proposed site(s). We do not charge any fees to conduct up to three (3) visits to your local market, however; if we require, or if you request, any additional market visits, you must pay a site review fee to us in the amount of Three Thousand Dollars (\$3,000) and reimburse us for our travel expenses associated with such visits. We will not unreasonably withhold our acceptance of a site that meets our site selection criteria. In determining whether to accept or reject a proposed site, we also may consider the site's proximity both to the Designated Search Area's boundaries and to other existing or potential sites for Celebree Schools located within or outside the Designated Search Area. If we do not accept a proposed site in writing in this time period, we will be deemed to have rejected the site.

3.2.5 You agree that our acceptance of a site for the School and any information communicated to you regarding our site selection criteria for Celebree School does not constitute a warranty or representation of any kind, express or implied, as to the suitability of any site for the School or for any other purpose. Our acceptance of a site is not a representation or a promise by us that the School at the site will achieve certain revenues or a certain level of profitability. Similarly, our acceptance of one or more sites and our rejection of other sites is not a representation or a promise that the accepted site will have higher revenues or be more profitable than a site that we rejected.

3.2.6 You agree that the decision to develop and operate the School at a site that we accept is based solely on your own independent investigation of the suitability of that site for a School. We assume no liability or responsibility for: (1) evaluation of the soil of the site for hazardous substances; (2) inspection of any structure at the site for asbestos or other toxic or hazardous materials; (3) compliance with the Americans with Disabilities Act ("**ADA**"); or (4) compliance with any other applicable law. It is your sole responsibility to obtain satisfactory evidence and/or assurances that the site and any structures on the site are free from environmental contamination and in compliance with the requirements of the ADA.

### 3.3 Site Acquisition; Lease

3.3.1 If you propose to purchase the site for your School, it must be purchased by one of your Franchisee Affiliates who will then lease the Franchised Location to you. You must provide us with a copy of the deed or other evidence of ownership within sixty (60) days after we accept the site (the "**Site Acquisition Period**"). You also must provide us with a copy of the fully executed lease or sublease for the site ("**Lease**") within the Site Acquisition Period. After you secure a leasehold interest in the site, we will insert its address into Exhibit A, and it will be the Franchised Location. You hereby authorize us to deliver to you replacements for Exhibit A identifying the Franchised Location, and upon our delivery to you of a revised Exhibit A, that Exhibit A shall be binding upon us and you as if we and you had signed that Exhibit A.

3.3.2 We have the right to review the terms of the Lease before you sign the Lease. The Lease must: (1) in form and substance, be satisfactory to us; (2) include all of the provisions set forth in the form of Addendum to Lease attached to this Agreement as Exhibit E; (3) be for an aggregate term of (at least) ten (10) years in a combination of initial and renewal terms; (4) contain terms and conditions and payments that are commercially reasonable in our opinion; and (5) include any other provisions as we may require from time to time. The Lease shall not contain any covenants or other obligations that would prevent you from performing your obligations under this Agreement. Notwithstanding the terms of any Lease, Franchisee shall: (1) deliver to Franchisor, immediately after delivery to or by Franchisee, any notice of default under the Lease which threatens or purports to terminate the Lease or result in a foreclosure thereof; (2) permit Franchisor to enter the Franchised Location to protect the Marks or the System or to cure any default under the Lease or this Agreement, all at Franchisee's expense; and (3) not amend the Lease in any way which is inconsistent with the provisions of this Section 4.4 and the terms set forth in Franchisor's form of Lease Rider. You acknowledge that our review of the Lease is not a guarantee or warranty, express or implied, of the success or profitability of a Celebree School operated at the leased location. Our review will indicate only whether we believe that the terms of the Lease meet our then-acceptable criteria.

### 3.4 Development of the School

3.4.1 No later than the date on which you sign a letter of intent to lease the Franchised Location or your Franchisee Affiliates signs a purchase agreement to acquire the Franchised Location, you must pay us the Site Development Assistance Fee, which is described in Section 4.1.2.

3.4.2 After acquiring an ownership or leasehold interest in the Franchised Location, you shall promptly begin the permitting, licensing and approval process to ensure that construction of the School commences within thirty (30) days after you sign the Lease or take a possessory interest in the Franchised Location. If permitting and licensing is anticipated to take longer than thirty (30) days, you shall advise us in writing of the date on which you anticipate obtaining such permits and licenses and the reasons for the extended time period.

3.4.3 You assume all cost, liability and expense for developing, constructing and equipping the School. We will furnish to you prototypical general plans and specifications for a Celebree School. It shall be your responsibility to have prepared all required construction plans and specifications to suit the shape, dimensions and utility requirements of the Franchised Location, and you must ensure that these plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You shall use only approved registered architects, approved registered engineers, and approved professional and licensed contractors (who are reasonably acceptable to us). You must engage our designated or approved architect.

3.4.4 Prior to submission to local authorities, you shall submit proposed construction plans, specifications and drawings for the School ("**Plans**") to us and shall, upon our request, submit all revised or "as built" Plans during the course of such construction. We will review your Plans for our Celebree brand standards and approve or reject the Plans within thirty (30) days after we receive the Plans. Once we have approved the Plans, no substantial change shall be made to the Plans without our prior approval. If, in the course of construction, any such change in the Plans is contemplated, our approval must first be obtained before proceeding. We shall approve or reject Plan changes within ten (10) business days after receipt. We shall not unreasonably withhold our approval of the Plans or revisions to the Plans.

3.4.5 You are prohibited from beginning site preparation or construction prior to receiving written notification from us that we have approved the Plans, and you, we, and your general contractor have met to review the proposed construction process. You must construct the School in accordance with Plans approved by us and must comply in all respects with applicable laws, ordinances and local rules and regulations. The School may not open if construction has not been performed in substantial compliance with Plans approved by us, and this Agreement may be terminated if such non-compliance is not cured within a commercially reasonable amount of time. Once construction has commenced, it shall continue uninterrupted, except for interruption by reason of events constituting Force Majeure, until completed.

### 3.5 Acquisition of Necessary Furnishings, Fixtures and Equipment

3.5.1 You agree to use in the development and operation of the School only the fixtures, furnishings, décor items, supplies (including teaching aids), equipment, and signs that we have approved for Celebree Schools as meeting our specifications and standards for quality, design, appearance, function, and performance. You further agree to place or display at the interior and exterior of the School only those signs, décor items, emblems, lettering, logos and display materials that we approve in writing from time to time.

3.5.2 You must purchase or lease approved brands, types or models of fixtures, furnishings, equipment, supplies and signs only from suppliers designated or approved by us, which may include us or our affiliates. If you propose to purchase, lease or otherwise use any items which have not been approved by us, you must first notify us in writing and, at your sole expense, submit to us upon our request sufficient specifications, photographs, drawings and/or other information or samples for a determination as to whether those items comply with our specifications and standards. We will, in our sole discretion, approve or reject the items and notify you within thirty (30) days after we receive the request.

3.6 Reports. If requested by us, you must submit to us, on or before the first day of each month (or more frequently if we request), a report with photographs showing progress made in connection with the construction and equipping of the School. Within ninety (90) days after the School first opens for business, you must give us a full written breakdown of all costs associated with the development and construction of the School, in the form that we may reasonably find acceptable or that we may otherwise require. Additionally, before opening the School, and after any renovation, you must execute and deliver to us an ADA Certification in the form included in the Manuals, to certify that the School and any proposed renovations comply with the ADA.

3.7 Limitation of Liability. Notwithstanding our right to approve the Plans and to inspect the construction work at the School, we and our designees shall have no liability or obligation with respect to the Franchised Location, the design or construction of the School or the furnishings, fixtures, equipment, and signage to be acquired; the outdoor features, outdoor activity area, landscaping, parking lots; our rights being exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement.

3.8 Business Plan. At least one hundred and twenty (120) days prior to opening the School, you must develop and submit to us, a three (3) year financial pro forma ("**Business Plan**") outlining the actions that you will take to ensure that your operation and management of the School are in compliance with our standards. During the term of this Agreement, you must revise the Business Plan on an annual basis as required by us and implement that Business Plan as approved by us.

3.9 Pre-Opening Enrollment and Grand Opening Marketing. You must rent or obtain a temporary welcome center to support your pre-opening enrollment activities at least ninety (90) days prior to opening the School ("Temporary Welcome Center"). You must advertise and promote the School and begin enrolling students in the School at least one hundred and fifty (150) days prior to opening the School. You must host a grand opening event within thirty (30) days of your School opening. We will work with you to develop a marketing plan and marketing materials (as outlined in the Manuals) for the School and you must spend between Forty-Five Thousand Dollars (\$45,000) and Sixty Thousand Dollars (\$60,000) to market the School during these pre-opening and grand opening periods. We must review and approve your marketing plan and marketing materials, including total expenditures. You may spend more than the required amount. If you fail to spend the required amount, you must spend the balance for Local Advertising (as defined in Section 10.3) within thirty (30) days after opening the School. At our request, you must submit appropriate documentation to verify full compliance with your pre-opening marketing expenditure obligation.

### 3.10 Final Inspection and Opening Deadline

3.10.1 You must complete construction of the School within two hundred forty (240) days after the start of construction, unless we agree otherwise. The requirement to complete construction of the School includes obtaining all required construction and occupancy licenses, permits and approvals, developing the Franchised Location (including all outdoor features, outdoor activity area, landscaping and parking lots), purchasing all required equipment and supplies, installing all required furnishings, fixtures, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have the School ready to open for business. You also must meet all state required mandates to identify your School as a school.

3.10.2 You shall notify us in writing at least thirty (30) days prior to the date you expect construction and/or renovation to be completed and a certificate of occupancy to be issued ("**Occupancy Notice**") for the School. After our receipt of the Occupancy Notice, we reserve the right to conduct a final inspection of the School to determine if you have complied with this Agreement in connection with the development of the School including the final Plans. We shall not be liable for delays or loss occasioned by our inability to complete our investigation and to make a determination within this thirty (30) day period. You must submit a copy of the certificate of occupancy to us upon receipt.

3.10.3 You shall not open the School for business without our express written authorization, which will not be granted unless you have satisfied the conditions contained in Section 3.11 below. You must open the School before the Opening Deadline. **Time is of the essence in the construction and opening of the School, and failure to comply with all deadlines relating thereto constitutes a material breach and default of this Agreement.** Any extensions of time are subject to our approval, which we may withhold at our discretion.

3.11 Opening of the School. We will not authorize the opening of the School unless all of the following conditions have been met:

3.11.1 You are not in material default under this Agreement or any other agreements with us; you are not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the School); you are not in default beyond the applicable cure period with any vendor or supplier to the School); and for the previous six (6) months, you have not been in material default beyond the applicable cure period under any agreement with us;

3.11.2 We have determined that the School has been constructed and/or renovated and equipped substantially in accordance with the requirements of this Agreement including the Plans;

3.11.3 You have obtained, provided copies to us, and maintain all required building, utility, sign, health, sanitation, business and other permits and licenses applicable to the School;

3.11.4 You have purchased or leased and installed all specified and required fixtures, equipment, furnishings and interior and exterior signs for the School;

3.11.5 You have purchased all required computer systems and software and they are operational;

3.11.6 You have acquired an opening inventory of approved curricula, teaching aids and supplies for the School;

3.11.7 Your Operating Principal and School Director have completed our management training program and been approved by us, and you have hired and trained a staff in accordance with the requirements of Section 6;

3.11.8 You have paid the Initial Franchise Fee and any other amounts then due to us;

3.11.9 You have signed this Agreement and all other agreements including the electronic funds transfer documents described in Section 4.7 as required by us;

3.11.10 You have obtained a certificate of occupancy and any other required health, safety or fire department certificates and you have received your child care license and other licenses required by applicable state and/or local regulations; and

3.11.11 You have obtained and provided to us copies of certificates for all insurance policies required by Section 11 or such other evidence of insurance coverage and payment of premiums as we reasonably may request.

3.12 Relocation. You may not operate the School at any site other than the Franchised Location and may not relocate the School without our prior written consent, which may be withheld by us in our sole discretion. The same requirements set out in Section 3.2 for an initial site will apply to any potential new site. If we approve a relocation of the School, you must pay a relocation fee in the amount of Ten Thousand Dollars (\$10,000) and sign our then-current form of Franchise Agreement with a term that expires as of the expiration date of this Agreement. Our acceptance of a site as the Franchised Location shall not be deemed to be a guarantee or assurance by us that the School will be profitable or successful. You must open the

relocated School for business within one hundred eighty (180) days of closing the School at the previous location. You will bear all relocation costs and construction costs, including any costs of terminating the existing Lease or occupancy agreement. You must de-identify the former location as provided in Section 19 at your expense within the time period that we specify.

#### 4 FEES

##### 4.1 Initial Fees

**Franchisee Initial: \_\_\_\_\_** 4.1.1 Initial Franchise Fee. In consideration of the Franchise rights granted in this Agreement, you must pay us an initial franchise fee in the amount set forth on Exhibit A (“**Initial Franchise Fee**”). **The Initial Franchise Fee is fully earned when paid and is not refundable.**

**Franchisee Initial: \_\_\_\_\_** 4.1.1 Site Development Assistance Fee. You must pay us a site development assistance fee in the amount of Thirty Thousand Dollars (\$30,000) (“**Site Development Assistance Fee**”) when you sign a letter of intent for a lease or your affiliate signs a purchase agreement for the Franchised Location. This fee covers our review of multiple sites for the School, traveling to your local market area to evaluate potential sites for the School, and providing demographic and other relevant information in identifying your Franchised Location. **The Site Development Assistance Fee is fully earned when paid and is not refundable.**

**Franchisee Initial: \_\_\_\_\_** 4.1.2 Training and Opening Support Fee. You must pay us a training and opening support fee in in the amount of Thirty Thousand Dollars (\$30,000) (“**Training and Opening Support Fee**”) prior to attending the management training program. This fee covers the management training program, opening support provided by our School Opening and Franchise Business Consultant teams and additional training necessary to support the School opening and initial enrollment period. **The Training and Opening Support Fee is fully earned when paid and is not refundable.**

##### 4.2 Royalty Fee.

4.2.1 Following the opening of the School and continuing thereafter during the term of this Agreement, you agree to pay to us a non-refundable weekly royalty fee (“**Royalty Fee**”) in the amount of seven percent (7%) of the weekly Net Revenues of the School.

4.2.2 If your enrollment figures are at eighty-five percent (85%) of capacity on January 1 and December 31 of any calendar year and you are in good standing under this Agreement, we will issue a credit against the Royalty Fees that you owe equal to one quarter of one percent (0.25%) of the total Royalty Fees paid to us for that calendar year. This would reduce your effective Royalty Fee rate from seven percent (7%) to six and three quarters percent (6.75%) for that calendar year. At our option, in lieu of offering this credit, we may refund to you one quarter of one percent (0.25%) of the total Royalty Fees paid to us for that calendar year in one lump sum.

4.3 Brand Fund Contribution. Commencing with the seven (7) month anniversary of the School’s opening date, you must start making a non-refundable contribution to the Brand Fund at the rate that we set for the System at that time. You will make your Brand Fund contribution at the same time and in the same manner as you pay the Royalty Fee. As of the Effective Date, the Brand Fund Contribution is two percent (2%) of the weekly Net Revenues of the School (the “**Brand Fund Contribution**”) We have the right to modify the amount of the Brand Fund Contribution as described in Section 10.2. You also must make required Local Advertising expenditures as described in Section 10.3.



4.4 Centralized System Fee. Commencing approximately four (4) months prior to the opening of the School, you must pay us a non-refundable monthly Centralized System Fee in the amount that we specify in the Manuals and which we may modify from time to time (“**Centralized System Fee**”). The Centralized System Fee shall be paid in consideration of our administration and provision of incoming lead management, tour scheduling, centralized, enrollment center and call center management, software licenses, applicant tracking software, and technology development. The Centralized System Fee is due on the first Wednesday of each month. As of the Effective Date, the Centralized System Fee is One Thousand Four Hundred Dollars (\$1,400).

4.5 Other Funds Due. You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any monies that we have paid, or that we have become obligated to pay, on your behalf, by consent or otherwise under this Agreement.

4.6 Taxes Imposed on Us. If any taxes, fees or assessments are imposed on us by reason of our acting as franchisor or licensing the Proprietary Marks under this Agreement, you must reimburse us for the amount of those taxes, fees or assessments within thirty (30) days after receipt of an invoice from us.

4.7 Sales Reports and Payment Method.

4.7.1 By no later than close of business on Monday of each week, you must submit a complete and accurate report of Gross Revenues for the preceding week (Monday through Sunday) containing a detailed statement of operating performance of the School including total revenue and number of students enrolled, any discounts provided, other revenue and information as specified in the manual, and such other weekly data as we may reasonably require. We reserve the right to designate a different reporting period in the Manuals.

4.7.2 You must designate an account at a commercial bank of your choice (the “**Account**”) for the payment of amounts due to us and/or our affiliates, including weekly Royalty Fees and Brand Fund Contributions and monthly Centralized System Fees. You must furnish us and the bank with authorizations as necessary to permit us to make withdrawals from the Account by electronic funds transfer (including the ACH Authorization Form attached as Exhibit F). Weekly payments shall be due on Wednesday of each week. Monthly payments shall be due on the first Wednesday of the month. We may modify the due dates from time to time. On the relevant due date, we will transfer from the Account an amount equal to the Royalty Fees and Brand Fund Contributions (based on the Net Revenues of the School as reported to us in your remittance report or determined by us based on the records contained in the computer system, electronic records and accounts of the School) and Centralized System Fees due from you as well as any other fees due to us and/or our affiliates. If you have not reported Gross Revenues to us, we will transfer from the Account an amount calculated in accordance with our estimate of Gross Revenues. If, at any time, we determine that you have underreported the Gross Revenues of the School, or underpaid the Royalty Fees, Brand Fund Contributions, Centralized System Fees or other amounts due to us under this Agreement or any other agreement, we shall initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after the parties determine that such credit is due.

4.7.3 You agree to maintain sufficient funds in the Account at all times to cover all Royalty Fees, Brand Fund Contributions, Centralized System Fees and other fees payable to us or our affiliates. If funds in the Account are insufficient to cover the amounts payable at the time we make our weekly or monthly electronic funds transfer, the amount of the shortfall will be deemed overdue. You will notify us at least ninety (90) days before closing or changing the Account against which such debits are to be made. If such Account is closed or ceases to be used, you will immediately provide all documents and information necessary to permit us to debit the amounts due from an alternative account. We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic, electronic debit (e.g., by check or wire transfer) whenever we deem appropriate, and you must comply with our

payment instructions. If we supply products to you, we may require pre-payment or cash on delivery (“COD”) depending on our then-current policies and your payment record with us.

4.7.4 Notwithstanding the provisions of this Section 4.7, we reserve the right to modify, at our option, the timing and method by which you pay the Royalty Fees and other amounts owed under this Agreement, including Brand Fund Contributions, Centralized System Fees, and interest charges, which shall be effective upon receipt of written notice from us.

#### 4.8 Interest, Insufficient Funds Charges and Late Fees.

4.8.1 If any payment is overdue, you must pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid at the rate of one and one-half percent (1.5%) per month or the maximum rate permitted by applicable law. The interest charges are in addition to any other remedies we may have. In addition to the interest charges, you must reimburse us for any bank fees incurred by us to cover our administrative expenses in responding each time you deliver a check to us which does not clear your bank account, or where we are not able to complete an electronic funds transfer due to insufficient funds in your Account. If you incur three (3) or more insufficient funds charges in any twelve (12) month period, we may terminate this Agreement.

4.8.2 We may assess a late fee in the amount of Two Hundred Fifty Dollars (\$250) if you fail to (a) timely notify us and/or deliver copies of any adverse action or order which may adversely affect any permit, certificate or license, the operation of the School or your financial condition; (b) timely submit to us any of the forms, reports, records, information and/or data you are required to submit to us; or (c) update on a daily basis all customer records in our designated customer relationship management system and billing system. In addition, you must pay us an additional late fee in the amount of One Hundred Dollars (\$100) per day beginning on the third day after the event which resulted in the imposition of the late fee.

4.9 Application of Payments. We have the right to apply payments from you in any way we choose, to any amounts you owe us.

4.10 No Offset. You shall not withhold or off-set any portion of any payment due to our alleged non-performance under this Agreement or any other agreement by and between you and us or our respective affiliates.

4.11 Partial Payments. No payment by you or acceptance by us of any monies under this Agreement for a lesser amount than due shall be treated as anything other than a partial payment on account. Your payment of a lesser amount than due with an endorsement, statement or accompanying letter to the effect that payment of the lesser amount constitutes full payment shall be given no effect, and we may accept the partial payment without prejudice to any rights or remedies we may have against you. Acceptance of payments by us other than as set forth in this Agreement shall not constitute a waiver of our right to demand payment in accordance with the requirements of this Agreement or a waiver by us of any other remedies or rights available to us pursuant to this Agreement or under applicable law. Notwithstanding any designation by you, we shall have sole discretion to apply any payments by you to any of your past due indebtedness for Royalty Fees, Brand Fund Contributions, Centralized System Fees, purchases from us or our affiliates, interest or any other indebtedness. We have the right to accept payment from any other entity as payment by you. Acceptance of that payment by us will not result in that other entity being substituted for you.

4.12 Collection Costs and Expenses. You must pay to us on demand any and all collection costs and expenses (including costs and commissions due a collection agency, costs incurred in creating or replicating reports demonstrating Gross Revenues of the School, reasonable attorneys’ fees, court costs, expert witness fees, discovery costs and reasonable attorneys’ fees and costs on appeal, together with interest charges on all of the foregoing) incurred by us in enforcing the terms of this Agreement, including in collecting any monies owed by you to us.

## 5 DUTIES OF FRANCHISOR

5.1 Plans and Specifications. We will furnish you with our representative plans and specifications for construction of a Celebree School, including exterior and interior design and layout plans.

5.2 Manuals. We will loan the Manuals to you for the Initial Term of this Agreement.

5.3 Training. We will provide a management training program for the persons that we require or permit to attend training under Section 6 of this Agreement.

5.4 Supervision. We will provide pre-opening and opening supervision and assistance as we deem advisable.

5.5 Suppliers. We will name Designated Suppliers as we deem appropriate and review suppliers that you nominate, subject to the limitations in Section 8.3.

5.6 Marketing Materials. In addition to the advertising and promotional materials produced and placed by the Brand Fund of behalf of the System, we will make available to you for purchase certain advertising and promotional materials that you can adapt for the School.

5.7 Operational Advice. We will provide to you from time to time, as we deem appropriate, advice and written materials concerning techniques of managing and operating a Celebree School.

## 6 TRAINING

### 6.1 Pre-Opening Training

6.1.1 At least thirty (30) days before opening your Temporary Welcome Center, your Operating Principal and School Director must attend and successfully complete the Celebree School management training program to our satisfaction. Additional staff members may attend the management training program upon request. The management training program may include online instruction, classroom training, web-based training, on-site training at another Celebree School chosen by us in our sole discretion, and training programs offered by third parties. Prior to attending the in-person training, your attendees must complete twenty-two (22) hours of online instruction, you must pay us the Training and Opening Assistance Fee described in section 4.1.3, your attendees must complete all training required for an owner/operator by your state's office of child care licensing, and you must present the certificates of completion to us. In addition to twenty-two (22) hours of online instruction that you must complete prior to attending any in-person training, the management training program consists of up to one (1) week of training at our support center and up to one (1) week of training at a Celebree School chosen by us. We may increase or reduce the required training based on our assessment of an individual's prior experience.

6.1.2 We will certify any supervisory employee of yours who successfully completes the management training program to our satisfaction as a "**Trainer.**" We will authorize the School to open only after your Operating Principal and School Director have each been approved by us and certified as a Trainer after successfully completed the management training program to our satisfaction. We will have the right to require that your Trainers execute and deliver to us a Non-disclosure and Non-competition Agreement.

6.2 Opening Training. We will send a representative to your School to provide on-site training for your Trainers, managers and staff members for a three (3) day period focusing on the Celebree School curriculum, brand, and educational philosophy, including conscious discipline ("Opening Training"). Your Operating Principal and School Director must attend the Opening Training in its entirety and Opening Training will not proceed without their attendance. You will not be required to pay any additional costs for any of the travel or living expenses incurred by our representative while they provide the Opening Training. If we provide additional onsite training at your request, you will be required to pay our then-current per diem training fees and charges and all travel, living and other expenses incurred by each representative.

### 6.3 Train the Trainer Program

6.3.1 You must have a full staff in place and available for training at least fourteen (14) days before the School opens. We will authorize you to open the School only after an adequate number of your employees, as determined by us in our sole discretion, have been trained to our satisfaction for the position for which they were hired. Periodically, you must conduct such training programs for your employees as we may require, including those training programs required for your employees to become certified for the position(s) for which each employee was hired. After we complete the Opening Training, you and your Trainers are responsible for fully training an appropriate number of your employees prior to the School opening that aligns with any state required ratios based on the expected number of children pre-enrolled in the School. You will be responsible for all costs that you incur in training your employees.

6.3.2 Your Trainers also will offer the Celebree School management training program to your replacement Operating Principal and School Director before they assume their role at the School. We will evaluate all individuals trained by you and determine whether to certify them as Trainers. If you need to send your replacement Operating Principal or School Director to our management training program, you must pay our then-current training fee per person per week for each person attending the management training program.

6.3.3 We may periodically visit the School to ensure that your Trainers and staff continue to meet our standards. We have the right to de-certify any of your personnel (including your School Director and other managers) who consistently fail to maintain our System standards as set forth in the Manuals. Any such employees may not return to their positions at the School until they have been successfully retrained. If we determine, in our sole discretion, that your Trainers are no longer qualified to train your employees (or if you do not have any Trainers on staff), then you, at our election, must either have the Trainers attend and successfully complete the Celebree School management training program and be re-certified as Trainers or designate replacement personnel to complete the management training program to be certified as your Trainers. If we elect to send our representative to the School to provide training for your staff, you must pay our then-current training fee per representative, per day, and all travel, living and other expenses incurred by our representative.

6.3.4 The content and administration of your training programs must be at least equal to those of our training programs and must be approved in advance by us. We will provide you with materials and, to the extent we deem it necessary or appropriate, assistance in designing and developing your training programs. We have the right to review your training programs periodically to ensure its quality and to verify that your personnel are being trained in a timely and satisfactory manner. We will notify you of any deficiencies in the training programs. You must promptly cure the deficiencies. If you fail to cure the deficiencies within a reasonable time, we may require your Operating Principal and School Director to attend our management training program at your expense (including payment of our then-current per-person per-week training fees), until such time as the deficiencies in your programs have been corrected to our satisfaction.

### 6.4 Additional Training. After the School opens for business:

6.4.1 Your employees that we reasonably designate must attend and complete, to our satisfaction, any additional training programs that we reasonably require from time to time. These additional training programs may include classroom training, web-based training and programs offered by third parties. We may require you to pay reasonable training fees for these programs (plus travel, meals and lodging expenses for our representatives, if we conduct the training at your School).

6.4.2 Your Operating Principal and your School Director must attend any scheduled national business meetings or our Annual Convention for up to three (3) days each year. You may send up to two (2) additional personnel to our Annual Convention. You are responsible for paying any registration fee for the convention and the costs of travel and accommodations for your personnel.

6.4.3 We periodically, as we deem appropriate, will advise and consult with you in connection with the operation of the School. We may provide these services through visits by our representatives to the School or your offices, the distribution of printed, filmed or electronic information, meetings or seminars, telephone communications, e-mail communications or other communications. We will periodically inspect the School and its operations to assist your operations and ensure compliance with the System. At your request, we may provide special assistance at the School for which you will be required to pay our per diem training fees and charges that we may establish from time to time.

6.5 Delegation. We have the right to delegate the performance of any portion or all of our obligations and duties under this Agreement to our designees, whether affiliates or agents of ours or independent contractors with whom we have contracted to provide the service.

6.6 Control by Us. Notwithstanding anything to the contrary in this Section 6, you and we recognize and agree that we do not exercise any day-to-day control of the School, including control of the security at the School, the hiring and firing of employees, or other forms of day-to-day control.

6.7 Training Methods; Expenses. Except for the classroom and on-the-job training portions of the Celebree School management training program, we have the right to provide training programs in person, by video, via the Internet, or by other means, as we determine. All training that we conduct in person will be held at a location that we designate. You are responsible for all expenses of your trainees, including the costs of transportation, lodging, meals, and wages. You may also be required to purchase training materials and uniforms.

## **7 MANUAL**

7.1 Access to the Manuals. We will loan to you during the term of this Agreement one copy of, or provide electronic access to, the Manuals, which contains information and knowledge that is unique, necessary and material to the System. The Manuals contain detailed standards, specifications, instructions, requirements, methods and procedures for management and operation of the School. The Manuals also may relate to: (1) approved curriculum; (2) management, employee training, and staff development; (3) marketing, advertising and sales promotions; (4) maintenance and repair of the School building, grounds, equipment, graphics, signs, interior and exterior décor items, fixtures and furnishings; (e) staff dress attire and appearance standards; (5) accounting, bookkeeping, records retention and other business systems, procedures and operations; (6) news flashes covering important developments to the System; (7) reports and other information useful for financial evaluation and planning; (8) resources, tools, including training materials, marketing resources, reference materials and promotional initiatives; and (9) contact information for Celebree School vendors, franchisees, and other Celebree School locations. You agree at all times to operate the School in strict conformity with the Manuals; to maintain the Manuals at the School; to not reproduce the Manuals or any part of it; and to treat the Manuals as confidential and proprietary; and to disclose the contents of the Manuals only to your employees who have signed a confidentiality agreement and who have a demonstrated need to know the information contained in the Manuals.

7.2 Modifications to the Manuals. We may supplement or amend the Manuals from time to time by letter, electronic mail, bulletin, videos, CDs, DVDs, software or other communications concerning the System to reflect changes in the image, specifications and standards relating to developing, equipping, furnishing and operating a Celebree School. We reserve the right to furnish all or part of the Manuals to you in electronic form or online (including by intranet or extranet) and to establish terms of use for electronic access to the Manuals. You agree to keep your copy of the Manuals current and up-to-date with all additions and deletions provided by or on behalf of us and you agree to purchase whatever equipment and related services (including a video player, DVD player, computer system, Internet service, dedicated phone line, facsimile machine, etc.) as may be necessary to receive these communications. If a dispute relating to the contents of the Manuals develops, the master copy maintained by us at our principal offices shall control.

7.3 Electronic Access. At our option, we may post a portion of or all of the Manuals on a restricted website to which you will have access. If we do so, you agree to monitor and access the website

for any updates to the Manuals. Prior to accessing our restricted website you and any of your employees must agree to abide by our terms of use, which we may revise from time to time. Any passwords or other digital identifications necessary to access the Manuals constitute confidential information owned by us.

## **8 OPERATION OF THE SCHOOL**

### **8.1 Compliance with System Standards.**

8.1.1 In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate the School in strict conformance with the methods, standards, and specifications we prescribe from time to time in the Manuals or otherwise in writing. You acknowledge that the System standards may relate to any aspect of the appearance, function, cleanliness, and operation of the School. Any material failure to comply with the mandatory System standards or to pass our periodic quality control inspections will constitute a material breach of this Agreement. You acknowledge that we have the right to vary our standards and specifications, in our reasonable judgment, to accommodate the individual circumstances of different franchisees.

8.1.2 You agree: (1) to offer to students and operate the School using only the curriculum, products, services and techniques that we have approved in writing for you to offer at the School; (2) not to deviate from the approved curriculum and our standards and specifications, including the manner in which the curriculum is implemented at the School; (3) to stop offering or teaching any aspect(s) of the curriculum that we at any time disapprove in writing (recognizing that we have the right to do so at any time); (4) to only purchase the approved curriculum, products and supplies from our approved suppliers; and (5) that if you propose to deviate (or if you do deviate) from our curriculum, standards and specifications, whether or not we have approved the deviation, that deviation shall become our property. You acknowledge that some aspects of the curriculum may be designated as “core” or mandatory and others as optional as set forth in the Manuals.

8.1.3 You agree to maintain in sufficient supply, and to use and/or sell at all times only the products, merchandise, teaching aids and materials, food products, supplies, and paper goods that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.

8.1.4 You agree to permit us, or our agents, at any reasonable time, to inspect (and if applicable remove) the curriculum, materials, products and services offered at the School, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such inspections if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.

8.1.5 You agree to abide by our guidelines for all food products served in the School whether prepared by the School or provided by parents and guardians.

8.1.6 You must acquire and install in the School at your expense, such fixtures, furnishings, equipment, décor, and signs as we may reasonably direct from time to time. You must not install or permit to be installed on or about the Franchised Location any fixtures, furnishings, equipment, vending machine, game, or coin-operated (or electronic counterpart) device, décor, signs, or other items not previously approved by us without our prior written consent to do so.

8.1.7 You must use the Franchised Location solely for the operation of the School, must keep the School open and in normal operation for the minimum hours and days specified in the Manuals and as permitted by applicable laws, and must refrain from using or permitting the use of the Franchised Location for any other purpose or activity at any time without first obtaining our written consent.

8.1.8 You may not use the School for the sale of any items that promote illegal activity or for any purpose for which we determine, in our sole discretion that may offend an appreciable segment of the public or may adversely affect the acceptance, favorable reputation or goodwill associated with Celebree School.

8.2 Sourcing of Products and Services. We have the right to require that all current and future curricula, supplies, equipment, furnishings, merchandise, promotional items, information technology services, credit card processing services, and other products and services that you purchase for operation of or sale in the School: (1) meet specifications that we establish from time to time; and/or (2) be purchased only from suppliers that we have expressly approved; and/or (3) be purchased only from a Designated Supplier (which may be us or an affiliate or a buying cooperative that we organize); and/or (4) establish distribution facilities (directly, through our affiliates, and/or our designees) and designate these as Designated Suppliers or approved suppliers. To the extent that we establish specifications, require approval of suppliers, or name Designated Suppliers for particular items, we will provide the requirements to you in writing. If we elect to name ourselves or an affiliate as the Designated Supplier for a particular item, you must purchase all of your requirements of the item from us or the affiliate. You must submit orders in accordance with the terms and procedures we specify from time to time. Any conflicting terms and conditions of sale stated in your purchase order will have no effect. In case of shortages, we will have complete discretion to allocate products among Celebree Schools (and, at our option, other channels of distribution). If shortages or an event of Force Majeure prevent us from being able to supply your School with its requirements, you are authorized to purchase supplies from other sources for use at the School until we are again able to meet the School's requirements, provided that the alternative supplies meet our specifications and that we have given prior written approval.

8.3 Supplier Review Process. If we require you to use an approved supplier or provider for a particular item or service, but you wish to purchase the item or service from a supplier that we have not approved, you may submit a written request for approval of the supplier, unless it is an item or service for which there is a Designated Supplier. We have no obligation to review or approve a greater number of suppliers for an item or service than the number we deem reasonable, and any proposed supplier relationship must not jeopardize the availability of any special pricing or other benefits offered by our existing suppliers based on system-wide purchases. We will provide our standards and specifications to you or to the proposed supplier, subject to the supplier's execution of a confidentiality agreement in a form acceptable to us. We have the right to inspect the proposed supplier's facilities and to require delivery of product samples either to us or to an independent laboratory designated by us for testing. Upon completion of our analysis, we will notify you in writing of approval or disapproval of the proposed supplier. You agree to pay a charge not to exceed our reasonable costs incurred in evaluating the supplier, regardless of whether or not we approve the supplier. You may not purchase, sell, or offer for sale any products or services of the proposed supplier until you receive our written approval of the proposed supplier. We have the right to re-inspect the facilities, products, and services of any approved supplier and to revoke approval upon the supplier's failure to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to cease purchasing products and services from the disapproved supplier and, in the case of revocation based on the failure of the supplier's products or services to meet our standards, you agree to dispose of your remaining inventory of the disapproved supplier's products or cease using the disapproved supplier's services as we direct.

8.4 Rebates. We may negotiate purchasing arrangements under which suppliers agree to make services, products, equipment, materials and other goods and services available to Celebree Schools. Subject to applicable law, we may earn money from the suppliers based on your purchases in the form of rebates, commissions, or other payments. You acknowledge that these payments compensate us for the cost of negotiating and maintaining the purchasing arrangements with the suppliers and that, subject to applicable laws, we have no obligation to remit the funds to you.

8.5 Transportation Vehicles and Equipment.

8.5.1 One (1) to three (3) months prior to opening your School, you must acquire your vehicle and install vinyl vehicle wrapping, and thereafter maintain all transportation vehicles and equipment

used by the School unless local laws or regulations prohibit you from offering transportation services. All vehicles and equipment must comply with our standards and requirements. You shall be responsible for ensuring that all vehicles used by the School to transport children and/or staff to and from the Franchised Location comply with all applicable federal, state and local laws and regulations. You may purchase or lease new or used vehicles from any source provided that all such sources meet or exceed applicable federal, state and local standards for the purchase and sale of such vehicles. All vehicles used by the School shall bear the Proprietary Marks as and where specified by us, and shall be used exclusively for and in furtherance of the operation of the School.

8.5.2 You shall, at your expense, maintain the interior and exterior of all vehicles used by the School in good repair, attractive appearance and sound, safe operating condition. You shall maintain a complete set of records regarding the maintenance of all such vehicles, as we may require. You shall make all necessary repairs to all such vehicles and in no event shall you or any individual who is employed at or by the School use a vehicle for the School that is not currently in good condition and repair, which imposes any safety hazard to any person, or which is not currently in compliance with all federal, state and local laws and regulations.

8.5.3 Each person who is authorized to drive any vehicles used by the School must have and maintain a valid and appropriate driver's license from the state in which the School is located and shall have a driving record that is acceptable to the state, your insurance carrier and us, as specified from time to time in the state's regulations and/or our Manuals. No person shall drive any vehicles used by the School without first having you verify the validity of his/her driver's license and the acceptability of his/her driving record.

#### 8.6 Condition of Franchised Location.

8.6.1 You must constantly maintain the Franchised Location and all furniture, fixtures, equipment, furnishings, floor coverings, interior and exterior signage, the building interior and exterior, interior and exterior lighting, landscaping and parking lot surfaces in first-class condition and repair in accordance with the requirements of the System, including all ongoing necessary remodeling, redecorating, refurbishing and repairs. At your own expense, you must make such additions, alterations, repairs, and replacements as may be required for that purpose (but no others without our prior written consent). Upon our request, you must provide us with copies of any inspection report conducted by a third party. You may not make any material alterations to the School that affect operations or the image of the System without our prior written approval. You acknowledge and agree that the requirements of this Section 8.6 are both reasonable and necessary to ensure continued public acceptance and patronage of Celebree Schools, to assist the School to compete effectively in the marketplace and to avoid deterioration or obsolescence of the operation of the School.

8.6.2 You must make extensive structural changes, major remodeling and renovations, and substantial modifications to existing equipment and improvements to modernize and conform the School to the image of the System for new Celebree Schools at our request (but not more often than once during the Initial Term of this Agreement). Within thirty (30) days after receipt of our written notice regarding the required remodel, you must prepare and complete drawings and plans for the required remodel. These drawings and plans must be submitted to, and their use approved by, us prior to the commencement of work. You must complete the required remodel within ninety (90) days after receipt of our written notice. You should consult with your financial advisors to develop a plan to set aside funds and budget for these remodel expenses.

#### 8.7 Accreditation and Quality Control and Programs

8.7.1 Your School must gain accreditation through either your state accreditation program (if applicable) or through NAEYC (National Association for the Education of Young Children), which is a nationally recognized accreditation program. You are required to begin this process within three (3) years from the opening of your School and successfully complete this process within five (5) years from the



opening of your School. Once you achieve your accreditation, you must maintain it throughout the term of this Agreement.

8.7.2 You shall meet and maintain the highest governmental health, safety, and educational standards and ratings applicable to the operation of the School, including the outdoor activity equipment. You shall furnish to us, within five (5) days after receipt by you, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the School.

8.7.3 We reserve the right to require your participation in a mandatory sanitation and safety program relating to the School (including periodic inspections and evaluations of the School) in accordance with such rules, terms, and conditions as we deem advisable. We reserve the right to incorporate the rules, terms, and conditions of such sanitation program into the Manuals and supplement such rules, terms, and conditions from time-to-time through modifications to the Manuals. You acknowledge you will be responsible for all costs of this sanitation and safety program as it applies to the School.

8.7.4 We may, in our sole discretion, establish "quality control" programs, such as a consumer experience evaluation programs and employee experience surveys, intercepts, and evaluations, to ensure the highest quality of service in all Celebree Schools. You shall participate in any such quality control programs, including those we add or modify from time to time, and bear your proportionate share, as determined by us in our sole discretion, of the costs of any such program. We shall have access to any data resulting from such programs implemented at the School.

8.7.5 You must immediately notify us in writing of the commencement of any action, suit, or proceeding and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of the School.

8.8 Access for Inspections. You must permit us and our agents to enter the School at any time during normal business hours to conduct inspections and to (1) inspect the School; (2) observe, photograph, record and/or film the operations of the School; (3) remove samples of any products, materials or supplies for testing and analysis; and (4) interview personnel and customers of the School. You must cooperate with such inspections by rendering such assistance as our representatives may reasonably request. Upon notice from us or our agents, you must immediately take such steps as may be necessary to correct any deficiencies noted during any such inspection, which may include closing the School. In the event of such closing, you agree to immediately remedy any unsanitary, unsafe, unapproved, or other condition or other violation. You agree not to reopen the School until after we have inspected the School premises, and we have determined that you have corrected the condition and that the operation of the School complies with our standards and applicable law.

#### 8.9 Compliance with Laws and Taxes

8.9.1 You must operate the School in full compliance with all applicable municipal, county, state and federal laws, rules, regulations and ordinances. You must keep current all licenses, permits, bonds, and deposits made to or required by any government agency in connection with the operation of your School. You have sole responsibility for compliance despite any information or advice that we may provide.

8.9.2 You must immediately notify us in writing of the commencement of any action, suit, or proceeding and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of the School.

8.9.3 You, on behalf of yourself and your owners, agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you, on behalf of yourself and your owners, certify, represent, and warrant that none of your respective property or interests are “blocked” under any of the Anti-Terrorism Laws and that neither you nor any of your owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.

8.9.4 You must promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness incurred in the operation of the School. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event will you permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the School.

8.9.5 You must meet and maintain the highest child care, health and safety standards and ratings applicable to the operation of the School and comply with all applicable regulations. You must provide us with a copy of reports from every health department, child welfare, fire, or similar agency within two (2) days after receipt. You must notify us by telephone within twenty-four (24) hours, and confirm in writing within two (2) days, after receiving notice of any investigation or violation concerning any child care, zoning, health, narcotics, fire department or similar agency’s laws and regulations. If any such notice requires you to cease providing child care services for any length of time, you must notify us by telephone on the day that you receive the notice.

#### 8.10 Control During Crisis Situation

8.10.1 If an event occurs at the School that has or reasonably may cause harm or injury to students, guests or employees (*i.e.*, slip and fall injuries, natural disasters, robberies, shootings, etc.) or may damage the Proprietary Marks, the System or our reputation (collectively “**Crisis Situation**”), you shall: (1) immediately contact appropriate emergency care providers to assist you in curing the harm or injury; and (2) immediately inform us by telephone of the Crisis Situation. You must refrain from making any internal or external announcements (*i.e.*, no communication with the news media) regarding the Crisis Situation (unless otherwise directed by us or public health officials).

8.10.2 To the extent we deem appropriate, in our sole and absolute discretion, we or our designee may control the manner in which the Crisis Situation is handled by the parties, including conducting all communication with the news media, providing care for injured persons and/or temporarily closing the School. The parties acknowledge that, in directing the management of any Crisis Situation, we or our designee may engage the services of attorneys, experts, doctors, public relations firms and those other professionals as we deem appropriate. You and your employees shall cooperate fully with us or our designee in our efforts and activities in this regard and shall be bound by all further Crisis Situation procedures developed by us from time hereafter. The indemnification under Section 20.2 shall include all losses and expenses that may result from the exercise by us or our designee of the management rights granted in this Section 8.10.

8.11 Customer Complaints. You must immediately resolve any customer complaints regarding the quality of educational or child care services and/or cleanliness of the School, or any similar complaints. When any customer complaints cannot be immediately resolved, you must use reasonable efforts to resolve the customer complaints as soon as practical and shall, whenever feasible, give the customer the benefit of the doubt. If we, in our sole discretion, determine that our intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if we, in our sole discretion, believe that you have failed adequately to address or resolve any customer complaints, we may, without your consent, resolve any complaints and charge you an amount sufficient to cover our reasonable costs and expenses in resolving the customer complaints, which amount you must pay to us immediately on demand.

8.12 School Director. You must designate an individual whom we have approved to serve as your School Director. You must hire the School Director at least five (5) months prior to opening your School. The School Director shall meet all of the following qualifications:

8.12.1 The School Director must have a degree in early childhood education and be “director qualified” as defined by applicable state requirements in the state where the School is located. The School Director also must complete our management training program and any additional training programs that we require to our satisfaction. We must have approved the School Director and not have later withdrawn that approval. Your Operating Principal may not serve as your School Director.

8.12.2 The School Director must have full control over and devote his or her best efforts to supervising the day-to-day operation of the School. The School Director shall not, without our prior written approval, engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under this Agreement. You agree to provide us with an executed copy of any arrangement, agreement or contract, and all amendments thereto, between you and your School Director related to the operation of the School.

8.12.3 If the School Director no longer qualifies as such, you must designate another qualified person to act as the School Director within thirty (30) days after the date the prior School Director ceases to be qualified. Your designee to be the School Director must satisfy the criteria set forth in this Section 8.12 and be approved by us.

### 8.13 Staffing

8.13.1 You must hire an Assistant Director to support your School Director prior to opening your Temporary Welcome Center.

8.13.2 The School must at all times be under the on-premises supervision of your School Director, Assistant Director, your Operating Principal, or a supervisor that we have approved. The School must at all times be operated by the number of staff members and supervisory personnel that we designate in the Manuals or as required by any applicable government and or licensing regulations. Your Operating Principal, School Director, Assistant Director teaching staff, and any other personnel that we designate in the Manuals must be trained and certified in CPR and first aid. You must keep us informed at all times of the identity of any employee(s) acting as supervisors of the School.

8.13.3 You have sole responsibility for all employment decisions and functions of the School, including those related to hiring, firing, training, wage and hour requirements, recordkeeping, supervision, and discipline of employees, despite any information or advice we may provide. You must maintain a competent, conscientious, trained staff with enough employees to operate the School in conformance with our standards. You must take such steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as we may establish from time to time in the Manuals.

8.13.4 You must conduct appropriate criminal background checks as required by the Manuals and due diligence on your Operating Principal, School Director, Assistant Director, and all employees of the School to determine that your employees meet the high ethical standards necessary for working with children.

8.13.5 You must employ only suitable persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of Celebree School and the System and, while on duty, comply with the dress attire, personal appearance and hygiene standards set forth in the Manuals, or as may be required under applicable law.

8.13.6 You must comply with all state and local laws and regulations regarding the staffing and on-premises management of personnel including any required licenses and any regulations dealing with the ratio of your staff or equipment to the children on the premises.

8.13.7 You and your staff must, at all times, cooperate with us and with our representatives. We will have the ongoing right to approve or disapprove of the service of individuals in your School as to the role that they play in your business if their continued performance would negatively affect the System and our brand. If we disapprove of such an individual, you agree to remove him/her from their current role (but you understand and agree that our disapproval of him/her in that role is not meant to, and should not be construed as, any instruction or demand on our part that the individual should be dismissed as an employee).

8.14 Numbers and Listings. You must obtain a new telephone number and telephone and on-line directory listings at your expense under the Proprietary Mark or trade name that we designate or approve (e.g. Celebree School) and not under your corporate, partnership, or individual name, to be used exclusively in connection with your operation of the School. Upon the expiration, transfer or termination of this Agreement for any reason, you shall terminate your use of such numbers and listings and assign the numbers and listings to us or our designee, and, at our option, will execute the Conditional Assignment and Power of Attorney – Telephone and On-Line Numbers and Listings attached as Exhibit D to this Agreement. You must ensure that the telephone at the School is answered in the manner we specify in the Manuals.

#### 8.15 Technology

8.15.1 You must acquire and install in the School, at your own expense, a core information technology package through our approved supplier, which includes specific equipment, configuration and installation of equipment and software to ensure minimum brand standards and system security protocols are met. You will also be required to use our approved supplier for ongoing management of your information technology systems. Our specifications may evolve over time and, in some cases, required items may only be available through us and/or designated suppliers. The balance of the information technology infrastructure can be purchased directly by you or through our approved information technology supplier. All information technology equipment must be certified by our approved information technology supplier prior to be added to our network. You must: (1) maintain an electronic connection between your systems and our systems and provide us with all user IDs and passwords necessary for us to independently access files and other information stored on your systems; (2) use the systems in accordance with all policies and operational procedures we issue from time to time; (3) transmit data to us at the times we specify; (4) maintain your systems in good working order at all times; (5) promptly install upgrades, additions, changes, modifications, substitutions and/or replacements of hardware, software, data connectivity, electrical power, and other computer-related facilities as we direct; (6) ensure that your employees are adequately trained in the use of such systems and our related policies and procedures; and (7) implement at all times appropriate physical and electronic security as is necessary to secure your computer system and to comply any standards and policies that we may issue (without obligation to do so) in this regard. You must not install any software to your systems that we have not authorized, including anti-virus software and firewalls. You must bear all costs of installation, operation, maintenance and upgrade of your systems. We reserve the right to require you to engage us or a hardware maintenance and/or help desk support provider approved by us to maintain your computer and electronic record systems.

8.15.2 We have the right, but not the obligation, to develop or have developed for us, or to designate, software programs that you must use in connection with your computer systems and or electronic records and accounts of the School. You must install all such software, including any updates, supplements, modifications, or enhancements that we require. We and our suppliers may charge a reasonable software license fee for any software that you are required to use. Each party to this Agreement acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to comply with those reasonable new standards that we establish as if we periodically revised this Section 8.15 for that purpose.

8.16 Credit Cards and/or Debit Cards. You must honor all digital payment systems, credit, charge, courtesy or cash cards or other credit devices that we specify. You must comply with the then-current Payment Card Industry Data Security Standards (PCI/DSS) as those standards may be revised by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)) or successor organization. Among other things, you agree to implement the security requirements that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards. You must demonstrate compliance on reasonable request, which may include having an independent third party conduct a PCI/DSS audit.

8.17 Pricing Activities. You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for enrollment, merchandise and other services and products (subject to applicable law) offered and sold at the School under this Agreement. With respect to the sale of all such services and products, you will have sole discretion as to the prices to be charged to customers; provided, however, that we will have the right to set maximum or minimum prices with respect to such services and products (subject to applicable law), to promote inter-brand competition. If we impose a maximum price on a particular service or product, then (subject to applicable law) you may charge any price for that service and product, up to and including the maximum price we have set. If we impose a minimum price on a particular service or product, then you may charge any price for that service or product (subject to applicable law), down to and including the minimum price that we have set.

8.18 Compliance with Lease. If you occupy the Franchised Location under a lease, you must comply with all terms of the lease or sublease for the Franchised Location and all other agreements affecting the operation of the School. You must undertake best efforts to maintain a good working relationship with your landlord and must refrain from any activity which may jeopardize your right to remain in possession of, or to renew the lease for, the Franchised Location.

8.19 Franchisee Advisory Committee. We reserve the right to create a franchisee advisory committee ("FAC"). You will be required to participate in any communication programs developed by the FAC. You must participate, at your sole cost, in the FAC if you or one of your owners or employees is elected or appointed as a committee member. You may be required to pay a fee for, or contribute to, the FAC in an amount determined by the FAC.

## **9 MODIFICATIONS TO THE SYSTEM**

9.1 System Changes. We, in our sole discretion, shall be entitled from time to time to change or modify the System, including modifications to the Manuals, the curriculum, approved suppliers, the required equipment, the signage, the building and premises of Celebree Schools (including the trade dress, décor and color schemes), the presentation of the Proprietary Marks, the adoption of new administrative forms and methods of reporting and of payment of any monies owed to us (including electronic means of reporting and payment) and the adoption and use of new or modified Proprietary Marks or Works. You must accept and use or display in the School any such changes or modifications in the System as if they were a part of the System at the time this Agreement was executed, and you will make such expenditures as the changes or modifications in the System may reasonably require.

9.2 Test Marketing. We may, from time to time, authorize you to test market curricula, products and/or services in connection with the operation of the School. You shall cooperate with us in connection with the conduct of such test marketing programs and shall comply with our procedures established from time to time in connection with such programs as set forth in the Manuals.

9.3 Your Development of System Improvements. All teaching methods, curricula, processes, ideas, concepts, supplier relationships, methods and techniques used or useful to a school, a child care center, or other business offering educational services and products that are relevant to your operation of the School, whether or not constituting protectable intellectual property, that you or your employees create, or that are created on your behalf, must be promptly disclosed to us. If we adopt any of them as part of the System, they will be deemed to be our sole and exclusive property and deemed to be works made-for-hire for us without any payment to you. You and each of your owners agree to: (1) sign the assignment and/or

other documents we request in order to implement this clause in order to evidence our ownership; (2) cause your employees and contractors to sign such assignment documents as we may request for this purpose; and (3) assist us in securing intellectual property rights in such Innovations.

9.4 Variances. We have the right, in our sole discretion, to waive, defer or permit variations from the standards of the System or any applicable agreement for any franchisee or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. We have the right, in our sole discretion, to deny any such request we believe would not be in the best interests of the System.

## **10 MARKETING**

10.1 Marketing Programs. You acknowledge the value of and the need to develop, enhance, and promote the System and the Proprietary Marks. You also acknowledge the importance of the standardization of marketing programs to the furtherance of the goodwill and public image of the System and the Proprietary Marks. This Section 10 describes our marketing, public relations and advertising programs, our right to modify these programs, and the manner in which the marketing and advertising funds are used from time to time.

### **10.2 Brand Fund**

10.2.1 We have established the Brand Fund for the enhancement, promotion and protection of the System and the Proprietary Marks, and for the development of advertising, marketing, and public relations programs and materials as we deem appropriate. We have the right to direct all advertising, media placement, marketing and public relations programs and activities financed by the Brand Fund, with final discretion over the strategic direction, creative concepts, materials and endorsements used and the geographic, market and media placement and allocation. You agree to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Brand Fund.

10.2.2 Commencing with the seven (7) month anniversary of the opening date of your School, you must start making a non-refundable contribution to the Brand Fund at the rate that we set for the System at that time. We may modify your Brand Fund Contribution in increments of up to one-half of one percent (0.5%) upon ninety (90) days' prior written notice (to a maximum of three percent (3%) of Net Revenues); however, we will not increase your Brand Fund Contribution by more than one percent (1%) per year. The Brand Fund Contribution will be payable at the same time and in the same manner as your payment of the Royalty Fee. From time to time, we or our suppliers may deposit into the Brand Fund any rebates or similar allowances paid to us by our suppliers although we have no obligation to do so. Celebree Schools operated by us and our affiliates will contribute to the Brand Fund on the same basis as comparable franchisees.

10.2.3 Among the programs, concepts, and expenditures for which we may utilize the Brand Fund monies are: (1) creative development and production of print ads, commercials, radio spots, point of purchase materials, direct mail pieces, door hangers, free standing inserts, brochures, logo wear, labeling, video, audio, and written materials and electronic media, and other advertising and promotional materials; (2) media placement and buying, including all associated expenses and fees; (3) administering regional and multi-regional marketing and advertising programs; (4) market research and customer satisfaction surveys; (5) the creative development of, and actual production associated with, premium items, giveaways, promotions, sweepstakes, contests, public relation events, and charitable or nonprofit events; (6) creative development of signage, posters, and individual Celebree School décor items including wall graphics; (7) recognition and awards events and programs including periodic national and regional conventions and meetings; (8) design, establishment, and maintenance of websites, extranets, intranets, search rankings, social media profiles, mobile application and other digital marketing; (9) retention and payment of personalities engaged as spokespersons, advertising and promotional agencies, endorsement contracts, and other outside advisors including retainer and management fees; (10) sponsorship of sporting, charitable, or similar events; (11) review of locally produced marketing materials; (12) list

acquisition and development; (13) association dues; (14) affinity program development; (15) development of third party facilities for the development of local advertising; and (16) public relations and community involvement activities and programs.

10.2.4 We may sell certain advertising materials, merchandise and premium items to you that are developed by the Brand Fund, and the earnings from such sales will be deposited in the Brand Fund. The Brand Fund also may be used to pay reasonable salaries and expenses of our and our affiliates' employees who work on advertising, marketing, public relations materials, programs, activities or promotions prepared, planned or undertaken on behalf of the Brand Fund and professional fees and administrative costs and overhead that we or our affiliates incur in activities reasonably related to the administration and activities of the Brand Fund (including accounting fees, legal fees, and interest on monies borrowed by the Brand Fund). We will not use the Brand Fund for anything whose sole purpose is the marketing of franchises, however, the System website, public relations activities, community involvement activities and other activities supported by the Brand Fund may contain information about franchising opportunities. We may seek the advice of Celebree School franchisees by formal or informal means with respect to the creative concepts and media used for programs financed by the Brand Fund.

10.2.5 You acknowledge that the Brand Fund and any earnings thereon will be used to maximize general public recognition, acceptance, and patronage of Celebree School, and that we are not obligated, in administering the Brand Fund, to make expenditures for you which are equivalent or proportional to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Fund. Your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Brand Fund. The failure (whether with or without our permission) of any other franchisee to make the appropriate amount of contributions to the Brand Fund will not release you from or reduce your obligation.

10.2.6 Nothing in this Agreement will be construed to create a trust or fiduciary relationship of any kind or nature whatsoever among the parties as it relates to the Brand Fund or our actions with respect thereto, including collection of payments, maintenance of the bank account, bookkeeping, and disbursement of monies from the Brand Fund. Except as expressly provided in this Section 10, we assume no direct or indirect liability or obligation to you with respect to maintenance, direction, or administration of the Brand Fund. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will prepare an annual, unaudited report (in a format of our choosing) of Brand Fund collections and expenses within sixty (60) days after our fiscal year end and will provide a copy of the report to all franchisees. We retain the final authority on all programs financed by the Brand Fund. We have the right to change or dissolve the Brand Fund at any time. If we disband the Brand Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to contributors in proportion to their respective Brand Fund Contributions during the preceding twelve (12) month period.

### 10.3 Local Advertising

10.3.1 Until your School's Net Revenues in any week exceed Twenty-Eight Thousand Dollars (\$28,000), you must spend Seven Hundred Fifty Dollars (\$750) each week for approved local community awareness, advertising, public relations, community involvement activities, sponsorships, business partnerships and promotion in accordance with your approved Marketing Plan ("**Local Advertising**"). Thereafter, for the remainder of the Initial Term, you must spend two percent (2%) of the weekly Net Revenues of the School for Local Advertising. Within thirty (30) days after the end of each quarter, you agree to send to us, in the manner we prescribe, an accounting of your Local Advertising expenditures during the preceding quarter. If you fail to spend the required amount annually, you must, at our option, spend the deficit for Local Advertising in the first quarter of the following year or contribute the deficit to the Brand Fund.

10.3.2 You must develop, on an annual basis, a Marketing Plan (which may be included with your Business Plan) that we have approved for your School. You must comply with all requirements

regarding the Marketing Plan, including the use of approved advertising and marketing materials, required special events, placement and purchase of advertising and marketing materials and media, search engine optimization activities, and compliance with all promotional recommendations.

10.3.3 Your local advertising and marketing materials must follow our guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of our System website's domain name in the manner we designate. Local Advertising expenditures include the following pre-approved expenditures: (1) amounts spent by you for advertising media, such as digital, print, radio, television and outdoor, banners, posters, direct mail, grassroots premiums, event invites, and, if not provided by us at our cost, the cost of producing approved materials necessary to participate in these media; (2) coupons and special (or promotional) offers pre-approved by us; and (3) local marketing and public relations agency fees. Local Advertising expenditures do not include amounts spent for items, in our reasonable judgment, deemed inappropriate for meeting the minimum advertising requirement, including permanent on-premises signage, occasion signage, directory listings, personnel salaries or administrative costs, transportation vehicles (even though such vehicles may display the Proprietary Marks), product costs associated with redemption of coupons and promotional offers and employee incentive programs. All Local Advertising must be approved by us pursuant to Section 10.5 below.

10.4 Joint Marketing Programs and Cooperatives. We have the right at any time and from time to time to establish, and thereafter modify (1) co-marketing programs in which we and our franchisees join with suppliers or other third parties to cross-promote goods and services; (2) joint marketing efforts in which multiple Celebree Schools can contribute to a specific advertising campaign or event; and/or (3) local or regional marketing co-operatives ("**Cooperatives**") that pool funds of Celebree Schools on an ongoing basis to jointly promote the Proprietary Marks and the Celebree Schools of the Cooperative members. You must participate in each applicable joint marketing program and comply with the rules of the program. The following provisions apply to Cooperatives:

10.4.1 We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative. If a Cooperative is applicable to your School at the time the School opens for business, you must join the Cooperative. If a Cooperative applicable to the School is established during the Initial Term, you must become a member and begin contributing no later than thirty (30) days after we authorize the Cooperative to begin operation. You will not have to contribute to more than one Cooperative for the same School at the same time. We (or our affiliates, as the case may be) will become a member of any Cooperative that is applicable to a Celebree School owned by us or our affiliates.

10.4.2 Each Cooperative will be organized for the exclusive purpose of developing, administering and executing advertising programs for the members of the Cooperative. Each Cooperative will adopt a Cooperative agreement governing the organization and operation of the Cooperative, subject to our approval. If the members of the Cooperative do not sign an agreement within a reasonable time, you agree to sign our recommended form of Cooperative Agreement. We reserve the right to change the form of organization, governing documents, and manner of operation of any Cooperative, and you and the other members agree to implement any such change promptly after notice from us. No changes in the bylaws or other governing documents of a Cooperative may be made without our prior written consent. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval pursuant to Section 10.5 below. We and our designated agents will have the right to examine and copy, at our expense, on reasonable notice and during normal business hours, the books, records, and accounts of any Cooperative. We will also have the right, at any time, to have an independent audit made of the books of any Cooperative.

10.4.3 You and each other member of the Cooperative must contribute up to one half of one percent (0.5%) of the Net Revenues of your School to the Cooperative at the time and in the manner as required by the Cooperative (unless a majority of the Cooperative votes to increase that amount).

10.4.4 We may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative and/or from the obligation to contribute (including a reduction,



deferral, or waiver of the contribution), upon written request of the franchisee stating reasons which we deem sufficient to support the exemption. Our decision concerning any request for exemption will be final. If an exemption is granted to a franchisee, the franchisee will be required to spend on Local Advertising the amount the franchisee otherwise would have been required to contribute to the Cooperative.

10.5 Approval Requirement. All advertising and promotion by you and by any Cooperative must be in the type of media and format that we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. You or the Cooperative must submit written samples of all proposed advertising and promotional plans and materials to us for our approval at least fifteen (15) days before their intended use, unless the plans and materials were prepared by us or have been approved by us within the last twelve (12) months. Proposed advertising plans or materials will be deemed to have been rejected if we have not approved them within fifteen (15) days after receipt. We reserve the right to require you to discontinue the use of any advertising or marketing material that we previously approved upon notice.

#### 10.6 Electronic Marketing and Electronic Communications.

10.6.1 We will host and maintain an independent webpage for the School at an Internet address that we specify. We will provide and maintain this webpage using a standard template. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any URL, social networking platform, blog, messaging system, email account, user name, text address, mobile application, or other electronic, mobile or internet presence that uses or displays any of the Proprietary Marks (or any derivative thereof) or that promotes any products or services of the School. You acknowledge that the use of any electronic medium constitutes advertising and promotion subject to our approval under Section 10.5. You agree not to transmit, or cause any other party to transmit, advertisements or solicitations by broadcast media, telephone, e-mail, text message, instant message, social network, VOIP, streaming media, or other electronic media that currently exists or may exist in the future without first obtaining our written consent as to: (1) the content of the advertisements or solicitations; and (2) the type of media intended to be used. All telephone answering messages, email auto-signatures, and other identifiers of the School must be in the form we prescribe. If we approve the use of an electronic medium, our approval will be conditioned on your compliance with any standards and procedures we issue with respect to that type of electronic medium, including the use of any disclaimers, warnings, and other statements that we may prescribe.

10.6.2 You shall comply with our standards for the System, as set forth in the Manuals or otherwise, with regard to our authorization to use, and the use of, blogs, common social networks (including Facebook and Instagram), professional networks (including LinkedIn), live blogging tools (including Twitter), virtual worlds, file, audio and video sharing sites and other similar or future social networking media or tools that in any way reference the Proprietary Marks or involve the System or the School.

## 11 **INSURANCE**

11.1 Basic Requirements. You must, at your own expense, maintain the types and minimum amounts of insurance coverage specified in the Manuals. The policy, or policies, must be written by insurance companies with an industry rating acceptable to us; must name us, our affiliates, and their respective officers, directors, shareholders, consultants, agents, attorneys, and employees as additional insureds as specified by us; and must not have deductibles, exclusions or co-insurance requirements that are unacceptable to us. You must provide us with evidence of all required insurance coverage and payment of premiums before beginning construction of the School. At least thirty (30) days before each insurance policy expires, you must furnish a copy of the renewal or replacement insurance policy and evidence of payment of the premium. The policy must state that we will be notified by the insurance company if the policy is terminated, canceled or expires. Your obligation to obtain insurance coverage is not limited in any way by the insurance that we maintain.

11.2 Our Rights. We have the right to increase the amounts of coverage required and require different or additional kinds of insurance with thirty (30) days' prior written notice, including excess liability insurance, to reflect inflation, new risks, changes in the law or standards of liability, higher damage awards or other relevant changes in circumstances. All public liability and property damage policies must be primary

and non-contributory and must contain a waiver by the insurance company of subrogation rights against us and our affiliates, successors and assigns. If you fail to maintain the insurance required by this Agreement, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you agree to reimburse us for the cost of insurance, plus all out of pocket expenses that we incurred in obtaining such insurance on your behalf.

## **12 ACCOUNTING AND RECORDS**

12.1 Books and Records. You must prepare, and must preserve for at least seven (7) years from the dates of their preparation, complete and accurate books, records, and accounts, in accordance with generally accepted accounting principles, which include a prescribed chart of accounts and/or use of a designated accounting program or platform. You must record all sales, sales tax, and any other charges collected on behalf of third parties in accordance with the procedures prescribed in the Manuals in any software program or electronic record system that we specify. You must use the accounting firm we designate for your School's first year of operations. This firm will help set up your chart of accounts and required monthly reporting and will prepare your first year tax returns and create an opening balance sheet. You will need to retain an additional accounting firm approved by us to prepare the financial statements required below.

12.2 Reports. You must submit to us, at your expense, in the form we prescribe:

12.2.1 Within ten (10) days after the end of each month, a statement of operating performance of the School including total revenue and information as specified in the Manuals;

12.2.2 Within thirty (30) days after the end of each of your fiscal quarters, interim unaudited income statements and balance sheets;

12.2.3 Within ninety (90) days after the end of each of your fiscal years, an income statement showing the results of your operations during such fiscal year and a balance sheet as of the end of such fiscal year, both of which must be prepared in accordance with generally accepted accounting principles and audited or reviewed (at our option) by an independent certified public accountant. If, however, the foregoing income statements and balance sheets are audited by an independent certified public accountant, then you must furnish the audited income statements and balance sheets rather than the reviewed income statements and balance sheets; and

12.2.4 Upon our demand, a copy of the federal tax return for the School.

12.3 Right to Examine or Audit. We and our designated agents will have the right to examine and copy, at our expense, on reasonable notice and during normal business hours, your books, records, accounts, and sales tax returns. We will also have the right, at any time, to have an independent audit made of your books. If an inspection or audit reveals that any payment to us has been understated, you must immediately pay to us the amount owed, together with applicable interest and late fees as provided in Section 4. If an inspection or audit reveals an understatement of the Gross Revenues of the School of two percent (2%) or more, you must, in addition to the payment of all monies owed with interest, reimburse us for all costs connected with the inspection or audit (including expenses for travel, lodging and wages, and reasonable accounting and legal costs). If our examination reveals an understatement of the Gross Revenues of the School for any period by two percent (2%) or more three (3) or more times during any thirty-six (36) month period, or by more than five percent (5%) on any one occasion, then in addition to your obligations to pay the amounts owed as referenced above, we may immediately terminate this Agreement. The foregoing remedies are in addition to any other remedies we may have.

12.4 Data and Privacy

12.4.1 We may periodically specify in the Manuals or otherwise in writing the information that you will collect and maintain on your computer and electronic record systems and you will provide to

us such reports as we may reasonably request from the data so collected and maintained. You agree that all data that you collect from customers in connection with the School including names, addresses, email addresses, phone numbers, birth dates, transaction data, student data, demographic data, behavioral data, correspondence and other data (“**Customer Data**”) and all other data that you create and/or collect in connection with the System, or in connection with your operation of your School (including transaction data) is and will be owned exclusively by us. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and solely for your use in connection with the business franchised under this Agreement. You agree not to publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent with respect to such policy.

12.4.2 In connection with any use of data in the School, you agree to comply with all applicable laws pertaining to the privacy of customer, student, employee, and transactional information (“**Privacy Laws**”). You also agree to comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you will: (1) comply with the requirements of applicable law; (2) immediately give us written notice of said conflict; and (3) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law.

12.5 Public Filings. If you are or become a publicly-held entity in accordance with other provisions of this Agreement, you must send to us copies of all reports (including responses to comment letters) or schedules that you may file with the U.S. Securities and Exchange Commission (certified by your chief executive officer to be true, correct, complete and accurate) and copies of any press releases you may issue within three (3) days of the filing of those reports or schedules or the issuance of those releases. If you request information from us to compile your reports, you must reimburse us for our costs and expenses in preparing such reports.

## **13 PROPRIETARY MARKS AND THE WORKS**

13.1 Our Representations. We represent to you that we and our affiliates own (or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.

13.2 Identification of the School. You must operate, advertise, and promote the School only under the Proprietary Marks. In conjunction with any use of the Proprietary Marks, you must identify yourself to the public as an independent franchisee operating under the authority of this Agreement.

13.3 Proprietary Materials. You acknowledge and agree that we and/or our affiliates are the owners of the Works and that the copyrights in the Works are valuable property. We authorize you to use the Works on the condition that you comply with all of the terms and conditions of this Section 13.3. You acknowledge and agree that we may create, acquire or obtain licenses for certain additional copyrights in various works of authorship used in connection with the operation of a Celebree School, including all categories of works eligible for protection under the United States copyright law, all of which will be deemed to be part of the Works. The Works include the Manuals, advertisements, promotional materials, labels, posters, coupons, gift certificates, signs, World Wide Web and other Internet sites, curriculum and teaching materials developed by us, and school designs, plans and specifications. The Works may incorporate all or part of the Proprietary Marks or other trade dress used as part of the System. You acknowledge that this Agreement does not confer any interest in the Works on you, other than the right to use the Works in the operation of the School in compliance with the terms of this Agreement. If you prepare any adaptation, translation or work derived from the Works, including advertisements, promotional materials, labels, posters, or websites, whether or not such adaptation was authorized by us, you agree that such material will be our property and you hereby assign all your right, title and interest therein to us (or to a third party designated by us). You agree to execute any documents, in recordable form, which we deem necessary to reflect or perfect such ownership. You must submit all such adaptation, translation or derivative works to us for approval prior to use.

13.4 Limitations on Use. Your right to use the Proprietary Marks and the Works is limited to the uses we authorize under this Agreement and any unauthorized use will constitute an infringement of our rights. Therefore, you agree to:

13.4.1 Use only the Proprietary Marks and the Works that we designate and use them only in the manner we authorize;

13.4.2 Use the Proprietary Marks and Works only for the operation of the School and only at the Franchised Location or in advertising for the School;

13.4.3 Operate and advertise the School only under the name "Celebree School" and use all Proprietary Marks without prefix or suffix;

13.4.4 Refrain from using the Proprietary Marks as part of your corporate or legal name;

13.4.5 Ensure that all advertising and promotional materials, packaging, signs, decorations, websites, and other items that we may specify, bear the Proprietary Marks in the form, color, size, and location we prescribe;

13.4.6 Identify yourself as the owner of the School in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, check stock, business stationery, websites, email auto-signatures, and other electronic media, as well as at such conspicuous locations on the Franchised Location as we may designate in writing;

13.4.7 Not use the Proprietary Marks to incur any obligation or indebtedness on behalf of us or our affiliates;

13.4.8 Not use the Proprietary Marks on any human resources materials including policies, forms, pay checks, and manuals;

13.4.9 Comply with our instructions in filing and maintaining any requisite trade name or fictitious name registrations, and execute any documents we deem necessary to obtain protection for the Proprietary Marks and the Works or to maintain their continued validity and enforceability;

13.4.10 Not directly or indirectly contest the validity of, or take any other action which tends to jeopardize our or our affiliates' rights to the ownership of or right to use and to license others to use the Proprietary Marks or the Works; and

13.4.11 Ensure that the Proprietary Marks and the Works bear the "®", "™", "SM" or © notice, respectively, as we may prescribe from time to time.

13.5 Acknowledgments. You acknowledge that:

13.5.1 The Proprietary Marks and the Works are valid and serve to identify the System and those who are authorized to operate under the System;

13.5.2 Your use of the Proprietary Marks and Works pursuant to this Agreement does not give you any ownership interest or other interest in the Proprietary Marks or the Works;

13.5.3 Any and all goodwill arising from your use of the Proprietary Marks and the Works will inure exclusively to our benefit and to the benefit of our affiliates, and upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with your use of the System, the Proprietary Marks, or the Works; and

13.5.4 The license granted under this Agreement to use the Proprietary Marks and the Works is nonexclusive.

13.6 Changes to the Proprietary Marks and the Works. We reserve the right to modify or require you to discontinue use of any of the Proprietary Marks or the Works and/or to substitute different service marks, trademarks or copyrighted material for use in identifying the System and the Celebree Schools operating under the System. When required by us, you must promptly discontinue use of designated Proprietary Marks or Works or implement any modification or substitution at your own cost and expense. We will have no obligation or liability to you as a result of such modification or substitution.

13.7 Third Party Challenges. You must promptly notify us of any unauthorized use or reproduction of the Proprietary Marks or the Works, any challenge to the validity of the Proprietary Marks or the Works, the ownership by us and our affiliates of the Proprietary Marks and the Works, our right to use and to license others to use the Proprietary Marks and the Works, or your right to use the Proprietary Marks or Works. You acknowledge that we and our affiliates have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks or Works, including any settlement thereof. We and our affiliates have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks or Works. We will defend you against any third-party claim that your use of the Proprietary Marks or the Works infringes the rights of the third party. We will bear the cost of defense (including the cost of any judgment or settlement) if you have used the Proprietary Marks and the Works in accordance with the terms of this Agreement, but otherwise you must bear the cost of the defense (including the cost of any judgment or settlement). You must execute any and all documents and do such acts as we deem necessary to carry out the defense or prosecution of any litigation involving the Proprietary Marks or the Works, including becoming a nominal party to any legal action.

## 14 YOUR ORGANIZATION AND MANAGEMENT

### 14.1 Your Organization

14.1.1 If you are a legal entity such as a corporation, a limited liability company or a partnership, you make the following representations and warranties: (1) you are duly organized and validly existing under the laws of the state of your formation; (2) you are qualified to do business in the state or states in which the School is located; (3) execution of this Agreement and the development and operation of the School is permitted by your governing documents; and (4) unless waived in writing by us, your Articles of Incorporation, Articles of Organization or written partnership agreement shall at all times provide that your activities are limited exclusively to the development and operation of the Celebree School.

14.1.2 If you are an individual, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (1) each individual has executed this Agreement; (2) each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and (3) notwithstanding any transfer to a business entity, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and breach of, each and every provision of this Agreement. You must transfer this Agreement to a legal entity within thirty (30) days after the Effective Date pursuant to Section 16.5 of this Agreement.

14.2 Ownership Interests and Control Group. If you are a business entity, all interests in you are owned as set forth in attached Exhibit B. You must comply with Section 16 prior to any change in ownership interests and must sign addenda to Exhibit B as changes occur in order to ensure the information contained in Exhibit B is true, accurate and complete at all times. Exhibit B also lists those persons who comprise your "**Control Group.**" The parties acknowledge and agree that it is their intent that the members of the Control Group include the Operating Principal and: (1) all holders of a legal or beneficial interest of ten percent (10%) or more ("**10% Owners**") in your entity; (2) if you are a limited partnership, all 10% Owners of your general partner; and (3) all 10% Owners of a corporation or limited liability company that owns a controlling interest in your entity. In the event of any change in the Control Group or in the ownership

interests of any member of the Control Group, you must sign addenda to Exhibit B to reflect the change. If you are a corporation, the Control Group shall at all times own at least fifty-one percent (51%) of your voting securities; if you are a limited liability company, the Control Group shall at all times own at least fifty-one percent (51%) of your membership interests; and if you are any other type of business entity, the Control Group shall at all times have at least a fifty-one percent (51%) interest in the operating profits and losses and hold at least fifty-one percent (51%) of your ownership interests.

14.3 Governing Documents. Upon request by us, you shall promptly deliver to us, as applicable, true and complete copies of the articles or certificate of incorporation, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to your ownership, organization, capitalization, management and control and all amendments thereto. When any of these governing documents are modified or changed, you promptly shall provide copies to us. If you are a corporation, you shall maintain stop-transfer instructions against the transfer on the records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of this stock is subject to the restrictions imposed on assignment by the Celebree School Franchise Agreement(s) to which the corporation is a party." If you are a publicly held corporation, these requirements shall apply only to the stock owned by your Control Group. If you are a limited liability company, each membership or management certificate shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by the Celebree School Franchise Agreement(s) to which the limited liability company is a party." If you are a partnership, your written partnership agreement shall provide that ownership of an interest in the partnership is held, and that further assignment or transfer thereof, is subject to all restrictions imposed on assignment by this Agreement.

#### 14.4 Guarantee of Performance

14.4.1 All members of the Control Group, your 10% Owners, and each of their spouses, if applicable, shall jointly and severally personally guarantee your payment and performance under this Agreement and personally bind themselves to the terms of this Agreement pursuant to the attached Guarantee, Indemnification and Acknowledgement ("**Guarantee**"). Unless you are a publicly-held entity, all of your officers, directors, limited liability company managers and their spouses, if applicable, also shall jointly and severally guarantee your payment and performance under this Agreement and bind themselves to the terms of this Agreement pursuant to the attached Guarantee. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to waive the requirement that some or all of the previously described individuals sign the attached Guarantee. We also reserve the right to require any guarantor to provide personal financial statements to us from time to time.

14.4.2 With respect to your owners, you acknowledge that, unless otherwise agreed to in writing by us, it is our intent to have individuals (and not corporations, limited liability companies or other entities) sign the Guarantee. Accordingly, if any owner is not an individual, we shall have the right to require individuals who have only an indirect ownership interest in you to sign the Guarantee. (By way of example, if an owner is a corporation, we have the right to require individuals who have an ownership interest in that corporation to sign the Guarantee.)

14.5 Operating Principal. You must designate one of your 10% Owners as your Operating Principal who will be the person with whom we communicate and whom will have the authority to bind you with respect to all financial, operational and legal matters related to the School and this Agreement. You must designate a replacement approved by us within thirty (30) days after your Operating Principal ceases to qualify as the Operating Principal.

## 15 COVENANTS

### 15.1 Confidentiality

15.1.1 You acknowledge and agree that: (1) we own all right, title and interest in and to the System; (2) the System includes trade secrets and confidential and proprietary information and know-how that gives us a competitive advantage; (3) we have taken all measures appropriate to protect the trade secrets and the confidentiality of the proprietary information and know-how of the System; (4) all material or other information now or hereafter provided or disclosed to you regarding the System is disclosed in confidence; (5) you have no right to disclose any part of the System to anyone who is not your employee; (6) you will disclose to your employees only those parts of the System that an employee needs to know; (7) you will have a system in place to ensure that your employees keep confidential our trade secrets and confidential and proprietary information, and, if requested by us, you shall obtain from those of your employees designated by us an executed confidentiality and non-disclosure agreement in the form prescribed by us; (8) by entering into this Agreement, you do not acquire any ownership interest in the System; and (9) your use or duplication of the System or any part of the System in any other business, or disclosure of any part of the System to others for use or duplication in any other business, would constitute an unfair method of competition, for which we would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

15.1.2 You shall not, during the term of this Agreement or at any time thereafter, communicate or disclose any trade secrets or confidential or proprietary information or know-how of the System to any unauthorized person, or do or perform, directly or indirectly, any other acts injurious or prejudicial to any of the Proprietary Marks or the System. Any and all information, knowledge, know-how and techniques, including all drawings, materials, equipment, specifications, curriculum, techniques and other data that we or our affiliates designate as confidential shall be deemed confidential for purposes of this Agreement.

### 15.2 Restrictions On Competition

15.2.1 You acknowledge and agree that: (1) pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and other confidential information from us and/or our affiliates regarding the development, operation, product preparation and sale, market and operations research, advertising and marketing plans and strategies, purchasing, sales and marketing methods and techniques owned by us and our affiliates; (2) the know-how regarding the System and the opportunities, associations and experience acquired by you pursuant to this Agreement are of substantial value; (3) in developing the System, we and our affiliates have made substantial investments of time, effort, and money; (4) we would be unable adequately to protect the System and its trade secrets and confidential and proprietary information against unauthorized use or disclosure and would be unable adequately to encourage a free exchange of ideas and information among operators of Celebree Schools if franchisees were permitted to engage in the activities described in this Section 15.2 or to hold interests in the businesses described in this Section 15.2; and (5) the restrictions on your right to hold interests in, or perform services for, the businesses described in this Section 15.2 will not unduly limit your activities.

15.2.2 You covenant and agree that, except as we otherwise approve in writing, during the term of this Agreement, and for a continuous period of two (2) years following the expiration, transfer or termination of this Agreement, you will not, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

15.2.2.1 Own, maintain, operate, engage in, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, either directly or indirectly, any "**Competing Business**", which is defined as a (1) any business that provides childcare services, educational services or programs, enrichment programs for children, or before and after-school programs for school-aged children; or (2) whose method of operation or trade dress is similar to that employed in the System. During the term of this Agreement, there is no geographical limitation on this restriction. Following the expiration, transfer or termination of this Agreement, this restriction shall apply to any Competing Business located

within a twenty-five (25) mile radius of the Franchised Location and any Competing Business located within a twenty-five (25) mile radius of any then-existing Celebree School; or

15.2.2.2 Divert or attempt to divert any present or prospective business or customer to any Competing Business by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

15.2.3 You acknowledge that the Franchised Location will itself acquire goodwill associated with the System and that it would be difficult for us to ascertain that you have no interest in the operation by a third party of a Competing Business at that location that would, if operated by you, violate the restrictions of this Section 15.2. Accordingly, you further covenant and agree that, during the term of this Agreement and for a period of two (2) years following the transfer, expiration or earlier termination of this Agreement, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer the Franchised Location to any person, firm, partnership, corporation, or other entity which you know, or have reason to know, intends to operate a Competing Business at the Franchised Location that would violate Section 15.2.2.1 if operated by you. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in the Franchised Location, shall include such restrictive covenants as are necessary to ensure that a Competing Businesses that would violate Section 15.2.2.1 if operated by you is not operated at the Franchised Location for this two (2) year period, and you shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.

15.3 Exception for Publicly Traded Stock. The restrictions contained in Section 15.2 will not apply to ownership by you of less than a five percent (5%) beneficial interest in the equity securities of any publicly-held corporation.

15.4 Owners and Employees. Your owner(s) identified in Exhibit B that sign the Guarantee attached to this Agreement as Exhibit C will agree to be bound personally by the provisions of Section 15, provided that, as to them, the time period in Section 15.2.2 will run from the expiration, termination, or transfer of this Agreement or from the termination of the individual's relationship with you, whichever occurs first. At our request, you must obtain signed agreements similar in substance to this Section 15 (including agreements applicable upon termination of a person's relationship with you) from any: (1) School Director; and (2) your officers, directors, and owners. Each agreement required by this Section 15.4 must be in a form we approve and specifically identify us as a third party beneficiary with the independent right to enforce the agreement.

#### 15.5 Enforcement

15.5.1 We have the right, in our sole discretion, to reduce the scope of any restriction in Section 15.2 by giving you written notice and you agree to comply with any covenant so modified, which shall be fully enforceable notwithstanding the provisions of Section 24.

15.5.2 You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 15.

15.5.3 You acknowledge that your violation of the terms of this Section 15 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 15. Injunctive relief will be in addition to any other remedies we may have.

15.5.4 If you or any other person bound by this Section 15 fails or refuses to abide by any of the foregoing restrictions on competition, and we obtain enforcement in a legal proceeding, the obligations under the breached restriction will continue in effect for a period ending two (2) years after the date the person begins to comply with the order enforcing the restriction.



## 16 TRANSFER

16.1 By Us. We have the right to transfer or assign this Agreement or any part of our rights or obligations under this Agreement to any person or legal entity. You agree that we will have no liability after the effective date of the transfer or assignment for the performance of any obligations under this Agreement. You acknowledge that we can sell our assets; sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

16.2 By You. You acknowledge that the rights and duties set forth in this Agreement are personal to you and that we have granted these rights in reliance on your business skill, financial capacity, and personal character (or, if you are a business entity, on the business skill, financial capacity, and personal character of your owners and management). Accordingly, neither you nor any immediate or remote successor to any interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you, may sell, assign, transfer, convey, pledge, encumber or give away any direct or indirect interest in this Agreement, in you, or in substantially all of the assets of the School, without our prior written consent, which will not be unreasonably withheld. You must notify us in writing of any proposed transfer at least thirty (30) days before the transfer is to take place, and must provide all information and documentation relating to the proposed transfer that we reasonably request. Notwithstanding the foregoing, you may grant a security interest in, or otherwise encumber certain assets of the School, excluding the Franchise Agreement, in connection with obtaining financing for the development and/or operation of the School or equipment leasing, if such financing satisfies our requirements, which may include execution of agreements by us, you and your owners and your secured creditor, in a form satisfactory to us, acknowledging such creditor's obligations to be bound by the terms of this Section 16.

16.3 Our Right of First Refusal. We have the right, exercisable within thirty (30) days after receipt of a written request for our approval of a proposed transfer pursuant to this Section 16 (other than a transfer to immediate family members of your owners who meet our operational and financial criteria for new franchisees), to purchase the interest proposed to be transferred. The request for approval of transfer must include a true and complete copy of the term sheet, letter of intent, proposed purchase agreement, assignment document, or any other document necessary to implement the transfer, and not be subject to financing or any other contingencies. Our thirty (30) day period for determining whether or not to exercise our right of first refusal will not begin until the transferor has provided all information and documentation that we require in a form and substance satisfactory to us. We may assign this right of first refusal to a third party in our sole discretion. If we desire to exercise our right of first refusal, we will do so by providing written notice (the "**Purchase Notice**") to the transferor, as follows:

16.3.1 If the transfer is proposed to be made pursuant to a sale, we may purchase the interest proposed to be transferred on the same financial terms and conditions offered by the third party. Closing on our purchase will occur within sixty (60) days after the date of the transferor's receipt of the Purchase Notice. If the consideration, terms, and/or conditions offered by the third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If, within thirty (30) days of the transferor's receipt of the Purchase Notice the parties cannot agree as to the reasonable equivalent in cash consideration, an independent appraiser will be appointed by mutual agreement and the determination of the appraiser will be binding. Any material change in the terms of the offer from a third party after we have elected not to purchase the interest sought to be transferred will constitute a new offer subject to the same rights of first refusal by us as in the case of the third party's initial offer.

16.3.2 If the transfer is proposed to be made by gift, you and we will jointly designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within forty-five (45) days after our notice to the transferor of the appraiser's determination of fair market value.

16.3.3 Our failure to exercise our right of first refusal shall not constitute approval of the proposed transfer nor a waiver of any other provision of this Section 16 with respect to a proposed transfer. If we do not exercise our right of first refusal, you or your owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our consent to the transfer as provided in Section 16.2, provided that if the sale to such offeror is not completed within sixty (60) days after receipt of our notice of our decision not to exercise our right of first refusal, or if there is a material change in the terms of the offer, you must promptly notify us, and we will have an additional right of first refusal (on the terms of the revised offer, if any, and otherwise as set forth herein) during the thirty (30) day period following your notification of the expiration of the sixty (60) day period or the material change to the terms of the offer.

16.4 Conditions of Our Consent. If we elect not to exercise our right of first refusal under Section 16.3, the proposed transferor may complete the transfer after obtaining our written consent as required under Section 16.2. We may withhold our consent on any reasonable grounds, or may give our consent subject to reasonable conditions, which may include the following:

16.4.1 That all of your accrued monetary obligations to us and our affiliates (whether arising under this Agreement or otherwise) and all other outstanding obligations related to the School (including bills from suppliers, taxes, judgments and any required governmental reports, returns, affidavits or bonds) have been satisfied or, in our reasonable judgment, adequately provided for. We reserve the right to require that a reasonable sum of money be placed in escrow to ensure that all of these obligations are satisfied;

16.4.2 That you and your Franchisee Affiliates are: (1) not then in material default of any provision of this Agreement or any other agreement with us or our affiliates; (2) in good standing as a franchisee with us and our affiliates; (3) not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the School or any other franchised Celebree School; and (4) not in default beyond the applicable cure period with any vendor or supplier to the School;

16.4.3 That the sales price shall not be so high, in our reasonable judgment, as to jeopardize the ability of the transferee to develop, maintain, operate and promote the School and meet financial obligations to us, third party suppliers and creditors. Our decision with respect to a proposed transfer shall not create any liability on the part of us: (1) to the transferee, if we approve the transfer and the transferee experiences financial difficulties; or (2) to the transferor or the proposed transferee, if we reject the transfer pursuant to this Section 16 or for other legitimate business purposes. We, without any liability to the transferor or the proposed transferee, have the right, in our sole discretion, to communicate and counsel with the transferor, you, and the proposed transferee regarding any aspect of the proposed transfer;

16.4.4 That the transferor executes a general release, in a form satisfactory to us, of any and all claims against us, our affiliates and their respective past, present, and future officers, directors, shareholders, and employees, in their corporate and individual capacities;

16.4.5 That the transferee (and if the transferee is a corporation, partnership, or limited liability company, such owners of a beneficial interest in the transferee as we may request) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement; or, at our option, enter into our then current form of Franchise Agreement; and, if the transferor guaranteed your obligations under this Agreement, that the transferee guarantee the performance of all such obligations in writing in a form satisfactory to us;

16.4.6 If the transferee is an existing Celebree School developer or franchisee, that the transferee is not in default under its agreements with us, its landlords, lenders and its suppliers and has a good record of customer service and compliance with our operating standards;

16.4.7 That the transferee, whether or not an existing Celebree School developer or franchisee, demonstrates to our satisfaction that he or she meets (or, if the transferee is a business entity,

that its owners and management team meet) our educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business contemplated hereunder (as may be evidenced by prior related business experience or otherwise); has the ability to obtain a possessory interest in the Franchised Location; has the ability to obtain all required license and permits to operate the School; and has adequate financial resources and capital to fulfill your obligations under this Agreement in a timely manner;

16.4.8 That you have corrected any existing deficiencies of the School of which we have notified you, and/or the proposed transferee agrees to upgrade, remodel, and refurbish the School in accordance with our then current requirements and specifications for Celebree Schools within the time period we specify following the effective date of the transfer (we will advise the proposed transferee before the effective date of the transfer of the specific actions that are required and the time period within which such actions must be taken);

16.4.9 That the transferee (if an entity, the Operating Principal) and any employees of the transferee who have not previously completed a training program approved by us complete any training programs then in effect for new franchisees; and

16.4.10 That the transferor pays a transfer fee to us in the amount of Fifteen Thousand Dollars (\$15,000); however, if (1) the transfer is to an immediate family member of any owner for estate planning purposes, then we will reduce the transfer fee to Twelve Thousand Dollars (\$12,000); and if we introduce the transferee to you (which may include an existing or current franchisee, franchise applicant or a School Director of a Celebree School), then the transfer fee will equal our then-current initial franchise fee.

16.5 Transfers to an Entity Wholly Owned by You. If you signed this Agreement as an individual or a group of individuals, prior to opening the School, you must transfer this Agreement to a corporation or limited liability company that is wholly owned by you where the ownership and management of the School will not change. The requirements of Section 16.2 shall apply to such a transfer; however, the transfer fee shall be waived if this transfer is complete within thirty (30) days after the Effective Date, and the transfer fee shall be reduced to Five Thousand Dollars (\$5,000) if this transfer takes place more than thirty (30) days after the Effective Date. Our consent also will be conditioned on the following: (1) the entity must be newly organized; (2) prior to the transfer, we must receive a copy of the documents specified in Section 16.2 and the transferee shall comply with the remaining provisions of Section 16; and (3) you must own all voting securities of the newly formed corporation (or membership interests of the newly formed limited liability company) or, if you are owned by more than one individual, each person shall have the same proportionate ownership interest in the corporation (or the limited liability company) as prior to the transfer.

16.6 Death, Incapacity or Bankruptcy. If you or any owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, you will not be required to pay a transfer fee. In addition, if the deceased or incapacitated person is the Operating Principal, we will have the right (but no obligation) to take over operation of the School upon giving notice to the executor, administrator, personal representative, or trustee and to manage the School until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services. For purposes of this Section 16.6, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (1) for a period of thirty (30) or more consecutive days, or (2) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of transfer set forth in Section 16.4, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement. If an interest is not disposed of under this Section 16.6 within six (6) months after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 18.2.

16.7 Private Securities Offering. All materials for a public offering of stock or partnership interests in you or any of your affiliates that are required by federal or state law shall be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to us for such review before their use. You agree that: (1) no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; (2) our review of any offering shall be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and (c) we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above. You (and the offeror if you are not the offering party), your owners, and all other participants in the offering must fully indemnify us, our subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering as well as any subsequent or periodic documents needed in connection with your securities offering (e.g., quarterly or annual filings). You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.7 commences. Any such offering shall be subject to all of the other provisions of this Section 16; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

16.8 Nonconforming Transfers Void. Any purported assignment or transfer that is not in compliance with this Section 16 will be null and void and will constitute a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure pursuant to Section 18.2 below. Our consent to a transfer will not constitute a waiver of any claims we may have against the transferor, nor will it be deemed a waiver of our right to demand exact compliance by the transferor, transferee or you with any of the terms of this Agreement.

## 17 RENEWAL

17.1 Renewal Franchise Agreements. When this Agreement expires, you will have an option to remain a franchisee at the Franchised Location for two (2) renewal terms of five (5) years each (each a “**Renewal Term**”) if we are still offering franchises in the area where the School is located and if you are in substantial compliance with the terms of this Agreement. The qualifications and conditions for the first Renewal Term are described below. The qualifications and conditions for the second Renewal Term will be described in the form of renewal franchise agreement signed upon the expiration of this Agreement.

17.2 Conditions for a Renewal Term. In order to be eligible for a Renewal Term, you must meet the following conditions:

17.2.1 You must give us written notice of your election to remain a franchisee at the Franchised Location for the first Renewal Term at least twelve (12) months before the end of the Initial Term;

17.2.2 You must not be in default under this Agreement or any other agreements with us and/or our affiliates; you must not be in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the School; you must not be in default beyond the applicable cure period with any vendor or supplier to the School; and, for the twelve (12) months before the date of your renewal notice and the twelve (12) months before the expiration of the Initial Term, you must not have been in default beyond the applicable cure period under this Agreement or any other agreements with us and/or our affiliates.

17.2.3 You must make the capital expenditures required to renovate and modernize the School to conform to the interior and exterior designs, décor, color schemes, furnishings and equipment and presentation of the Proprietary Marks consistent with the image of the System for new Celebree

Schools at the time you provide the renewal notice, including such structural changes, remodeling, redecoration and modifications to existing improvements as may be necessary to do so.

17.2.4 As determined by us in our sole discretion, you have operated the School and you and your Franchisee Affiliates have operated all of your other franchised Celebree Schools in accordance with the applicable franchise agreements and with the System (as set forth in the Manuals or otherwise and as revised from time to time by us);

17.2.5 You must present satisfactory evidence to us that you have the right to remain in possession of the Franchised Location, or other premises acceptable to us, for the Renewal Term and all monetary obligations owed to your landlord, if any, must be current;

17.2.6 You must be operating the School in full compliance with all federal, state and local laws and regulations and you must demonstrate that you are able to maintain all licenses and permits necessary to continue to operate the School for the Renewal Term; and

17.2.7 You must comply with our qualification and training requirements for new Celebree School franchisees.

17.3 Renewal Franchise Agreement. If you are eligible and you elect to remain a franchisee for the first Renewal Term, you and your owners must: (1) sign our then-current form of renewal franchise agreement (modified as necessary to reflect the fact that it is a renewal franchise agreement), which will supersede this Agreement in all respects and which may provide for higher fees, fees not included in this Agreement, and other terms and conditions materially different from the terms of this Agreement; (2) sign a general release, in a form we prescribe, of any and all claims against us, our affiliates, and their respective past and present officers, directors, shareholders, and employees, in their corporate and individual capacities; and (3) pay us a renewal franchise fee ("**Renewal Franchise Fee**") in an amount equal to our documented costs to process the renewal which shall not exceed Ten Thousand Dollars (\$10,000). Your failure to sign the renewal franchise agreement and general release and return these documents to us with the Renewal Franchise Fee prior to the expiration of the Initial Term will be deemed an election by you not to exercise your right to remain a franchisee for the Renewal Term and will result in the expiration of this Agreement and the franchise granted by this Agreement at the end of the Initial Term.

## 18 DEFAULT AND TERMINATION

18.1 Termination without Notice. You will be deemed to be in default under this Agreement, and all rights granted to you in this Agreement will automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or is filed against you and not opposed by you; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law are instituted by or against you; if a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the Franchised Location or equipment of the School is instituted against you and action to dismiss is not taken within thirty (30) days or a foreclosure order is entered; or if the real or personal property of the School is sold after levy thereupon by any sheriff, marshal, or constable.

18.2 Termination without Cure Period. If any of the following events of default occurs, we may terminate this Agreement without providing you any opportunity to cure the default, effective immediately upon receipt of written notice by you:

18.2.1 You fail to meet the Opening Deadline.

18.2.2 You cease to operate the School during the days and hours specified in the Manuals for a period in excess of three (3) consecutive business days or for five (5) individual business days within a twelve (12) month period, unless the closing is due to an event of Force Majeure or other similar causes beyond your control or is approved in writing in advance by us.

18.2.3 We make a reasonable determination that continued operation of the School by you will result in an imminent danger to public health or safety.

18.2.4 You lose possession of the Franchised Location through your own fault or your failure to extend the lease for the Franchised Location through the Initial Term or you relocate the Franchised Location without our prior written approval.

18.2.5 Your Operating Principal or School Director fail to satisfactorily complete the management training program or you fail or refuse to have your employees attend the training programs described in Section 6.

18.2.6 You, your owners, your employees or your independent contractors do business with third parties in violation of The Patriot Act and/or the Foreign Corrupt Practices Act.

18.2.7 You default on the terms of any indebtedness that results in the acceleration of the indebtedness with an outstanding principal amount of \$100,000 or more; there is a material loss or damage to any of your assets related to the School that results in an aggregate loss (in excess of coverage) of \$100,000 or more; or there is an entry of a judgment against you involving aggregate liability (in excess of insurance coverage) of \$100,000 or more if such judgment remains unpaid or unsatisfied for a period of ten (10) or more days following entry of the judgment.

18.2.8 There is a material breach by you of any covenant or obligation under Section 15.

18.2.9 Any transfer that requires our prior written consent occurs without your having obtained that prior written consent;

18.2.10 We discover that you made a material misrepresentation in or omitted a material fact from the information that you provided to us in connection with our decision to enter into this Agreement.

18.2.11 You knowingly falsify any report required to be furnished to us or make any material misrepresentation in your dealings with us or fail to disclose any material facts to us.

18.2.12 You, your Operating Principal, your School Director, or any of your 10% Owners are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, our affiliates or the System.

18.2.13 You, your Operating Principal or any of your 10% Owners (1) materially misuse or make unauthorized use of the Proprietary Marks or the Works, (2) commit any act or take any action that impairs the goodwill of the Proprietary Marks, (3) use the Works or other proprietary System know-how at any other location owned or operated by you or your 10% Owners; or (4) fail to cure any breach or default under this Agreement that materially impairs or can be expected to impair the goodwill associated with the Proprietary Marks.

18.2.14 You understate the Gross Revenues of the School for any period by two percent (2%) or more three (3) or more times during any eighteen (18) month period, or by more than five percent (5%) on any one occasion.

18.2.15 You conceal revenue, taking for your own use employee taxes, FICA, insurance or benefits or any of our property.

18.2.16 You, your Franchisee Affiliates, your Operating Principal, any member of the Control Group, or any 10% Owner: (1) remain in default beyond the applicable cure period under any other agreement with us or our affiliates (provided that, if the default is not by you, we shall provide to you written notice of the default and a fifteen (15) day period to cure the default); (2) remain in default beyond the applicable cure period under any real estate lease, equipment lease, financing instrument or supplier contract relating to the School; (3) fail to pay when due any taxes or assessments relating to the School or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization.

18.2.17 You have received three (3) or more notices of default within a twelve (12) month period.

18.2.18 You repeatedly fail to comply with one or more requirements of this Agreement, regardless of whether you have previously cured the default.

### 18.3 Termination Following Expiration of Cure Period

18.3.1 Except as otherwise provided above in Sections 18.1 and 18.2 above, if you fail to maintain or observe any of the standards or procedures prescribed by us in this Agreement, the Manuals, or otherwise in writing, we may only terminate this Agreement by giving you written notice of termination (in the manner set forth under Section 23 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof of the cure to us, all within the thirty (30) day period. If any such default is not cured within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

18.3.2 Notwithstanding the provisions of preceding Section 18.3.1, if you default in the payment of any monies owed to us when such monies become due and payable and you fail to pay such monies within five (5) days after receiving written notice of default (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the five (5) day period or such longer period as applicable law may require.

18.3.3 In addition to the other provisions of this Section 18.3, if we reasonably determine that you become or will become unable to meet your obligations to us or our affiliates under this Agreement, we may provide you written notice to that effect and demand that you provide those assurances reasonably designated by us, which may include security or letters of credit for the payment of your obligations to us and our affiliates. If you fail to provide the assurances demanded by us within thirty (30) days after its receipt of written notice from us, this Agreement shall terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing.

18.4 Termination Following Inspection. We will have the right to periodically conduct inspections of the School to evaluate your compliance with the System and this Agreement. Following each inspection, we will provide you an inspection report listing your score on the inspection and those conditions at the School that must be rectified. If you fail to achieve a passing score on an inspection, the inspection report shall constitute a notice of default. If you fail to achieve a passing score on the next inspection (which shall be conducted at least thirty (30) days after your receipt of the inspection report for the prior inspection), we may terminate this Agreement, without opportunity to cure, by providing you written notice of termination along with the inspection report.

18.5 Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section 18, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

## 19 OBLIGATIONS UPON TERMINATION OR EXPIRATION

19.1 Obligations. Except as provided in Section 19.2 below, upon termination or expiration of this Agreement:

19.1.1 You must immediately cease operating the School;

19.1.2 You must promptly pay all sums owing to us and our affiliates. In the event of termination for your default, the sums will include all damages, costs, and expenses incurred by us as a result of the default, including reasonable attorneys' fees. You must permit our access to, and examination of, your books and records as provided in Section 12 to determine any amounts due;

19.1.3 You must promptly deliver to us the Manuals and all other records, correspondence, and instructions in your possession or control, in any medium, that contain confidential information, trade secrets, or know-how relating to the System or the operation of a Celebree School, all of which are acknowledged to be our property;

19.1.4 You must immediately cease to use the confidential methods, procedures, and techniques associated with the System, the "Celebree School" name and mark, all other Proprietary Marks, the Works, and all other distinctive forms, slogans, signs, symbols, websites, domain names, e-mail addresses, telephone numbers, other electronic identifiers, and devices associated with the School or the System; withdraw all advertising matter (including electronic marketing); remove the Proprietary Marks from the Franchised Location and from clothing, signs, letterhead, materials, motor vehicles and other items owned or used by you in the operation of the School. You must not thereafter, directly or indirectly, represent yourself to the public or hold yourself out as a present or former franchisee of ours.

19.1.5 You must promptly make such alterations and modifications to the Franchised Location as may be necessary to clearly distinguish to the public the Franchised Location from its former appearance as a Celebree School and also make those specific additional changes as we may request for that purpose. If you fail to promptly make these alterations and modifications, we will have the right (at your expense, to be paid upon your receipt of an invoice from us) to do so without being guilty of trespass or other tort.

19.1.6 You must take such action as may be necessary to cancel any assumed name registration or equivalent registration, and any e-mail address or domain name registration, obtained by you which contains "Celebree School" or any other Proprietary Marks, and furnish evidence satisfactory to us of compliance with this obligation within five (5) days after the termination or expiration of this Agreement. You hereby appoint us your attorney-in-fact to carry out the requirements of this Section 19.1.6, if you fail to do so within such five (5) day period.

19.1.7 You may not use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks or the Works in connection with any other business which, in our sole discretion, is likely to cause confusion, mistake, or deception or to dilute our and our affiliates' rights in and to the Proprietary Marks and the Works. You must not use any designation of origin or description or representation which, in our sole discretion, falsely suggests or represents an association or connection with us.

19.1.8 You, your guarantors and all persons and entities subject to the covenants contained in Section 15 must continue to abide by those covenants and refrain from, directly or indirectly, taking any action that violates those covenants.

19.1.9 You must furnish to us, within thirty (30) days after the effective date of termination or expiration, evidence (certified to be true, complete, accurate and correct by your Operating Principal) satisfactory to us of your compliance with Sections 19.1.1 through 19.1.8.



19.2 Our Rights to Acquire the Franchised Location and the School Assets. Upon expiration or termination of this Agreement, at our option you must:

19.2.1 Assign to us your interest in the lease or sublease for the Franchised Location (or provide us with a commercially reasonable lease in the event you own the Franchised Location); or, if you own the Franchised Location, lease the Franchised Location to us pursuant to the terms of our standard lease, for a term of five (5) years with two successive five (5) year renewal options at fair market rental during the term of the lease. If we elect not to exercise our option to acquire the lease or sublease for the Franchised Location, you must make such modifications or alterations to the Franchised Location as may be necessary to comply with Section 19.1.5.

19.2.2 Sell to us those furnishings, equipment, signs, and fixtures of the School that we designate, at fair market value, and such of the inventory and supplies of the School as we may designate, at fair market wholesale value. If the parties cannot agree on the price of any such items within a reasonable time, an independent appraiser will be appointed by us at our expense, and the appraiser's determination will be binding on both parties. If we exercise our option to purchase any items, we will have the right to set off all amounts due from you against any payment for such items.

19.2.3 We may exercise either or both of our options under Sections 19.2.1 and 19.2.2: (1) anytime during the six (6) month period before the expiration of the Initial Term, in the case of expiration of this Agreement; and (2) at any time between the date of delivery of written notice of termination and ninety (90) days after the effective date of termination, in the case of termination of this Agreement. If we deem such action desirable in order to preserve the value of such options, we may issue to you, and you must comply with, written instructions to refrain from, delay, or reverse any of the actions required of you under Section 19.1.

19.3 Our Costs and Expenses. You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees) we incur in obtaining injunctive, declaratory, or other relief to enforce this Section 19.

## **20 INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

20.1 Independent Contractor. This Agreement does not create a fiduciary relationship between you and us. You are an independent contractor, and nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. While this Agreement is in effect, you must hold yourself out to the public as an independent contractor operating the School pursuant to a franchise agreement from us. This Agreement does not authorize you to make any contract, agreement, warranty, or representation on our behalf or to incur any debt or other obligation in our name. We will not be deemed liable as a result of any such action, nor will we be liable by reason of your act or omission in the operation of the School, or for any claim or judgment arising therefrom against you or us.

### 20.2 Indemnification

20.2.1 You and your 10% Owners will defend, indemnify and hold harmless, us and our parent, affiliates, subsidiaries and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, "**Indemnified Parties**") from and against all Losses (as defined below) which any of the Indemnified Parties may suffer, sustain or incur as a result of a claim asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought by a third party and directly or indirectly arising out of your development and operation of the School, your conduct of business under this Agreement, your breach of this Agreement or any other agreement with us or any third party, or your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. We will promptly notify you of any claim that may give rise to a claim of indemnity hereunder, provided, however, that the failure to provide such notice will not release you from

your indemnification obligations under this section except to the extent you are actually and materially prejudiced by such failure.

20.2.2 You will have the right, upon written notice delivered to the Indemnified Party within fifteen (15) days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. If (1) the Indemnified Party will have been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to you and, in the reasonable opinion of the Indemnified Party, your counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with your interests, or (2) you do not assume responsibility for such Losses in a timely manner or you fail to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and you will pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or you, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense.

20.2.3 You or the Indemnified Party (as the case may be) will keep you or the Indemnified Party (as the case may be) reasonably apprised of, and will respond to any reasonable requests concerning, the status of the defense of any claim and will cooperate in good faith with each other with respect to the defense of any such claim. You will not, without the prior written consent of the Indemnified Party, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by you. No claim that is being defended in good faith by you in accordance with the terms of this section will be settled by the Indemnified Party without your prior written consent. Notwithstanding anything to the contrary herein, if a claim involves the Proprietary Marks, you agree that we will have the exclusive right to assume the defense of such claim, at your expense with counsel selected by us, but reasonably satisfactory to you.

20.2.4 You have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions.

20.2.5 For purposes of this Section 20.2, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

20.2.6 Your obligations in this Section 20.2 will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section 20.2. You agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 20.2.

## **21 APPROVALS AND WAIVERS**

21.1 Approvals. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us, and our approval or consent must be obtained in writing and signed by one of our officers.

21.2 No Warranty. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

21.3 No Implied Waiver. No delay or failure by us to exercise any right reserved to us under this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, will constitute a waiver of our right to exercise such right or to demand exact compliance by you with any of the terms hereof. Waiver by us of any particular default by you will not affect or impair our rights with respect to any subsequent default of the same, similar, or a different nature. Acceptance by us of any payments due to us hereunder will not be deemed to be a waiver by us of any preceding breach by you.

## **22 FORCE MAJEURE**

If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure that cannot be overcome by reasonable commercial measures, the parties shall be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration. Your inability to obtain financing (regardless of the reason) shall not constitute Force Majeure.

## **23 NOTICES**

Any and all notices that are required or permitted under this Agreement shall be in writing and shall be personally delivered, mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or mailed via overnight courier providing proof of delivery, or by other means that affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement (unless and until a different address has been designated by written notice to the other party). Any notices sent by personal delivery, next day delivery service or by electronic means shall be deemed given on the next business day after transmittal. Any notices sent by certified mail shall be deemed given on the third business day after the date of mailing. Any change in the foregoing addresses shall be made effective by giving fifteen (15) days written notice of such change to the other party. We may provide you with routine information, invoices, updates to the Manuals, System standards and other System requirements and programs, including any modifications thereto, by regular mail or by e-mail, or by making such information available to you on the Internet, an extranet, or other electronic means.

## **24 ENTIRE AGREEMENT**

The parties acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, the parties shall deal with each other in good faith. This Agreement, the Manuals, and the attachments to this Agreement, constitute the entire, full and complete agreement between the parties concerning your rights, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Subject to our rights to modify the Manuals, the System standards and the System, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representation made in our Franchise Disclosure Document that we provided to you.

## 25 DISPUTES

25.1 Choice of Law. This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles. Nothing in this Section 25.1 is intended, or shall be deemed, to make any Maryland law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

25.2 Choice of Forum. The parties agree that, to the extent any disputes cannot be resolved directly between them, you must file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed, in the jurisdiction where you reside or do business, where the School is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

25.3 Limitations of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

25.4 Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding shall be entitled to reimbursement of costs and expenses, including reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, during, in preparation for, or in contemplation of the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

25.5 Rights of Parties are Cumulative. The parties' rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled by law or this Agreement to exercise or enforce.

### 25.6 WAIVER OF PUNITIVE DAMAGES, CLASS ACTION LAWSUITS AND JURY TRIAL.

25.6.1 **TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY WAIVES ANY RIGHT TO, OR CLAIM FOR, ANY CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER PARTY. THE PARTIES ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM WILL BE LIMITED TO RECOVERY OF ACTUAL DAMAGES, IF ANY.**

25.6.2 **THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS.**

25.6.3 **THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, AND/OR COUNTERCLAIM BROUGHT BY EITHER PARTY.**

25.7 Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including the failure to comply fully with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that, in the event of a breach

or threatened breach of any of the terms of this Agreement by you, we shall be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us shall be in addition to, and not in lieu of, all remedies and rights that we otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

## **26 SEVERABILITY AND CONSTRUCTION**

26.1 Severability. If any provision of this Agreement is determined to be invalid or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, the invalidity will not impair the operation of any other provisions which remain otherwise intelligible. The latter will continue to be given full force and effect, and the invalid provisions will be deemed not to be a part of this Agreement.

26.2 Counterparts. This Agreement may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of a signed counterpart of a signature page to this Agreement by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Agreement.

26.3 Gender and Number. All references to gender and number shall be construed to include such other gender and number as the context may require.

26.4 Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

26.5 Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted shall be the day or month of the designated action, event or notice. Days shall be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically shall be extended to the next day that is not a Saturday, Sunday or national holiday.

26.6 Survival of Obligations. All obligations that expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive expiration, termination, or assignment.

26.7 No Implied Third Party Beneficiaries. Except as explicitly provided to the contrary herein, nothing in this Agreement is intended or will be deemed to confer any rights or remedies on any person or legal entity other than you, your owner(s), us, and our affiliates.

26.8 References. Each reference in this Agreement to a corporation or partnership also shall be deemed to refer to a limited liability company and any other entity or organization similar thereto if applicable. Each reference to the organizational documents, owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto if applicable.

26.9 Lesser Included Obligations. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from (1) striking any portion of a provision that a court or agency may hold to be unreasonable and unenforceable; or (2) reducing the scope of any promise or covenant to the extent required to comply with a court or agency order.

26.10 Best Interests of System. Whenever we exercise a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise

expressly provided in this Agreement, we can make our decision or exercise our discretion on the basis of our judgment of what is in our best interests. "Best interests" includes what we believe to be the best interests of the System at the time the decision is made or the right or discretion is exercised, even though (1) there may have been other alternative decisions or actions that could have been taken; (2) our decision or the action taken promotes our own financial interest; or (3) our decision or the action may apply differently to different franchisees and/or to any Celebree School that we or our affiliates operate. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

## 27 REPRESENTATIONS AND ACKNOWLEDGMENTS

You represent, acknowledge and warrant to us (and you agree that these representations, acknowledgments and warranties shall survive termination of this Agreement) that:

27.1 Franchise Application. All information that you provided to us in connection with your franchise application and financial statements and our grant of this Franchise is truthful, complete and accurate.

27.2 Signatories to this Agreement. The persons signing this Agreement on your behalf have full authority to enter into this Agreement and the other agreements contemplated by the parties. Your execution of this Agreement or such other agreements does not and will not conflict or interfere with, directly or indirectly, intentionally or otherwise, with the terms of any other agreement with any other third party to which you or any owner is a party.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**FRANCHISEE:**  
**[ENTITY NAME],**  
a \_\_\_\_\_

By: \_\_\_\_\_  
[Name]  
[Title]

By: \_\_\_\_\_  
[Name]  
[Title]

**EFFECTIVE DATE:** \_\_\_\_\_

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

Notice Address:  
8029 Corporate Drive  
Nottingham, Maryland 21236  
Attn: Chief Executive Officer

Notice Address:  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

**[IF INDIVIDUALS:]**

**FRANCHISEE:**

**[INDIVIDUAL NAME],**  
a resident of [STATE]

\_\_\_\_\_

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

**[INDIVIDUAL NAME],**  
a resident of [STATE]

\_\_\_\_\_

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

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

Attn: \_\_\_\_\_

**EXHIBIT A TO CELEBREE SCHOOL FRANCHISE AGREEMENT**

**FRANCHISE INFORMATION**

**Franchisee:** \_\_\_\_\_

**Your Initial Franchise Fee is \$** \_\_\_\_\_. [Add if applicable. A credit in the amount of \$ \_\_\_\_\_ from a Multi-Unit Development Agreement shall be applied to the Initial Franchise Fee and you will pay \$ \_\_\_\_\_ upon execution of this Franchise Agreement.]

[Drafting Note: \$60,000 single School and first School under MUDA; \$55,000 second School under MUDA; \$50,000 third and additional Schools under MUDA.]

**Designated Search Area:** If the Franchised Location has not been accepted by us as of the Effective Date, the **Designated Search Area** shall be identified as: \_\_\_\_\_

Any boundaries contained in the description of the Designated Search Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries. Unless otherwise specified, all street boundaries shall be deemed to include both sides of the street.

**Franchised Location:** \_\_\_\_\_

**Protected Territory:** \_\_\_\_\_

Your rights in the Protected Territory are subject to the limitations described in Section 2 of the Franchise Agreement. Any boundaries contained in the description of the Protected Territory will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries. Unless otherwise specified, all street boundaries shall be deemed to include both sides of the street.



**EXHIBIT B TO CELEBREE SCHOOL FRANCHISE AGREEMENT**

**OWNERSHIP INTERESTS**

**Franchisee:** \_\_\_\_\_

**Form of Ownership.** Franchisee is a \_\_\_\_\_ incorporated or formed on \_\_\_\_\_ in the state of \_\_\_\_\_.

**Owners.** The following list includes the full name of each person who is an owner of a legal or beneficial interest in Franchisee, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Name	Home Address	Percentage and Description of Ownership Interest

If Franchisee consists of individuals, delete the above and use the below:

**Franchisee Names and Home Addresses:**

Name	Home Address

**Control Group.** Franchisee's Control Group shall be comprised of the following persons: \_\_\_\_\_  
\_\_\_\_\_

**Operating Principal.** Franchisee's Operating Principal is: \_\_\_\_\_

## EXHIBIT C TO CELEBREE SCHOOL FRANCHISE AGREEMENT

### GUARANTEE AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Celebree School Franchise Agreement dated as of \_\_\_\_\_ (“**Agreement**”) by **Celebree Enterprises LLC** (“**Franchisor**”), entered into with \_\_\_\_\_ (“**Franchisee**”), the undersigned (“**Guarantors**”), each of whom is an officer, director, member of Franchisee’s Control Group or a 10% Owner, or the spouse thereof, hereby personally and unconditionally agree as follows:

**1. Guarantee To Be Bound By Certain Obligations.** Guarantors hereby personally and unconditionally guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that each will be personally bound by the covenants and restrictions contained in Section 15 (Covenants) of the Agreement.

**2. Guarantee and Assumption of Franchisee’s Obligations.** Guarantors hereby: (1) guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that Franchisee and any assignee of Franchisee’s interest under the Agreement shall: (a) punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (b) punctually pay all other monies owed to Franchisor and/or its affiliates; (2) agree to be personally bound by each and every provision in the Agreement, including, without limitation, the provisions of Sections 15 (Covenants) and 20.2 (Indemnification); and (3) agree to be personally liable for the breach of each and every provision in the Agreement.

**3. General Terms and Conditions.** The following general terms and conditions shall apply to this Guarantee:

Each of the undersigned 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 s/he may have to require that an action be brought against Franchisee or any other person as a condition of liability; (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guarantee by the undersigned; (6) any law or statute which requires that Franchisor make demand upon, assert claims against or collect from Franchisee or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guarantee; (7) any and all other notices and legal or equitable defenses to which he may be entitled; and (8) any and all right to have any legal action under this Guarantee decided by a jury.

Each of the undersigned consents and agrees that: (1) her/his direct and immediate liability under this Guarantee shall be joint and several; (2) s/he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; (4) such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Franchisee to Franchisor or its affiliates under the Agreement; and (5) monies received from any source by Franchisor for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by Franchisor. In addition, if any of the undersigned ceases to be a member of the Control Group, a 10% Owner, an officer or director of Franchisee or own any interest in Franchisee or the School,

that person (and his or her spouse, if the spouse is also a guarantor) agrees that the obligations under this Guarantee shall continue to remain in force and effect unless Franchisor in its sole discretion, in writing, releases those person(s) from this Guarantee. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 15.2 (Restrictions on Competition) of the Agreement shall remain in force and effect for a period of two (2) years after any such release by Franchisor. A release by Franchisor of any of the undersigned shall not affect the obligations of any other Guarantor.

If Franchisor brings an action to enforce this Guarantee in a judicial proceeding or arbitration, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost 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 such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

If Franchisor utilizes legal counsel (including in-house counsel employed by Franchisor or its affiliates) in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

If any of the following events occur, a default ("**Default**") under this Guarantee shall exist: (1) failure of timely payment or performance of the obligations under this Guarantee; (2) breach of any agreement or representation contained or referred to in this Guarantee; (3) the dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or (4) the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned shall be due immediately and payable without notice. Upon the death of one of the undersigned, the estate shall be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors shall continue in full force and effect.

This Guarantee shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Franchisor's interests in and rights under this Guarantee are freely assignable, in whole or in part, by Franchisor. Any assignment shall not release the undersigned from this Guarantee.

Section 25 (Disputes) of the Agreement is incorporated by reference into this Guarantee and all capitalized terms that are not defined in this Guarantee shall have the meaning given them in the Agreement.

*[Signatures follow on next page.]*

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed their signature, under seal.

**GUARANTORS:**

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

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

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

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

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

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

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

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

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

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

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

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

## EXHIBIT D TO CELEBREE SCHOOL FRANCHISE AGREEMENT

### CONDITIONAL ASSIGNMENT AND POWER OF ATTORNEY TELEPHONE AND ON-LINE NUMBERS AND LISTINGS

This Conditional Assignment and Power of Attorney ("**Assignment**") is made by and between **Celebree Enterprises LLC** ("**Franchisor**") and \_\_\_\_\_ ("**Franchisee**") and shall be effective as of the Effective Date on the signature page of this Assignment.

FOR VALUE RECEIVED, and pursuant to Franchisee's obligations under the Celebree School Franchise Agreement dated \_\_\_\_\_, 20\_\_ by and between Franchisor and Franchisee (the "**Franchise Agreement**"), Franchisee hereby assigns to Franchisor all of Franchisee's right, title and interest in and to those certain telephone numbers and regular, classified or other telephone and on-line directory listings (collectively, the "**Numbers and Listings**") used from time to time in connection with Franchisee's operations under the Franchise Agreement.

1. *Assignment.*

- (a) Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the right (and Franchisor is hereby empowered) to implement this Assignment, and, in such event, Franchisee will have no further right, title or interest in the Numbers and Listings but will remain liable to the telephone company and/or the listing agencies with which Franchisee has placed directory listings (all such entities are collectively referred to herein as the "**Company**") for all past due fees owing to the Company on or before the effective date of this Assignment.
- (b) Franchisee acknowledges and agrees that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor will have the sole right to and interest in the Numbers and Listings.

2. *Power of Attorney.*

- (a) Franchisee appoints Franchisor as Franchisee's true and lawful attorney in fact to direct the Company to assign same to Franchisor (or to the party Franchisor designates) and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Company to assign the Numbers and Listings to Franchisor (or Franchisor's designee). If Franchisee fails to promptly direct the Company to assign the Telephone Numbers and Listings to Franchisor (or Franchisor's designee), Franchisor may direct the Company to effectuate the assignment contemplated hereunder to Franchisor (or Franchisor's designee).
- (b) The parties agree that the Company may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Numbers and Listings upon such termination or expiration (without renewal or extension) and that such assignment will be made automatically and immediately effective upon the Company's receipt of such notice from Franchisor or Franchisee.
- (c) The parties further agree that if the Company requires that the parties execute the Company's assignment forms or other documentation at the time of termination or expiration (without renewal or extension) of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee will be sufficient to document that Franchisee has given its consent and agreement to the assignment.
- (d) The parties agree that at any time after the date hereof, they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment

described herein upon termination or expiration (without renewal or extension) of the Franchise Agreement.

This Assignment will inure to the benefit of Franchisor and will be binding upon Franchisee and its successors and assigns.

IN WITNESS WHEREOF, the parties to this Assignment have executed and delivered this Assignment effective as of the Effective Date referenced below.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**FRANCHISEE:**  
**[ENTITY NAME],**  
a \_\_\_\_\_

By: \_\_\_\_\_  
[Name]  
[Title]

By: \_\_\_\_\_  
[Name]  
[Title]

**EFFECTIVE DATE:** \_\_\_\_\_

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

## EXHIBIT E TO CELEBREE SCHOOL FRANCHISE AGREEMENT

### LEASE ADDENDUM

THIS ADDENDUM is executed as of \_\_\_\_\_, by and between \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Landlord"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein, dated as of ("Lease") for the premises located at \_\_\_\_\_ ("Premises").

Franchisee has entered into a Celebree School Franchise Agreement ("Franchise Agreement") with Celebree Enterprises, LLC ("**Franchisor**") for the development and operation of a Celebree School at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions contained in this Addendum.

Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease.

**NOW THEREFORE**, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Franchisor (at 8029 Corporate Drive, Nottingham, Maryland 21236, Attn: Chief Executive Officer) or such other address as Franchisor shall specify by written notice to Landlord) a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisee hereby consents to that exchange of information by Landlord to Franchisor. Franchisor will have the irrevocable and unconditional right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so) upon giving written notice of its election to Franchisee and Landlord, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder without further action or consent of the Franchisee.
2. Franchisee hereby assigns to Franchisor, without further action or consent required by the Franchisee, and with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; (b) Franchisor has exercised its option to purchase the assets of the Celebree School from Franchisee under the Franchise Agreement; and (c) Franchisor notifies Franchisee and Landlord in writing on not less than thirty (30) days' notice that Franchisor assumes Franchisee's obligations under the Lease.
3. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.
4. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing.
5. If Franchisor assumes the Lease, Franchisor may, without Landlord's prior consent, further assign the Lease to a franchisee or affiliate of Franchisor to operate the Celebree School at the Premises provided such assignee meets Franchisor's then current net worth and eligibility requirements to acquire a Celebree School franchise. Upon such assignment to a franchisee of Franchisor, Franchisor shall be released from any further liability under the terms and conditions of the Lease.
6. In event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a Celebree School. If Franchisee fails to do so, Landlord agrees to permit Franchisor, its employees or agents, to enter

the Premises and remove signs (both interior and exterior), décor and materials displaying any trademarks, designs or logos owned by Franchisor within thirty (30) days of expiration (without renewal) or termination of the Franchise Agreement, provided Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.

7. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum. All parties shall cooperate with the above terms and provide such further assurances as may be reasonably requested.

WITNESS the execution hereof under seal.

**FORM DO NOT SIGN WITH FRANCHISE AGREEMENT**

LANDLORD: \_\_\_\_\_

FRANCHISEE:

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

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

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

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

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

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

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

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

Subscribed and sworn to before me this \_\_\_\_ day  
of \_\_\_\_\_, \_\_\_\_.

Subscribed and sworn to before me this \_\_\_\_  
day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

My Commission expires: \_\_\_\_\_

My Commission expires: \_\_\_\_\_



**EXHIBIT F TO CELEBREE SCHOOL FRANCHISE AGREEMENT**

**ACH AUTHORIZATION FORM**

**SCHOOL ADDRESS:** \_\_\_\_\_

**DEPOSITOR (NAME OR LEGAL ENTITY):** \_\_\_\_\_

The undersigned depositor ("Depositor") hereby authorizes Celebree Enterprises LLC to initiate debit entries and credit correction entries to Depositor's checking or savings account indicated below and Depositor hereby authorizes the depository designated below ("Bank") to debit or credit such account pursuant to Celebree Enterprises LLC instructions. This authorization is to remain in full force and effect until 60 days after Celebree Enterprises LLC has received written notification from Depositor of its termination.

**DEPOSITOR INFORMATION**

<b>Depositor Name:</b>
<b>Mailing Address:</b>
<b>City/ State/ Zip Code:</b>
<b>Telephone:</b>
<b>Email:</b>

**DEBITING BANK ACCOUNT INFORMATION**

<b>Bank Name:</b>
<b>City / State / Zip Code:</b>
<b>Branch:</b>
<b>Account Number to Debit:</b>
<b>Routing Number (9 digit #):</b>
<b>Account Name:</b>

The undersigned representative of Depositor represents and warrants to Celebree Enterprises LLC and the Bank that the person executing this ACH Authorization Form is an authorized signatory on the account referenced above and all information regarding the account is true and accurate.

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

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

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

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

**EXHIBIT B**  
**DEVELOPMENT AGREEMENT**



**CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT**

**Developer:**

**Designated Search Area:**

**CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT  
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EXHIBITS

- A - Development Information
- B - Ownership Information
- C - Guarantee and Assumption of Developer's Obligations

## CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT

**THIS MULTI-UNIT DEVELOPMENT AGREEMENT** is entered into by and between **CELEBREE ENTERPRISES, LLC**, a Maryland limited liability company with its principal business address at 8029 Corporate Drive, Nottingham, MD 21236, (“**we**,” “**us**,” “**our**,” or “**Franchisor**”) and the person(s) or entity identified on Exhibit A to this Agreement (“**you**,” “**your**” or “**Developer**”) as of the Effective Date (which is the date indicated on the signature page of this Agreement).

### BACKGROUND

A. We and our affiliates as the result of the expenditure of time, skill, effort and money, have developed and own a unique and distinctive system (the “**System**”) relating to the establishment and operation of early childhood education schools that provide a stimulating curriculum through age-appropriate play, projects, and activities which protect, educate, and nurture children with a focus on developing positive social skills, values, and school readiness. Services include infant care, pre-school, before and after-school programs for school aged children, summer camps, back-up care and emergency care.

B. The distinguishing characteristics of the System include our: standards; policies and procedures for the design, layout and build-out of a school to create a stimulating and nurturing atmosphere for children; sales strategies and enrollment procedures; class and camp curricula and teaching methods and aids, staff training and employee development programs; customer service; procedures to maintain the quality and consistency of experiences for children; community involvement; information technology systems, and assistance with advertising, promotion, public relations, and social media, all of which we may change, improve and further develop over time.

C. We and our affiliates identify the System and the schools operating under it by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark “Celebree School” and such other trade names, service marks, and trademarks as we may in the future designate for use in connection with the System (the “**Proprietary Marks**”).

D. You desire to be granted the opportunity, and we desire to grant to you the right, to develop a specified number of franchised Celebree Schools (collectively, the “**Schools**” and individually, a “**School**”) within a specified geographic area.

In recognition of all of the details noted above, the parties have decided to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and they agree as follows:

## 1 GRANT OF DEVELOPMENT RIGHTS

### 1.1 Development Rights.

1.1.1 We hereby grant to you (and/or any of your approved Controlled Affiliates as defined below), subject to the terms and conditions set forth in this Agreement, the right to develop Schools at specific locations to be designated in separate Celebree School Franchise Agreements (each a “**Franchise Agreement**”) pursuant to the schedule set forth in Exhibit A to this Agreement (the “**Development Schedule**”). Each School developed pursuant to this Agreement shall be located within the area designated on Exhibit A (the “**Designated Search Area**”).

1.1.2 This Agreement is not a Franchise Agreement. It does not give you the right to operate Celebree Schools or use the System. This Agreement only gives you the opportunity to enter into Franchise Agreements for the operation of Celebree Schools at locations approved by us in the Designated Search Area. Each School developed pursuant to this Agreement shall be established and operated in strict accordance with a separate Franchise Agreement. You have no right to use the Proprietary Marks in

connection with any business other than a School operating under a license contained in a Franchise Agreement. We and our affiliates retain all rights not granted by this Agreement.

1.1.3 A “**Controlled Affiliate**” means any corporation, limited liability company or other entity of which you or one or more of your owners owns more than fifty percent (50%) of the total authorized ownership interests, as long as you or such owner(s) have the right to control the entity’s management and policies.

1.2 No Exclusivity. This Agreement is not exclusive. We retain the right at all times to establish and/or to license others to establish Celebree Schools anywhere in the Designated Search Area during or after the term of this Development Agreement.

1.3 No Subfranchising Rights. This Agreement does not give you any right to franchise or subfranchise others to operate Celebree Schools. Only you (and/or your Controlled Affiliates) may develop, open, and operate the Schools contemplated by this Agreement and only pursuant to signed Franchise Agreements. Although you may reference your rights and obligations under this Agreement in discussions with landlords, employees, and others with whom you may deal in connection with the Schools, this Agreement does not grant you any rights to use, or authorize others to use, the Proprietary Marks in any manner. Your right to use the Proprietary Marks arises only under the Franchise Agreements. We or our affiliates own all rights to the Proprietary Marks and your use of the Proprietary Marks in any way, other than pursuant to signed Franchise Agreements, is an infringement of our (and our affiliates’) rights and a breach of this Agreement.

1.4 Forms of Agreement. You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and our affiliates and other franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

1.5 Best Efforts. You agree that you will at all times faithfully, honestly and diligently perform your obligations under this Agreement, that you will continuously exert your best efforts to the development of the Schools, and that you will not engage in any other business or activity that may conflict with your obligations under this Agreement, except the operation of the Schools.

## **2 FEES**

2.1 Development Fee. When you sign this Agreement, you must pay us the development fee for each School you agree to develop in the amount set forth in Exhibit A (the “**Development Fee**”). The Development Fee is fully earned by us when this Agreement is signed and is non-refundable even if you fail to develop any Schools.

2.2 Initial Franchise Fee. You will pay an initial franchise fee for each School that you develop pursuant to this Agreement in the amount set forth in Exhibit A (the “**Initial Franchise Fee**”). We will apply a credit in the amount of the Development Fee that you paid for each School that you develop pursuant to this Agreement to the Initial Franchise Fee owed under the Franchise Agreement that you sign for that School.

## **3 DEVELOPMENT SCHEDULE**

### 3.1 Development Schedule.

3.1.1 To maintain your rights under this Agreement, you (and/or your Controlled Affiliates) must: (1) obtain our approval of a site and sign a Franchise Agreement for each of the agreed-upon number of Schools by the dates specified in the Development Schedule, and (2) have open and operating within the Designated Search Area the agreed-upon number of Schools by the dates specified in

the Development Schedule. You (or a Controlled Affiliate) will operate each School under a separate Franchise Agreement with us. The Franchise Agreement that you (or your Controlled Affiliate) will sign for each School will be our then-current form of Franchise Agreement. To retain your rights under this Agreement, you must operate each School that you open pursuant to this Agreement continuously throughout this Agreement's term in full compliance with the applicable Franchise Agreement.

3.1.2 Before executing any binding letter of intent, lease, purchase agreement or other document by which you would commit to occupy or acquire a location for any School that you will develop under this Agreement, you must obtain our acceptance of the site for the School in accordance with the site selection procedures set forth in Section 3.2, execute and deliver to us copies of our then-current standard form of Franchise Agreement with respect to such School, pay the Initial Franchise Fee to us in accordance with the terms of such Franchise Agreement and we must countersign such Franchise Agreement.

### 3.2 Site Selection.

3.2.1 We will provide you with our site selection criteria and, as you may request, a reasonable amount of consultation with respect to the site selection process. Periodically, we may modify our site selection criteria, which may include demographic characteristics, population density and composition, leasing costs, parking, visibility, character of the neighborhood, accessibility to a fenced outdoor activity area, competition from other childcare and educational facilities in the area, proximity to other businesses (including businesses operated or franchised by us or our affiliates), the nature of other businesses in proximity to the site and other commercial characteristics, and the size, appearance, other physical characteristics of the site plan for Celebree Schools. At our option, you must engage our designated or approved supplier of real estate services to assist you in the site selection and/or lease negotiation process.

3.2.2 Within your Designated Search Area, we will have a priority list of franchisees ("**Site Priority List**") based on the date that each franchisee signed their Development Agreement and/or Franchise Agreement. If we or our established commercial real estate broker network identifies a site within a Designated Search Area for a Celebree School, we will offer the site to the franchisee that has the highest priority on the Site Priority List. If that franchisee rejects the site, the site would then be offered to the next franchisee on the Site Priority List. If a franchisee identifies a site by themselves and obtains our acceptance of that site, then that site will be first available to the identifying franchisee. We reserve the right at any time to deviate from this site selection policy if we determine that a site will be operationally inefficient to the next franchisee in line on the Site Priority List.

3.2.3 For each proposed site for a School, we will help you build a site review kit that you will submit to us including a complete site report and other materials and information we request for a suitable site located within the Designated Search Area. You should not make any binding commitments to acquire any interest in any site for the School until we have accepted that site in writing. You may choose to work with our network of commercial real estate agents or request and obtain our approval of a real estate agent who will assist you with the site selection process.

3.2.4 Within thirty (30) days after we receive the detailed site review kit, we or our designee will conduct an evaluation of the proposed site(s) and accept or reject your proposed site(s). At our option, we may conduct an on-site evaluation of the proposed site(s). We do not charge any fees to conduct up to three (3) visits to your local market, however; if we require, or if you request, any additional market visits, you must pay a site review fee to us in the amount of One Thousand Five Hundred Dollars (\$1,500) and reimburse us for our travel expenses associated with such visits. We will not unreasonably withhold our acceptance of a site that meets our site selection criteria. In determining whether to accept or reject a proposed site, we also may consider the site's proximity both to the Designated Search Area's boundaries and to other existing or potential sites for Celebree Schools located within or outside the Designated Search Area. If we do not accept a proposed site in writing in this time period, we will be deemed to have rejected the site.

3.2.5 You agree that our acceptance of a site for a School and any information communicated to you regarding our site selection criteria for Celebree Schools does not constitute a warranty or representation of any kind, express or implied, as to the suitability of any site for the School or for any other purpose. Our acceptance of a site is not a representation or a promise by us that the School at the site will achieve certain revenues or a certain level of profitability. Similarly, our acceptance of one or more sites and our rejection of other sites is not a representation or a promise that the accepted site will have higher revenues or be more profitable than a site that we rejected.

3.2.6 You agree that your decision to develop and operate a School at a site that we accept is based solely on your own independent investigation of the suitability of that site for a School. We assume no liability or responsibility for: (1) evaluation of the soil of the site for hazardous substances; (2) inspection of any structure at the site for asbestos or other toxic or hazardous materials; (3) compliance with the Americans with Disabilities Act (“**ADA**”); or (4) compliance with any other applicable law. It is your sole responsibility to obtain satisfactory evidence and/or assurances that the site and any structures on the site are free from environmental contamination and in compliance with the requirements of the ADA.

## 4 YOUR ORGANIZATION AND MANAGEMENT

### 4.1 Your Organization

4.1.1 If you are a legal entity such as a corporation, a limited liability company or a partnership, you make the following representations and warranties: (1) you are duly organized and validly existing under the laws of the state of your formation; (2) you are qualified to do business in the state or states in which the Designated Search Area is located; (3) execution of this Agreement and the development and operation of the Schools is permitted by your governing documents; and (4) unless waived in writing by us, your Articles of Incorporation, Articles of Organization or written partnership agreement shall at all times provide that your activities are limited exclusively to the development and operation of Celebree Schools.

4.1.2 If you are an individual, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (1) each individual has executed this Agreement; (2) each individual shall be jointly and severally bound by, and personally liable for the timely and complete performance and a breach of, each and every provision of this Agreement; and (3) notwithstanding any transfer to a business entity, each individual shall continue to be jointly and severally bound by, and personally liable for the timely and complete performance and breach of, each and every provision of this Agreement.

4.2 Ownership Interests and Control Group. If you are a business entity, all interests in you are owned as set forth in attached Exhibit B. You must comply with Section 6 prior to any change in ownership interests and must sign addenda to Exhibit B as changes occur in order to ensure the information contained in Exhibit B is true, accurate and complete at all times. Exhibit B also lists those persons who comprise your “**Control Group**.” The parties acknowledge and agree that it is their intent that the members of the Control Group include the Development Principal and: (1) all holders of a legal or beneficial interest of ten percent (10%) or more (“**10% Owners**”) in your entity; (2) if you are a limited partnership, all 10% Owners of your general partner; and (3) all 10% Owners of a corporation or limited liability company that owns a controlling interest in your entity. In the event of any change in the Control Group or in the ownership interests of any member of the Control Group, you must sign addenda to Exhibit B to reflect the change. If you are a corporation, the Control Group shall at all times own at least fifty-one percent (51%) of your voting securities; if you are a limited liability company, the Control Group shall at all times own at least fifty-one percent (51%) of your membership interests; and if you are any other type of business entity, the Control Group shall at all times have at least a fifty-one percent (51%) interest in your operating profits and losses and hold at least fifty-one percent (51%) of your ownership interests.

4.3 Governing Documents. Upon request by us, you shall promptly deliver to us, as applicable, true and complete copies of the articles or certificate of incorporation, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to



your ownership, organization, capitalization, management and control and all amendments thereto. When any of these governing documents are modified or changed, you promptly shall provide copies to us. If you are a corporation, you shall maintain stop-transfer instructions against the transfer on the records of any voting securities, and each stock certificate of the corporation shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of this stock is subject to the restrictions imposed on assignment by the Celebree School Multi-Unit Development Agreement and Franchise Agreement(s) to which the corporation is a party." If you are a publicly held corporation, these requirements shall apply only to the stock owned by your Control Group. If you are a limited liability company, each membership or management certificate shall have conspicuously endorsed upon its face the following statement: "Any assignment or transfer of an interest in this limited liability company is subject to the restrictions imposed on assignment by the Celebree School Multi-Unit Development Agreement and Franchise Agreement(s) to which the limited liability company is a party." If you are a partnership, your written partnership agreement shall provide that ownership of an interest in the partnership is held, and that further assignment or transfer thereof, is subject to all restrictions imposed on assignment by this Agreement.

#### 4.4 Guarantee of Performance

4.4.1 All members of the Control Group, your 10% Owners, and each of their spouses, if applicable, shall jointly and severally personally guarantee your payment and performance under this Agreement and personally bind themselves to the terms of this Agreement pursuant to the attached Guarantee, Indemnification and Acknowledgement ("**Guarantee**"). Unless you are a publicly-held entity, all of your officers, directors, limited liability company managers and their spouses, if applicable, also shall jointly and severally guarantee your payment and performance under this Agreement and bind themselves to the terms of this Agreement pursuant to the attached Guarantee. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to waive the requirement that some or all of the previously described individuals sign the attached Guarantee. We also reserve the right to require any guarantor to provide personal financial statements to us from time to time.

4.4.2 With respect to your owners, you acknowledge that, unless otherwise agreed to in writing by us, it is our intent to have individuals (and not corporations, limited liability companies or other entities) sign the Guarantee. Accordingly, if any owner is not an individual, we shall have the right to require individuals who have only an indirect ownership interest in you to sign the Guarantee. (By way of example, if an owner is a corporation, we have the right to require individuals who have an ownership interest in that corporation to sign the Guarantee.)

4.5 Development Principal. You must designate one of your owners as your Development Principal who will be the person with whom we communicate and whom will have the authority to bind you with respect to all financial, operational and legal matters related to the development of the Schools and this Agreement. The Development Principal must be approved by us. The Development Principal shall successfully complete our management training program and any additional training that we require. The Development Principal must devote full time and best efforts to supervising the development and operation of the Schools and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations under this Agreement and the Franchise Agreements for the Schools. You must designate a replacement approved by us within thirty (30) days after your Development Principal ceases to qualify as the Development Principal.

## 5 COVENANTS

### 5.1 Confidentiality.

5.1.1 You acknowledge and agree that: (1) we own all right, title and interest in and to the System; (2) the System includes trade secrets and confidential and proprietary information and know-how that gives us a competitive advantage; (3) we have taken all measures appropriate to protect the trade secrets and the confidentiality of the proprietary information and know-how of the System; (4) all material or other information now or hereafter provided or disclosed to you regarding the System is disclosed in

confidence; (5) you have no right to disclose any part of the System to anyone who is not your employee; (6) you will disclose to your employees only those parts of the System that an employee needs to know; (7) you will have a system in place to ensure that your employees keep confidential our trade secrets and confidential and proprietary information, and, if requested by us, you shall obtain from those of your employees designated by us an executed confidentiality and non-disclosure agreement in the form prescribed by us; (8) by entering into this Agreement, you do not acquire any ownership interest in the System; and (9) your use or duplication of the System or any part of the System in any other business, or disclosure of any part of the System to others for use or duplication in any other business, would constitute an unfair method of competition, for which we would be entitled to all legal and equitable remedies, including injunctive relief, without posting a bond.

5.1.2 You shall not, during the term of this Agreement or at any time thereafter, communicate or disclose any trade secrets or confidential or proprietary information or know-how of the System to any unauthorized person, or do or perform, directly or indirectly, any other acts injurious or prejudicial to any of the Proprietary Marks or the System. Any and all information, knowledge, know-how and techniques, including all drawings, materials, equipment, specifications, recipes, techniques and other data that we or our affiliates designate as confidential shall be deemed confidential for purposes of this Agreement.

## 5.2 Restrictions On Competition.

5.2.1 You acknowledge and agree that: (1) pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and other confidential information from us and/or our affiliates regarding the development, operation, product preparation and sale, market and operations research, advertising and marketing plans and strategies, purchasing, sales and marketing methods and techniques owned by us and our affiliates; (2) the know-how regarding the System and the opportunities, associations and experience acquired by you pursuant to this Agreement are of substantial value; (3) in developing the System, we and our affiliates have made substantial investments of time, effort, and money; (4) we would be unable adequately to protect the System and its trade secrets and confidential and proprietary information against unauthorized use or disclosure and would be unable adequately to encourage a free exchange of ideas and information among operators of Celebree Schools if franchisees were permitted to engage in the activities described in this Section 5.2 or to hold interests in the businesses described in this Section 5.2; and (5) the restrictions on your right to hold interests in, or perform services for, the businesses described in this Section 5.2 will not unduly limit your activities.

5.2.2 You covenant and agree that, except as we otherwise approve in writing, during the term of this Agreement, and for a continuous period of two (2) years following the expiration or termination of this Agreement, you will not, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

5.2.2.1 Own, maintain, operate, engage in, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, either directly or indirectly, any “**Competing Business**”, which is defined as (1) any business that provides childcare services, educational services or programs, enrichment programs for children, or before and after-school programs for school-aged children; or (2) whose method of operation or trade dress is similar to that employed in the System. During the term of this Agreement, there is no geographical limitation on this restriction. Following the expiration or termination of this Agreement, this restriction shall apply to any Competing Business located within the Designated Search Area, within twenty-five (25) miles of the border of the Designated Search Area, or within a twenty-five (25) mile radius of any then-existing Celebree School; or

5.2.2.2 Divert or attempt to divert any present or prospective business or customer to any Competing Business by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

5.3 Exception for Publicly Traded Stock. The restrictions contained in Section 5.2.2.1 will not apply to ownership by you of less than a five percent (5%) beneficial interest in the equity securities of any publicly-held corporation.

5.4 Owners and Employees. Your owner(s) identified in Exhibit B that sign the Guarantee attached to this Agreement as Exhibit C will agree to be bound personally by the provisions of Section 5, provided that, as to them, the time period in Section 5.2.2 will run from the expiration, or termination of this Agreement or from the termination of the individual's relationship with you, whichever occurs first. At our request, you must obtain signed agreements similar in substance to this Section 5 (including agreements applicable upon termination of a person's relationship with you) from your officers, directors, and owners. Each agreement required by this Section 5.4 must be in a form we approve and specifically identify us as a third party beneficiary with the independent right to enforce the agreement.

#### 5.5 Enforcement

5.5.1 We have the right, in our sole discretion, to reduce the scope of any restriction in Section 5.2 by giving you written notice and you agree to comply with any covenant so modified, which shall be fully enforceable notwithstanding the provisions of Section 12.

5.5.2 You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 5.

5.5.3 You acknowledge that your violation of the terms of this Section 5 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 5. Injunctive relief will be in addition to any other remedies we may have.

5.5.4 If you or any other person bound by this Section 5 fails or refuses to abide by any of the foregoing restrictions on competition, and we obtain enforcement in a legal proceeding, the obligations under the breached restriction will continue in effect for a period ending two (2) years after the date the person begins to comply with the order enforcing the restriction.

## 6 TRANSFER

6.1 By Us. We have the right to transfer or assign this Agreement or any part of our rights or obligations under this Agreement to any person or legal entity. You agree that we will have no liability after the effective date of the transfer or assignment for the performance of any obligations under this Agreement. You acknowledge that we can sell our assets; sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

#### 6.2 By You.

6.2.1 You acknowledge that the rights and duties set forth in this Agreement are personal to you and that we have granted these rights in reliance on your business skill, financial capacity, and personal character (or, if you are a business entity, on the business skill, financial capacity, and personal character of your owners and management). Accordingly, with the exception of the required transfer under Section 6.2.2 of this Agreement, neither you nor any immediate or remote successor to any interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you, may sell, assign, transfer, convey, pledge, encumber or give away any direct or indirect interest in this Agreement.

6.2.2 If you signed this Agreement as an individual or a group of individuals, you must transfer this Agreement to a corporation or limited liability company that is wholly owned by you before you

open your first School. You must: notify us in writing of any proposed transfer before the transfer is to take place; provide all information and documentation relating to the proposed transfer that we reasonably request; pay a transfer fee in the amount of Five Thousand Dollars (\$5,000); be in good standing under this Agreement and any other agreement with us and our affiliates; and sign an assignment agreement and a general release, in a form satisfactory to us, of any and all claims against us, our affiliates and their respective past, present, and future officers, directors, shareholders, and employees, in their corporate and individual capacities. If this transfer takes place within thirty (30) days of the Effective Date, we will waive the transfer fee of Five Thousand Dollars (\$5,000). Our consent also will be conditioned on the following: the entity must be newly organized; prior to the transfer, we must receive a copy of the documents specified in Section 4.3 and the transferee shall comply with the remaining provisions of Section 4; and you must own all voting securities of the newly formed corporation (or membership interests of the newly formed limited liability company) or, if you are owned by more than one individual, each person shall have the same proportionate ownership interest in the corporation (or the limited liability company) as prior to the transfer.

## **7 TERM AND TERMINATION**

7.1 Term. The term of this Agreement begins on the Effective Date and expires on the earlier of the date that you open the final School to be developed under this Agreement or the opening deadline for that School as set forth in the Development Schedule.

7.2 Termination without Notice. You will be deemed to be in default under this Agreement, and all rights granted to you in this Agreement will automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or is filed against you and not opposed by you; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law are instituted by or against you; if a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if you are dissolved.

7.3 Termination without Cure Period. If any of the following events of default occurs, we may terminate this Agreement without providing you any opportunity to cure the default, effective immediately upon receipt of written notice by you:

7.3.1 You fail to satisfy your development obligations under the Development Schedule.

7.3.2 Your Development Principal fails to satisfactorily complete our management training program.

7.3.3 You, your owners, your employees or your independent contractors do business with third parties in violation of The Patriot Act and/or the Foreign Corrupt Practices Act.

7.3.4 There is a material breach by you of any covenant or obligation under Section 5.

7.3.5 You make an unauthorized transfer of any direct or indirect interest in this Agreement.

7.3.6 We discover that you made a material misrepresentation in or omitted a material fact from the information that you provided to us in connection with our decision to enter into this Agreement.

7.3.7 You knowingly falsify any report required to be furnished to us or make any material misrepresentation in your dealings with us or fail to disclose any material facts to us.

7.3.8 You, your Development Principal, or any of your 10% Owners are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, our affiliates or the System.

7.3.9 You fail to pay when due any amount owed to us or our affiliates, any lender that has provided financing under an arrangement with us, any creditor or supplier of a School or any taxing authority for federal state or local taxes (other than amounts being bona fide disputed through appropriate proceedings), and you do not correct such failure within five (5) days after written notice is delivered to you.

7.3.10 You, your Development Principal or any of your 10% Owners (1) materially misuse or make unauthorized use of the Proprietary Marks or our copyrighted materials, (2) commit any act or take any action that impairs the goodwill of the Proprietary Marks, (3) use our copyrighted materials or other proprietary System know-how at any business owned or operated by you or your 10% Owners other than a School; or (4) fail to cure any breach or default under this Agreement that materially impairs or can be expected to impair the goodwill associated with the Proprietary Marks.

7.3.11 You, your Controlled Affiliates, your Development Principal, any member of the Control Group, or any 10% Owner: (1) remain in default beyond the applicable cure period under any other agreement with us or our affiliates (provided that, if the default is not by you, we shall provide to you written notice of the default and a fifteen (15) day period to cure the default).

7.3.12 We terminate any Franchise Agreement between us and you (or your Controlled Affiliates) for a School, regardless of where it is located, in compliance with its terms.

#### 7.4 Termination Following Expiration of Cure Period

7.4.1 Except as otherwise provided above in Sections 7.2 and 7.3 above, if you fail to maintain or observe any of the standards or procedures prescribed by us in this Agreement or otherwise in writing, we may only terminate this Agreement by giving you written notice of termination (in the manner set forth under Section 11 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof of the cure to us, all within the thirty (30) day period. If any such default is not cured within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

7.4.2 Notwithstanding the provisions of preceding Section 7.4.1, if you default in the payment of any monies owed to us when such monies become due and payable and you fail to pay such monies within five (5) days after receiving written notice of default (or such longer period as applicable law may require), then this Agreement shall terminate without further notice to you effective immediately upon the expiration of the five (5) day period or such longer period as applicable law may require.

7.5 Effect of Expiration or Termination. Upon expiration or termination of this Agreement (regardless of the reason for termination):

7.5.1 Any and all rights granted to you under this Agreement will immediately terminate; however, you will not be relieved of any of your obligations, debts or liabilities under this Agreement, including, without limitation, any debts, obligations or liabilities which have accrued before such termination.

7.5.2 You and your Controlled Affiliates will have no further rights to develop and open Schools in the Designated Search Area, except that you (and your Controlled Affiliates) may develop and open any Schools for which you (or your Controlled Affiliates) have executed Franchise Agreements prior to the date of expiration or termination of this Agreement and continue to operate Schools that are open and operating as of the date this Agreement expires or terminates.

7.5.3 We and our affiliates will have the right to operate, and authorize others to operate, Celebree Schools the physical premises of which are located within the Designated Search Area and continue to engage, and grant to others the right to engage, in any activities that we (and they) desire within the Designated Search Area without any restrictions whatsoever, subject only to your (and/or your Controlled Affiliates') rights under existing Franchise Agreements.

7.5.4 We will retain the Development Fee paid pursuant to Section 2.1 of this Agreement.

#### 7.6 Other Remedies Upon Default.

7.6.1 In addition to and without limiting our other rights and remedies under this Agreement, upon the occurrence of any of the events that give rise to our right to terminate this Agreement, we may, at our sole option and upon delivery of written notice to you, elect to take any or all of the following actions without terminating this Agreement:

7.6.1.1 temporarily suspend your rights to develop additional Schools in any part of the Designated Search Area;

7.6.1.2 temporarily or permanently reduce the size of the Designated Search Area; and/or

7.6.1.3 extend the time of the Development Schedule for any period of time that we determine.

7.6.2 Our exercise of our rights under this Section 7.6 will not be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement. Our exercise of these rights will not constitute an actual or constructive termination of this Agreement, nor will it be our sole or exclusive remedy for your default. If we exercise any of our rights under this Section 7.6, we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

7.7 No Waiver. Termination of this Agreement by us shall not constitute an election of remedies by us. The exercise of the rights granted under this Section 7 are in addition to, and not in lieu of, any and all other rights and remedies available to us at law, in equity or otherwise, including without limitation the right to an injunction as set forth in Section 5.5.4, all of which are cumulative.

## **8 INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

8.1 Independent Contractor. This Agreement does not create a fiduciary relationship between you and us. You are an independent contractor, and nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. While this Agreement is in effect, you must hold yourself out to the public as an independent contractor developing the Schools pursuant to an area development agreement from us. This Agreement does not authorize you to make any contract, agreement, warranty, or representation on our behalf or to incur any debt or other obligation in our name. We will not be deemed liable as a result of any such action, nor will we be liable by reason of your act or omission in the development or operation of the Schools, or for any claim or judgment arising therefrom against you or us.

#### 8.2 Indemnification

8.2.1 You and your 10% Owners will defend, indemnify and hold harmless, us and our parent, affiliates, subsidiaries and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives

(collectively, "**Indemnified Parties**") from and against all Losses (as defined below) which any of the Indemnified Parties may suffer, sustain or incur as a result of a claim asserted or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought by a third party and directly or indirectly arising out of your development and operation of the Schools, your conduct of business under this Agreement any other agreement with us or any third party, or your breach of this Agreement or your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. We will promptly notify you of any claim that may give rise to a claim of indemnity hereunder, provided, however, that the failure to provide such notice will not release you from your indemnification obligations under this section except to the extent you are actually and materially prejudiced by such failure.

8.2.2 You will have the right, upon written notice delivered to the Indemnified Party within fifteen (15) days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. If (1) the Indemnified Party will have been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to you and, in the reasonable opinion of the Indemnified Party, your counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with your interests, or (2) you do not assume responsibility for such Losses in a timely manner or you fail to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and you will pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or you, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense.

8.2.3 You or the Indemnified Party (as the case may be) will keep you or the Indemnified Party (as the case may be) reasonably apprised of, and will respond to any reasonable requests concerning, the status of the defense of any claim and will cooperate in good faith with each other with respect to the defense of any such claim. You will not, without the prior written consent of the Indemnified Party, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by you. No claim that is being defended in good faith by you in accordance with the terms of this section will be settled by the Indemnified Party without your prior written consent. Notwithstanding anything to the contrary herein, if a claim involves the Proprietary Marks, you agree that we will have the exclusive right to assume the defense of such claim, at your expense with counsel selected by us, but reasonably satisfactory to you.

8.2.4 You have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions.

8.2.5 For purposes of this Section 8.2, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation and alternative dispute resolution.

8.2.6 Your obligations in this Section 8.2 will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section 8.2. You agree that a failure to pursue a recovery or

mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 8.2.

## **9 APPROVALS AND WAIVERS**

9.1 Approvals. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us, and our approval or consent must be obtained in writing and signed by one of our officers.

9.2 No Warranty. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

9.3 No Implied Waiver. No delay or failure by us to exercise any right reserved to us under this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, will constitute a waiver of our right to exercise such right or to demand exact compliance by you with any of the terms hereof. Waiver by us of any particular default by you will not affect or impair our rights with respect to any subsequent default of the same, similar, or a different nature. Acceptance by us of any payments due to us hereunder will not be deemed to be a waiver by us of any preceding breach by you.

## **10 FORCE MAJEURE**

If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure that cannot be overcome by reasonable commercial measures, the parties shall be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration. Your inability to obtain financing (regardless of the reason) shall not constitute Force Majeure.

## **11 NOTICES**

Any and all notices that are required or permitted under this Agreement shall be in writing and shall be personally delivered, mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or mailed via overnight courier providing proof of delivery, or by other means that affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement (unless and until a different address has been designated by written notice to the other party). Any notices sent by personal delivery, next day delivery service or by electronic means shall be deemed given on the next business day after transmittal. Any notices sent by certified mail shall be deemed given on the third business day after the date of mailing. Any change in the foregoing addresses shall be made effective by giving fifteen (15) days written notice of such change to the other party. We may provide you with routine information, invoices, updates to the System standards and other System requirements and programs, including any modifications thereto, by regular mail or by e-mail, or by making such information available to you on the Internet, an extranet, or other electronic means.

## **12 ENTIRE AGREEMENT**

The parties acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, the parties shall deal with each other in good faith. This Agreement and the attachments to this Agreement, constitute the entire, full and complete agreement between the parties concerning your rights, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties



relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representation made in our Franchise Disclosure Document that we provided to you.

### **13 DISPUTES**

13.1 Choice of Law. This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles. Nothing in this Section 13.1 is intended, or shall be deemed, to make any Maryland law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

13.2 Choice of Forum. The parties agree that, to the extent any disputes cannot be resolved directly between them, you must file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed, in the jurisdiction where you reside or do business, where the Designated Search Area is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

13.3 Limitations of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

13.4 Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding shall be entitled to reimbursement of costs and expenses, including reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, during, in preparation for, or in contemplation of the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

13.5 Rights of Parties are Cumulative. The parties' rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled by law or this Agreement to exercise or enforce.

#### **13.6 WAIVER OF PUNITIVE DAMAGES, CLASS ACTION LAWSUITS AND JURY TRIAL.**

13.6.1 TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY WAIVES ANY RIGHT TO, OR CLAIM FOR, ANY CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER PARTY.

13.6.2 THE PARTIES ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM WILL BE LIMITED TO RECOVERY OF ACTUAL DAMAGES, IF ANY.

13.6.3 THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION

SUITS AND THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, AND/OR COUNTERCLAIM BROUGHT BY EITHER PARTY.

13.7 Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including the failure to comply fully with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we shall be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us shall be in addition to, and not in lieu of, all remedies and rights that we otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

## 14 SEVERABILITY AND CONSTRUCTION

14.1 Severability. If any provision of this Agreement is determined to be invalid or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, the invalidity will not impair the operation of any other provisions which remain otherwise intelligible. The latter will continue to be given full force and effect, and the invalid provisions will be deemed not to be a part of this Agreement.

14.2 Counterparts. This Agreement may be signed in multiple counterparts, each of which when signed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of an signed counterpart of a signature page to this Agreement by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually signed counterpart of this Agreement.

14.3 Gender and Number. All references to gender and number shall be construed to include such other gender and number as the context may require.

14.4 Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

14.5 Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted shall be the day or month of the designated action, event or notice. Days shall be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically shall be extended to the next day that is not a Saturday, Sunday or national holiday.

14.6 Survival of Obligations. All obligations that expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive expiration, termination, or assignment.

14.7 No Implied Third Party Beneficiaries. Except as explicitly provided to the contrary herein, nothing in this Agreement is intended or will be deemed to confer any rights or remedies on any person or legal entity other than you, your owner(s), us, and our affiliates.

14.8 References. Each reference in this Agreement to a corporation or partnership also shall be deemed to refer to a limited liability company and any other entity or organization similar thereto if applicable. Each reference to the organizational documents, owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto if applicable.

14.9 Lesser Included Obligations. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from (1) striking any

portion of a provision that a court or agency may hold to be unreasonable and unenforceable; or (2) reducing the scope of any promise or covenant to the extent required to comply with a court or agency order.

14.10 Best Interests of System. Whenever we exercise a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly provided in this Agreement, we can make our decision or exercise our discretion on the basis of our judgment of what is in our best interests. "Best interests" includes what we believe to be the best interests of the System at the time the decision is made or the right or discretion is exercised, even though (1) there may have been other alternative decisions or actions that could have been taken; (2) our decision or the action taken promotes our own financial interest; or (3) our decision or the action may apply differently to different franchisees and/or to any Celebree School that we or our affiliates operate. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

## **15 REPRESENTATIONS AND ACKNOWLEDGMENTS**

You represent, acknowledge and warrant to us (and you agree that these representations, acknowledgments and warranties shall survive termination of this Agreement) that:

15.1 Franchise Application. All information that you provided to us in connection with your franchise application and our grant of the development rights set forth in this Agreement is truthful, complete and accurate.

15.2 Signatories to this Agreement. The persons signing this Agreement on your behalf have full authority to enter into this Agreement and the other agreements contemplated by the parties. Your execution of this Agreement or such other agreements does not and will not conflict or interfere with, directly or indirectly, intentionally or otherwise, with the terms of any other agreement with any other third party to which you or any owner is a party.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES, LLC,**  
**a Maryland limited liability company**

**DEVELOPER:**  
**[ENTITY NAME],**  
a \_\_\_\_\_

By: \_\_\_\_\_  
[Name]  
[Title]

By: \_\_\_\_\_  
[Name]  
[Title]

**EFFECTIVE DATE:** \_\_\_\_\_

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

Notice Address:  
8029 Corporate Drive  
Nottingham, Maryland 21236  
Attn: Chief Executive Officer

Notice Address:  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

**[IF INDIVIDUALS:]**

**DEVELOPER:**

**[INDIVIDUAL NAME],**  
a resident of [STATE]

\_\_\_\_\_

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

**[INDIVIDUAL NAME],**  
a resident of [STATE]

\_\_\_\_\_

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

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

\_\_\_\_\_  
Attn: \_\_\_\_\_

**EXHIBIT A TO CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT**

**DEVELOPMENT INFORMATION**

1. **Developer:** \_\_\_\_\_

2. **Designated Search Area:** \_\_\_\_\_

Any boundaries contained in the description of the Designated Search Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries. Unless otherwise specified, all street boundaries shall be deemed to include both sides of the street.

3. **Development Schedule:** You agree to sign Franchise Agreements for and to open \_\_\_\_\_  
(    ) new Schools within the Designated Search Area according to the following Schedule:

<b>Site Accepted by Franchisor and Franchise Agreements To Be Executed By (Date)</b>	<b>School Opening Deadline</b>	<b>Cumulative Minimum Number Of New Schools To Be Open and Operating No Later Than the Opening Deadline (in Previous Column)</b>
		1
		2
		3

4. **Development Fee:** The Development Fee and the Initial Franchise Fee that you will pay for each School that you develop under this Development Agreement is set forth in the table below. The total Development Fee that you must pay when you sign the Development Agreement is \$ \_\_\_\_\_.

We will apply a credit in the amount of the Development Fee that you pay for each School to the Initial Franchise Fee owed under each Franchise Agreement that you sign pursuant to this Development Agreement. **The Development Fee and the Initial Franchise Fee are fully earned when paid and are not refundable.**

<b>School No.</b>	<b>Development Fee</b>	<b>Initial Franchise Fee</b>	<b>Amount to be Paid When Sign Franchise Agreement After Applying Credit</b>
First	\$0	\$75,000	\$75,000
Second	\$20,000	\$70,000	\$50,000
Third	\$20,000	\$65,000	\$45,000

**EXHIBIT B TO CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT**

**OWNERSHIP INTERESTS**

**Developer:** \_\_\_\_\_

**Form of Ownership.** Developer is a \_\_\_\_\_ incorporated or formed on \_\_\_\_\_ in the state of \_\_\_\_\_.

**Owners.** The following list includes the full name of each person who is an owner of a legal or beneficial interest in Developer, and fully describes the nature of each owner’s interest (attach additional pages if necessary).

Name	Home Address	Percentage and Description of Ownership Interest

[If Developer consists of individuals, delete the above and use the below:

**Developer Names and Home Addresses:**

Name	Home Address

**Control Group.** Developer’s Control Group shall be comprised of the following persons: \_\_\_\_\_  
\_\_\_\_\_

**Development Principal.** Developer’s Development Principal is: \_\_\_\_\_

## EXHIBIT C TO CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT

### GUARANTEE AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Celebree School Area Development Agreement dated as of \_\_\_\_\_ (“**Agreement**”) by **CELEBREE ENTERPRISES, LLC** (“**Franchisor**”), entered into with \_\_\_\_\_ (“**Developer**”), the undersigned (“**Guarantors**”), each of whom is an officer, director, member of Developer’s Control Group or a 10% Owner, or the spouse thereof, hereby personally and unconditionally agree as follows:

**1. Guarantee To Be Bound By Certain Obligations.** Guarantors hereby personally and unconditionally guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that each will be personally bound by the covenants and restrictions contained in Section 5 (Covenants) of the Agreement.

**2. Guarantee and Assumption of Developer’s Obligations.** Guarantors hereby: (1) guarantee to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that Developer and any assignee of Developer’s interest under the Agreement shall: (a) punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (b) punctually pay all other monies owed to Franchisor and/or its affiliates; (2) agree to be personally bound by each and every provision in the Agreement, including, without limitation, the provisions of Sections 5 (Covenants) and 8.2 (Indemnification); and (3) agree to be personally liable for the breach of each and every provision in the Agreement.

**3. General Terms and Conditions.** The following general terms and conditions shall apply to this Guarantee:

Each of the undersigned 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 s/he may have to require that an action be brought against Developer or any other person as a condition of liability; (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the execution of and performance under this Guarantee by the undersigned; (6) any law or statute which requires that Franchisor make demand upon, assert claims against or collect from Developer or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Developer or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guarantee; (7) any and all other notices and legal or equitable defenses to which he may be entitled; and (8) any and all right to have any legal action under this Guarantee decided by a jury.

Each of the undersigned consents and agrees that: (1) her/his direct and immediate liability under this Guarantee shall be joint and several; (2) s/he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Developer to Franchisor or its affiliates under the Agreement; and (5) monies received from any source by Franchisor for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by Franchisor. In addition, if any of the undersigned ceases to be a member of the Control Group, a 10% Owner, an officer or director of Developer or own any interest in Developer or the School,

that person (and his spouse, if the spouse is also a guarantor) agrees that the obligations under this Guarantee shall continue to remain in force and effect unless Franchisor in its sole discretion, in writing, releases those person(s) from this Guarantee. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 5.2 (Restrictions on Competition) of the Agreement shall remain in force and effect for a period of two (2) years after any such release by Franchisor. A release by Franchisor of any of the undersigned shall not affect the obligations of any other Guarantor.

If Franchisor brings an action to enforce this Guarantee in a judicial proceeding, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost 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 such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

If Franchisor utilizes legal counsel (including in-house counsel employed by Franchisor or its affiliates) in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

If any of the following events occur, a default ("**Default**") under this Guarantee shall exist: (1) failure of timely payment or performance of the obligations under this Guarantee; (2) breach of any agreement or representation contained or referred to in this Guarantee; (3) the dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or (4) the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned shall be due immediately and payable without notice. Upon the death of one of the undersigned, the estate shall be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors shall continue in full force and effect.

This Guarantee shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Franchisor's interests in and rights under this Guarantee are freely assignable, in whole or in part, by Franchisor. Any assignment shall not release the undersigned from this Guarantee.

Section 13 (Disputes) of the Agreement is incorporated by reference into this Guarantee and all capitalized terms that are not defined in this Guarantee shall have the meaning given them in the Agreement.

*[Signatures follow on next page.]*



**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his signature, under seal.

**GUARANTORS:**

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

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

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

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

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

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

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

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

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

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

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

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

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**EXHIBIT D**  
**FINANCIAL STATEMENTS**

**CELEBREE ENTERPRISES, LLC**

FINANCIAL STATEMENTS

DECEMBER 31, 2023 and 2022



# CELEBREE ENTERPRISES, LLC

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## **INDEPENDENT AUDITORS' REPORT**

To the Member and Management  
Celebree Enterprises, LLC

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Celebree Enterprises, LLC (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and member's deficit, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Celebree Enterprises, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*EisnerAmper LLP*

EISNERAMPER LLP  
Fort Lauderdale, Florida  
April 11, 2024



# CELEBREE ENTERPRISES, LLC

## Balance Sheets

	December 31,	
	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 882,572	\$ 98,579
Cash - escrow	5,019	106,226
Accounts receivable, net of allowance of \$103,962 and \$103,962, respectively	929,441	1,241,331
Prepaid expenses	115,010	34,731
Contract assets, commissions	<u>26,801</u>	<u>22,900</u>
 Total current assets	 1,958,843	 1,503,767
 Property and equipment, net	 36,430	 58,394
Contract assets, commissions, net of current portion	1,268,017	681,483
Intangibles, net	<u>22,639</u>	<u>35,986</u>
 Total assets	 <u>\$ 3,285,929</u>	 <u>\$ 2,279,630</u>
<b>LIABILITIES AND MEMBER'S DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 544,029	\$ 205,065
Accrued expenses	144,479	52,260
Deferred revenue	<u>560,655</u>	<u>499,146</u>
 Total current liabilities	 1,249,163	 756,471
 Deferred revenue, net of current portion	 <u>2,625,675</u>	 <u>1,644,810</u>
 Total liabilities	 <u>3,874,838</u>	 <u>2,401,281</u>
 Commitment and contingencies		
 Member's deficit	 <u>(588,909)</u>	 <u>(121,651)</u>
 Total liabilities and member's deficit	 <u>\$ 3,285,929</u>	 <u>\$ 2,279,630</u>

# CELEBREE ENTERPRISES, LLC

## Statements of Operations and Member's Deficit

	Year Ended December 31,	
	2023	2022
<b>Revenues:</b>		
Royalty fees	\$ 1,432,955	\$ 403,523
Franchise fees	307,709	206,041
Site selection assistance fees	487,500	275,000
Training fees	199,500	100,000
Technology fees	340,843	161,853
Miscellaneous fees	10,000	11,500
	<hr/>	<hr/>
Total revenues	2,778,507	1,157,917
Operating expenses	4,956,675	4,012,171
	<hr/>	<hr/>
Loss from operations	(2,178,168)	(2,854,254)
	<hr/>	<hr/>
<b>Other income (expenses):</b>		
Interest income	1,824	162
Interest expense	-	(2,227)
	<hr/>	<hr/>
Total other income (expenses)	1,824	(2,065)
	<hr/>	<hr/>
<b>Net loss</b>	<b>(2,176,344)</b>	<b>(2,856,319)</b>
Member's (deficit) equity, beginning of year	(121,651)	625,668
Contributions	1,709,086	2,109,000
	<hr/>	<hr/>
<b>Member's deficit, end of year</b>	<b>\$ (588,909)</b>	<b>\$ (121,651)</b>
	<hr/>	<hr/>

# CELEBREE ENTERPRISES, LLC

## Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,176,344)	\$ (2,856,319)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	39,610	42,235
Bad debt expense	-	153,962
(Increase) decrease in:		
Accounts receivable, net	311,890	215,216
Prepaid expenses	(80,279)	1,698
Contract assets	(590,435)	(157,465)
Increase in:		
Accounts payable	2,048,050	2,247,413
Accrued expenses	92,219	15,108
Deferred revenue	1,042,374	226,458
Net cash provided by (used in) operating activities	<u>687,085</u>	<u>(111,694)</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment and intangible assets	<u>(4,299)</u>	-
Net cash used in investing activities	<u>(4,299)</u>	-
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	-	<u>(75,348)</u>
Net cash used in financing activities	<u>-</u>	<u>(75,348)</u>
Net change in cash and cash - escrow	682,786	(187,042)
Cash and cash - escrow, beginning	<u>204,805</u>	<u>391,847</u>
<b>Cash and cash - escrow, ending</b>	<u>\$ 887,591</u>	<u>\$ 204,805</u>
<b>Reconciliation of the cash and cash - escrow to the amounts reported on the balance sheets:</b>		
Cash	\$ 882,572	\$ 98,579
Cash - escrow	<u>5,019</u>	<u>106,226</u>
<b>Cash and cash - escrow</b>	<u>\$ 887,591</u>	<u>\$ 204,805</u>
<b>Supplementary disclosure of cash flow information:</b>		
Cash paid for interest	\$ -	\$ 2,227
<b>Non-cash investing and financing activities:</b>		
Accounts payable converted to equity contribution	\$ 1,709,086	\$ 2,109,000

See notes to financial statements

## **CELEBREE ENTERPRISES, LLC**

### **Notes to Financial Statements December 31, 2023 and 2022**

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **[1] Nature of operations:**

Celebree Enterprises, LLC (the "Company") was formed on June 7, 2018 as a Maryland limited liability company to sell and operate franchises under the brand name Celebree Learning Center. On January 8, 2019, the Company rebranded under the name Celebree School. The Company grants franchises for early childhood education schools that offer infant care, pre-school, before and after-school programs for school-aged children, summer camps, backup care and emergency care for children between six months and 12 years old.

The Company commenced operations on June 13, 2018, the date the initial capital contribution was funded and recorded. The Company does not own or operate any business of this type being franchised. As of December 31, 2023 and 2022, there were 81 and 55 franchise sales agreements, respectively. There were 24 new sales agreements signed during 2023

##### **[2] Basis of presentation:**

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

##### **[3] Use of estimates:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates.

##### **[4] Concentration of credit risk:**

The Company maintains cash balances at a financial institution, which at various times during the year may exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). Accounts at each institution are insured by the FDIC up to \$250,000.

##### **[5] Cash - escrow:**

The Company maintained franchise fees for franchisee locations sold in Maryland in an escrow account until the franchisee opens their location, in accordance with Maryland state law. In January 2021, the Company obtained a surety bond and is no longer required to escrow franchise fees for new Maryland agreements. At December 31, 2023, the surety bond was for \$500,000 and will expire on November 20, 2024.

##### **[6] Revenue recognition:**

The Company generates revenue from the sale of franchise licenses under various agreements. The initial franchise fee is due in one or three installments, depending on the contract, and is earned based on the recognition of specific performance obligations. The Company also generates revenue from royalties, site selection assistance, training and technology fees. The Company can charge various other fees as outlined in the Franchise Disclosure Document, from time to time. See Note B, "Revenue from Contracts with Customers," for further discussion.

# CELEBREE ENTERPRISES, LLC

## Notes to Financial Statements December 31, 2023 and 2022

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [7] Accounts receivable:

Accounts receivable is reported at the amount management expects to collect from outstanding balances. Account balances that are still outstanding after management has used reasonable collection efforts will be written off through a charge to the allowance for expected credit losses and a credit to accounts receivable. At December 31, 2021, the accounts receivable balance was \$1,610,509. At December 31, 2023 and 2022, the Company had an allowance for expected credit losses of \$103,962. The Company wrote off \$0 and \$50,000 against deferred revenue for the years ended December 31, 2023 and 2022, respectively. No revenue had been earned related to these balances.

The allowance for expected credit losses estimate is derived from a review of the Company's historical losses. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company.

At the signing of the franchise and area development agreements, the Company bills for and records the full initial franchise fee and the area development fee as an account receivable, with the corresponding amount recorded to deferred revenue as the Company has determined that the franchise and area development agreements are noncancellable, and they have an unconditional right to payment. As of December 31, 2023, 2022 and 2021, the amounts recorded to deferred revenue for these agreements where the corresponding amount is in accounts receivable is \$880,305, \$1,239,876 and \$1,387,497, respectively.

#### [8] Income taxes:

The Company is a single-member limited liability company and has elected to be taxed as an S Corporation for federal and state income tax reporting purposes. As such, the Company does not pay income taxes on its taxable income. Instead, the member is liable for individual income taxes on the Company's taxable income. The years that remain subject to tax examinations by major tax jurisdictions are 2019 through 2023. However, none of the years are currently under examination.

The Company has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof, as well as other factors.

#### [9] Limited liability company:

Since the Company is a limited liability company, no member, manager, agent or employee of the Company shall be personally liable for the debts, obligations or liabilities of the Company, whether arising in contract, tort or otherwise, or for the acts or omissions of any other member, director, manager, agent or employee of the Company, unless the individual has signed a specific personal guarantee. The duration of the entity is perpetual.

#### [10] Property and equipment and depreciation:

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided by using the straight-line method over the estimated useful life of the assets. The useful life of property and equipment for purposes of computing depreciation is between five to seven years. Maintenance and repairs are expensed as incurred.

Depreciation expense for the years ended December 31, 2023 and 2022 was \$26,263 and \$21,965, respectively.



## CELEBREE ENTERPRISES, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] Intangible assets:

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, *Goodwill and Other Intangible Assets*. Under this guidance, intangible assets that have finite lives are amortized over their estimated useful lives.

Website development, software, video library and school design investment costs are stated at cost and amortized over an estimated useful life of three to five years.

Amortization expense for the years ended December 31, 2023 and 2022 was \$13,347 and \$20,270, respectively.

##### [12] Impairment of long-lived assets:

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets consist primarily of property and equipment and intangible assets. Recoverability of assets is measured by a comparison of the carrying amount of an asset group to future net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. For the years ended December 31, 2023 and 2022, the Company did not recognize any impairment of long-lived assets.

##### [13] Brand fund and marketing fund:

The Company anticipates administering a brand fund, local marketing fund and regional cooperative marketing fund collected from franchisees based on a percentage of weekly gross sales and managing the franchise advertising program.

##### [14] Advertising and marketing costs:

Advertising and marketing costs are charged to operations in the year incurred. Advertising and marketing costs for the years ended December 31, 2023 and 2022 were \$1,030,266 and \$996,773, respectively.

##### [15] Recently Adopted Accounting Guidance:

In June 2016, the FASB issued guidance ASC Topic 326, *Financial Instruments - Credit Losses* ("ASC Topic 326"), which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in ASC Topic 326 were trade accounts receivable.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

The Company has assessed that all newly issued accounting pronouncements not yet effective have been deemed immaterial or not applicable.

# CELEBREE ENTERPRISES, LLC

## Notes to Financial Statements December 31, 2023 and 2022

### NOTE B - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company follows FASB ASC Topic 606, *Revenue from Contracts with Customers*, and adopted Subtopic 952-606, *Franchisors - Revenue from Contracts with Customers*, effective with the application of ASC Topic 606, on the date the Company was formed.

#### [1] Franchise fees:

*Franchise agreements that include training and site selection assistance:*

The Company recognizes franchise fees as four performance obligations. Pre-opening services include the following three performance obligations: (i) preparation and distribution of manuals and similar material concerning operations, administration and record-keeping; (ii) assistance in the selection of a site; and (iii) training of the franchisee's personnel. These services have been determined to be distinct services offered to franchisees. The other performance obligation is access to the license. The access to manuals, site selection and training performance obligations are recognized at a point in time, and the license is recognized over time. The amounts allocated to the pre-opening service performance obligations are recognized typically within 15 months of signing the franchise agreement as those services are completed. The amount allocated to the franchise license is earned over time based on the franchise agreement. This performance obligation is satisfied through the continuous transfer of control to the franchisee.

*Franchise agreements that do not include training and site selection assistance:*

The Company recognizes franchise fees as two performance obligations. Pre-opening services include the preparation and distribution of manuals and similar material concerning operations, administration and record-keeping. These services have been determined to be distinct services offered to franchisees. The other performance obligation is access to the license. The access to manuals is recognized at a point in time, and the license is recognized over time. The amounts allocated to the pre-opening service performance obligations are recognized upon signing the franchise agreement as those services are completed. The amount allocated to the franchise license is earned over time based on the franchise agreement. This performance obligation is satisfied through the continuous transfer of control to the franchisee.

#### [2] Site selection assistance fees:

The Company reviews multiple sites for the franchisee, travels to the local market area to evaluate potential sites for the franchise school and provides demographic and other relevant information for identifying a location. The performance obligation is satisfied when the franchisee signs a letter of intent for the lease of the selected franchise school location.

#### [3] Training fees:

The Company provides a management training program and pre-opening support. Management training is provided before the franchise school opens, and pre-opening support is provided over the grand-opening week.

#### [4] Technology fees:

Commencing on the opening date of each franchisee school, the Company starts recognizing a flat technology fee on a monthly basis based on the terms of the franchise agreement.

#### [5] Royalty fees:

The franchise agreements contain variable considerations in the form of royalty income contributions. These fees are based on weekly franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

## CELEBREE ENTERPRISES, LLC

### Notes to Financial Statements December 31, 2023 and 2022

#### NOTE B - REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

##### [6] Contract assets and deferred revenue:

Contract assets consist of commissions paid to facilitate the franchise sale and are amortized over the expected life of the franchisee relationship, which the Company determined to be the franchise license period based upon the terms of the franchise agreement. At December 31, 2021, the contract asset was \$546,918.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements, as well as initial franchise fees for training and site selection assistance performance obligations that have not yet been performed and area development fees. Deferred revenue is a result of the collection and the recording of accounts receivable of the initial franchise fee and area development fees at the time of the signing of the franchise agreement and area development agreement and will fluctuate each year based on the number of franchise and area development agreements signed. At December 31, 2021, deferred revenue was \$1,917,498.

Area development agreements generally consist of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements. Therefore, upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee.

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time	\$ 2,417,455	\$ 941,023
Performance obligations satisfied over time	<u>361,052</u>	<u>216,894</u>
Total franchise fees	<u>\$ 2,778,507</u>	<u>\$ 1,157,917</u>

#### NOTE C - CREDIT FACILITIES

On June 20, 2023, the Company entered a credit facilities agreement with a bank along with multiple of its related parties. The agreement includes a line of credit ("LC"), a guidance line of credit ("GLC"), a term loan ("TL1") and a real estate guidance line of credit ("RELC"). The Company is jointly and severally liable for the LC, GLC and TL1.

The LC borrowing limit was \$2,000,000, due on demand and matures in 2 years, requiring monthly interest payments, with an interest rate of 30-day Secured Overnight Financing Rate ("SOFR") plus 175 basis points, and is secured by all business assets. On December 31, 2023, there was no outstanding balance. In the event of a future balance, the Company is not responsible for it.

The GLC borrowing limit was \$4,500,000, restricted to financing property improvements either owned or leased, draws available only for 12 months from the agreement date, due within 7 years, draws cannot exceed 80% of the project costs and require formal approval by the bank, monthly interest-only payments due in the first year and principal and interest payments due thereafter, with an interest rate of 30-day SOFR plus 175 basis points, and is secured by all business assets. On December 31, 2023, there was no outstanding balance. In the event of a future balance, the Company is not responsible for it.

## **CELEBREE ENTERPRISES, LLC**

### **Notes to Financial Statements December 31, 2023 and 2022**

#### **NOTE C - CREDIT FACILITIES (CONTINUED)**

The TL1 principal was \$1,500,000, maturing in 2 years, with an interest rate of 4.5% per annum, requiring monthly principal and interest payments, and secured by all business assets. On December 31, 2023, the outstanding balance was \$881,694. No portion of this balance was the responsibility of the Company at December 31, 2023.

All the facilities have financial covenants. The covenants are calculated on a combined basis between the Company and Celebree Holdings, Inc., a company under common ownership. At December 31, 2023, the Company and Celebree Holdings, Inc. were in compliance on a combined basis with the financial covenants.

On December 21, 2023, the credit facilities agreement was amended to extend the maturity date of the LC to August 1, 2025.

On December 7, 2023, the Company entered a term loan ("TL2") with a bank along with a related party. The TL2 principal was \$1,600,000, maturing in 7 years, with an interest rate of 30-day SOFR plus 175 basis points, requiring monthly principal and interest payments, and secured by all business assets. On December 31, 2023, the outstanding balance was \$1,600,000. No portion of this balance was the responsibility of the Company at December 31, 2023.

#### **NOTE D - RELATED PARTY TRANSACTIONS**

Celebree Holdings, Inc. is an affiliate of Celebree Enterprises, LLC. Based in Maryland, it owns the trademarks and intellectual property related to Celebree Schools, which are licensed for use by the Company. Celebree Holdings, Inc. has never offered franchises in this or any other line of business.

There are 26 Celebree Schools operated by Celebree Holdings, Inc. These schools are non-franchised and did not have any significant related party transactions during the years ended December 31, 2023 and 2022.

Employees of Celebree Holdings, Inc. perform services on behalf of the Company. The Company reimburses Celebree Holdings, Inc. for these costs. Total costs reimbursed for the years ended December 31, 2023 and 2022 were \$1,709,086 and \$1,550,374, respectively, and are included in operating expenses on the accompanying statements of operations and member's deficit.

At December 31, 2023 and 2022, \$344,064 and \$50,990, respectively, were due to Celebree Holdings, Inc. and were included in accounts payable in the accompanying balance sheets.

On December 1, 2021, the Company signed a facilities license agreement with 1747 Town Point, LLC ("TP"), which is an entity under common control. Under this agreement, the Company obtained the rights to use certain facilities occasionally for Company events.

The agreement term was for 12 months, with an additional, optional 12-month renewal which the Company accepted. The monthly license fee is \$3,500. The agreement was renewed in December 2023. At December 31, 2023 and 2022, no amounts were due to TP. For each of the years ended December 31, 2023 and 2022, the Company recorded \$42,000 of license expenses, which are included in operating expenses on the accompanying statements of operations and member's deficit. Future minimum payments due are \$38,500 during 2024.

#### **NOTE E - SUBSEQUENT EVENTS**

The Company has evaluated events or transactions that have occurred after December 31, 2023 (the financial statement date) through April 11, 2024, the date that the financial statements were available to be issued.

**EISNERAMPER**

**CELEBREE ENTERPRISES, LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 and 2021  
(with supplemental information)**



# CELEBREE ENTERPRISES, LLC

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## INDEPENDENT AUDITORS' REPORT

To the Member and Management  
Celebree Enterprises, LLC

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Celebree Enterprises, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and member's (deficit) equity, and cash flows for each of the years then ended, and the related notes to the financial statements.

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

#### *Basis for Opinion*

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*EisnerAmper LLP*

EISNERAMPER LLP  
Fort Lauderdale, Florida  
April 3, 2023





**CELEBREE ENTERPRISES, LLC**

**Balance Sheets**

	December 31,	
	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash	\$ 98,579	\$ 35,783
Cash - escrow	106,226	356,064
Accounts receivable, net	1,241,331	1,610,509
Prepaid expenses	34,731	36,429
Contract assets, commissions	<u>22,900</u>	<u>22,900</u>
Total current assets	1,503,767	2,061,685
Property and equipment, net	58,394	80,359
Contract assets, commissions, net of current portion	681,483	524,018
Intangibles, net	<u>35,986</u>	<u>56,256</u>
Total assets	<u>\$ 2,279,630</u>	<u>\$ 2,722,318</u>
<b>LIABILITIES AND MEMBER'S (DEFICIT) EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 205,065	\$ 66,652
Accrued expenses	52,260	37,152
Current portion of long-term debt	-	18,993
Deferred revenue	<u>499,146</u>	<u>811,251</u>
Total current liabilities	756,471	934,048
Long-term debt, net of current portion	-	56,355
Deferred revenue, net of current portion	<u>1,644,810</u>	<u>1,106,247</u>
Total liabilities	<u>2,401,281</u>	<u>2,096,650</u>
Commitment and contingencies		
Member's (deficit) equity	<u>(121,651)</u>	<u>625,668</u>
Total liabilities and member's (deficit) equity	<u>\$ 2,279,630</u>	<u>\$ 2,722,318</u>

**CELEBREE ENTERPRISES, LLC**

**Statements of Operations and Member's (Deficit) Equity**

	Year Ended December 31,	
	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>		
Royalty fees	\$ 403,523	\$ 11,857
Franchise fees	206,041	331,042
Site selection assistance fees	275,000	275,000
Training fees	100,000	275,000
Technology fees	161,853	46,667
Miscellaneous fees	11,500	-
	<u>1,157,917</u>	<u>939,566</u>
Total revenue	1,157,917	939,566
Operating expenses	<u>4,012,171</u>	<u>2,348,374</u>
Loss from operations	<u>(2,854,254)</u>	<u>(1,408,808)</u>
<b>Other income (expenses):</b>		
Interest income	162	246
Interest expense	<u>(2,227)</u>	<u>(3,451)</u>
Total other expenses	<u>(2,065)</u>	<u>(3,205)</u>
Net loss	(2,856,319)	(1,412,013)
Member's equity, beginning of year	625,668	443,901
Contributions	2,109,000	1,618,780
Distributions	<u>-</u>	<u>(25,000)</u>
<b>Member's (deficit) equity, end of year</b>	<u><u>\$ (121,651)</u></u>	<u><u>\$ 625,668</u></u>

# CELEBREE ENTERPRISES, LLC

## Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,856,319)	\$ (1,412,013)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	42,235	36,249
Bad debt expense	153,962	-
(Increase) decrease in:		
Accounts receivable, net	215,216	(568,524)
Prepaid expenses	1,698	(14,131)
Contract assets	(157,465)	(364,944)
Increase (decrease) in:		
Accounts payable	2,247,413	1,432,049
Accrued expenses	15,108	22,674
Deferred revenue	226,458	841,457
Net cash used in operating activities	<u>(111,694)</u>	<u>(27,183)</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment and intangible assets	-	(11,823)
Net cash used in investing activities	<u>-</u>	<u>(11,823)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from member contributions	-	120,000
Distributions to member	-	(25,000)
Repayment of long-term debt	(75,348)	(18,258)
Net cash (used in) provided by financing activities	<u>(75,348)</u>	<u>76,742</u>
Net change in cash and cash escrows	(187,042)	37,736
Cash and cash escrows, beginning	<u>391,847</u>	<u>354,111</u>
Cash and cash escrows, ending	<u>\$ 204,805</u>	<u>\$ 391,847</u>
Reconciliation of the cash and cash escrows to the amounts reported on the balance sheets:		
Cash	\$ 98,579	\$ 35,783
Cash - escrow	<u>106,226</u>	<u>356,064</u>
Cash and cash escrows	<u>\$ 204,805</u>	<u>\$ 391,847</u>
<b>Supplementary disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 2,227</u>	<u>\$ 3,451</u>
<b>Non-cash investing and financing activities</b>		
Accounts payable converted to member's (deficit) equity	<u>\$ 2,109,000</u>	<u>\$ 1,498,780</u>

See notes to financial statements

## **CELEBREE ENTERPRISES, LLC**

### **Notes to Financial Statements December 31, 2022 and 2021**

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **[1] Nature of operations:**

Celebree Enterprises, LLC (the "Company") was formed on June 7, 2018, as a Maryland Limited Liability Company to sell and operate franchises under the brand name Celebree Learning Center. On January 8, 2019, the Company rebranded under the name Celebree School. The Company grants franchises for early childhood education schools that offer infant care, pre-school, before and after-school programs for school-aged children, summer camps, backup care, and emergency care for children between six months and 12 years old.

The Company commenced operations on June 13, 2018, the date the initial capital contribution was funded and recorded. The Company does not own or operate any business of this type being franchised. As of December 31, 2022, there were fifty-five franchise sales agreements.

##### **[2] Basis of presentation:**

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

##### **[3] Liquidity:**

The Company has incurred net losses of \$2,856,319 and \$1,412,013 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022, the Company had fifty franchise outlets signed but not yet open. The Company expects that sixteen of these franchise schools will open in the next twelve months. The Company's managing member has agreed to provide ongoing support, as needed, to meet its obligations through April 30, 2024.

##### **[4] 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 certain 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### **[5] Concentration of credit risk:**

The Company maintains cash balances at a financial institution, which at various times during the year may exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). Accounts at each institution are insured by the FDIC up to \$250,000.

##### **[6] Cash – escrow:**

The Company maintained franchise fees for franchisee locations sold in Maryland in an escrow account until the franchisee opens their location, in accordance with Maryland state law. In January 2021, the Company obtained a surety bond and is no longer required to escrow franchise fees for new Maryland agreements. At December 31, 2022, the surety bond was for \$500,000 and will expire on November 20, 2023.

# CELEBREE ENTERPRISES, LLC

## Notes to Financial Statements December 31, 2022 and 2021

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [7] Revenue recognition:

The Company generates revenue from the sale of franchise licenses under various agreements. The initial franchise fee is due in one or three installments, depending on the contract, and is earned based on the recognition of specific performance obligations. The Company also generates revenue from royalties, site selection assistance, training and technology fees. The Company can charge various other fees as outlined in the Franchise Disclosure Document from time to time. See Note B, "Revenue from Contracts with Customers," for further discussion.

#### [8] Accounts receivable:

Accounts receivable is reported at the amount management expects to collect from outstanding balances. Account balances that are still outstanding after management has used reasonable collection efforts will be written off through a charge to the valuation allowance and a credit to the allowance account. At December 31, 2020, the accounts receivable balance was \$1,041,985. At December 31, 2022, the Company had a valuation allowance of \$103,962 and \$0, respectively. The Company wrote off \$50,000 and \$50,000 against deferred revenue for the years ended December 31, 2022 and 2021, respectively. No revenue had been earned related to these balances.

At the signing of the franchise and area development agreements, the Company bills for and records the full initial franchise fee and the area development fee as an account receivable with the corresponding amount recorded to deferred revenue as the Company has determined that the franchise and area development agreements are noncancellable, and they have an unconditional right to payment. As of December 31, 2022, 2021, and 2020, the amounts recorded to deferred revenue, for these agreements where the corresponding amount is in accounts receivable is \$1,239,876, \$1,387,497, and \$1,076,041 respectively.

#### [9] Property and equipment and depreciation:

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided by using the straight-line method over the estimated useful life of the assets. The useful life of property and equipment for purposes of computing depreciation is between five to seven years. Maintenance and repairs are expensed as incurred.

#### [10] Intangible assets:

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, *Goodwill and Other Intangible Assets*. Under this guidance, intangible assets that have finite lives are amortized over their estimated useful lives.

Website development, software, video library, and school design investment costs are stated at cost and amortized over an estimated useful life of three to five years.

The Company's policy is to periodically review the estimated useful lives of its intangible assets. This review during 2022 indicated that actual lives for certain asset categories generally were shorter than the useful lives used for amortization purposes in the Company's financial statements. As a result, the Company revised the estimated useful lives of intangible assets, effective January 1, 2022. The effect of this change in estimate was to increase 2022 amortization expense by \$7,013.

## CELEBREE ENTERPRISES, LLC

### Notes to Financial Statements December 31, 2022 and 2021

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] Impairment of long-lived assets:

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets consist primarily of property and equipment and intangible assets. Recoverability of assets is measured by a comparison of the carrying amount of an asset group to future net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. For the years ended December 31, 2022 and 2021, the Company did not recognize any impairment of long-lived assets.

##### [12] Income taxes:

The Company is a single-member limited liability company and has elected to be taxed as an S Corporation for federal and state income tax reporting purposes. As such, the Company does not pay income taxes on its taxable income. Instead, the member is liable for individual income taxes on the Company's taxable income. The years that remain subject to tax examinations by major tax jurisdictions are 2019 through 2022. However, none of the years are currently under examination.

The Company has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof, as well as other factors.

##### [13] Limited liability company:

Since the Company is a limited liability company, no member, manager, agent, or employee of the Company shall be personally liable for the debts, obligations, or liabilities of the Company, whether arising in contract, tort, or otherwise, or for the acts or omissions of any other member, director, manager, agent, or employee of the Company, unless the individual has signed a specific personal guarantee. The duration of the entity is perpetual.

##### [14] Brand funds and marketing funds:

The Company anticipates administering a brand fund, local marketing funds, and regional cooperative marketing funds collected from franchisees based on a percentage of weekly gross sales and managing the franchise advertising program.

##### [15] Advertising and marketing costs:

Advertising and marketing costs are charged to operations in the year incurred. Advertising and marketing costs for the years ended December 31, 2022 and 2021 were \$996,773 and \$611,601, respectively.

##### [16] Reclassification:

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net loss.

## CELEBREE ENTERPRISES, LLC

### Notes to Financial Statements December 31, 2022 and 2021

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [17] Recent accounting pronouncements:

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance will be effective for the Company for fiscal years beginning after December 15, 2022. The Company is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

The Company has also evaluated and believes the impact of other issued standards and updates, which are not yet effective, will not have a material impact on the Company's financial position, results of operations, or cash flows upon adoption.

#### NOTE B - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company follows Financial Accounting Standards Board ASC Topic 606, *Revenue from Contracts with Customers*, and adopted Subtopic 952-606 *Franchisors-Revenue from Contracts with Customers* effective with the application of ASC Topic 606, on the date the Company was formed.

##### [1] Franchise fees:

###### *Franchise agreements that include training and site selection assistance:*

The Company recognizes franchise fees as four performance obligations. Pre-opening services include the following three performance obligations: (i) preparation and distribution of manuals and similar material concerning operations, administration, and record-keeping; (ii) assistance in the selection of a site; (iii) and training of the franchisee's personnel. These services have been determined to be distinct services offered to franchisees. The other performance obligation is access to the license. The access to manuals, site selection, and training performance obligations are recognized at a point in time and the license is recognized over time. The amounts allocated to the pre-opening service performance obligations are recognized typically within 15 months of signing the franchise agreement as those services are completed. The amount allocated to the franchise license is earned over time based on the franchise agreement. This performance obligation is satisfied through the continuous transfer of control to the franchisee.

###### *Franchise agreements that do not include training and site selection assistance:*

The Company recognizes franchise fees as two performance obligations. Pre-opening services include the preparation and distribution of manuals and similar material concerning operations, administration, and record-keeping. These services have been determined to be distinct services offered to franchisees. The other performance obligation is access to the license. The access to manuals is recognized at a point in time and the license is recognized over time. The amounts allocated to the pre-opening service performance obligations are recognized typically within 15 months of signing the franchise agreement as those services are completed. The amount allocated to the franchise license is earned over time based on the franchise agreement. This performance obligation is satisfied through the continuous transfer of control to the franchisee.

## CELEBREE ENTERPRISES, LLC

### Notes to Financial Statements December 31, 2022 and 2021

#### NOTE B - REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

##### [2] Site selection assistance fees:

The Company reviews multiple sites for the franchisee, travels to the local market area to evaluate potential sites for the franchise school and provides demographic and other relevant information for identifying a location. The performance obligation is satisfied when the franchisee signs a letter of intent for the lease of the selected franchise school location.

##### [3] Training fees:

The Company provides a management training program and pre-opening support. Management training is provided before the franchise school opens, and pre-opening support is provided over the grand-opening week.

##### [4] Technology fees:

Commencing on the opening date of each franchisee school, the Company starts recognizing a flat technology fee on a monthly basis based on the terms of the franchise agreement.

##### [5] Royalty fees:

The franchise agreements contain variable considerations in the form of royalty income contributions. These fees are based on weekly franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

##### [6] Contract assets and deferred revenue:

Contract assets consist of commissions paid to facilitate the franchise sale and are amortized over the expected customer life, which is the franchise license period. At December 31, 2020, the contract asset was \$181,974.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements as well as initial franchise fees for training and site selection assistance performance obligations that have not yet been performed and area development fees. Deferred revenue are a result of the collection and the recording of accounts receivable of the initial franchise fee and area development fees at the time of the signing of the franchise agreement and area development agreement and will fluctuate each year based on the number of franchise and area development agreements signed. At December 31, 2020, deferred revenue was \$1,076,041.

Area development agreements generally consist of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements. Therefore, upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee.

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	\$ 941,023	\$ 569,566
Performance obligations satisfied over time	<u>216,894</u>	<u>370,000</u>
Total franchise fees	<u>\$ 1,157,917</u>	<u>\$ 939,566</u>



## CELEBREE ENTERPRISES, LLC

### Notes to Financial Statements December 31, 2022 and 2021

#### NOTE C - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	<u>2022</u>	<u>2021</u>
Vehicle	\$ 98,000	\$ 98,000
Furniture and equipment	<u>11,823</u>	<u>11,823</u>
	109,823	109,823
Accumulated depreciation	<u>(51,429)</u>	<u>(29,464)</u>
Total	<u>\$ 58,394</u>	<u>\$ 80,359</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$21,965 and \$21,297, respectively.

#### NOTE D - LONG-TERM DEBT

The Company entered into a 5-year loan in the amount of \$98,000 on August 31, 2020 in order to purchase a vehicle. The interest rate on this loan was 4.0% per annum, and monthly payments of principal and interest were \$1,808. The loan was secured by the vehicle. The loan was fully repaid in 2022. The outstanding balance at December 31, 2021 was \$75,348.

#### NOTE E - INTANGIBLE ASSETS

Intangible assets at December 31 consist of:

	<u>2022</u>	<u>2021</u>
Software	\$ 30,000	\$ 30,000
Website	15,610	15,610
Video library	22,286	22,286
School design plan	<u>11,626</u>	<u>11,626</u>
	79,522	79,522
Accumulated amortization	<u>(43,536)</u>	<u>(23,266)</u>
Total	<u>\$ 35,986</u>	<u>\$ 56,256</u>

Amortization expense for the years ended December 31, 2022 and 2021 was \$20,270 and \$14,952, respectively.

## CELEBREE ENTERPRISES, LLC

### Notes to Financial Statements December 31, 2022 and 2021

#### NOTE E - INTANGIBLE ASSETS (CONTINUED)

Expected future amortization expense is as follows:

<u>Years Ending December 31,</u>	
2023	\$ 16,571
2024	9,379
2025	9,379
2026	<u>657</u>
	<u>\$ 35,986</u>

#### NOTE F - RELATED PARTY TRANSACTIONS

Celebree Holding, Inc. is an affiliate of Celebree Enterprises, LLC. Based in Maryland, it owns the trademarks and intellectual property related to Celebree Schools, which are licensed for use by the Company. Celebree Holding, Inc. has never offered franchises in this or any other line of business.

There are twenty-six Celebree Schools operated by affiliates of the Company.

Employees of Celebree Holdings, Inc. perform services on behalf of the Company. The Company reimburses Celebree Holdings, Inc. for these costs. Total costs reimbursed for the years ended December 31, 2022 and 2021 were \$1,550,374 and \$971,826, respectively, and are included in operating expenses on the accompanying statements of operations and member's (deficit) equity.

At December 31, 2022 and 2021, \$50,990 and \$0 were due to Celebree Holdings, Inc. and were included in accounts payable in the accompanying balance sheets, respectively.

On December 1, 2021, the Company signed a facilities license agreement with 1747 Town Point, LLC ("TP"), which is an entity under common control. Under this agreement, the Company obtained the rights to use certain facilities occasionally for Company events. The agreement term is for twelve months with an additional optional twelve-month renewal. The monthly license fee is \$3,500. The agreement was renewed on December 1, 2022. At December 31, 2022 and 2021, no amounts were due to TP. For the years ended December 31, 2022 and 2021, the Company recorded \$42,000 and \$3,500, respectively, of license expenses and are included in operating expenses on the accompanying statements of operations and member's (deficit) equity. Future minimum payments due are \$38,500 during 2023.

During 2022 and 2021, the Company paid the chief financial officer approximately \$0 and \$9,000 for certain Company expenses.

#### NOTE G - SUBSEQUENT EVENTS

The Company has evaluated events or transactions that have occurred after December 31, 2022 (the financial statement date) through April 3, 2023, the date that the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Member and Management  
Celebree Enterprises, LLC

We have audited the financial statements of Celebree Enterprises, LLC as of December 31, 2022 and 2021, and for each of the years then ended, and have issued our report thereon dated April 3, 2023, which expressed an unmodified opinion on those financial statements.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of operating expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*EisnerAmper LLP*

EISNERAMPER LLP  
Fort Lauderdale, Florida  
April 3, 2023



**CELEBREE ENTERPRISES, LLC****Schedules of Operating Expenses**

	<b>(Unaudited)</b>	
	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Operating expenses:</b>		
Payroll:		
Wages	\$ 1,472,831	\$ 804,212
Benefits	75,883	96,736
Taxes	115,370	70,878
Advertising and marketing	996,773	611,601
Automobile	4,357	7,395
Commissions	15,232	14,224
Communication	12,920	7,459
Consulting	115,286	108,513
Dues and subscriptions	3,391	5,825
Licenses and fees	55,567	44,611
Insurance	37,137	33,445
Meals	112,088	34,322
Office supplies and software	318,730	122,759
Professional fees	116,594	173,576
Recruitment	32,727	60,000
Training	-	7,989
Travel	268,309	108,580
Bad debt	153,962	-
Franchise concessions	15,001	-
Depreciation and amortization	42,235	36,249
Other	47,778	-
	<b>\$ 4,012,171</b>	<b>\$ 2,348,374</b>

**EXHIBIT E**

**LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

## LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500 / Toll Free: (866) 275-2677          Email: ASK.DFPI@dfpi.ca.gov          Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a></p>	<p><b>NEW YORK</b>          NYS Department of Law          Investor Protection Bureau          28 Liberty St. 21st Fl          New York, NY 10005          (212) 416-8222</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Department          State Capitol          Department 414          600 East Boulevard Avenue, Fourteenth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Office of the Attorney General          Franchise Bureau          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Office of the Attorney General          Securities Division          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          State Corporation Commission          Division of Securities and Retail Franchising          1300 East Main Street, 9th Floor          Richmond, Virginia 23219          (804) 371-9051</p>
<p><b>MICHIGAN</b>          Michigan Attorney General's Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Department of Financial Institutions          Securities Division          P.O. Box 41200          Olympia, Washington 98504-1200          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>

## AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500 / Toll Free: (866) 275-2677          Email: ASK.DFPI@dfpi.ca.gov          Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a></p>	<p><b>NEW YORK</b>          New York Secretary of State          One Commerce Plaza          99 Washington Avenue          Albany, NY 12231          (518) 473-2492</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Commissioner          State Capitol          Department 414          600 East Boulevard Avenue, Fourteenth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Attorney General          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Director of Department of Business Regulation          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Director of the Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Maryland Securities Commissioner          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          Clerk of the State Corporation Commission          1300 East Main Street, 1<sup>st</sup> Floor          Richmond, Virginia 23219          (804) 371-9733</p>
<p><b>MICHIGAN</b>          Michigan Attorney General's Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Director of Department of Financial Institutions          Securities Division – 3<sup>rd</sup> Floor          150 Israel Road, Southwest          Tumwater, Washington 98501          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Commissioner of Commerce          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>



**EXHIBIT F**

**STATE SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT**

**Illinois  
Maryland  
Michigan  
Minnesota  
New York  
Rhode Island  
Virginia**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF ILLINOIS**

**Item 5, Additional Disclosure**. The following statements are added to Item 5:

Pursuant to an order by the Illinois Office of the Attorney General, we have posted a surety bond in the amount of \$150,000. The Illinois Office of the Attorney General imposed this bond requirement due to our financial condition. The bond is on file with the Illinois Office of the Attorney General.

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

Illinois law shall apply to and govern the Franchise Agreement and Development Agreement.

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

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

**Item 22, Additional Disclosure**. The following statement is added to Item 22:

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MARYLAND**

1. **Item 5, Financial Assurance**. The following statements are added to Item 5:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, we secured a surety bond in the amount of \$500,000 from Travelers Casualty and Surety Company of America. A copy of the bond is on file at the Maryland Office of the Attorney General, Securities Division, 200 St. Paul Place, Baltimore, Maryland 21202. A copy of the bond is also attached as an exhibit to these Additional Disclosures.

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

The franchise agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against us, including upon execution of a successor franchise agreement or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

**3. Item 22, Additional Disclosure.** The following statement is added to Item 22:

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

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures.

**EXHIBIT TO ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MARYLAND**

**SURETY BOND**

STATE OF MARYLAND
SECURITIES DIVISION
FRANCHISOR SURETY BOND

KNOW ALL MEN BY THESE PRESENTS, THAT

Celebree Enterprises LLC
(Name of Franchisor)

a Maryland limited liability company
(Description or form of business organization, including State of Incorporation), with business offices at
1306 Bellona Avenue, Lutherville, MD 21093
(Address)

as Principal, and Travelers Casualty and Surety Company of America a corporation duly organized
(Name of Surety)
under the laws of the State of Connecticut and authorized to do
business in the State of Maryland, as Surety, are hereby held and firmly bound to the State of Maryland, in the sum
of Five Hundred Thousand Dollars and no cents
Thousand Dollars (\$ 500,000.00). For the payment of this sum, Principal and Surety bind themselves, their
representatives, successors and assigns, jointly and severally by these presents.

WHEREAS, Principal has applied for registration as a franchisor to offer and sell franchises in Maryland, as
required under the Maryland Franchise Registration and Disclosure Law, Title 14, Subtitle 2, Business Regulation
Article, Annotated Code of Maryland, (2010 Repl. Vol.) (the Maryland Franchise Law); and

WHEREAS, Principal executes this surety bond under §14-217 of the Maryland Franchise Law, as a
condition of its registration to offer and sell franchises in Maryland;

NOW, THEREFORE, the Principal agrees as follows:

- 1. Principal shall obey all applicable rules, regulations and statutes of the State of Maryland, now or
hereafter existing and all other applicable laws now or hereafter existing, affecting or relating to the offer or sale
of franchises and area franchises.
2. Principal shall in all respects be bound to any and all applicable requirements and provisions required to be in
this bond by existing and future statutes, rules and regulations of the State of Maryland, and laws, the same as
though such requirements and provisions were fully set forth in this bond, and by reference such requirements
and provisions are made a part hereof.
3. Principal shall in all respects be bound to perform and fulfill, up to and until the time at which a franchisee's or
subfranchisor's business is fully operational, all undertakings, covenants, terms, conditions and agreements of
any contract, or of any modification to a contract duly authorized by the parties to the contract, that the
Principal makes with these franchisees, or subfranchisors.
4. This bond is for the benefit of the State of Maryland and all persons purchasing franchises and area franchises
from Principal.
5. This bond shall become effective at 5:00 PM on November 20, 2020
(time of day) (date)

It may be cancelled by Surety and Surety relieved of liability with respect to a franchise agreement entered into
by Principal after the effective date of cancellation. Cancellation is effective 90 days after the Maryland
Securities Commissioner and Principal receive written notice from Surety of cancellation. Notwithstanding any
such cancellation, coverage under this bond remains effective with respect to any franchise agreements
entered into by Principal prior to the effective date of cancellation.

Travelers Casualty and Surety Company
(Name of Surety)

Celebree Enterprises LLC
(Name of Franchisor)

By: Craig Morsberger
(Signature of Attorney in Fact)

By: [Signature]
(Signature of Officer, Partner, or Sole Proprietor)

Craig Morsberger

Approved as to form:

Assistant Attorney General

Date



**INSTRUCTIONS:**

1. This side is to be completed by a notary public for both the Principal and the Surety.
2. Please attach the Power of Attorney and Certified Copy of the Corporate Resolution for the Surety listed herein.

STATE OF \_\_\_\_\_ )  
 ) ss.  
 COUNTY OF \_\_\_\_\_ )

**ACKNOWLEDGMENT OF PRINCIPAL**

**(INDIVIDUAL PROPRIETORSHIP)**

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

by \_\_\_\_\_  
(Name of Person Acknowledged)

**(CORPORATION)**

The foregoing instrument was acknowledged before me this 23 day of November 2020

by Richard Huffman, \_\_\_\_\_, President of  
(Name of Corporation President)

Celebree Enterprises LLC, a Maryland  
(Name of Corporation) (State of Incorporation)  
corporation, on behalf of the corporation.

**(PARTNERSHIP)**

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

by \_\_\_\_\_, a partner on behalf of  
(Name of Acknowledging Partner)

\_\_\_\_\_, a partnership.  
(Name of Partnership)

\_\_\_\_\_  
Notary Public

NOTARY SEAL                      Cty: \_\_\_\_\_                      Comm. Exp: \_\_\_\_\_

STATE OF Maryland )  
 ) ss.  
 COUNTY OF Baltimore )

**ACKNOWLEDGMENT OF SURETY**

The foregoing instrument was acknowledged before me this 23 day of November 2020

by Richard Huffman, President & CEO  
(Name and Title of Officer or Agent)

of Celebree Enterprises, LLC  
(Name of Corporation Acknowledging)

a Maryland corporation, on behalf of the corporation.  
(State of Incorporation)

[Signature]  
Notary Public

NOTARY SEAL                      Cty: Baltimore                      Comm. Exp: 7/2024



**VERIFICATION CERTIFICATE**

License No. \_\_\_\_\_

Bond No.: 107348107

Current Billing Term From November 20, 2023 to November 20, 2024

THIS IS TO CERTIFY that the above referenced Bond,  
issued by Travelers Casualty and Surety Company of America,  
dated November 20, 2020, in the amount of Five Hundred Thousand ( \$500,000.00 ) on behalf of  
CELEBREE ENTERPRISES, LLC (as Principal),  
and in favor of State of Maryland (as Obligee),  
remains in effect, subject to all agreements, conditions and limitations.

Signed, sealed and dated August 14, 2023

Travelers Casualty and Surety Company of America



By: *Russell E Vance*  
Russell E. Vance Attorney-in-Fact



**Travelers Casualty and Surety Company of America  
 Travelers Casualty and Surety Company  
 St. Paul Fire and Marine Insurance Company  
 Farmington Casualty Company**

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS:** That Travelers Casualty and Surety Company of America, Travelers Casualty and Surety Company, St. Paul Fire and Marine Insurance Company, and Farmington Casualty Company are corporations duly organized under the laws of the State of Connecticut (herein collectively called the "Companies"), and that the Companies do hereby make, constitute and appoint **Russell E. Vance**, of **Hartford, CT**, their true and lawful Attorney(s)-in-Fact, to sign, execute, seal and acknowledge the following bond:

**Surety Bond No.: 107348107**

**Principal: CELEBREE ENTERPRISES, LLC**

**IN WITNESS WHEREOF**, the Companies have caused this instrument to be signed and their corporate seals to be hereto affixed, this **21st** day of **April, 2021**.



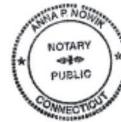
State of Connecticut

By:   
 Robert L. Raney, Senior Vice President

City of Hartford ss.

On this the **21st** day of **April, 2021**, before me personally appeared **Robert L. Raney**, who acknowledged himself to be the Senior Vice President of each of the Companies, and that he, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing on behalf of said Companies by himself as a duly authorized officer.

**IN WITNESS WHEREOF**, I hereunto set my hand and official seal.



  
 Anna P. Nowik, Notary Public

My Commission expires the **30th** day of **June, 2026**

This Power of Attorney is granted under and by the authority of the following resolutions adopted by the Boards of Directors of each of the Companies, which resolutions are now in full force and effect, reading as follows:

**RESOLVED**, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the Company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her; and it is

**FURTHER RESOLVED**, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary; and it is

**FURTHER RESOLVED**, that any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary; or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority; and it is

**FURTHER RESOLVED**, that the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any Power of Attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such Power of Attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding on the Company in the future with respect to any bond or understanding to which it is attached.

I, **Kevin E. Hughes**, the undersigned, Assistant Secretary of each of the Companies, do hereby certify that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which remains in full force and effect.

Dated this 14 day of August, 2023.



  
 Kevin E. Hughes, Assistant Secretary

**To verify the authenticity of this Power of Attorney, please call us at 1-800-421-3880.  
 Please refer to the above-named Attorney(s)-in-Fact and the details of the bond to which this Power of Attorney is attached.**



## **ADDITIONAL FDD DISCLOSURES REQUIRED BY THE STATE OF MICHIGAN**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide

third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

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

Any questions regarding these Additional Disclosures shall be directed to the Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7717.

#### **ADDITIONAL FDD DISCLOSURES REQUIRED BY REQUIRED BY THE STATE OF MINNESOTA**

1. **Notice of Termination.** The following statement is added to Item 17:

With respect to licenses governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreements.

2. **Choice of Forum and Law.** The following statement is added to the cover page and Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. **General Release.** The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

4. **Waiver of Right to Jury Trial or Termination Penalties:** The following statement is added to Item 17:

Minnesota Rule 2860.4400J, among other things, prohibits us from requiring you to waive your rights to a jury trial or to consent to liquidated damages, termination penalties, or judgment notes; provided, that this part will not bar an exclusive arbitration clause.

5. **Item 22.** The following statement is added to Item 22:

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

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF NEW YORK**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. **Item 3, Additional Disclosure.** The following is added to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent..

3. **Item 4, Additional Disclosure.** The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against

it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. **Item 5: Initial Fees.** The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. **Item 17: Renewal, Termination, Transfer and Dispute Resolution**

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

B. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

C. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

D. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, are met independently without reference to these Additional Disclosures.

**ADDITIONAL DISCLOSURES  
REQUIRED BY THE STATE OF RHODE ISLAND**

**Item 17, Additional Disclosure.** The following statement is added to Item 17:

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

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Law are met independently without reference to this Additional Disclosure. The Additional Disclosure shall have no force or effect if such jurisdictional requirements are not met.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Celebree Enterprises, LLC for use in the Commonwealth of Virginia shall be amended to include the following:

**Termination, Item 17.** The following is added to Item 17.h:

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

**Additional Disclosure, Item 22.** The following is added to Item 22:

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

These Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently, without reference to these Additional Disclosures.

**EXHIBIT G**

**STATE SPECIFIC ADDENDA TO AGREEMENTS**

**Illinois  
Maryland  
Minnesota  
New York  
Rhode Island  
Virginia**

**ADDENDA REQUIRED BY  
THE STATE OF ILLINOIS**

**ADDENDUM TO THE CELEBREE SCHOOL FRANCHISE AGREEMENT  
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Celebree School Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Celebree Enterprises LLC, a Maryland limited liability company (“we”, “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Illinois; **(B)** you are a resident of the State of Illinois; and/or **(C)** the franchised Celebree School will be located or operated in the State of Illinois.
2. The following language is added to the end of Section 4.1 of the Franchise Agreement:  
  
Pursuant to an order by the Illinois Office of the Attorney General, we have posted a surety bond in the amount of \$150,000. The Illinois Office of the Attorney General imposed this bond requirement due to our financial condition. The bond is on file with the Illinois Office of the Attorney General.
3. Illinois law shall apply to and govern the Franchise Agreement.
4. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place out of Illinois.
5. Franchisees rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
6. 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.
7. The following language is added to the end of Section 27 of the Franchise Agreement:  
  
No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
10. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.



IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**FRANCHISEE:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO THE CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT  
REQUIRED FOR ILLINOIS DEVELOPERS**

This Addendum to the Celebree School Multi-Unit Development Agreement dated \_\_\_\_\_ (“Development Agreement”) between Celebree Enterprises LLC (“we”, “us,” or “our”), a Maryland limited liability company and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Illinois; **(B)** you are a resident of the State of Illinois; **(C)** part or all of any Development Area is located in the State of Illinois; and/or **(D)** part or all of the Development Area is located in the State of Illinois.
2. The following language is added to the end of Section 2 of the Development Agreement:  
  
Pursuant to an order by the Illinois Office of the Attorney General, we have posted a surety bond in the amount of \$150,000. The Illinois Office of the Attorney General imposed this bond requirement due to our financial condition. The bond is on file with the Illinois Office of the Attorney General.
3. Illinois law shall apply to and govern the Development Agreement.
4. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place out of Illinois.
5. Franchisees’ rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
6. 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.
7. The following language is added to the end of Section 15 of the Development Agreement:  
  
No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
9. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.
10. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**DEVELOPER:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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

**ADDENDA REQUIRED BY  
THE STATE OF MARYLAND**

**ADDENDUM TO THE CELEBREE SCHOOL FRANCHISE AGREEMENT  
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to the Celebree Enterprises, LLC Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Celebree Enterprises, LLC (“we”, “us,” or “our”), a Maryland limited liability company, and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Maryland; (B) you are a resident of the State of Maryland; and/or (C) the franchised Celebree School will be located in the State of Maryland.
2. The following sentences are added to the end of Section 4.1 (Initial Franchise Fee):

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, we secured a surety bond in the amount of \$500,000 from Travelers Casualty and Surety Company of America. A copy of the bond is on file at the Maryland Office of the Attorney General, Securities Division, 200 St. Paul Place, Baltimore, Maryland 21202. A copy of the bond is also included in Exhibit F of our Franchise Disclosure Document.
3. The following sentence is added to the end of Sections 16.4.4 (Transfer Conditions) and 17.3 (Renewal):

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
4. The following sentence is added to the end of Section 25.3 (Limitations of Actions):

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
5. The following sentence is added to the end of Section 27 (Representations and Acknowledgments):

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES, LLC,**  
**a Maryland limited liability company**

**FRANCHISEE:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO THE CELEBREE SCHOOL  
MULTI-UNIT DEVELOPMENT AGREEMENT  
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to Celebree School Multi-Unit Development Agreement dated \_\_\_\_\_ (“Development Agreement”) between Celebree Enterprises, LLC (“we”, “us,” or “our”), a Maryland limited liability company, and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Maryland; (B) you are a resident of the State of Maryland; and/or (C) part or all of the Development Area will be located in the State of Maryland.
  
2. The following sentences are added to the end of Section 2.1 (Development Fees):  
  
Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, we secured a surety bond in the amount of \$500,000 from Travelers Casualty and Surety Company of America. A copy of the bond is on file at the Maryland Office of the Attorney General, Securities Division, 200 St. Paul Place, Baltimore, Maryland 21202. A copy of the bond is also included in Exhibit F of our Franchise Disclosure Document.
  
3. The following sentence is added to the end of Sections 6.4.4 (Transfer Conditions):  
  
This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
  
4. The following sentence is added to the end of Section 13 (Disputes):  
  
Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Representations in this Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
  
5. The following sentence is added to the end of Section 13.3 (Limitations of Actions):  
  
Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
  
6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
  
7. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

[Signatures follow on next page.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES, LLC,**  
**a Maryland limited liability company**

**DEVELOPER:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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



**ADDENDA REQUIRED BY  
THE STATE OF MINNESOTA**

**ADDENDUM TO THE CELEBREE SCHOOL FRANCHISE AGREEMENT  
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to the Celebree School Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Celebree Enterprises LLC (“we”, “us,” or “our”), a Maryland limited liability company and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Minnesota; **(B)** You are a resident of the State of Minnesota; and/or **(C)** the franchised Celebree School will be located or operated in the State of Minnesota.
2. The following sentence is added to the end of Section 4.8:  
  
Minnesota Statute 604.113 prohibits us from charging more than \$30 for insufficient funds charges.
3. The following sentence is added to the end of Sections 16.4.4 and 17.3:  
  
Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.
4. The following sentence is added to the end of Sections 17 and 18:  
  
With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5, which requires, except in certain cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of franchise agreements.
5. The following sentence is added to the end of Section 25.7:  
  
You may not consent to our obtaining injunctive relief. We may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.
6. The following sentences are added to the end of Sections 25.1 and 25.2:  
  
Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
7. The following sentence is added to the end of Section 26.3:  
  
Minnesota Statute § 80C.17, Subdivision 5, provides that no action may be commenced pursuant to that Section more than three years after the cause of action accrues.
8. Section 25.6. is deleted and replaced with the following:  
  
WAIVER OF CLASS ACTION LAWSUITS. THE PARTIES IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO BRING, OR BE A CLASS MEMBER IN, ANY CLASS ACTION SUITS.

9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
10. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
11. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
12. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**FRANCHISEE:**  
 \_\_\_\_\_,  
 a \_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO THE CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT  
REQUIRED FOR MINNESOTA DEVELOPERS**

This Addendum to the Celebree School Multi-Unit Development Agreement dated \_\_\_\_\_ (“Development Agreement”) is entered into by and between Celebree Enterprises LLC (“we”, “us,” or “our”), a Maryland limited liability company and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Minnesota; **(B)** You are a resident of the State of Minnesota; **(C)** part or all of any Development Area is located in the State of Minnesota; and/or **(D)** part or all of the Development Area is located in the State of Minnesota.
2. Section 5.5.3 is deleted and replaced with the following:  
  
You acknowledge that your violation of the terms of this Section 5 would result in irreparable injury to us for which we would be entitled to all legal and equitable remedies, including the right to seek injunctive relief prohibiting any conduct by you in violation of the terms of this Section 5. Injunctive relief will be in addition to any other remedies we may have.
3. The following sentence is added to the end of Section 7:  
  
With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5, which require, except in certain cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreements.
4. The following sentences are added to the end of Section 13:  
  
Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.  
  
Minnesota Statute § 80C.17, Subdivision 5, provides that no action may be commenced pursuant to that Section more than three years after the cause of action accrues.
5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
6. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.
7. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**DEVELOPER:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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

**ADDENDA REQUIRED BY  
THE STATE OF NEW YORK**

**ADDENDUM TO THE CELEBREE SCHOOL FRANCHISE AGREEMENT  
REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to the Celebree School Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Celebree Enterprises LLC (“we”, “us,” or “our”), a Maryland limited liability company and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of New York; **(B)** you are a resident of the State of New York; and/or **(C)** the franchised Celebree School will be located and/or operated in the State of New York.
2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.
3. The following sentence is added to the end of Sections 15.5 and 25.7:  
  
Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.
4. The following sentence is added to Section 16.1:  
  
We will not assign its rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.
5. The following sentence is added to the end of Sections 16.4.4 and 17.3:  
  
Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.
6. The following sentence is added to the end of Section 25.1:  
  
Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**FRANCHISEE:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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



**ADDENDUM TO THE CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT  
REQUIRED FOR NEW YORK DEVELOPERS**

This Addendum to the Celebree School Multi-Unit Development Agreement dated \_\_\_\_\_ (“Development Agreement”) between Celebree Enterprises LLC (“we”, “us,” or “our”), a Maryland limited liability company and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of New York; **(B)** you are resident of the State of New York; and/or **(C)** part or all of the Development Area will be located in the State of New York.
2. Any provision in the Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695, may not be enforceable.
3. The following sentence is added to Section 6.1:  
  
We will not assign our rights under this Agreement, except to an assignee who in our good faith and judgment is willing and able to assume our obligations under this Agreement.
4. The following sentence is added to the end of Section 6.4.4:  
  
Any provision in this Agreement requiring you to sign a general release of claims against us does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.
5. The following sentence is added to the end of Sections 5 and 13.7  
  
Our right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.
6. The following sentence is added to the end of Section 13.1:  
  
Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.
8. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**DEVELOPER:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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

**ADDENDA REQUIRED BY  
THE STATE OF RHODE ISLAND**

**ADDENDUM TO THE CELEBREE SCHOOL FRANCHISE AGREEMENT  
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to the Celebree School Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Celebree Enterprises LLC (“we”, “us,” or “our”), a Maryland limited liability company and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Rhode Island; **(B)** you are a resident of the State of Rhode Island; and/or **(C)** the franchised Celebree School will be located and/or operated in the State of Rhode Island.

2. The following language is added to Sections 25.1 and 25.2:

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

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

4. Any capitalized term that is not defined in this Addendum shall have the same meaning given it in the Franchise Agreement.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

6. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Rhode Island law applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**FRANCHISEE:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO THE CELEBREE SCHOOL MULTI-UNIT DEVELOPMENT AGREEMENT  
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to the Celebree School Multi-Unit Development Agreement dated \_\_\_\_\_ (“Development Agreement”) between Celebree Enterprises LLC (“we”, “us,” or “our”), a Maryland limited liability company and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the State of Rhode Island; **(B)** you are a resident of the State of Rhode Island; and/or **(C)** part or all of the Development Area is located in the in the State of Rhode Island.

2. The following language is added to Sections 13.1 and 13.2:

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

3. Any capitalized term that is not defined in this Addendum shall have the same meaning given it in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

5. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Rhode Island law applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
**a Maryland limited liability company**

**DEVELOPER:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM REQUIRED BY  
THE COMMONWEALTH OF VIRGINIA**

**ADDENDUM TO THE CELEBREE SCHOOL FRANCHISE AGREEMENT  
REQUIRED FOR VIRGINIA FRANCHISEES**

This Addendum to the Celebree School Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) between Celebree Enterprises LLC, a Maryland limited liability company (“we”, “us,” or “our”) and \_\_\_\_\_ (“you” or “your”) is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to you was made in the Commonwealth of Virginia; **(B)** you are a resident of the Commonwealth of Virginia; and/or **(C)** the franchised Celebree School will be located or operated in the Commonwealth of Virginia.
  
2. The following language is added to the end of Section 27 of the Franchise Agreement:  
  
No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
  
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
  
4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
  
5. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date first referenced above.

**FRANCHISOR:**  
**CELEBREE ENTERPRISES LLC,**  
a Maryland limited liability company

**FRANCHISEE:**  
\_\_\_\_\_,  
a \_\_\_\_\_

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

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

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

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

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

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

**EXHIBIT H**  
**GENERAL RELEASE**



## GENERAL RELEASE

The following is our current general release language that we expect to include in a release that a franchisee, developer, and/or transferor may sign as part of a renewal or an approved transfer. We may, in our sole discretion, periodically modify the release.

### General Release

THIS GENERAL RELEASE (the "**Release**") is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "**Effective Date**"), by and between:

- Celebree Enterprises, LLC, a Maryland limited liability company whose principal place of business is 8029 Corporate Drive, Nottingham, MD 21236 ("**Franchisor**"); and
- \_\_\_\_\_ a [resident of] [corporation organized in] [limited liability company organized in] \_\_\_\_\_ and \_\_\_\_\_ having offices at \_\_\_\_\_ [("**Franchisee**")] [("**Developer**")] [("**Transferor**")].

### BACKGROUND:

- A. Franchisor and Franchisee are party to a [Franchise Agreement] [Development Agreement] dated \_\_\_\_\_ (the "**Agreement**");
- B. Franchisor and Franchisee have agreed, pursuant to the Agreement, [to renew or extend Franchisee's rights under the Agreement (the "**Renewal Transaction**") [to permit a transfer or assignment of \_\_\_\_\_ pursuant to the Agreement (the "**Transfer Transaction**")], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Developer] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. Release. [Franchisee] [Developer] [Transferor], its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "**Franchisee Group**"), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "**Franchisor Group**"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Agreement, the relationship created by the Agreement, or the development, ownership, or operation of the franchised Celebree School. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Agreement or the franchised Celebree School. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.

2. General Terms.

2.1. This Release shall be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release shall take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, shall be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and shall neither amend nor modify the terms hereof.

2.5. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.6. No amendment, change, or variance from this Release shall be binding on either party unless in writing and agreed to by all of the parties hereto.

2.7. The parties agree that all actions arising under this Release must be commenced in the state or federal court of general jurisdiction in Maryland, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. This Release shall be interpreted and construed under the laws of the State of Maryland. In the event of any conflict of law, the laws of the State of Maryland shall prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

2.8. [For California franchisees, add this paragraph]: Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his/her favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

CELEBREE ENTERPRISES, LLC  
Franchisor

\_\_\_\_\_

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

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

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

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

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

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

**EXHIBIT I**  
**LIST OF FRANCHISEES**

**LIST OF FRANCHISED SCHOOLS AS OF DECEMBER 31, 2023**

<b>FRANCHISEE AND CONTACT PERSON</b>	<b>SCHOOL ADDRESS</b>	<b>CITY</b>	<b>ST</b>	<b>ZIP</b>	<b>PHONE</b>
JMS Holdings Inc. Jason Skidmore	3904 Boston Street	Baltimore	MD	21224	410-808-3081
Melford Care LLC Usha Patel	5061 Howerton Way	Bowie	MD	20715	240-529-3545
IRA Schools LLC Nirali Patel	9151 Rumsey Road	Columbia	MD	21045	410-707-3725
RMK LLC Kelli Amrein	6085 Marshalee Dr.	Elkridge	MD	21075	301-580-1513
JMS Aviation, LLC Jason Skidmore	6934 Aviation Blvd., Suites M-R	Glen Burnie	MD	21061	410-412-5083
Kidzciti LLC Puja Patel	8003 Laurel Lakes Court	Laurel	MD	20707	301-356-9126
Benjamin John, LLC Katie Young	9900 Franklin Square Dr.	Nottingham	MD	21236	443-829-7110
JMS III, LLC Jason Skidmore	2 Crossing Way, Suite A	Owings Mills	MD	21117	410-517-6096
Kinjar Enterprises, LLC Janak and Keyuri Rajani	12345 Parklawn Drive	Rockville	MD	20852	301-579-3601
Thames Education LLC Claas Wiley Ritzmann	241 Windsor Way	Doylestown	PA	18901	267-827-3642
Valvin LLC Ashish Patel	2714 Dekalb Pike Suite A	East Norriton	PA	19401	402-707-3802
MCS Schools, LLC Michael Sapperstein	1400 N Mascher Street	Philadelphia	PA	19125	443-909-0272
CS Warrington, LLC Nita Solanki	590 Kansas Road	Warrington	PA	18966	267-356-9499
Tutelage LLC Sunita Barwal	349 Patricia Lane	Fort Mill	SC	29708	803-455-2238
VOH Apollo I, LLC Mohammad Ali	2501 Mandeville Lane	Alexandria	VA	22332	703-673-8360
Family Foundations LLC Kate Mulcahy	1321 S. Elm Street	Arlington	VA	22202	703-663-4064
LCY CAMET Corp Ann Camet	43800 Clemens Terrace	Ashburn	VA	20147	703-879-2452
Early Age Education, LLC Vakul Goel	3641 Cox Road	Henrico	VA	23233	804-415-4991
EJJ Holdings LLC Josephine & Edward Johnson	11109 Sunset Hills Road	Reston	VA	20190	973-454-0567
Family Foundations Kathryn and Brian Mulcahy	7950 Jones Branch Drive	Tysons	VA	22102	703-663-4064

**LIST OF FRANCHISEES THAT HAVE SIGNED A FRANCHISE AGREEMENT  
BUT THE FRANCHISED SCHOOL IS NOT YET OPEN AS OF DECEMBER 31, 2023**

<b>Franchisee</b>	<b>Contact Person(s)</b>	<b>School Address</b>	<b>Designated Search Area</b>	<b>ST</b>	<b>Phone</b>
The BSL Group, LLC	Richard Cory Skidmore	1 Middleton Drive Middleton, DE	N/A	DE	410-808-9788
Jeremiah Twenty-Nine Eleven LLC	Nassouri Brown	TBD	Hillsborough County	FL	813-310-4777

<b>Franchisee</b>	<b>Contact Person(s)</b>	<b>School Address</b>	<b>Designated Search Area</b>	<b>ST</b>	<b>Phone</b>
Child Care of Florida LLC	Karen Callahan & Tracy Bowden	10351 Corkscrew Commons Drive Estero, FL	N/A	FL	410-960-8521
EKH HON, LLC	Eda Khokhar	TBD	Orlando	FL	407-538-9228
Kothari Foundation LLC	Trush Kothari	TBD	Tampa	FL	847-800-7818
Alexander Ernst	Alexander Ernst	TBD	Atlanta	GA	470-707-8074
COL-1, LLC	JB Coletta	TBD	Atlanta	GA	678-232-6871
The Watercrest Group, LLC	Aloke Devalia	1099 Johnson Ferry Rd Marietta, GA	N/A	GA	540-818-1974
MMJ Scholars, LLC	Mihir Shah	1200 Shermer Road Northbrook, IL	N/A	IL	646-872-1727
Gentry Cares, LLC	Brittany Gentry	13305 Magisterial Dr Louisville, KY	N/A	KY	859-533-6567
Foundas Educare Inc	Nick and Nicole Foundas	631 Boston Post Rd Sudbury, MA	N/A	MA	781-962-9247
JMS IV, LLC	Jason Skidmore	TBD	Baltimore	MD	410-808-3081
Arpit Patel, Shwetank Patel	Arpit Patel	TBD	Laurel	MD	215-313-3606
JMS V, LLC	Jason Skidmore	8989 Hermann Dr Columbia, MD	N/A	MD	410-808-3081
Nishant Gupta, LLC	Nishant Gupta	9711 Medical Center Dr Rockville, MD	N/A	MD	301-801-5178
Sunita Barwal, Saket Sapre	Sunita Barwal	TBD	Charlotte	NC	562-713-3434
Sunita Barwal, Saket Sapre	Sunita Barwal	TBD	Charlotte	NC	562-713-3434
Bargebree1 LLC	Christine Barger	TBD	Mecklenburg County	NC	410-207-5799
JMS VI, LLC	Jason Skidmore	TBD	Raleigh	NC	410-808-3081
S & S Growth Ventures LLC	Hetal Shah	TBD	Wake and Durham Counties	NC	540-760-1169
Ketan Sawhney, Shweta Kapoor, Sudhir Lakshminarayanan, Anjali Keswani	Ketan Sawhney Shweta Kapoor	TBD	Bergen and Hudson Counties in NJ	NJ	201-375-8455
Sireil Management LLC	Neil Gala	TBD	Central, NJ	NJ	732-547-7579
Shree Mahavir School, LLC	Jalpesh Chokshi	TBD	Middlesex County	NJ	908-922-3375
Vishnu Patel, Dipit Patel, Mansi Patel, Vinit Patel, Sheena Patel	Vishnu Patel	TBD	Morris, Passaic, and Bergen Counties	NJ	973-800-8743
MSIJ Educare I Inc	Jacob Abraham	TBD	North Brunswick	NJ	917-821-1868
MSIJ Educare I Inc	Jacob Abraham	TBD	North Brunswick	NJ	516-850-0249

<b>Franchisee</b>	<b>Contact Person(s)</b>	<b>School Address</b>	<b>Designated Search Area</b>	<b>ST</b>	<b>Phone</b>
MSIJ Educare I Inc	Jacob Abraham	TBD	North Brunswick	NJ	917-821-1868
Vishnu Patel, Dipit Patel, Mansi Patel, Vinit Patel, Sheena Patel	Vishnu Patel	TBD	Towaco	NJ	908-487-7279
JKDN Early Ed, LLC	Karl Neumaier	TBD	Tulsa & Wagoner Counties	OK	918-995-0213
CRI 1, LLC	Clarence Carter	3025 CG Zinn Road Thorndale, PA	N/A	PA	253-255-7345
Kelli Amrein, James Amrein, Linda Coleman	Kelli Amrein	262 E Baltimore Pike Glenn Mills, PA	N/A	PA	301-580-1513
MEHTA LLC	Nidhi Mehta	100 Campbell Blvd Exton, PA	N/A	PA	410-463-1085
Adabelle, LLC	Merry Mattson	4000 Vine Street Middletown, PA	N/A	PA	858-519-7846
MCS Schools, LLC	Michael Sapperstein	TBD	York County, PA	PA	443-909-0272
Stine Group 1, Corp.	Chris Stine	TBD	Cannon County	TN	513-255-0478
Valioso Ventures, LLC	Jacob Skok	TBD	Austin	TX	832-464-4195
Richie Ralhan, Ananya Pradeep Bhatnagar	Richie Ralhan	TBD	Dallas	TX	469-777-1423
Imran Arshad & Hajira Imran	Imran Arshad & Hajira Imran	TBD	Dallas and Tarrant	TX	936-414-3346
Prelude Academy LLC	Krishna Kikani	TBD	Houston	TX	979-436-8594
Deep Roots Education, LLC	Salma Tejani	TBD	Houston	TX	832-273-0421
VP Early Education 1, LLC	Ran Varada	TBD	King of Prussia	TX	317-968-8718
Avira, LLC	Prajakta Desai	4033 E Plano Pkwy Plano, TX	N/A	TX	214-714-6800
CLB Dallas, LLC	Mindi McClure	2400 Bryan Street Dallas, TX	N/A	TX	703-307-5245
Texas Accelerated Academic Group LLC	Freddy Naidu & Andrew Vu	FM 423 & Panther Creek Pkwy Frisco, TX	N/A	TX	469-693-5291
Moral Learning Operating Company LLC	Erik Moral	8615 W Rayford Road Spring, TX	N/A	TX	832-662-6061
Kathryn Herold, Robert Herold	Kathryn Herold	12382 FM 1641 Fourney, TX	N/A	TX	484-903-3113
Vidya Mitra LLC	Hetal Patel	TBD	Travis County	TX	512-803-9352
Gobind Academy LLC	Jagroop Dhillon	TBD	Fairfax, Prince William Counties	VA	571-225-4756
Gobind Academy LLC	Jagroop Dhillon	TBD	Fairfax, Prince William Counties	VA	571-225-4756
VOH Apollo I LLC	Mohammad Ali	TBD	Loudoun, Prince William, Fairfax & Arlington counties and Cities of Alexandria, Fairfax, and Falls Church	VA	703-673-8360

Franchisee	Contact Person(s)	School Address	Designated Search Area	ST	Phone
VOH Apollo I LLC	Mohammad Ali	TBD	Loudoun, Prince William, Fairfax & Arlington counties and Cities of Alexandria, Fairfax, and Falls Church	VA	703-673-8360
CM Education, LLC	Moonhee Doan	2400 Center Street Stafford, VA	N/A	VA	703-463-7307
Babies First Step Inc.	Nasar Agha	10368 Bristow Center Dr Bristow, VA	N/A	VA	717- 552-3951
EJJ Holdings LLC	Josephine Kibe-Johnson	45900 Russell Branch Pkw, Ashburn, VA	N/A	VA	973-454-0567
New Generation School, LLC	Imad Haj	TBD	Prince William County	VA	202-459-7853
Har Har Mahadev LLC	Namita Arora	TBD	Prince William County	VA	571-437-2126
Early Age Education, LLC	Vakul Goel	TBD	Richmond	VA	804-415-4991
Early Age Education, LLC	Vakul Goel	TBD	Richmond	VA	804-415-4991
Pheruman Enterprises LLC	Inderpreet Mann	TBD	Richmond	VA	804-938-0448
Jitesh Patel	Jitesh Patel	TBD	Virginia Beach	VA	757-971-2828
Beck Holdings LLC	Geoff Beck	TBD	Winnebago County, and Dane & Rock Counties	WI	815-703-6658

**LIST OF FRANCHISEES THAT TRANSFERRED A FRANCHISE OR HAD A FRANCHISE AGREEMENT TERMINATED OR NOT RENEWED IN 2023 OR WHO HAVE NOT COMMUNICATED WITH US WITHIN 10 WEEKS OF THE ISSUANCE DATE OF THIS FDD**

Franchisee	Contact Person(s)	Status	Site Selection Area	ST	Phone
Alomi LLC	Dmitrij Scuka	Transferred Franchise Agreement (School Not Open); Mutual Termination of Development Agreement	Broward & Palm Beach Counties	FL	954-225-3292
Kinjar Enterprises, LLC	Keyuri Rajani	Mutual Termination of Franchise Agreement (School Not Open)	Baltimore County	MD	443-744-1045
FBMac, LLC	Britt McKenzie	Transferred Franchise Agreement (School Open)	Carroll County	MD	443-506-5723

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



**EXHIBIT J**

**TRAINING PARTICIPATION AND NON-DISCLOSURE AGREEMENT**

## TRAINING PARTICIPATION AND NON-DISCLOSURE AGREEMENT

**THIS AGREEMENT** is made as of the date set forth on the last page of this Agreement by the undersigned (“Participant”) in favor of and for the benefit of Celebree Enterprises, LLC (“Franchisor”).

### 1. Purpose

Participant, who is an employee and/or owner of a Celebree School franchisee (the “Franchisee”), will attend and participate in training offered by Franchisor concerning the methods, techniques, and systems associated with operating a Celebree School (the “Training Program”). This Agreement addresses the confidential nature of the information that will be divulged to the Participant in the Training Program.

Participant agrees that in exchange for being permitted to attend and participate in the Training Program, s/he will abide by the terms of this Agreement.

### 2. Confidential Information

**A.** Participant understands that during the Training Program and the course of her/his association with the Franchisee, Participant may be provided with or otherwise have access to non-public information that Franchisor considers to be of a confidential, proprietary, or trade secret nature. Among other things, this confidential, proprietary, and/or trade secret information may include details regarding Franchisor’s business plan and related systems and processes, as well as other financial, business, and technical information, marketing, engineering and other plans, financial statements and projections, curricula, student, parent, and vendor information, research, designs, plans, compilations, methods, techniques, processes, procedures, training materials, and know-how of Franchisor, whether in tangible or intangible form, and whether or not stored, compiled or memorialized physically, electronically, graphically, photographically, or in writing (together, all of the above are deemed to be “Confidential Information”).

**B.** Participant agrees to treat all of the Confidential Information in a private and confidential manner. Participant agrees to maintain the privacy of the Confidential Information in a manner that is no less protective of that information than other private information concerning Participant, the Franchisee’s business, and other similar sensitive information.

**C.** Participant agrees not to sell, transfer, publish, disclose, or otherwise use or make available any portion of the Confidential Information of the other party to third parties (except to employees of the Franchisee who clearly have a need-to-know the Confidential Information solely for the purpose of operating the Franchisee’s Celebree School).

**D.** Participant understands and agrees that Franchisor owns all of the Confidential Information. Participant also understands and agrees that the Confidential Information may only be used for the specific purposes expressly authorized by this Agreement.

**E.** Participant understands and agrees that Franchisor is not granting to Participant any license to use Franchisor’s intellectual property (for example, patents, trademarks, copyrights, domain names, and trade dress).

**F.** Upon the termination or expiration of this Agreement, or at Franchisor’s request, Participant agrees to promptly destroy all of its copies of Confidential Information in its possession, or at Franchisor’s request, to return the Confidential Information to Franchisor (in accordance with Franchisor’s instructions).

### 3. General Terms.

**A.** This Agreement is the entire agreement between the parties concerning the subject matter and supersedes any prior agreements concerning the subject matter hereof.

**B.** The term of this Agreement shall be for: (i) the entire length of time that Participant is associated with Franchisee; and (ii) for an additional period of three (3) years after that association ends.

**C.** If any provision of this Agreement is determined to be invalid or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, the invalidity will not impair the operation of any other provisions which remain otherwise intelligible. The latter will continue to be given full force and effect, and the invalid provisions will be deemed not to be a part of this Agreement.

**D.** No delay or omission by Franchisor in exercising any right under this Agreement will operate as a waiver of that or any other right.

**E.** This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles.

**F.** The parties agree all disputes arising under this Agreement will be heard only in the federal or state courts in the State of Maryland that have jurisdiction where Franchisor has its principal offices.

**G.** Participant and Franchisee understands and agrees that Participant is not (and shall not be deemed to be) employed by Franchisor, and both Participant and Franchisee agree that they will not claim otherwise.

**H.** Participant acknowledges and agrees that its breach of this Agreement may cause irreparable injury to Franchisor, and that Franchisor may seek and obtain injunctive and other equitable relief against such breach.

**I.** No amendment or modification of this Agreement shall be valid or binding on the parties unless made in a mutually executed writing.

**J.** This Agreement may be executed in multiple counterparts, each of which when executed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by electronic transmission (including an electronic signature platform or the transmission of a scanned PDF document) shall be effective as delivery of a manually executed counterpart of this Agreement.

**IN WITNESS WHEREOF**, the undersigned Participant has signed and delivered this Agreement as of the day and year below written.

**PARTICIPANT:**

\_\_\_\_\_

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

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

**EXHIBIT K**  
**DISCLOSURE ACKNOWLEDGEMENT FORM**

**DISCLOSURE ACKNOWLEDGMENT FORM  
TO BE COMPLETED BEFORE  
SIGNING A CELEBREE SCHOOL DEVELOPMENT OR FRANCHISE AGREEMENT**

You are preparing to enter into a Celebree School Development Agreement or Franchise Agreement (“Agreement”) with Celebree Enterprises, LLC (“we” “our” or “us”). Please review each of the following questions carefully and provide complete responses to each.

Franchise Applicant \_\_\_\_\_

1. Have we provided you with a Franchise Disclosure Document at least 14 calendar days (or the earlier of the first personal meeting or 10 business days if you are a prospect based in or will operate in New York; the earlier of the first personal meeting or 14 days if you are a prospect based in or will operate in Iowa; or 10 business days if you are a prospect based in or will operate in Michigan) before you signed any agreements or paid any money or other consideration to us or our affiliates?

Yes \_\_\_ No \_\_\_

2. Did you sign a Receipt indicating the date on which you received the Franchise Disclosure Document?

Yes \_\_\_ No \_\_\_

3. Please list any questions you have regarding the franchise opportunity that you would like to discuss prior to signing the Agreement. (Attach additional pages, if necessary.)

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4. Please list any information provided to you by any employee or other person speaking on our behalf concerning the sales, revenue, profits, or operating costs of one or more Celebree Schools operated by us, our affiliates, or our franchisees or that you may earn or experience that is in addition to the information contained in the Franchise Disclosure Document:

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*This form is not for use in the state of Maryland.*

*All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the California Franchise Investment Law or any other state franchise registration and disclosure law.*

FRANCHISE APPLICANT (ENTITY OWNER)

\_\_\_\_\_  
[Insert name of Franchise Applicant]

By: \_\_\_\_\_  
[Name of Person signing on behalf of Franchise Applicant]

Its: \_\_\_\_\_  
[Title of Person signing on behalf of Franchise Applicant]

FRANCHISE APPLICANT (INDIVIDUAL OWNERS)

\_\_\_\_\_  
[Insert name of Owner]

\_\_\_\_\_  
[Signature of Owner]

**EXHIBIT L**  
**LEASE AGREEMENT**

**LEASE AGREEMENT**  
**BETWEEN**  
**[LANDLORD ENTITY NAME]**  
**AND**  
**[TENANT ENTITY NAME] D/B/A CELEBREE SCHOOL**  
**FOR**  
**[PROPERTY ADDRESS]**



## LEASE AGREEMENT<sup>1</sup>

**THIS LEASE AGREEMENT** (this "**Lease**") made this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_ ("**Execution Date**") by and between [LANDLORD ENTITY NAME], a [LANDLORD'S STATE OF FORMATION] limited liability company ("**Landlord**"), and [TENANT ENTITY NAME], a [TENANT'S STATE OF FORMATION] limited liability company d/b/a Celebree School ("**Tenant**").

### 1. FUNDAMENTAL LEASE PROVISIONS AND DEFINITIONS.

"**Additional Rent**" means all sums payable by Tenant to Landlord under this Lease, other than Base Rent. The Additional Rent payable by Tenant under this Lease includes: Tenant's Share of Operating Expenses (as defined in this Section 1), late fees and interest as a result of Tenant's failure to make timely payment, items for which Landlord elects to pay as a result of Tenant's failure to perform any of its obligations hereunder, costs incurred by Landlord as a result of Tenant's Default (defined below), and any other sums that become due from Tenant to Landlord under this Lease.

"**Approvals**" means all governmental and quasi-governmental permits and approvals necessary to allow the Permitted Use at the Premises and to carry out Tenant's Work all at Tenant's sole cost and expense.

"**Approvals Date**" means the date on which the Tenant has Successfully Obtained all of the Approvals. In the event that the Approvals Date has not occurred prior to the expiration of the Approvals Period, Landlord may, in its sole discretion, terminate this Lease.

"**Approvals Period**" means the period commencing on the Execution Date of this Lease and ending on the date that is nine (9) months thereafter. Notwithstanding anything contained herein to the contrary, the Approvals Period shall not be subject to Force Majeure except for a mandated business shutdown by any authority within the State of [STATE OF PROPERTY LOCATION] or [COUNTY OF PROPERTY LOCATION].

"**Base Rent**": \$[BASE RENT PER SQUARE FOOT] per gross square foot of interior space during the first Lease Year, payable in monthly installments (i.e., \$[BASE RENT PER MONTH] per month based upon the Building interior square footage of [SQUARE FOOTAGE] square feet). If the Commencement Date begins on a day other than the first day of a calendar month, the first Lease year shall consist of the period from the Commencement Date until the last day of the twelfth full calendar month thereafter. The Base Rent will increase by three percent (3%) per annum, commencing on the first day of the second Lease Year and on the first day of each subsequent Lease Year, including each subsequent Lease Year of any Renewal Term(s) (as defined below). The \_\_\_\_\_ square foot open area for a playground provided by Landlord that is adjacent to the Building (the "**Playground Area**") shall not be considered in the Base Rent calculation.

"**Brokers**" means [BROKER NAME].

"**Building**" means that certain existing [SQUARE FOOTAGE] +/- square foot building on the Premises. Landlord and Tenant acknowledge that the dimensions and area of the

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<sup>1</sup> To be adapted for site-, deal-, or location-specific terms.

Building as set forth herein are approximate and agree that both Landlord and Tenant may cause the square footage of the Premises to be measured to certify the actual gross square footage of the Premises, measuring from the exterior surface of freestanding walls. Any such measurement must be completed and delivered to the other party no later than thirty (30) days following the delivery of possession to Tenant. If the remeasured area varies from the area specified in the Lease, the gross leasable square footage of the Premises as set forth in the Lease shall be modified to be the remeasured area as herein provided, and Base Rent, Additional Rent and any other charge under the Lease which is based upon the gross leasable square footage of the Premises, shall be adjusted proportionately based upon the new measurement.

**"Commencement Date"** means the end of the Build Out Period (as defined in Section 3(a) below).

**"County"** means [COUNTY OF PROPERTY LOCATION], [STATE OF PROPERTY LOCATION].

**"Default Rate"** means the rate which is the greater of: (a) ten percent (10%) per annum; or (b) the Wall Street Journal Prime Rate, plus two percent (2%); provided, however, that in no event shall the Default Rate exceed the maximum rate allowed by applicable law.

**"Delivery Date"** means the day after the current tenant of the Building vacates the Premises. This is currently estimated to occur on or before [ESTIMATED DELIVERY DATE] (the "Estimated Delivery Date"), but in no event shall the Delivery Date occur before [OUTSIDE DELIVERY DATE]. Notwithstanding the foregoing, in the event Landlord is delayed in delivering the Premises to Tenant more than one hundred twenty (120) days after the Estimated Delivery Date, Tenant may, at its option, terminate this Lease by giving written notice to Landlord of said termination, which notice must be given within sixty (60) days following said date.

**"Force Majeure"** refers to causes that are not reasonably within Landlord's and/or Tenant's control, which shall include (without limitation) all labor disputes, fire or other casualty, inability to obtain any material or services, adverse weather conditions, moratorium, litigation, civil commotion, restrictive governmental orders, laws and/or regulations, plague, epidemic, pandemic, outbreaks of infectious disease or any other public health crisis, including quarantine or other employee restrictions, failure or disruption of utility services, acts of God, action or inaction by the other party, or any other cause, whether similar or dissimilar to the foregoing, not reasonably within the control of Landlord and/or Tenant. Landlord shall give Tenant written notice of the beginning and end of any Force Majeure events that delay Delivery Date within thirty (30) days of the occurrence of same.

**"Guarantor"** means [NAME OF PERSONAL GUARANTOR 1] and [NAME OF PERSONAL GUARANTOR 2], individually, (jointly and severally, the **"Guarantors"**).

**"Guaranty"** means that certain Guaranty and Suretyship Agreement, executed by Guarantor at or prior to the execution of this Lease, whereby Guarantor agrees to act as guarantor and surety of Tenant's obligations and liabilities under this Lease, which Guaranty and Suretyship Agreement has induced Landlord's willingness to enter into this Lease. The form of the personal Guaranty, signed by each Personal Guarantor, is attached hereto as **Exhibit "B"**.

**"Insurance Costs"** means the costs incurred by Landlord with respect to the insurance maintained by Landlord pursuant to Section 14(b) or otherwise with respect to the Premises.

**“Landlord’s Maintenance Obligations”** shall have the meaning ascribed to such term in Section 5(b).

**"Lease Year"** means the successive periods of twelve (12) full calendar months, with the first Lease Year beginning on the Commencement Date, and ending on the last day of the twelfth (12<sup>th</sup>) full calendar month thereafter.

**"Mortgage"** means any ground lease, mortgage or other security interest now or hereafter encumbering all or any part of Landlord’s interest in the Premises, together with any and all amendments or modifications thereof.

**"Mortgagee"** means the holder of any Mortgage.

**"Notice Addresses":**

**Landlord:** [LANDLORD ENTITY NAME]  
Attn: Chief Executive Officer  
8029 Corporate Drive  
Nottingham, MD 21236

**With mandatory  
copies to:**

Celebree Enterprises, LLC  
8029 Corporate Drive  
Nottingham, MD 21236

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

**Tenant:** [TENANT ENTITY NAME]  
Attn: \_\_\_\_\_

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

**With mandatory  
copies to:**

[TENANT ATTORNEY NAME]  
Attn: \_\_\_\_\_

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

**"Operating Expenses"** means all costs, charges and expenses incurred by Landlord in connection with the ownership, operation, management, maintenance and repair of, and services provided by Landlord to, the Premises (including without limitation Taxes and Insurance Costs, which are payable by Tenant under separate categories, and all costs, charges

and expenses incurred by Landlord in connection with Landlord's Maintenance Obligations provided for in Section 5(b) below).

**"Permitted Use"** means a licensed, all-day, early childhood education facility along with before- and after-school care five (5) days per week (Monday through Friday) from 6:30 a.m. to 6:30 p.m. with unlimited access twenty-four (24) hours per day, seven (7) days per week subject to Landlord's rights of entry as provided herein. No other uses or purposes shall be permitted absent Landlord's prior written consent, which consent Landlord shall have no obligation to give.

**"Premises"** means that certain property commonly known as [PROPERTY ADDRESS], all as legally described as [LEGAL DESCRIPTION], together with the Building and all improvements thereon, including, but not limited to, the \_\_\_\_\_ square foot Playground Area shown on the site plan attached hereto as **Exhibit "E"**.

**"Primary Term"** means a period of ten (10) Lease Years commencing at 12:01 a.m. (prevailing time) on the Commencement Date and will expire, without the necessity of further notice from either party to the other, at 11:59 p.m. (prevailing time) on the last day of the tenth (10<sup>th</sup>) Lease Year. Additionally, Tenant shall have the option of extending the Primary Term of this Lease for two (2) renewal terms, each renewal term being five (5) years each (each a **"Renewal Term"**). Tenant may exercise its rights to so extend/renew this Lease by providing Landlord with written notice of its intent to extend/renew this Lease sent at least two hundred and seventy (270) days before the end of the then current Lease Term or Renewal Term. This Lease shall automatically terminate at the end of the Term and Tenant shall surrender the Premises to Landlord on such date, without notice or demand from either party.

**"Rent"** means a collective reference to the Base Rent and Additional Rent.

**"Rent Commencement Date"** means the earlier of (a) the date that is \_\_\_\_\_ days after the Commencement Date, or (b) the date Tenant opens for business at the Premises.

**"Rent Payment Address":**

[LANDLORD ENTITY NAME]  
Attn: Chief Executive Officer  
8029 Corporate Drive  
Nottingham, MD 21236

**"Security Deposit"** means the sum of \$[ONE MONTH'S RENT], which shall be paid by Tenant to Landlord on the Execution Date.

**"Successfully Obtained"** means, the grant by the appropriate governmental authority having jurisdiction over the applicable Approvals, using Tenant's full and best efforts without conditions or qualifications unacceptable to Landlord.

**"Taxes"** means all taxes (including ad valorem taxes and real estate taxes assessed by the municipality, county, state and school district of which the Premises are a part, plus any applicable discretionary or mandatory sales surtax, assessments, user fees and other governmental impositions and charges of every kind and nature whatsoever, extraordinary as well as ordinary, which arise or accrue or are otherwise attributable to any periods commencing on and after the Commencement Date by reason of the existence and use of the Premises. Annual

or other periodic Taxes assessed prior to the Commencement Date shall be apportioned. Taxes exclude (a) federal, state, or local income taxes, (b) franchise, gift, transfer, excise, capital stock, estate, succession, or inheritance taxes, and (c) penalties or interest for late payment of Taxes.

**"Tenant's Share of Operating Expenses"** means one hundred percent (100%) of all Operating Expenses.<sup>2</sup>

**"Term"**: The expression **"Term"** or **"Term of this Lease"** and similar expressions used in this Lease shall mean the Primary Term, together with any properly exercised Renewal Term(s). This Lease shall automatically terminate at the end of the Term and Tenant shall surrender the Premises to Landlord on such date, without notice or demand from either party.

2. **LEASE OF PREMISES.** Landlord, subject to the provisions and conditions hereof, leases to Tenant and Tenant accepts from Landlord, the Premises for the Term. Tenant shall not use or occupy, or permit or suffer to be used or occupied, the Premises or any part thereof, other than for the Permitted Use.

### 3. **TENANT'S WORK.**

(a) **Tenant's Work.** Tenant shall be responsible for all work, improvements, furniture, fixtures and equipment necessary or desirable to operate Tenant's business for the Permitted Use at the Premises (**"Tenant's Work"**), including, without limitation, any playground equipment to be installed in the Playground Area, all of which shall be performed and/or provided at Tenant's sole cost and expense, in accordance with the terms and conditions of this Lease (including, without limitation, Section 8(c) below) and in compliance with all applicable laws and the design criteria of Celebree Enterprises, LLC, its successors and assigns (**"Franchisor"**). Tenant must complete the Tenant's Work within \_\_\_\_\_ ( ) days following the Delivery Date (the **"Build Out Period"**); provided, however, that the Build Out Period shall be extended by the length of any mandated business shutdown by any authority within the State of [STATE OF PROPERTY LOCATION] or [COUNTY OF PROPERTY LOCATION] materially restricting the Tenant's Work without further remedy for the Landlord. Tenant's Work shall be performed by Tenant's contractor who will be licensed and insured in the State of [STATE OF PROPERTY LOCATION] and approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. In addition, the use of any contractor by Tenant shall be subject to: (i) all of the terms, provisions and requirements of this Lease; (ii) such contractor's agreement to meet Landlord's scheduling and timing requirements; and (iii) no delays attributable to any contractor shall result in any postponement or other extension of the Commencement Date. Tenant shall engage licensed design professionals to prepare plans, specifications and drawings based on the plans attached hereto as **Exhibit "A"**, subject to the approval of Landlord and Franchisor, which approval shall not be unreasonably withheld, delayed or conditioned if such plans, specifications and drawings are in accordance with, or mandated by, the Franchisor's Franchise Agreement (the **"Franchise Agreement"**) and manual. Such plans, specifications and drawings, as approved by Landlord and Franchisor, are referred to herein as the **"Plans and Specifications"** (as the same may be supplemented by more detailed plans, specifications and drawings). All changes to the Plans and Specifications shall be subject to Landlord's and Franchisor's consent, which consent shall not be unreasonably withheld, conditioned or delayed and which consent shall be given or withheld. Tenant agrees to construct Tenant's Work substantially in accordance with the Plans and Specifications and in compliance with all applicable laws. Tenant shall obtain all Approvals at its cost and expense. Tenant shall obtain a temporary

<sup>2</sup> To be adapted for multi-tenant buildings.

certificate of occupancy, or certificate of occupancy, as applicable, as a component of Tenant's Work.

(b) **Tenant Improvement Allowance.** So long as (a) no uncured Default then exists and (b) no condition, state of facts or event that, with the passing of time or the giving of notice, or both, would constitute a Default then exists, then Landlord shall pay to Tenant's contractor \$[IMPROVEMENT ALLOWANCE PER SQUARE FOOT] per square foot of the Building (the "Improvement Allowance"), which equates to \$[TOTAL IMPROVEMENT ALLOWANCE] based upon the Building containing [SQUARE FOOTAGE] square feet, towards the actual costs associated with Tenant's Work then incurred by Tenant, as reasonably determined by Landlord, in accordance with the following schedule: (i) upon completion of fifty percent (50%) of Tenant's Work, as reasonably determined by Landlord on a percentage of completion basis, Landlord shall pay Tenant's contractor one-third (1/3) of the Improvement Allowance; (ii) upon completion of seventy-five percent (75%) of Tenant's Work, as reasonably determined by Landlord on a percentage of completion basis, Landlord shall pay two-thirds (2/3) of the Improvement Allowance minus any portion of the Improvement Allowance by Landlord to Tenant's contractor pursuant to clause (i) of this Section 3(b); and (iii) upon completion of all of the Tenant's Work, as reasonably determined by Landlord, Tenant opening for business for the Permitted Use at the Premises and Tenant's payment of its first monthly installment of Rent, Landlord shall pay one hundred percent (100%) of the Improvement Allowance minus any portion(s) of the Improvement Allowance previously paid by Landlord to Tenant's contractor pursuant to clauses (i) and/or (ii) of this Section 3(b). In connection with any request for payment of any portion of the Tenant Allowance, Tenant shall remit to Landlord copies, to Landlord's satisfaction (in its sole discretion and subject to further audit or review thereof by Landlord), of detailed invoices and all back-up for all costs and expenses, on an open book basis, incurred by all contractors and subcontractors pertaining to the portion of Tenant's Work for which the Tenant seeks payment of the Tenant Allowance, as well as lien releases from all contractors and subcontractors of any tier who performed work or provided materials in connection with the portion of Tenant's Work for which payment of Improvement Allowance is being sought, both of which shall be a condition precedent to Landlord's obligations to pay each and every portion of the Improvement Allowance. A copy of all reports concerning the Tenant's Work that are delivered to Tenant and/or any bank of Tenant and/or Tenant's contractor shall simultaneously be delivered to Landlord.

(c) **Test Fit Allowance.** Landlord shall pay directly to Tenant's architect up to \$[TEST FIT ALLOWANCE PER SQUARE FOOT] per square foot of the Building (the "**Test Fit Allowance**"), which equates to \$[TOTAL TEST FIT ALLOWANCE] based upon the Building containing [SQUARE FOOTAGE] square feet, for such architect to perform a "Test Fit" of the Premises. Tenant shall acknowledge receipt of the test fit from the architect, and Landlord shall acknowledge payment directly to Tenant's architect of the full amount of the Test Fit Allowance up to \$[TOTAL TEST FIT ALLOWANCE] upon receipt of a reasonably detailed invoice issued by the Landlord's architect.

#### 4. RENT.

(a) **Base Rent and Additional Rent.** Starting on the Rent Commencement Date and continuing throughout the Term, Tenant shall pay to Landlord the Base Rent, in the amounts set forth in Section 1 above. Notwithstanding the above, starting on the Commencement Date and continuing throughout the Term, Tenant shall pay to Landlord the Additional Rent (including, without limitation, Tenant's Share of Operating Expenses (i.e., 100%)). Tenant's failure to timely pay Additional Rent shall carry the same consequences as Tenant's failure to pay

Base Rent. All Rent shall be payable without setoff, deduction or counterclaim of any kind. The obligations of Tenant to pay Rent which has accrued as of the date of expiration or sooner termination of this Lease shall in every event survive such expiration or earlier termination of this Lease.

(b) **Operating Expenses Exclusions.** Notwithstanding anything to the contrary contained herein, Operating Expenses shall not include any of the following expenditures: (i) depreciation or amortization of the Building; (ii) damage and repairs attributable to fire or other casualty, to the extent covered by insurance or resulting from the negligence or willful misconduct of Landlord or Landlord's employees, contractors, invitees, licensees, tenants or agents; (iii) damage and repairs covered under any insurance policy carried by, or required to be carried by, Landlord in connection with the Building (exclusive of any deductibles); (iv) damage and repairs necessitated by the negligence or willful misconduct of Landlord or Landlord's employees, contractors, invitees, licensees, tenants or agents, whether or not covered by insurance required hereunder; (v) payments of principal or interest on any mortgage or other encumbrance; (vi) interest, penalties or other costs arising out of Landlord's failure to make timely payment of its obligations; (vii) costs of any services provided to Tenant for which Landlord is entitled to be reimbursed by third parties; (viii) property management fees of ten percent (10%) of all Operating Expenses for the calendar year in which such Operating Expenses were incurred; (ix) any other expenses which, under generally accepted accounting principles and practice, would not be considered a normal maintenance and operating expense (provided, however, that the foregoing exclusion shall not apply to any expenses or categories of expenses contained in a budget provided to Tenant prior to the execution of this Lease or approved (or deemed to have been approved) by Tenant thereafter) which approval will not be unreasonably withheld; (x) costs incurred in connection with a transfer or disposition of all or any part of the Building or any interest therein; (xi) capital expenditures associated with Landlord's Maintenance Obligations in excess of the annual amortization of the cost of any such capital expenditures, with such cost to be amortized over the useful life of such capital improvement determined under generally accepted accounting principles and practices, but in no event more than twenty (20) years; and (xii) any fee or expenditure paid or payable by Landlord to any affiliate of Landlord, to the extent that such fee or expenditure materially exceeds the amount which would be payable in the absence of such relationship.

(c) **Rent Due Dates.** Base Rent, together with Landlord's estimate for Additional Rent shall be paid in advance in monthly installments on the first day of each calendar month, without setoff, prior notice or demand. The estimated amount of monthly Additional Rent to be collected from Tenant under this Lease for Tenant's Share of Operating Expenses shall be determined by Landlord prior to the Commencement Date, which estimated Additional Rent shall be paid to Landlord in monthly installments and shall be subject to annual reconciliation as provided below. After the end of each calendar year during the Term, Landlord shall reconcile actual Additional Rent against estimated Additional Rent, and shall send Tenant a statement setting forth any amount due from Tenant or any credit to Tenant, as applicable. In the event that the amount of Additional Rent received from Landlord for that year is insufficient to pay Operating Expenses, then Landlord shall provide Tenant a bill, along with the aforesaid annual reconciliation, for the amount due from Tenant to pay for the actual amounts due for the Landlord's Operating Expenses for the Premises (i.e. the actual amount due from Tenant for Taxes, Insurance Costs and Operating Expenses for the Premises shall be the actual amount of the bill for each item, minus the amount that Tenant paid as estimated Additional Rent for such items for that year, based upon the foregoing breakdown). The first installment of Rent shall be due and payable to Landlord on the Rent Commencement Date. If the Rent Commencement Date begins on a day other than the first day of a calendar month, Base Rent from the Rent Commencement

Date through the end of the first full calendar month thereafter shall be due on the Rent Commencement Date. All other Base Rent shall be due on the first day of the calendar month. Additional Rent shall be payable as specifically provided in this Lease, or in the absence of a specific provision, then within thirty (30) days after receipt of an invoice from Landlord showing such items to be due.

(d) **Place of Payment.** All Rent and other sums due to Landlord hereunder shall be payable to Landlord at the Rent Payment Address specified in Section 1, or to such other party or at such other address as Landlord may designate, from time to time, by written notice to Tenant.

(e) **No Waiver.** If Landlord, at any time or times, shall accept said Rent due to it hereunder after the same shall become due and payable, such acceptance shall not excuse delay upon subsequent occasions, or constitute or be construed as, a waiver of any of Landlord's rights hereunder. No payment by Tenant or receipt by Landlord of a lesser amount than the correct Rent shall be deemed to be other than a payment on account, and no endorsement or statement on any check or other communication accompanying a check for payment of any amounts payable hereunder shall be deemed an accord and satisfaction, and Landlord may accept such check as partial payment without prejudice to Landlord's right to recover the balance of any sums owed by Tenant hereunder or to pursue against Tenant any additional remedies available under this Lease or provided at law or in equity and without limitation of any other obligations of Tenant which expressly survive the expiration of the Term.

(f) **Other Items of Additional Rent.** Additional Rent shall also include any items for which Landlord elects to pay as a result of Tenant's failure to perform any of its obligations hereunder, after Tenant's receipt of written notice from Landlord.

(g) **Interest.** All Rent and any other sums due from Tenant to Landlord which are not received by Landlord within ten (10) days of the due date shall bear interest at the Default Rate. Interest at the Default Rate shall accrue from and after the date such payments first become due and owing hereunder, until Landlord receives payment in full. Any accrued interest owed by Tenant shall be deemed Additional Rent.

(h) **Late Charges.** If Rent or any other sum due from Tenant to Landlord shall be overdue for ten (10) days or more, then Tenant shall be obligated to pay to Landlord a late payment service charge equal to five (5%) percent of the overdue amount. The late payment service charge is in consideration of the fact that late payments will cause Landlord to incur costs and expenses, the exact amount of which is extremely difficult and impractical to fix. Any late payment service charges owed by Tenant shall be deemed Additional Rent.

(i) **Audit Right.** If Tenant shall dispute the amount set forth in the statement of Additional Rent provided by the Landlord, Tenant shall have the right, not later than sixty (60) days from the date of Landlord's statement, to request a review of Landlord's invoices and records for Tenant's Share of Operating Expenses for such calendar year by certified public accountants, attorneys, and auditors selected by Tenant and subject to Landlord's reasonable right of approval. In no event may Tenant utilize commission-based auditors or consultants. Tenant shall pay all certified public accountants fees or other expenses of such review. If Tenant shall not request a review in accordance with the provisions of this Paragraph within sixty (60) days of the date of Landlord's statement, such statement shall be final and binding for all purposes hereof. In the event that Tenant's review demonstrates that Landlord has overstated common area maintenance expenses, Landlord shall reimburse Tenant for any overpayment of Tenant's Share



of Operating Expenses within thirty (30) days of Landlord's receipt of reasonably sufficient documentation of such overstatement from Tenant. Notwithstanding the foregoing, if Tenant's review establishes that Tenant was overcharged for Tenant's Share of Operating Expenses by three percent (3%) or more, Landlord will pay Tenant's reasonable expenses in conducting Tenant's review. Tenant acknowledges and agrees that any information revealed in the above-described review may contain proprietary and sensitive information and that significant damage could result to Landlord if such information were disclosed to any party other than Tenant's certified public accountants, attorneys, auditors, regulators and consultants. Tenant shall not in any manner disclose, provide or make available any information revealed by the review to any person or entity other than Tenant's certified public accountants, attorneys, auditors, regulators and consultants without Landlord's prior written consent, which consent may be withheld by Landlord in its sole and absolute discretion. The information disclosed by the review will be used by Tenant solely for the purpose of evaluating the Landlord's books and records in connection with this Paragraph.

## **5. MAINTENANCE OBLIGATIONS.**

(a) **Tenant's Maintenance Obligations.** Tenant shall be responsible to perform all maintenance, repair and replacement of or to the Premises (including the Building) as may be necessary in order to keep the interior and exterior of the Premises in a neat and orderly fashion and in the same condition throughout the Term as it was at the Commencement Date, reasonable wear and tear excepted, including (without limitation), plumbing, electrical and mechanical systems, HVAC systems, sprinkler systems, any elevators, roof, structure, painting, cleaning, trash removal, sweeping and janitorial services, exterior lighting, plate glass, windows, window frames, doors, and door frames, landscaping, snow removal, utility lines inside the Premises, except, and only except Landlord's Maintenance Obligations (defined in subsection (b) below). Tenant shall also be responsible for any maintenance, repair, improvement or replacement which is necessitated or exacerbated by or otherwise related to: (i) negligence or willful misconduct of Tenant, its agents, employees, invitees, licensees, subtenants or contractors; (ii) any repairs, improvements or renovations by Tenant; or (iii) a breach by Tenant under this Lease. Any item for which Tenant is responsible and which Tenant fails to maintain (including, without limitation the required preventative maintenance contracts as set forth below), may be maintained by Landlord, after reasonable notice and a period of not less than thirty (30) days in which to cure has been provided, and the cost thereof shall be Additional Rent. All maintenance, repairs and replacement by Tenant shall utilize materials and workmanship that is equal to or better than the materials and workmanship in place as of the Effective Date. Without limiting the generality of the foregoing, Tenant shall be responsible for all repairs and replacements to the Premises, necessitated by a burglary, or by an illegal or forcible entry into the Premises. Landlord shall transfer to Tenant all warranties for any item Tenant is required to maintain pursuant to this Lease. In addition, and without limiting Tenant's other obligations under this Section 5(a), Tenant shall contract with, at its sole cost and at intervals as Landlord shall reasonably require, a reputable service company to perform routine seasonal preventive maintenance at least quarterly on the HVAC system, the roof and any elevator serving the Building. Tenant shall provide evidence of said contracts to Landlord within thirty (30) days of the Commencement Date and shall also deliver copies of all renewal contracts to Landlord as they occur.

(b) **Landlord's Maintenance Obligations.** Landlord shall be responsible for the cost of any replacements to the structural components of the Building and the roof, including (to the extent that Tenant gives Landlord prompt written notice of the need for such replacements), utility lines within the Premises up to their connections to the Building, foundation, parking lot replacement (excluding, without limitation, resurfacing, restriping or repairs and repairs which are

Tenant's obligation under Section 5(a)), and repairs necessitated by the negligence or willful misconduct of Landlord or Landlord's employees, agents or contractors or invitees (collectively the "**Landlord's Maintenance Obligations**"); provided however, that any and all cost for Landlord's Maintenance Obligations shall become payable by Tenant as Operating Expenses, unless expressly excluded by Section 4(b) above. Notwithstanding the foregoing, Tenant shall be responsible for the cost of any and all repairs of any nature or kind (structural and non-structural, capital and otherwise) resulting from the negligent or willful conduct of Tenant, its employees and agents. Tenant shall give Landlord prompt written notice of the need for any replacement or repair which is required as part of Landlord's Maintenance Obligations.

**6. UTILITIES AND OTHER SERVICES.** In addition to the Base Rent and Additional Rent, Tenant shall pay the service providers directly for all utilities (including, to the extent applicable, water, sewer, gas, electricity, telephones and internet), janitorial, security, trash removal and any other third-party services that Tenant elects to have provided to the Premises. Tenant shall apply for telecom service and shall be responsible for utility connection fees. Landlord will ensure that the Premises shall be, as of the Commencement Date, independently metered for sewer, water, gas (if available) and electricity. In addition, Tenant shall be responsible for any special systems, telephone and/or data wiring and other telecom or communications equipment within the Premises. No slowdown, interruption or stoppage of services, shall: (1) impose any liability on Landlord or give rise to any claim for damages against Landlord (including any claim for damages by reason of loss of profits, business interruption or other consequential damages); (2) constitute a default by Landlord under this Lease or relieve Tenant from the performance of its obligations under this Lease; (3) entitle Tenant to any abatement or reduction in Rent; or (4) give rise to a claim in Tenant's favor that such absence of services constitutes actual or constructive eviction or renders the Premises untenable. Notwithstanding the foregoing, if Tenant is prevented from using the Premises due to a utility failure, and (1) the interruption or failure was caused by Landlord's willful misconduct or gross negligence, and (2) the restoration of such utility is within the reasonable control of Landlord, and (3) and such interruption or failure was not caused in whole or in part by Tenant or a governmental directive, then if service is not restored within three (3) business days following Landlord's receipt from Tenant of prompt written notice regarding such interruption or failure, Tenant shall be entitled to abate rent for each consecutive day following such third (3<sup>rd</sup>) day that Tenant is so prevented from using the Premises, except to the extent of any business interruption coverage carried by Tenant or which would have been carried by Tenant in connection with such insurance coverage as Tenant is required to maintain pursuant to this Lease.

**7. BROKER DISCLOSURE.** The parties hereto represent that they have dealt with no broker(s) regarding this proposed transaction except the Brokers, the exclusive real estate broker for Tenant. Landlord shall be responsible for payment of all commission(s) due to such Broker if, and only if, separately negotiated in writing between Landlord and Broker.

**8. ADDITIONAL COVENANTS OF TENANT.** Tenant agrees, on behalf of itself, its employees and agents that it shall:

(a) **Comply with Laws.** Comply at all times with any and all federal, state and local statutes, regulations, ordinances, and other requirements of any of the constituted public authorities and any insurers insuring the Premises.

(b) **Not Affect Insurance.** Not overload, damage or deface the Premises or do any act which might make void or voidable any insurance on the Premises or which may render an increased or extra premium payable for insurance (and without prejudice to any right or remedy

of Landlord may have under this Lease, at law or in equity, Landlord shall have the right to collect from Tenant, upon demand, any such increase or extra premium).

(c) **Alterations.** Not make any alteration of or addition to the Premises without the prior written approval of Landlord, except for interior, nonstructural alterations of a decorative nature or trade dress consistent with the trade dress of Franchisor. Tenant shall provide such plans, specifications and other information as Landlord may reasonably request to facilitate such review and approval. Any interior partitions or other alterations affecting the efficiency of the electrical, plumbing or HVAC systems serving the Premises, and alterations requiring any cutting into any wall, roof, floor, fixture or equipment, shall not be considered "of a decorative nature" within the meaning of the preceding sentence. Landlord's approval shall not be unreasonably withheld, delayed or conditioned. All alterations performed in the Premises by Tenant, whether or not requiring Landlord's consent, shall be performed: (i) at Tenant's sole cost and expense, (ii) in a good and workmanlike manner and in accordance with all applicable laws and ordinances, and (iii) excepting interior painting, floor and wall coverings and installation of decorative hardware, only after providing written notice to Landlord at least ten (10) days prior to performing such alterations. Tenant shall be responsible for securing all permits and approvals necessary to construct the alterations, including specifically the costs of any such permits or approvals. In the event of any alterations made by Tenant after Commencement Date which would affect the Building structure, systems or otherwise would reasonably require the review of an architect or engineer, Tenant shall reimburse Landlord for all reasonable out of pocket expenses paid to unrelated third parties in reviewing any proposed alterations requested by Tenant (including reasonable legal, architect's and engineer's fees). Landlord's review of any alterations or plans shall not constitute a certification or confirmation that such alterations comply with applicable legal requirements or sound construction practices. Tenant shall be responsible for all damage resulting from any alterations performed by Tenant. All improvements made by Tenant in connection with any alterations shall become a part of the Premises when made and shall remain upon and be surrendered with the Premises at the end of the Term. Tenant shall repair any damage occasioned by the removal of Tenant's property and restore any disturbed portions of the Premises to the condition that existed prior to the Commencement Date, reasonable wear and tear and damage from casualty and condemnation excepted, and, in default thereof, Landlord may effect said removal and repairs at Tenant's expense. All contractors constructing any improvement or alteration in the Premises shall be licensed in the State of [STATE OF PROPERTY LOCATION], shall maintain insurance as required under this Lease, and shall be subject to Landlord's approval, which shall not be unreasonably withheld. Landlord shall be deemed to have reasonably withheld consent if Landlord determines that the prospective contractor (including its owners and affiliates) has an unfavorable reputation, or otherwise lacks a demonstrable record of successful operation in the business to be conducted on the Premises, does not carry insurance coverage that is acceptable to Landlord, or has not provided adequate protection against potential mechanics' lien claims. The use of any third party contractor by Tenant shall be subject to each of the following, as well as such additional terms and conditions as Landlord may reasonably require: (i) such contractor and all of its subcontractors shall carry insurance as required by this Lease and such other insurance coverage as may be reasonably required by Landlord; and (ii) such contractor shall execute and deliver to Landlord an instrument drafted by Landlord's counsel whereby such contractor agrees to indemnify, defend and hold Landlord harmless from and against any and all losses, costs (including reasonable attorneys' fees), damages, liability, expenses, actions or claims arising in any manner whatsoever from, out of or in connection with (w) mechanics liens (or the equivalent thereof); (x) any failure by contractor, its subcontractors, materialmen, employees, representatives or agents to comply with any statutes, regulations, ordinances or orders of any governmental authority; (y) any accident, death, injury, or damage, loss or theft of property in or about the Premises resulting from the acts

or omissions of contractor, its subcontractors, materialmen, employees, representatives or agents; and/or (z) any entry upon the Premises by contractor, its subcontractors, materialmen, employees, representatives or agents.

(d) **Installations.** Not install any equipment of any kind whatsoever which might necessitate any changes, replacements or additions to any of the heating, ventilating, air conditioning, electric, sanitary or other systems serving the Premises, without the prior written approval of Landlord, which approval shall not be unreasonably withheld. In the event such approval is granted, such replacements, changes or additions shall be paid for by Tenant at Tenant's sole cost and expense. At the expiration of the Term, Tenant shall, at the election of Landlord, pay Landlord's cost of restoring such systems to their condition prior to such replacements, changes or additions.

(e) **Signage.** Tenant may, at Tenant's sole cost and expense, install exterior building, pylon and monument signage, subject to approval pursuant to subsection (c). All signage installed by Tenant must comply with all local ordinances, and Tenant shall obtain, at Tenant's sole expenses, any and all permits and approvals required by the local governing authority. Subject to any and all applicable governmental permits and approvals, Landlord expressly permits Tenant to install the standard signage of the Franchisor, with the styling, colors, logo and maximum height required by Franchisor, which is attached hereto as **Exhibit "C"**. Any signs installed by Tenant shall be removed by Tenant at the expiration or earlier termination of this Lease, at the sole expense of Tenant. Tenant shall, also at its sole cost, repair any damage related to the sign removal and restore all areas affected thereby to the condition they existed prior to the installation of such signage. Any special exceptions or variances required for the Permitted Use must be obtained by, and are the sole responsibility of, the Tenant.

(f) **Smoking.** Not allow smoking within the Building.

(g) **Noise.** Not use or permit the use of any apparatus for sound and/or light reproduction or transmission including loudspeakers, phonographs, radios or televisions, or of any musical instrument in such manner that the sounds so reproduced, transmitted or produced shall be audible beyond the Premises, without the prior written consent of Landlord.

(h) **Roof.** Nothing is to be attached or placed on the roof or the exterior walls of the Building without Landlord's prior written consent, and Tenant's access to the roof shall be limited to inspection for damages and performances of such maintenance and repairs required of Tenant under this Lease as necessitate access to the roof.

(i) **Odors.** Tenant shall not cause or permit strong, unusual, offensive or objectionable sound, sights, odors, fumes, dust or vapors to emanate or be dispelled from the Premises.

(j) **Nuisance.** Tenant will not conduct or permit any activities that might constitute a nuisance, or which are prurient or otherwise not generally considered appropriate in accordance with general community standards.

**9. MECHANIC'S OR CONSTRUCTION LIENS.** If (a) because of any act or omission of Tenant or anyone claiming by, through or under Tenant, or (b) by reason of or arising out of the use or occupancy of the Premises by Tenant, or (c) by reason of any construction, alteration, repair or restoration of any part of the Premises by Tenant, any mechanics', construction or other lien, encumbrance, judgment lien or order for the payment of money or the performance of any

act or thing, shall be filed against the Premises or any improvements thereon (whether or not such lien or order is valid or enforceable as such), Tenant shall, at Tenant's own cost and expense, cause the same to be canceled and discharged of record within thirty (30) days after the date after Landlord gives notice to Tenant requiring removal of same, and Tenant shall also indemnify and save harmless Landlord from and against any and all costs, expenses, claims, losses or damages (including reasonable fees charged by counsel of Landlord's choice) resulting therefrom or by reason thereof. Notwithstanding the foregoing, Tenant may contest such a lien, in good faith, on condition that Tenant bonds over the lien in a manner acceptable to the courts of [COUNTY OF PROPERTY LOCATION], or as otherwise provided under [STATE OF PROPERTY LOCATION] law. In the event that Tenant fails to pay, discharge or bond over the liens within the time set forth above, Landlord shall have the right to pay off said liens and recover said amount from Tenant, together with interest at the Default Rate, as Additional Rent.

## 10. SUBLETTING AND ASSIGNING.

(a) **Consent.** Tenant shall not sublet the Premises or assign this Lease, whether voluntarily or by operation of law (each, a "**Transfer**") without the prior written consent of the Landlord which Landlord may withhold in its sole and absolute discretion. Tenant shall have no right to Transfer if Tenant is in Default or if any event has occurred which, with the passage of time after the giving of notice would constitute a Default. Any assignment in violation of this Section 10 shall be void at the option of Landlord and shall constitute a Default hereunder without the opportunity for notice or cure by Tenant.

(b) **Controlled or Affiliated Parties.** A merger, consolidation or transfer or sale by Tenant of all or a majority of the voting shares, partnership interests or other controlling interests in Tenant shall be considered a Transfer by Tenant, which shall require Landlord's prior written consent pursuant to Section 10(a) above.

(c) **Transfer Procedures.** If Tenant desires to initiate a Transfer, Tenant shall give Landlord written notice no later than thirty (30) days in advance of the proposed effective date of any proposed assignment or sublease, specifying (i) the name and business of the proposed assignee or sublessee, (ii) the amount and location of the space within the Premises proposed to be subleased, (iii) the proposed effective date and duration of the assignment or subletting and (iv) the proposed rent or consideration to be paid to Tenant by such assignee or sublessee (an "**Assignment Notice**"). Tenant shall promptly supply Landlord with financial statements and other information as Landlord may reasonably request to evaluate the proposed Transfer. Landlord shall have a period of twenty (20) days following receipt of such notice and all other information requested by Landlord within which to notify Tenant in writing that Landlord elects: (1) to permit Tenant to assign or sublet such space; (2) to refuse, in Landlord's sole discretion to consent to Tenant's assignment or subleasing of such space and to continue this Lease in full force and effect as to the entire Premises; or (3) to terminate the Lease. If Landlord should fail to notify Tenant in writing of such election within the aforesaid twenty (20) day period, Landlord shall be deemed to have elected option (2) above. Tenant agrees to reimburse Landlord for reasonable legal fees and any other costs incurred by Landlord in connection with any requested Transfer. No assignment will be valid unless the assignee shall execute and deliver to Landlord an assumption of liability agreement in form reasonably satisfactory to Landlord and such assignee, including an assumption by the assignee of all of the obligations of Tenant and the assignee's ratification of, and agreement to be bound by, all the provisions of this Lease. No subletting will be valid unless Tenant and the subtenant have executed and delivered to Landlord a sublease agreement pursuant to which such subtenant agrees that the sublease shall be subject to all of the terms and conditions of this Lease.

(d) **Continuing Obligations.** Notwithstanding anything to the contrary herein, no Transfer shall in any way release Tenant of Tenant's obligations, release any Guarantor of such Guarantor's obligations, or alter the primary liability of Tenant to pay Rent and to perform all other obligations to be performed by Tenant under this Lease. If any assignee or sublessee defaults in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without proceeding against or exhausting its remedies against such assignee or sublessee. After any Transfer by Tenant, Landlord may consent to subsequent assignments, subleases, transfers or encumbrances, or agree with an assignee or sublessee on amendments to this Lease, without notifying Tenant, any Guarantor or any other person, without obtaining Tenant's or any Guarantor's consent thereto, and without relieving Tenant or any Guarantor of any liability under this Lease.

(e) Notwithstanding anything to the contrary contained herein, Tenant shall have the right, subject to the transfer procedures in Section 10(c) above, but with Landlord's and Franchisor's prior consent, to assign this Lease to an entity related to Tenant, an affiliate of Franchisor, or a Franchisor franchisee in good standing, if (i) such franchisee has a net worth equal to or greater than original Tenant's as of the Execution Date of the Lease, as determined and verified by Landlord, and (ii) such franchisee's principals have a net worth equal to or greater than the Guarantor's as of the Execution Date of this Lease, as reasonably determined and verified by Landlord (iii) no uncured Default has occurred under the Lease and no uncured Default (as defined in the Guaranty) has occurred under the Guaranty, and (iv) all principals of such franchisee and their spouses execute a guaranty of the Lease, the form and substance of which is substantially similar to the Personal Guaranty attached hereto. Nothing in this Section 10(e) shall limit the Tenant's or Guarantor's obligations under Section 10(d) above.

**11. FIRE OR CASUALTY.** In the event that the whole or a material part of the Premises is damaged or destroyed by fire or other casualty such that there is or will likely be a material interference with Tenant's operations, then Landlord shall provide written notice to Tenant as to the estimated time period for the restoration of the damage within sixty (60) days of the casualty. As used herein, a "material portion" shall mean such portion that Tenant cannot reasonably operate its business in the same general manner as it was operating prior to such fire or other casualty. In the event that Landlord's notice provides that the repairs to the Premises shall require more than two hundred seventy (270) days from the date of the casualty to complete, then Landlord shall have the right to terminate this Lease by providing written notice thereof to Tenant within thirty (30) days after such notice. In the event that the damage can be repaired within such two hundred seventy (270) days, or in the event that less than a material portion of the Premises or Building is damaged, or in the event Landlord has not elected to terminate this Lease in accordance with the foregoing sentence, Landlord shall thereupon cause the damage (excepting, however, Tenant's furniture, fixtures, equipment and other personal property in, and all alterations and improvements performed by Tenant to the Premises, including, without limitation, Tenant's Work, which shall be Tenant's responsibility to restore) to be repaired to the extent of insurance proceeds actually received by Landlord, with reasonable speed, subject to delays which may arise by reason of adjustment of loss under insurance policies and for delays beyond the reasonable control of Landlord. In the event any Mortgagee, having the right to do so, shall direct that the insurance proceeds are to be applied to reduce the Mortgage debt rather than to the repair of such damage, this Lease shall, at the option of Landlord or Tenant, be terminated effective as of the date of casualty. In the event that the whole or a material part of the Premises is damaged or destroyed by fire or other casualty such that there is or will likely be a material interference with Tenant's operations, and Landlord has commenced repairs on such damaged portion, Tenant may, as its sole and exclusive remedy, terminate the Lease upon one

hundred eighty (180) days prior written notice to Landlord if Landlord has not Substantially Completed such repairs and returned possession to Tenant within one (1) year of the date of the casualty; provided that if Landlord Substantially Completes said such repairs and returns possession of the Premises to Tenant within such one hundred eighty (180) day notice period, Tenant's termination notice shall be null and void and of no force or effect.

Notwithstanding anything to the contrary contained herein, if Landlord seeks to exercise its right to terminate the Lease according to this Article 11 because of a shortfall in available insurance proceeds, Landlord shall send Tenant written notice of the amount of funding necessary to make up the difference between what insurance proceeds will cover and the estimated cost of rebuilding/repairing the Premises, the "**Shortfall Amount**". Tenant shall have the right, but not the obligation, for thirty (30) days from receipt of such notice, to agree in writing to pay to Landlord the Shortfall Amount in return for Landlord's acceptance of the obligation to rebuild to Premises. If Tenant agrees in writing to pay the Shortfall Amount, Tenant will have an additional thirty (30) days to make the payment, and in which case the Lease shall not be terminated.

Base Rent and all other charges shall be abated proportionately as to the portion of the Premises rendered untenantable from the date of such casualty until the Premises, or any portion thereof, have been rendered tenantable; provided however that such abatement shall not affect the Landlord's right to collect the proceeds of rental insurance.

If either Landlord or Tenant terminates this Lease according to the provisions of this Article 11, Rent shall be due until the later of: (1) the date of the casualty, and (b) the date Tenant ceases operation of business in the Premises. Tenant shall be entitled to a return of all pre-paid unaccrued Rent and a return of any unapplied portion of its Security Deposit within thirty (30) days of Lease termination.

**12. EMINENT DOMAIN.** If the whole or a material portion of the Premises is taken or condemned for a public or quasi-public use under any statute or by right of eminent domain by any competent authority or sold in lieu of such taking or condemnation (a "Taking"), such that the Building is not economically operable as before without substantial alteration or reconstruction, this Lease shall automatically terminate on the date that the right to possession shall vest in the condemning authority (the "Taking Date"), with Rent being adjusted to said Taking Date, and Tenant shall be entitled to a return of any unapplied portion of its Security Deposit within thirty (30) days. If any part of the Premises is so taken or condemned and this Lease is not terminated in accordance with the foregoing provisions of this Section 12, this Lease shall automatically terminate as to the portion of the Premises so taken or condemned, as of the Taking Date, and this Lease shall continue in full force as to the remainder of the Premises, with Rent abating only to the extent of the Premises so taken or condemned. Landlord hereby grants unto Tenant, and Tenant reserves the right to claim from the condemning authority only (and not from Landlord), in the event of any eminent domain proceeding, relocation damages and expenses, any and all damages to Tenant's business by reason of the condemnation and for or on account of any cost or loss to which Tenant might be put in removing Tenant's merchandise, furniture, fixtures, leasehold improvements and equipment (excepting any fixture, improvements or equipment paid for by Landlord (directly or as part of Tenant's improvement allowance) or which will revert to Landlord upon the expiration or earlier termination of this Lease. Said claim for Tenant shall be permitted only to the extent that said claim does not reduce the actual damage award to Landlord. Lease termination shall be delayed until after the condemnation proceeding to the extent necessary to ensure a basis for Tenant's claim to the foregoing items.

### 13. DEFAULT.

#### (a) Tenant's Default

(1) **Events of Default.** The following events of default shall constitute a default pursuant to this Lease ("**Default**") and shall entitle Landlord to pursue the remedies set forth herein or otherwise available at law or in equity: (i) Tenant shall fail to pay any Base Rent, Additional Rent or any other sum payable to Landlord hereunder when due and such failure is not cured within ten (10) days of Tenant's receipt of written notice from Landlord of such default, provided however, that Tenant shall be entitled only to one (1) such notice in any three hundred sixty-five (365) day period during the term of this Lease, or any extension hereof (after of which Tenant shall be in default if such payment is not made within ten (10) days after the date on which such payment is due); or (ii) Tenant assigns this Lease or subleases all or any portion of the Premises, or purports to assign this Lease or sublease all or any portion of the Premises, except as permitted in accordance with the provisions of Section 10 hereof; or (iii) Tenant abandons the Premises or vacates the Premises without Landlord's advance written consent; or (iv) Tenant records this Lease or a memorandum hereof in a place of public record without Landlord's consent; or (v) a custodian, receiver, trustee or liquidator of Tenant or of all or substantially all of the Premises or Tenant's property shall be appointed in any proceedings brought by or against Tenant and, in the latter case, such entity shall not be discharged within sixty (60) days after such appointment or Tenant consents to or acquiesces in such appointment; or (vi) Tenant shall generally not pay its debts as such debts become due, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall be adjudged insolvent; or (vii) the institution by or against Tenant of any proceedings for bankruptcy or reorganization under any state or federal law (unless in the case of involuntary proceedings, the same shall be dismissed within forty-five (45) days after institution); or (viii) any execution issued against assets of Tenant located in the Premises which is not stayed or discharged within thirty (30) days after issuance of any execution against such assets; (ix) Tenant fails to maintain the insurance required pursuant to Section 14 hereof; (x) Tenant defaults under the terms of the Franchise Agreement or any other agreement with Franchisor, [LANDLORD ENTITY NAME] or any other related entity, including the operating agreement of [LANDLORD ENTITY NAME]; or (xi) Tenant fails to perform or observe any of the other covenants, terms or conditions contained in this Lease and such failure continues for more than thirty (30) days after written notice thereof from Landlord; provided however, that Landlord shall not be required to give Tenant notice of such failure more than two (2) times in any three hundred sixty-five (365) day period with respect to the same or a substantially similar event of default.

(2) **Landlord's Remedies.** Upon the occurrence of a Default, Landlord, in addition to all other rights and remedies available to it at law or in equity or by any other provisions hereof, shall have the following remedies to the extent legally permissible, which remedies are distinct, separate and cumulative remedies; and no one of them, whether or not exercised by Landlord, shall be deemed to be in exclusion of any of the others:

- (i) **Substitute Performance.** Landlord may perform for the account of Tenant any such act, the omission of which constituted a Default by Tenant, and immediately recover as Additional Rent any expenditures made and the amount of any obligations incurred in connection therewith, plus interest at the Default Rate from the date the obligations are incurred by Landlord until payment therefor to Landlord, whether before or after entry of judgment and issuance of execution thereon.



- (ii) **Terminate Lease.** Landlord, at its option, may serve notice upon Tenant that this Lease and the then unexpired Term hereof shall cease and expire and become absolutely void effective as of the date of such notice, or any later effective date specified in such notice, without any right on the part of the Tenant to save the forfeiture by payment of any sum due or by the performance of any term or condition broken; and, upon the expiration of the time limit in such notice, this Lease and the Term hereof, as well as the right, title and interest of the Tenant hereunder, shall wholly cease and expire and become void in the same manner and with the same force and effect (except as to Tenant's liability) as if the date fixed in such notice were the date herein granted for expiration of the Term of this Lease. Thereupon, Tenant shall immediately quit and surrender to Landlord the Premises, and Landlord may enter into and repossess the Premises by summary proceedings, detainer, ejectment or otherwise and remove all occupants thereof and, at Landlord's option, any property thereon without being liable to indictment, prosecution or damages therefor. No such expiration or termination of this Lease shall relieve Tenant of its liability and obligations under this Lease, whether or not the Premises shall be relet. Landlord shall not be deemed to have accepted any abandonment or surrender by Tenant of any or all of the Premises and Landlord shall not be deemed to have terminated this Lease unless Landlord has so advised Tenant expressly in writing, regardless of whether Landlord has reentered or relet any or all of the Premises or exercised any or all of Landlord's other rights under the provisions of this Section 13 or requirements of law and rules of civil procedure.
- (iii) **Termination Damages – Acceleration of Rent.** If a Default occurs, Landlord, may, at its option, reenter the Premises, remove all persons therefrom, take possession of the Premises, and remove all of Tenant's personal property at Tenant's risk and expense and, either (i) terminate this Lease and Tenant's right of possession of the Premises or (ii) maintain this Lease in full force and effect and Landlord may elect, in Landlord's sole discretion, to relet all or part of the Premises on behalf of Tenant. In the event Landlord elects to maintain this Lease, Landlord shall have the right to enter the Premises to repair, make alterations to or relet the Premises for such rent and upon such terms as Landlord deems reasonable and necessary, and Tenant shall be liable for all damages sustained by Landlord, including but not limited to, (a) any deficiency in Rent for the period of time which would have remained in the Term in the absence of any termination, leasing fees, attorney's fees, other marketing and collection costs, (b) the cash value of any concessions granted to a new tenant, and (c) all other expenses of placing the Premises in first-class rentable condition. Landlord retains the right to terminate this Lease, at any time, notwithstanding that Landlord fails to terminate this Lease initially. Notwithstanding anything herein to the contrary, Landlord shall have the right, upon written notice to Tenant, to accelerate and recover Rent and other amounts due hereunder for the nine (9) month period following delivery of Landlord's acceleration notice, such amounts to be discounted to present value at an assumed discount rate of four percent (4%) per annum. Upon payment of all sums due hereunder, Tenant shall receive a credit or a rebate at the end of each rental period, against accelerated Rent paid by Tenant hereunder, of any rent actually paid to Landlord by a replacement tenant in a reletting of the Premises during each such nine (9) month period. In addition, Landlord shall continue to be entitled to collect and Tenant shall pay all accrued past due Rent due hereunder in addition to any accelerated Rent collected hereunder. Upon the expiration of each 9-month period following such acceleration date, Landlord shall be entitled

to accelerate and recover Rent and other amounts which will come due for each subsequent nine (9) month period, discounted to present value at an assumed discount rate of four percent (4%). If Tenant defaults and the Rent is not accelerated as set forth above, Tenant shall pay to Landlord as damages, in periodic installments determined by Landlord, an amount equal to the Rent for the balance of the Term (not including any unexercised renewal options) had this Lease not been terminated, less the net proceeds, if any, of any reletting of the Premises by Landlord subsequent to such termination, after deduction of Landlord's reasonable legal expenses and court costs in connection with such recovery of possession. Landlord shall be entitled to collect and receive such damages from Tenant on the days on which the Rent would have been payable if this Lease had not been terminated. Notwithstanding the foregoing, in the event Landlord accelerates Rent as set forth above, the total amount payable shall not exceed the Rent due for the thirty (30) month period following the event of default, or Rent due for the balance of the Term, whichever is less, plus, in all circumstances, any past due Rent and Landlord's termination, leasing fees, attorney's fees, other marketing and collection costs and all other expenses of placing the Premises in first-class rentable condition, including, but not limited to, the Re-Letting Expenses (as defined below). The amount of Rent due for the thirty (30) month period shall be the Rent due from the Tenant for the full calendar year preceding the date of the default by Tenant multiplied by two and a half.

- (iv) **Repossession and Reletting.** Landlord shall make a commercially reasonable effort to mitigate damages in the event that Tenant's right to possession or this Lease is terminated due to Tenant default. Landlord may, at any time after the occurrence of a Default, re-enter and repossess the Premises and any part thereof and shall have the right (but not the obligation to) attempt in its own name, as agent for Tenant if this Lease not be terminated, or on its own behalf if this Lease be terminated, to relet all or any part of the Premises for and upon such terms and to such persons and for such period or periods as Landlord, in its sole discretion, shall determine, including a term beyond the termination of this Lease; and Landlord shall not be required to accept any tenant offered by Tenant or observe any instruction given by Tenant about such reletting. In connection with any reletting, Landlord shall have the right to recover the Reletting Expenses (defined in Section 13(a)(2)(v)). The commencement and prosecution of any action by Landlord in ejectment or otherwise, or any execution of any judgment or decree obtained in any action to recover possession of the Premises, or any other re-entry and removal, shall not constitute a termination of this Lease, and shall not be deemed to have absolved or discharged Tenant from any of its obligations or liabilities for the remainder of the Term, nor shall Landlord be liable for the prosecution therefor, or be deemed guilty of any trespass. In the event Landlord relets the Premises without terminating the Lease, the amount of Rent Landlord collects from the new Tenant shall be deducted from the amount of Rent Tenant is liable for hereunder.
- (v) **Prepare Premises for Re-Letting.** Landlord may make such repairs, changes, alterations and additions in or to the Premises as Landlord in its sole discretion deems necessary or appropriate, and the cost of such repairs, changes, alterations or additions, as well as any brokerage and reasonable attorneys' fees incurred by Landlord, credits, allowances and other incentives given to the new tenant, and any other costs and expenses as may be necessary or appropriate to reletting the

Premises shall be recoverable by Landlord as damages (collectively, "**Re-Letting Expenses**").

- (vi) **Injunctive Relief.** Landlord shall have the right to apply for an injunction, in the event of a breach or threatened breach by Tenant of any of the terms and conditions hereof, to seek to restrain the same and the right to invoke any remedy allowed by law or in equity, whether or not other remedies, indemnities or reimbursements are herein provided. The rights and remedies given to Landlord in this Lease are distinct, separate and cumulative remedies; and no one of them, whether or not exercised by Landlord, shall be deemed to be in exclusion of any of the others.
- (vii) **Discontinue Services.** To the extent permitted by law, in the event of any breach of Tenant hereunder, then if and to the extent permitted by applicable law, Landlord shall have the right to change the locks on the Premises and Building and exclude Tenant therefrom, and to discontinue all or part of the services and facilities provided to Tenant under this Lease or otherwise, which action shall not be deemed an eviction. Such action may be taken without prior notice to Tenant, and Tenant hereby releases Landlord from any liability for any damages sustained by Tenant or its property as a result of the same.
- (viii) **Other Remedies.** Landlord may exercise any and all other rights and remedies available to Landlord under applicable law.

(3) **Fees and Costs.** Tenant shall pay, upon demand, all of Landlord's reasonable and actual costs, charges and expenses, including the reasonable fees and out-of-pocket expenses of counsel, expert witnesses, accountant's fees, agents and others retained by Landlord, incurred in enforcing Tenant's obligations hereunder or incurred by Landlord in any litigation (including, without limitation, for collection activities), negotiation or transaction in which Tenant causes Landlord, without Landlord's fault, to become involved or concerned or incurred in exercising any of the remedies provided herein, at law or in equity.

(4) **Late Payment Service Charges and Interest.** Tenant shall be responsible for late payment service charge and all amounts due and owing to Landlord shall bear interest at the Default Rate.

(5) **Remedies Cumulative.** All remedies available to Landlord hereunder and at law and in equity shall be cumulative and concurrent. No termination of this Lease nor taking or recovering possession of the Premises shall deprive Landlord of any remedies or actions against Tenant for Rent, for charges or for damages for the breach of any covenant, agreement or condition herein contained, nor shall the bringing of any such action for Rent, charges or breach of covenant, agreement or condition, nor the resort to any other remedy or right for the recovery of Rent, charges or damages for such breach be construed as a waiver or release of the right to insist upon the forfeiture and to obtain possession. No reentering or taking possession of the Premises, or making of repairs, alterations or improvements thereto, or reletting thereof, shall be construed as an election on the part of Landlord to terminate this Lease unless written notice of such election to terminate is given by Landlord to Tenant.

(6) **No Waiver.** No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy allowed for the violation of such provision, even if such violation is continued or repeated, and no express waiver shall affect any provision other than

the one(s) specified in such waiver and only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Term or affect any notice given to Tenant prior to the receipt of such moneys, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment. The receipt by Landlord of a lesser amount than the Base Rent or any Additional Rent due shall not be construed to be other than a payment on account of the Base Rent or Additional Rent then due, and any statement on Tenant's check or any letter accompanying Tenant's check to the contrary shall not be deemed an accord and satisfaction, and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of the Base Rent or Additional Rent due or to pursue any other remedies provided in this Lease or otherwise.

**(b) Landlord's Default.** In no event shall Landlord be deemed or considered in default of any of its obligations pursuant to this Lease, unless and until such default continues for a period of thirty (30) days after Landlord receives Tenant's written notice of such default or such longer period as may be reasonably required to cure. If Landlord fails to cure the alleged default or commence cure within the time period provided and diligently pursue to completion as the case may be, Tenant may, as its sole and exclusive remedy, recover a money judgment against Landlord, and such judgment shall be satisfied out of the proceeds of sale received upon the execution of such judgment and levy thereon against the right, title and interest of Landlord in the Premises and out of rents or other income therefrom receivable by Landlord or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title and interest in the Premises. The liability of Landlord (and its partners, shareholders or members) to Tenant (or any person or entity claiming by, through or under Tenant) for any Default by Landlord under the terms of this Lease or any matter relating to or arising out of the occupancy or use of the Premises and/or other areas of the Building shall be limited to Tenant's actual damages therefor and shall be recoverable only from the interest of Landlord in the Building, and Landlord (and its partners, shareholders or members) shall not be personally liable for any deficiency.

#### **14. INSURANCE.**

**(a) Tenant's Insurance.** Tenant shall, at all times commencing on the earlier of: (a) TCO (Temporary Certificate of Occupancy) (b) Delivery Date, and (c) the date Tenant delivers or has delivered on its behalf its fixtures, furniture and/or equipment to the Premises, throughout the Term and until Tenant delivers possession of the Premises to Landlord following the expiration of the Term, at Tenant's sole cost and expense, maintain in full force and effect with respect to the Premises and Tenant's use thereof from insurance companies reasonably acceptable to Landlord:

**(i)** Commercial general liability insurance on an "occurrence" basis covering injury and damage to persons and property and contractual liability with a combined single limit of not less than \$1,000,000 per occurrence and not less than \$2,000,000 in the aggregate and shall have commercial umbrella liability insurance in amounts at least equal to \$3,000,000 per occurrence and annual aggregate for bodily injury and property damage per occurrence.

(ii) Special form or equivalent extended coverage insurance upon all furniture, trade fixtures, equipment and other personal property in, and all alterations and improvements performed by Tenant to, the Premises for the full replacement value of the same.

(iii) Business Automobile Liability covering owned, non-owned and hired vehicles with limits not less than \$1,000,000 per accident or such higher limits if required by state law.

(iv) Business interruption insurance in amounts sufficient to cover all amounts due from Tenant for a period of at least twelve (12) months.

(v) Worker's Compensation Insurance in statutorily required amounts and Employers' Liability with limits of not less than \$500,000 each accident, \$500,000 disease policy limit, \$500,000 disease – each employee.

(vi) Such other insurance as is customarily maintained by comparable tenant engaged in the Permitted Use, including, but not limited to, Landlord's right to increase the policy limits of any of the foregoing types of insurance.

All policies shall be issued by insurance companies licensed to do business in the State of [STATE OF PROPERTY LOCATION] and rated at least A-VIII in Best's Key Rating Guide. All liability insurance policies shall be written on an occurrence basis (not claims made) and shall name Landlord, and at Landlord's request any Mortgagee and property manager of all or any portion of the Property as additional insureds as primary policies which do not contribute to and are not in excess of any coverage the Landlord may carry. Tenant shall deliver to Landlord certificates of such insurance at or prior to the Commencement Date, together with evidence of paid-up premiums, and shall deliver to Landlord renewals thereof at least thirty (30) days prior to expiration. All such policies and certificates shall provide that such insurance coverage may not be cancelled or materially amended unless Landlord and any Mortgagee designated by Landlord as aforesaid are given at least thirty (30) days prior written notice of the same. From time to time during the Term of this Lease, at Landlord's request, Tenant shall increase the limits of such insurance as Landlord shall reasonably require.

(b) **Landlord's Insurance.** Landlord covenants and agrees that from and after the Commencement Date, Landlord will carry and maintain the following insurance and Tenant shall reimburse Landlord, as Additional Rent, for all costs associated with Landlord's Insurance during the Term:

(i) **Liability:** Commercial general liability insurance covering injury to persons or property damage in amounts at least equal to \$1,000,000 per occurrence and not less than \$2,000,000 in the aggregate or such higher limits as Landlord may elect, at its option, or as any Mortgagee may require Landlord to carry from time to time, on an occurrence basis, in respect to injury or death to any number of persons and broad form property damage arising out of any one occurrence (the foregoing coverage may be obtained through blanket or master policies insuring other entities or properties owned or controlled by Landlord); and

(ii) **Casualty:** Broad form property insurance against loss to the Building for the full replacement cost with deductibles considered by Landlord to be reasonable and customary for similar buildings in general geographic area of the Premises.

(iii) Landlord may carry any other types or forms of insurance which Landlord deems necessary, desirable or prudent to carry from time to time.

Landlord shall deliver to Tenant certificates of such insurance at or prior to the Commencement Date, together with evidence of paid premiums, and shall deliver to Tenant renewals thereof at least thirty (30) days prior to expiration.

(c) **Insurance Requirements for Tenant's Contractors.** Tenant shall require any contractor performing work on the Premises to carry and maintain a non-deductible:

(i) commercial (comprehensive) liability insurance policy, including (but not limited to) contractor's liability coverage, contractual liability coverage, completed operations coverage, broad form property damage endorsement and contractor's protective liability coverage, to afford protection, with respect to personal injury, death or property damage of not less than One Million Dollars (\$1,000,000) per occurrence combined single limit/Two Million Dollars (\$2,000,000) general aggregate;

(ii) comprehensive automobile liability insurance policy with limits for each occurrence of not less than One Million Dollars (\$1,000,000) with respect to personal injury or death and Five Hundred Thousand Dollars (\$500,000) with respect to property damage; and

(iii) worker's compensation insurance policy or similar insurance in form and amounts required by law.

Such liability insurance shall name Landlord as an additional insured, be issued by a company with a Best rating of not less than A VIII, provide that it shall be primary to and contributory to any similar insurance carried by Landlord, and shall contain a severability of interest clause. If such liability policy does not contain the standard ISO separation of insureds provision, or a substantially similar clause, it shall be endorsed to provide cross-liability coverage. Tenant shall furnish to Landlord before commencement of any work, a certificate of insurance, executed by a duly authorized representative of the insurer, evidencing compliance with the insurance requirements above, and requiring the insurer to provide Landlord with thirty (30) days prior written notice of cancellation or any material change to the policy.

## **15. INDEMNITY AND LIMITATION OF LIABILITY.**

(a) **Tenant Indemnity.** Unless due to Landlord's gross negligence or willful misconduct, Tenant covenants and agrees that, commencing on the Execution Date, it shall, at its own cost and expense, indemnify and save harmless Landlord and Landlord's members, agents, employees and invitees against and from, and Landlord shall not be liable to Tenant for, any and all losses, costs (including reasonable attorneys' fees), damages, liability, expenses, actions or claims by or on behalf of any person arising in any manner whatsoever from, out of or in connection with any of the following, except to the extent caused by the negligence or willful misconduct of Landlord, its agents, employees, invitees and contractors: (i) relating to the Premises and the appurtenances thereto and the use and occupancy thereof by Tenant or anyone claiming by, through or under Tenant (including, without limitation, Tenant's agents, employees and invitees); (ii) any failure by Tenant to perform any of the terms or conditions of this Lease required to be performed by Tenant; (iii) any failure by Tenant to comply with any statutes, regulations, ordinances or orders of any governmental authority; (iv) any accident, death, injury, or damage, loss or theft of property in or about the Premises (whether involving property belonging to Tenant or any other person) resulting from the acts or omissions of Tenant, its agents,

employees, invitees and contractors or by a breach by Tenant under this Lease; or (v) any entry in or about the Premises by Tenant or its agents, employees, invitees and contractors (whether prior to or after the Commencement Date), and from and against all costs, attorney fees, expenses and liabilities incurred in or as a result of any such claim or action or proceeding brought against Landlord by reason of any such claim. Tenant, upon notice from Landlord, covenants to defend such action or proceeding by legal counsel reasonably satisfactory to Landlord. If the Landlord is made a party to any litigation commenced by or against it for which it is to be indemnified, then the Tenant shall protect, defend and hold harmless and pay all court costs, penalties, charges, damages, reasonable expenses and reasonable attorney's fees actually incurred in defending the Landlord, and the Landlord shall have the opportunity to direct the defense of the litigation with counsel of its own choosing that is reasonably acceptable to the Tenant, including the right to settle such litigation.

(b) **Landlord Indemnity.** Subject to Section 15(d) below, Landlord shall defend, protect, indemnify, and hold Tenant and Tenant's agents, officers, directors and employees harmless from and against any and all injuries, costs, expenses, liabilities, losses, damages, injunctions, suits, actions, fines, penalties, and demands of any kind or nature (including reasonable and actual attorneys' fees) by or on behalf of any person, entity, or governmental authority occasioned by or arising out of any intentional conduct or gross negligence of Landlord or Landlord's agents, employees, or independent contractors.

(c) **Survival; Costs.** The covenants, obligations and liabilities under this Section 15 shall survive the expiration or earlier termination of this Lease. The indemnification obligations under this Section 15 shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for the indemnified party, or any other person, under Workers or Workman's Compensation statutes, disability benefits statutes or other employee benefit laws.

(d) **Additional Limitations.** Notwithstanding anything to the contrary contained in this Lease, it is expressly understood and agreed by Tenant that none of Landlord's covenants, undertakings or agreements are made or intended as personal covenants, undertakings or agreements by Landlord and any liability for damage or breach or nonperformance by Landlord, its agents or employees or for the negligence of Landlord, shall be collectible only out of Landlord's interest in the Property, and the rents, issues and profits derived therefrom, and no personal liability is assumed by, nor at any time may be asserted against, Landlord; all such liability, if any, being expressly waived and released by Tenant. Tenant further releases any claims Tenant may now or at any time hereafter have against any of the owners, members, officers and other principals of any joint venture, partnership, tenancy in common, association, corporation, limited liability company or other form of joint ownership comprising the Landlord with respect to any provision of this Lease, or any obligation or liability arising hereunder or in connection herewith. Notwithstanding anything to the contrary contained in this Lease, in no event shall Landlord or Tenant be liable (including, without limitation under any indemnity hereunder) for any punitive, indirect or consequential damages or other special damages (including, without limitation, lost profits, loss of business or other similar damages) in connection with this Lease or for any other reason whatsoever and all such damages are hereby waived; provided, however, that the foregoing shall not affect or limit the availability of any damages specifically identified, referred to or provided for in this Lease. If the party to be indemnified is made a party to any litigation commenced by or against it for which it is to be indemnified, then the indemnifying party shall protect, defend and hold harmless and pay all court costs, penalties, charges, damages, reasonable expenses and reasonable attorney's fees actually incurred in defending the indemnified party; provided that the indemnifying party is given prompt written notice of such litigation, but in all events within such time as may be necessary to avoid prejudicing or materially impairing any rights, defenses, crossclaims or

counterclaims that could be asserted by the indemnifying party, and the indemnifying party shall have the opportunity to direct the defense of the litigation with counsel of its own choosing that is reasonably acceptable to the other party, including the right to settle such litigation. The exculpation of liability provisions set forth herein shall be perpetual, irrevocable, absolute and without any exception whatsoever. This Section 15(d) shall survive the termination or expiration of this Lease.

## 16. ENVIRONMENTAL MATTERS.

(a) **Tenant Compliance with Law.** Tenant shall conduct, and cause to be conducted, all operations and activity at the Premises in material compliance with, and shall in all other material respects applicable to the Premises comply in all material respects with, all applicable present and future federal, state, municipal and other governmental statutes, ordinances, regulations, orders, directives and other requirements, and all present and future requirements of common law, concerning the environment or the protection of human health and safety including, without limitation, (i) those relating to the generation, use, handling, treatment, storage, transportation, release, emission, disposal, remediation or presence of any material, substance, liquid, effluent or product, including, without limitation, Hazardous Substances, hazardous waste or hazardous materials, (ii) those concerning conditions at, below or above the surface of the ground, (iii) those concerning conditions in, at or outside the Building, and (iv) any items which may be or are regulated or controlled by the Food and Drug Administration (collectively, "**Environmental Statutes**").

(b) **Hazardous Substances.** Tenant has not and will not cause or suffer or permit to occur in, on or under the Premises, or any portion thereof, in violation of applicable law, any generation, use, manufacturing, refining, transportation, emission, release, treatment, storage, disposal, presence or handling of hazardous substances, hazardous wastes, pollutants or contaminants or hazardous materials (as such terms are now or hereafter defined under any Environmental Statute) or any other material, substance, liquid, effluent or product now or hereafter regulated by any Environmental Statute (collectively, "**Hazardous Substances**"), including specifically the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 *et seq.*, as the same may from time to time be amended, and the regulations promulgated pursuant thereto ("**CERCLA**"); the United States Department of Transportation Hazardous Materials Table (49 CFR 172.102); by the Environmental Protection Agency as hazardous substances (40 CFR Part 302); the Clean Air Act; and the Clean Water Act, and all amendments, modifications or supplements thereto; or any other rule, regulation, ordinance, statute or requirements of any governmental or administrative agency regarding the environment, and any other federal, state or local act, regulation or ordinance, except that construction materials (other than asbestos or polychlorinated biphenyls), office equipment, fuel and similar products (if contained in vehicles) and cleaning solutions, and other maintenance materials that are or contain Hazardous Substances may be used, generated, handled or stored on the Premises, provided such is incident to and reasonably necessary for the operation and maintenance of the Premises for the Permitted Use and is in compliance with all Environmental Statutes and all other applicable governmental requirements and all manufacturer's instructions. Except as provided in the immediately preceding sentence, Tenant shall not bring Hazardous Substances to the Property without Landlord's advance written consent, which consent Landlord shall have no obligation to give. Should Tenant, its agents, employees, contractors or invitees cause any release of Hazardous Substances at any portion of the Premises, Tenant shall promptly notify Landlord in writing and immediately contain, remove and dispose of, such Hazardous Substances and any material that was contaminated by the release and to remedy and mitigate all threats to human health and the environment relating to such release such that Landlord should have the right to make full economic use of the Property and the Property is



restored to the condition that existed prior to such release, all at Tenant's sole cost and expense. When conducting any such measures, the Tenant shall comply with all Environmental Statutes in all material respects.

(c) **Tenant Indemnity.** Tenant hereby agrees to indemnify and to hold harmless Landlord of, from and against any and all expense, loss or liability suffered by Landlord by reason of Tenant's breach of any of the provisions of this Section 16, including: (i) any and all expenses that Landlord may incur in complying with any Environmental Statutes, (ii) any and all costs that Landlord may incur in studying, assessing, containing, removing, remedying, mitigating, or otherwise responding to, the release of any Hazardous Substance or waste at or from the Premises, or any portion thereof (iii) any and all costs for which Landlord may be liable to any governmental agency for studying, assessing, containing, removing, remedying, mitigating, or otherwise responding to, the release of a Hazardous Substance or waste at or from the Premises, or any portion thereof (iv) any and all fines or penalties assessed, or threatened to be assessed, upon Landlord by reason of a failure of Tenant to comply with any obligations, covenants or conditions set forth in this Section 16, and (v) any and all reasonable legal fees, engineering fees, remediation costs and all other costs incurred by Landlord in connection with any of the foregoing.

(d) **Pre-Existing Conditions.** Notwithstanding anything in this Lease to the contrary, Tenant shall have no responsibility or liability for environmental conditions or Hazardous Substances existing as of the date on which Tenant first occupied the Premises (or any portion thereof), except to the extent the presence of such environmental conditions or Hazardous Substances results from or is exacerbated by the acts or omissions of Tenant, its employees, agents, licensees or invitees. In the event the Premises shall contain Hazardous Substances that were not installed by Tenant and were not brought into the Premises by Tenant, or any employee, invitee, licensee, agent or contractor of Tenant or anyone claiming under Tenant, and which are required by applicable law to be remediated, then the same shall be removed from the Premises by Landlord, and all Base Rent and Additional Rent due from Tenant hereunder shall be abated during any such cleanup, removal or restoration to the extent Tenant is unable to, and does not, open for business. Landlord agrees to indemnify, protect, defend and hold harmless Tenant and Tenant's partners, officers, directors, employees, agents, successors and assigns from and against any and all claims, damages, judgments, suits, causes of action, losses, liabilities, penalties, fines, expenses and costs (including, without limitation, clean-up, removal, remediation and restoration costs, sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees and court costs) relating to: (i) the existence of any Hazardous Substances at the Premises prior to the Delivery Date; or (ii) Hazardous Substances brought onto the Premises by Landlord, its employees, contractors, or agents, and which are required by applicable law to be remediated, after the Execution Date.

(e) **Survival.** The covenants, obligations and liabilities under this Section 16 shall survive the expiration or earlier termination of this Lease.

## 17. SUBORDINATION AND ATTORNMENT.

(a) **Subordination.** This Lease shall be subject and subordinate to each Mortgage now or hereafter covering any or all of the Premises (and each advance, renewal, modification, consolidation, replacement or extension thereof) or other similar instrument of encumbrance now or hereafter existing. Subordination pursuant to the immediately preceding sentence shall be self-operative automatically and without the necessity of any further action on the part of Tenant to effectuate such subordination; provided, however, that within ten (10) days after request, Tenant shall execute, acknowledge and deliver any further instruments confirming

the subordination of this Lease and any further instruments of attornment that the Mortgagee may reasonably request. In the event Tenant fails to deliver such instruments of subordination and attornment within such ten (10) day period, Tenant shall indemnify Landlord from and against any loss, cost, damage or expense arising from Tenant's failure to deliver such instruments of subordination and attornment within said period.

(b) **Attornment.** If a Mortgagee shall succeed to the rights of Landlord under this Lease, then at the request of such party so succeeding to Landlord's rights (the "**Successor Landlord**"), Tenant shall attorn to and recognize such Successor Landlord as Tenant's landlord under this Lease, and shall promptly execute and deliver such reasonable subordination, non-disturbance and attornment agreement as the Mortgagee may reasonably request to evidence such attornment. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between the Successor Landlord and Tenant and upon all of the terms, conditions and covenants as are set forth in this Lease, except that the Successor Landlord shall not be: (i) liable for any previous act or omission of Landlord under this Lease; (ii) subject to any offset not expressly provided for in this Lease; or (iii) bound by any prepayment of more than one (1) month's Rent. Tenant hereby waives the provisions of any present or future statute or rule of law which may give Tenant any right of election to terminate this Lease or to surrender possession of the Premises in the event any Mortgage affecting the Premises is in default or is terminated, and agrees that this Lease shall not be affected in any way whatsoever by any such default, termination or any proceeding instituted as a result thereof, provided that such Successor Landlord recognizes this Lease and agrees in such written instrument not to disturb Tenant's right to possession except in accordance with the terms of this Lease.

If there is currently a ground lease, mortgage or deed of trust on the property of which the Premises forms a part, Landlord shall exercise a good faith effort to provide Tenant with a Subordination Non Disturbance and Attornment Agreement (a "**SNDA**") from the ground lessor, mortgagee or lender which provides that so long as there is no default by Tenant under this Lease beyond the applicable notice and cure period, no foreclosure, or default by Landlord or deed in lieu of foreclosure, shall terminate or cut off this Lease or the rights of Tenant hereunder.

**18. ESTOPPEL STATEMENT.** Tenant shall, within ten (10) days after being requested to do so by Landlord or any Mortgagee, execute, acknowledge and deliver to the requesting party (or, at such party's request, to any existing or prospective purchaser, transferee, assignee or Mortgagee) an instrument, certifying (a) that this Lease is unmodified and in full force and effect (or, if there has been any modification thereof, that it is in full force and effect as so modified, stating therein the nature of such modification); (b) as to the dates to which Base Rent, Additional Rent and other charges owing hereunder have been paid; (c) as to the amount of any prepaid Rent or any credit due to the other party hereunder; (d) the date on which the Term commenced and the date on which the Term shall end; (e) as to whether any notice of default has been given by either party and whether such default has been cured; and, (f) as to any other fact or condition reasonably requested by the requesting party or such other addressee; and acknowledging and agreeing that any statement contained in such certificate may be relied upon by the requesting party and any other such addressee. If Tenant does not deliver such estoppel certificate or statement to the requesting party within such ten (10) day period, the requesting party, and any prospective purchaser, assignee, sublessee or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and conditions of this Lease have not been changed except as otherwise represented by the requesting party; (ii) that this Lease has not been cancelled or terminated except as otherwise represented by the requesting party; (iii) that not more than one (1) month's Base Rent has been paid in advance; and (iv) that the requesting party is not in known default under this Lease; and (v) that there are no offsets or

defenses against the enforcement of this Lease. In such event, Tenant shall be estopped from denying the truth of such facts. Any estoppel certificates signed or deemed approved shall be binding irrespective of whether or not detrimental reliance can be shown, and may be relied upon by Landlord, prospective purchasers or Mortgagees. Tenant shall indemnify Landlord from and against any loss, cost, damage or expense arising from Tenant's failure to deliver an estoppel certificate within said ten (10) day period.

**19. RESERVATION OF LANDLORD'S RIGHTS.** Notwithstanding anything to the contrary contained herein, Landlord explicitly reserves, without limitation, the following rights, each of which Landlord may exercise without liability to Tenant, and the exercise of any such rights shall not be deemed to constitute an eviction or disturbance of Tenant's use or possession of the Premises and shall not give rise to any claim for setoff or abatement of Rent or any other claim or otherwise affect any of Tenant's obligations hereunder:

(a) to enter the Premises at reasonable times during normal business hours and except in the event of emergency, in which event no notice is required, upon at least twenty-four (24) hours prior notice to inspect the Premises and to make repairs, alterations or improvements to the Premises or other portions of the Building, provided that Landlord shall use reasonable efforts to avoid material interference to the conduct of Tenant's business operations therein;

(b) upon at least twenty-four (24) hours' prior notice, to show the Premises to prospective Mortgagees and purchasers and, during the twelve (12) months prior to expiration of the Term, to prospective tenants, provided that Landlord shall use reasonable efforts to avoid material interference to the conduct of Tenant's business operations therein; and

(c) to place and maintain "For Rent" or "For Lease" signs on the Premises during the last Two Hundred and Seventy (270) days of the Term.

**20. WAIVER OF SUBROGATION.** Landlord and Tenant each release the other, and all those claiming by, under and through them for any loss or damage which may occur to the property of the other, to the extent of such damaged party's insurance indemnities, even if such loss or damage shall be brought about by the fault or negligence of such other party, or the agent or employees of such other party; provided, however, that this release shall be effective only with respect to loss or damage occurring during such time as the applicable policies of insurance shall contain a clause to the effect that this release shall not affect said policies or the right of the insured to recover thereunder. If any policy does not contain such a clause, the insured party shall, at the written request of the other party to this Lease, have such a clause added to said policy if an endorsement so providing is obtainable. Each party shall make commercially reasonable efforts to ensure the foregoing waiver is contained within the policies for which each party is responsible for under the Lease.

**21. EXPIRATION OF TERM; HOLDING OVER.** Upon or prior to the expiration or earlier termination of this Lease, Tenant shall, without the need for notice or demand from Landlord, remove Tenant's personal property and effects and those of any other person claiming under Tenant, and quit and deliver up the Premises to Landlord peaceably and quietly in as good order and condition as existed at the inception of the Term, reasonable use and wear thereof, damage from fire and extended coverage type risks, damage from condemnation, and repairs which are Landlord's obligation excepted. Upon the expiration or earlier termination of this Lease, Tenant shall remove all of Tenant's furniture, equipment and other personal property. Such personal property shall be removed within five (5) days after the termination of this Lease, and

such items as are not removed within such five (5) day period shall be considered abandoned and Landlord may dispose of or store the same as it deems expedient, the cost thereof to be charged to Tenant. Should Tenant fail to surrender the Premises to Landlord upon the expiration of the Term, including any renewal or renewals thereof, or after a forfeiture incurred, such tenancy shall (without limitation of any of Landlord's rights or remedies therefor) be one at sufferance under all of the terms and conditions of this Lease, except that the minimum monthly rental for shall be equal to one hundred fifty percent (150%) of the Rent payable at the end of the Term, as the same may have been extended in accordance with the terms of this Lease, payable monthly. No holdover by Tenant or payment by Tenant after the expiration or earlier termination of this Lease shall be construed to extend the Term or prevent Landlord from immediate recovery of the Premises or from exercising any other remedies under this Lease.

**22. PARKING.** Landlord will provide AS-IS parking for the Premises.

**23. QUIET ENJOYMENT.** Tenant, upon paying the Rent, and observing and keeping all covenants, agreements and conditions of this Lease on its part to be kept, shall quietly have and enjoy the Premises during the Term of this Lease without hindrance or molestation by anyone claiming by or through Landlord, subject, however, to the exceptions, reservations and conditions of this Lease and of record. Landlord will defend Tenant's right to quiet enjoyment of the Premises from the claims of all persons during the Lease Term.

**24. NOTICES.** All notices required to be given hereunder shall be sent by registered or certified mail, return receipt requested, by overnight delivery on the next business day using Federal Express or other overnight express delivery service against written receipt, to the respective Notice Addresses set forth in Section 1, and to such other person and address as each party may from time to time designate in writing to the other. Notices shall be deemed to have been given on the date delivered when sent by hand delivery, or on the next business day following the date mailed.

**25. MISCELLANEOUS.**

(a) **Brokers.** Landlord and Tenant each represents and warrants to the other that it has dealt with no broker, agent or other intermediary in connection with this Lease, except for the Brokers. Each party agrees to indemnify, defend and hold the other party and its partners, employees, agents, their officers and partners, harmless from and against any claims made by any broker, agent or other intermediary, with respect to a claim for broker's commission or fee or similar compensation brought by any person in connection with this Lease other than the Brokers, provided that the indemnified party has not in fact retained such broker, agent or other intermediary. This Section shall survive the expiration or termination of this Lease. Landlord shall be responsible for any commissions due to the Brokers arising out of or related to this Lease if and only if negotiated by Landlord and Broker in accordance with a separate written agreement.

(b) **Tenant Defined.** The term "**Tenant**" as used in this Lease shall be construed to mean tenants in all cases where there is more than one tenant, and the necessary grammatical changes required to make the provisions hereof apply to corporations, limited liability companies, partnerships or individuals, men or women, shall in all cases be assumed as though in each case fully expressed. This Lease shall not inure to the benefit of any assignee, transferee or successor of Tenant except in accordance with the provisions of this Lease. Subject to the foregoing limitation, each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of Tenant, its successors and assigns.

(c) **Landlord Defined.** The term "**Landlord**" as used in this Lease means the fee owner of the Premises. In the event of the voluntary transfer of such ownership or right to a successor-in-interest of Landlord which successor-in-interest assumes in writing all Landlord's Lease obligations, Landlord shall be freed and relieved of all liability and obligation hereunder which shall thereafter accrue and Tenant shall look solely to such successor in interest for the performance of the covenants and obligations of the Landlord hereunder. The successor in interest shall not (i) be liable for any previous act or omission of a prior landlord; (ii) be subject to any rental offsets or defenses unless expressly provided for in the Lease; (iii) be bound by any payment by Tenant of Rent in advance in excess of one (1) month's Rent. Subject to the foregoing, the provisions hereof shall be binding upon and inure to the benefit of the successors and assigns of Landlord.

(d) **Waiver of Jury Trial.** LANDLORD AND TENANT HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR IN ANY MATTER CONNECTED WITH THIS LEASE, TO THE FULLEST EXTENT PERMITTED BY LAW.

(e) **Time of Essence.** Time is of the essence of this Lease and all of its provisions.

(f) **Force Majeure.** If Landlord or Tenant is delayed or prevented from performing any of their respective obligations under this Lease due to Force Majeure, the period of such delay or prevention shall be deemed added to the time herein provided for the performance of any such obligation by the performing party. Notwithstanding the foregoing, events of Force Majeure shall not extend any period of time for the payment of Rent or other sums payable by either party. Delays or failures to perform resulting from lack of funds or which can be cured by the payment of money shall not be considered Force Majeure events hereunder and shall not excuse or extend either party's performance.

(g) **Rule of Construction Waived.** Any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not apply to the interpretation of this Lease or any amendments or exhibits hereto.

(h) **Integrated Agreement.** This Lease, the exhibits, and any riders attached hereto and forming a part hereof set forth all of the promises, agreements, conditions, warranties, representations, understandings and promises between Landlord and Tenant relative to the Premises and this leasehold and Tenant expressly acknowledges that Landlord and Landlord's agents have made no representation, agreements, conditions, warranties, representations, understandings or promises, either oral or written, other than as herein set forth, with respect to the Premises, this leasehold or otherwise. No alteration, amendment, modification, waiver, understanding or addition to this Lease shall be binding upon either party unless reduced to writing and signed by both parties or by a duly authorized agent of the parties empowered by a written authority signed by such parties. Tenant agrees to execute any amendment to this Lease required by a Mortgagee of the Premises, which amendment does not materially adversely affect Tenant's rights or obligation hereunder.

(i) **Captions.** The captions of the sections in this Lease are inserted and included solely for convenience and shall not be considered or given any effect in construing the provisions hereof.

(j) **Invalidity.** If any provision contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease (and the application of such provision to the persons or circumstances, if any, other than those as to which it is invalid or unenforceable) shall not be affected thereby, and each and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

(k) **Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of [STATE OF PROPERTY LOCATION], without giving effect to the principles of conflict of laws.

(l) **Terminology.** Pronouns used in this Lease (including those referring to the Tenant), importing any specific gender shall be interpreted to refer to corporations, trusts, partnerships, men and women, as to the identity of the parties hereto, or the parties herein referred to, may require. Pronouns, verbs or other words in this Lease importing the singular shall be interpreted as plural, and plural words as singular, as the identity of the parties hereto, or the parties or objects herein referred to, may require. Terms such as "**hereunder**", "**hereof**", "**hereto**", "**herein**" and words of similar import shall be deemed references to this Lease as a whole (including all exhibits hereto) and not to any particular Article, Section or other provision hereof. The term "**including**" (and with correlative meaning "**include**") means including without limiting the generality of any description preceding such term and is used in the sense of "including, but not limited to". The term "**or**" is used in the inclusive sense of "and/or". The language in all parts of this Lease shall in all cases be construed as a whole and in accordance with its fair meaning.

(m) **Counterparts.** This Lease may be executed in two or more counterparts, each of which shall be deemed to be an original hereof, but all of which, taken together, shall constitute one and the same instrument.

(n) **Recording.** Neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant without Landlord's consent, and the recording thereof in violation of this provision shall constitute a Default.

(o) **VENUE.** THE PARTIES HERETO HEREBY AGREE THAT ANY LEGAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER ARISING OUT OF OR RELATED TO THIS LEASE SHALL BE COMMENCED AND MAINTAINED ONLY IN THE COURTS FOR THE COUNTY THAT INCLUDES THE PREMISES OR SUCH LOWER COURTS FOR THE COUNTY THAT INCLUDES THE PREMISES (COLLECTIVELY, THE "COUNTY COURTS"), AND FURTHER AGREE THAT THE COUNTY COURTS SHALL HAVE EXCLUSIVE JURISDICTION WITH RESPECT TO THE SUBJECT MATTER HEREOF AND WITH RESPECT TO THE PERSON OF LANDLORD AND TENANT. THE PARTIES AGREE NOT TO ASSERT ANY DEFENSE TO ANY PROCEEDING INITIATED IN THE COUNTY COURTS BASED UPON IMPROPER VENUE OR INCONVENIENT FORUM.

**26. TRIPLE NET LEASE.** This is a Net-Net-Net lease (also known as a triple net lease). Except as otherwise expressly provided herein, Tenant shall pay any and all costs, charges, taxes, assessments and other expenses of every character and nature, foreseen or unforeseen, for the payment of which Tenant is or shall become liable by reason of its respective estate, right, title or interest in the Premises, or which are connected with or arise out of the possession, use, occupancy, maintenance, addition to, repair of the Premises or any portion

thereof (except, and only except: the costs excluded by Section 4(b)) including those specifically referred to in this Lease, without any set off or deduction.

**27. CONTINUOUS OPERATION.** Tenant shall, within thirty (30) days after the Rent Commencement Date, open for business from the Premises to the general public, and shall at all times thereafter operate as a Permitted Use continuously throughout the Term. In the event Tenant vacates the Premises or otherwise fails to regularly conduct business in the Premises, subject to a Permitted Closure (as defined below), Landlord may elect to treat the same as an Event of Default. For purposes of this Lease, a "Permitted Closure" shall mean reasonable periods of closure due to (i) redecorating or remodeling of the Premises (provided Tenant gives Landlord advance written notice of such closure on account of redecorating or remodeling, and the length of closure does not exceed one (1) month or such longer period of time to which Landlord has given its written consent), and/or (ii) repair to or restoration of the Premises due to casualty or condemnation.

**28. SECURITY DEPOSIT.** As partial security for the full and prompt performance by Tenant of all of the terms, covenants and conditions of this Lease to be performed by Tenant, Tenant shall provide Landlord, according to the payment schedule contained in Section I above, the Security Deposit which shall be held in accordance with the terms of this Section and which shall be made in cash. The Security Deposit shall be held by Landlord and returned to Tenant within thirty (30) days after the expiration of the Term hereof, or earlier termination for reasons other than Tenant default, and Tenant surrendering possession of the Premises in accordance with the terms of this Lease, provided Tenant has fully performed its obligations hereunder. The Security Deposit shall be placed in Landlord's financial institution, in Landlord's name, in an interest-bearing or non-interest-bearing account (at Landlord's election). If Landlord elects to place the Security Deposit in an interest-bearing account, interest shall accrue for the benefit of the Landlord. Landlord shall have the right, following the occurrence of a Default, to apply any part of said Security Deposit to cure such Default and if Landlord does so, Tenant shall upon demand deposit with Landlord the amount so applied so that Landlord shall have the Security Deposit in the amount it was at the time immediately prior of Default, and Landlord shall have it on hand at all times during the Term of this Lease. In the event of a sale of the Premises by Landlord, Landlord shall transfer the Security Deposit to the successor Landlord, and so long as the buyer assumes in writing Landlord's Security Deposit obligations Landlord shall thereupon be released from all liability for the return of such Security Deposit. Once the Security Deposit is transferred to the successor Landlord, Tenant shall look solely to the successor Landlord for the return of said Security Deposit. This provision shall apply to every transfer or assignment made of the Security Deposit to a successor Landlord. The Security Deposit shall not be assigned or encumbered by Tenant without the prior written consent of Landlord and any such unapproved assignment or encumbrance shall be void.

**29. PREMISES "AS-IS".** Except as set forth below, Tenant accepts the Premises in its "AS-IS", "WHERE IS" and "WITH ALL FAULTS" condition, without any representations or warranties by or from Landlord, expressed or implied. Tenant shall not be responsible for any preexisting environmental conditions, regardless of whether known by Landlord, as of the Commencement Date (unless Tenant purchases the Premises, in which event Tenant will be taking the Premises "as is", "where is" and "with all faults"). If any personal property, equipment, furniture, fixtures or furnishings, have been left within the Premises by a previous tenant, Landlord makes no warranty as to the ownership and condition of such items, and Landlord shall have no liability or responsibility arising from Tenant's use of such items or Tenant's dispossession of such items by the actual owner or lienholder.

**30. FINANCIAL STATEMENTS.** From time to time upon Landlord's written request, but not more than once per year, Tenant shall, within fifteen (15) days after Landlord's request therefor, furnish Landlord with Tenant's most recent financial statements, prepared not more than twelve (12) months prior to such request and in accordance with GAAP consistently applied, outlining Tenant's and each Guarantor's then-current financial condition. Landlord shall maintain all financial information provided in a confidential manner provided that Landlord may disclose the terms thereof to its lenders or prospective lenders or its accountants who audit its financial statements or prepare its tax returns, to any prospective transferee of all or any portions of its interests hereunder, to any governmental entity agency or person to whom disclosure is required by applicable laws or regulation and in connection with any action brought to enforce the terms of this Lease, on account of the breach or alleged breach hereof or to seek a judicial determination of the rights or obligations of the parties hereunder.

**31. MUTUAL WAIVER OF SPECIAL DAMAGES.** Notwithstanding any provision in this Lease to the contrary, in no event shall Landlord or Tenant be liable (including, without limitation under any indemnity hereunder) for any punitive, indirect, consequential or other special damages in connection with this Lease (including, without limitation, lost profits, loss of business and similar damages), the use of the Premises or for any other reason whatsoever and all such damages are hereby waived. Landlord and Tenant acknowledge and agree that neither the acceleration of Rent nor any remedies or damages specifically identified, referred to or described in this Lease shall be deemed to be "punitive", "indirect", "consequential" or "special" damages within the meaning of this Section. This Section shall survive the expiration or termination of this Lease.

**32. TENANT CONTINGENCIES.** Tenant's obligations under this Lease are contingent upon Tenant's satisfaction or waiver of the following contingencies prior to the Commencement Date: (a) Tenant acknowledges it has received and approved all applicable covenants, conditions, and restrictions pertaining to the Premises (the "Covenant Contingency"); (b) Tenant shall have Successfully Obtained all Approvals, including all permits and approvals required under Section 8(e) of this Lease for installation of all signage on the Premises (the "Approvals Contingency"); and (c) Tenant acknowledges it has received and approved a Phase 1 environmental site assessment report, obtained by Landlord at its sole cost and expense, (the "Environmental Report Contingency"). Tenant covenants to give Landlord prompt notice of the occurrence of the failure of the Approvals Contingency if and when each Approval Contingency has not been completed and/or satisfied. In the event that the Approvals Contingency is not timely satisfied or waived with notice to the Landlord prior to the end of Approvals Period (time being of the essence), Tenant shall have the right to terminate this Lease, in which event Landlord shall return the Security Deposit to Tenant and neither party shall have any further rights or obligations hereunder.

**33. DELIVERY FOR EXAMINATION. DELIVERY OF THIS INSTRUMENT TO TENANT SHALL NOT BIND LANDLORD IN ANY MANNER, UNLESS AND UNTIL LANDLORD HAS SIGNED THIS INSTRUMENT IN THE SPACE INDICATED BELOW. NEITHER PARTY HERETO SHALL HAVE ANY OBLIGATION OR LIABILITY TO THE OTHER WHATSOEVER, AT LAW OR IN EQUITY (INCLUDING ANY CLAIMS FOR DETRIMENTAL RELIANCE, PARTIAL PERFORMANCE, GOOD FAITH OR PROMISSORY ESTOPPEL OR OTHER SIMILAR TYPES OF CLAIMS) UNLESS AND UNTIL SUCH TIME AS BOTH PARTIES SHALL HAVE EXECUTED AND DELIVERED THIS INSTRUMENT.**

**34. TENANT EXCLUSIVE.** So long as Tenant is not in Default and is open for business and operating from the Premises Landlord shall not lease, own, maintain, engage in,



grant a franchise to, advise or, help, make loans to, lease property to, have an interest in, either directly or indirectly, or otherwise operate any other property (or any portion thereof) owned by Landlord within a one (1) mile radius from the Premises to any tenant whose primary use is a child care center, child development facility, summer camp, enrichment programs for children, before- and/or after-school activity center or early childhood (infant through Pre-K) educational facility, or any business whose method of operation or trade dress is similar to that of Franchisor (the "**Restrictive Covenant**"). In the event that Landlord violates the foregoing restriction and such violation continues after thirty (30) days prior written notice thereof from Tenant to Landlord (a "**Violation Notice**"), then (a) Base Rent shall fully abate until such violation has been cured, but in no event for more than twelve (12) months; and/or (b) Tenant shall have the right to terminate this Lease upon thirty (30) days prior written notice to Landlord; provided that such notice must be given no later than one (1) year after Tenant's Violation Notice.

35. **TERMINATION OF LEASE PRIOR TO COMMENCEMENT DATE.** In the event that Tenant terminates this Lease without any right on the part of Tenant hereunder to do so prior to the Commencement Date, any such termination shall constitute a Default hereunder, and in such case, but without limitation of Landlord's other rights and remedies hereunder and/or under applicable law, Landlord shall be entitled to recover from Tenant any and all of Landlord's costs and expenses incurred to obtain any and all governmental and quasi-governmental permits and approvals necessary to allow the Permitted Use upon the Premises, including, without limitation, all architectural, engineering, environmental, legal and permit fees.

36. **COLLATERAL ASSIGNMENT OF LEASE.** The parties acknowledge that the Tenant is or will be a franchisee of Franchisor. Landlord and Tenant shall execute and deliver the Franchise Addendum to Lease in the form attached hereto as **Exhibit "D"** and incorporated into this Lease (the "**Franchise Addendum**"). Moreover, if this Lease is assigned to a franchisee under Section 10(e), then such franchisee and Landlord shall execute the Franchise Addendum.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, and intending to be legally bound, the parties hereto have executed this Lease, or caused this Lease to be executed by their duly authorized representatives, on the day and year first above written, as an instrument under seal.

Witness/Attest:

\_\_\_\_\_

**LANDLORD:**

[LANDLORD ENTITY NAME],  
a [LANDLORD'S STATE OF FORMATION] limited liability company

By: \_\_\_\_\_{SEAL}

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

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

**TENANT:**

[TENANT ENTITY NAME],  
a [TENANT'S STATE OF FORMATION] limited liability company d/b/a Celebree School

Witness/Attest:

\_\_\_\_\_

By: \_\_\_\_\_{SEAL}

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

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

## EXHIBIT "A" – PLANS AND SPECIFICATIONS

Detailed architectural and engineering working drawings and material specifications (the **"Plans and Specifications"**) shall be (i) prepared at Tenant's expense for Landlord's approval, which shall not be unreasonably withheld, delayed or conditioned (ii) in a form and content necessary to allow Tenant's contractors to obtain all required Approvals, including building permits, and approval, (iii) in compliance with all laws and applicable building codes, and (iv) consistent with a typical Franchisor daycare center and the Franchise Agreement and manual as then in effect.

EXHIBIT "B" – FORM OF PERSONAL GUARANTY

THIS GUARANTY AND SURETYSHIP AGREEMENT (this "Guaranty"), dated as of the \_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_, by (i) [NAME OF PERSONAL GUARANTOR 1], having an address of \_\_\_\_\_, and (ii) [NAME OF PERSONAL GUARANTOR 2], having an address of \_\_\_\_\_ (collectively, jointly and severally, the "Guarantor") in favor of [LANDLORD ENTITY NAME], a [LANDLORD'S STATE OF FORMATION] limited liability company, and its successors and assigns (the "Landlord").

WITNESSETH

WHEREAS, Landlord is leasing to [TENANT ENTITY NAME], a [TENANT'S STATE OF FORMATION] limited liability company d/b/a Celebree School (hereinafter called "Tenant"), Landlord is leasing to Tenant certain premises consisting (or to consist) of a [SQUARE FOOTAGE] +/- square foot building, land and associated improvements located at [PROPERTY ADDRESS] (the "Premises"), as more particularly described in that certain Lease Agreement entered into between Landlord and Tenant on even date hereto (the "Lease");

WHEREAS, Guarantor acknowledges receipt of a true and complete copy of the Lease;

WHEREAS, Landlord is unwilling to enter into the Lease unless Guarantor executes and delivers this Guaranty to Landlord; and

WHEREAS, Guarantor acknowledges and agrees that Guarantor will receive a material and direct interest, benefit and advantage from the Landlord entering into the Lease with Tenant, and accordingly, Guarantor has offered this Guaranty to Landlord to induce Landlord to enter into the Lease with Tenant.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor agrees as follows:

1. Guaranty. The Guarantor hereby absolutely, unconditionally and irrevocably guarantees to the Landlord, its successors and assigns, the due and punctual performance (including, without limitation, the full and prompt payment when due, and not merely collection) of the Guaranteed Obligations. For purposes of this Guaranty, the phrase "Guaranteed Obligations" shall mean and refer to all existing and future liabilities and obligations, whether absolute or contingent, of the Tenant, now in existence or hereafter incurred, to the Landlord of any nature whatsoever and arising specifically out of or in connection with the Lease, including, without limitation, the payment of all Rent, and any and all other sums and charges payable under the Lease by Tenant to Landlord as the same shall become due, whether on the stated payment date, by acceleration on default, or otherwise, and the full and timely performance and observance by Tenant of each and all of the obligations, covenants and agreements required to be performed and observed by Tenant under the terms of the Lease, together with all damages, costs and expenses that may arise in consequence of any default by Tenant under the Lease including, without limitation, all reasonable attorneys' fees and disbursements incurred by Landlord or caused by any such default and/or by the enforcement of this Guaranty.

2. Guaranty of Payment; Notices. This Guaranty is an absolute and unconditional guaranty of payment and performance. Landlord shall not be required, as a condition of

Guarantor's liability, to make any demand upon or to pursue any of its rights or remedies against the Tenant, or to pursue any rights or remedies which may be available to it with respect to any other person or entity who may be liable for the Guaranteed Obligations, if any. If any of the Guaranteed Obligations are not duly and punctually performed, all of the Guaranteed Obligations shall at the Landlord's option be deemed to be forthwith due and payable for the purpose of this Guaranty and the liability of the Guarantor hereunder. Upon a Default, Landlord shall have the immediate right to proceed directly against Guarantor and independently of Tenant. This Guaranty shall be enforceable against Guarantor, its heirs, personal representatives, successors and assigns, without the necessity for any suit or proceedings against Tenant on Landlord's part of any kind or nature whatsoever and without the necessity of any notice of non-payment, non-performance or non-observance or of any notice of acceptance of this Guaranty or of any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives.

3. Lease Modifications. This Guaranty shall be a continuing Guaranty and the liability of Guarantor hereunder shall in no way be affected, modified or diminished by reason of any assignment of the Lease by Tenant, any subletting by Tenant, or any renewal, modification or extension of the Lease or by reason of any modification or waiver of or change in any of the terms, covenants, conditions or provisions of the Lease by Landlord and Tenant, or by reason of any extension of time that may be granted by Landlord to Tenant, or by reason of any dealings or transactions or matter or thing occurring between Landlord and Tenant, or by reason of any bankruptcy, insolvency, reorganization, arrangement, assignment for the benefit of creditors, receivership or trusteeship affecting Tenant or any of Tenant's property, or by reason of the discharge of any other guarantor, whether or not notice of any of same shall be given to Guarantor.

4. Enforcement by Landlord. This Guaranty shall run to, and be enforceable by, Landlord and its successors-in-interest with respect to the property subject to the Lease, as well as the right to receive rents thereunder.

5. Guarantor's Obligations. Guarantor's obligations hereunder (a) shall be unconditional, irrespective of the enforceability of the Lease or any other circumstance which might otherwise constitute a discharge of a guarantor or Tenant at law or in equity; (b) shall be primary; (c) shall not be conditioned upon Landlord's pursuit of any remedy which it has against Tenant or any other person; and (d) shall survive and shall not be diminished, impaired or delayed in connection with (i) any bankruptcy, insolvency, reorganization, liquidation or similar proceeding relating to Tenant, its properties or creditors or (ii) any transfer, assignment or termination of Tenant's interest under the Lease.

6. Default. For purposes of this Guaranty, the term "Default" shall mean and refer to the occurrence of any of the following: (a) the failure of any of the Guaranteed Obligations to be duly and punctually performed; (b) the making by Guarantor of an assignment for the benefit of creditors; (c) the appointment of a trustee or receiver for Guarantor or for any property of Guarantor; (d) the commencement of any proceeding by or against Guarantor under any bankruptcy, reorganization, arrangement, insolvency, readjustment, receivership or similar law (except where such proceeding is involuntarily instituted against Guarantor, in which event Guarantor shall have ninety (90) days from the date of filing to have such proceeding dismissed); (e) if any information contained in any financial statement, application, schedule, report, or any other document given by the Guarantor or by the Tenant in connection with the Lease, or any representation or warranty made by Guarantor or Tenant to Landlord, is not in all respects true and accurate or if the Guarantor or the Tenant omitted to state any material fact or any fact

necessary to make such information not misleading; (f) if Guarantor is an individual, the death or incompetence of Guarantor, unless Guarantor's obligations under this Guaranty are, within ninety (90) days following the occurrence of such event, assumed by Guarantor's estate, trust or other representative, as applicable, in a manner reasonably acceptable to Landlord; or (g) a default or event of default under the Lease. Upon the occurrence of any Default, Landlord may, at its option, exercise any and all remedies for a default or event of default under the Lease and to collect any amount or amounts representing the Guaranteed Obligations directly from the Guarantor. All rights and remedies of Landlord under this Guaranty, the Lease, or by law are separate and cumulative, and the exercise of one shall not limit or prejudice the exercise of any other such rights or remedies. Any waivers or consents by Guarantor as set forth in this Guaranty shall not be deemed exclusive of any additional waivers or consents by Guarantor which may exist in law or equity.

7. Estoppel Certificate. Guarantor agrees to deliver to Landlord a written instrument, duly executed and acknowledged, certifying that this Guaranty is in full force and effect, that Landlord is not in default in the performance of any of its obligations under the Lease and stating any other fact or certifying any other condition reasonably requested by Landlord or its assignees or by any mortgagee or prospective mortgagee or their assignees or by any purchaser of the property which is the subject of the Lease or any interest in such property including, but not limited to, stating that it is understood that such written instrument may be relied upon by any of the foregoing parties. The foregoing instrument shall be furnished within seven (7) business days after receipt of Landlord's written request which may be made at any time and from time to time and shall be addressed to Landlord and any mortgagee, prospective mortgagee, purchaser or other party specified by Landlord.

8. Financial Information. Guarantor, after Landlord's written request and not more than once per year, agrees to promptly furnish financial statements and other financial information, prepared in accordance with GAAP consistently applied, outlining Guarantor's then-current financial condition to Landlord, Landlord's mortgagee, prospective mortgagee, assignee or purchaser.

9. Other Rights of Landlord. In the event Guarantor pays any sum to or for the benefit of Landlord pursuant to this Guaranty, Guarantor shall have no right of contribution, indemnification, exoneration, reimbursement, subrogation or other right or remedy against or with respect to Tenant, any other guarantor, or any collateral, whether real, personal, or mixed, securing the obligations of Tenant to Landlord, and Guarantor hereby waives and releases all and any such rights which it may now or hereafter have.

10. Subordination of Advances. If Guarantor advances any sums to Tenant or its successors or assigns or if Tenant or its successors or assigns shall hereafter become indebted to Guarantor, such sums and indebtedness shall be subordinate in all respects to the amounts then or thereafter due and owing to Landlord by Tenant.

11. Parties Bound. This Guaranty shall be binding upon Guarantor, and Guarantor's personal representatives, successors and assigns, and shall inure to the benefit of Landlord and its successors and assigns. Without limiting the generality of the preceding sentence, Guarantor specifically agrees that this Guaranty may be (i) assigned by Landlord and (ii) enforced by Landlord's mortgagee. References to "Tenant" in this Guaranty shall be deemed to include both the original Tenant and any future assignees of the Lease.

12. Joint and Several Liability. The liability of the Guarantor hereunder, if more than one, shall be joint and several. For purposes of this instrument the singular shall be deemed to include the plural, and the neuter shall be deemed to include the masculine and feminine, as the context may require.

13. Severability. If any provision of this Guaranty is held to be invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Guaranty shall remain in full force and effect and shall be liberally construed in favor of Landlord in order to effect the provisions of this Guaranty.

14. Authorization. If Guarantor is not an individual, the undersigned warrants and represents that this Guaranty and the execution of same has been duly authorized and approved in accordance with all of Guarantor's organizational documents and applicable law.

15. Choice of Law. Guarantor agrees that this Guaranty shall be governed by and construed according to the laws of the State of [STATE OF PROPERTY LOCATION], without reference to any conflict of laws or choice of law principles, that Guarantor is subject to the jurisdiction of the [TRIAL COURT OF GENERAL JURISDICTION IN THE COUNTY OF PROPERTY LOCATION] and that the [TRIAL COURT OF GENERAL JURISDICTION IN THE COUNTY OF PROPERTY LOCATION] is, and at all times will be deemed, a convenient forum for any litigation or other proceedings pertaining to the Lease or this Guaranty.

16. Continuing Enforcement. If, after receipt of any payment of all or any part of the obligations of Tenant to Landlord (the "Liabilities"), Landlord is compelled or agrees, for settlement purposes, to surrender such payment to any person or entity for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Guaranty shall continue in full force and effect or be reinstated, as the case may be, and Guarantor shall be liable for, and shall indemnify, defend and hold harmless Landlord with respect to the full amount so surrendered.

17. Captions; Defined Terms. The captions and headings in this document are inserted for convenience of reference only, and in no way define, describe, extend or limit the scope or intent of this document or any of the provisions hereof. All capitalized terms not otherwise defined in this Guaranty shall be afforded the same meaning ascribed to such terms in the Lease.

18. **WAIVER OF JURY TRIAL. GUARANTOR HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING IN WHICH TENANT HAS WAIVED IT'S RIGHT TO A JURY TRIAL OR IS OTHERWISE NOT ENTITLED TO TRIAL BY JURY UNDER APPLICABLE LAW.**

19. Force Majeure. Events of Force Majeure (as defined in the Lease) shall not extend any period of time for the payment of Rent or other sums payable by Guarantor hereunder. Delays or failures to perform resulting from lack of funds or which can be cured by the payment of money shall not be considered Force Majeure events hereunder and shall not excuse or extend Guarantor's performance.

IN WITNESS WHEREOF, and intending to be legally bound, each Guarantor has duly executed this Guaranty as of the date set forth below, intending it to be an instrument under seal.

\_\_\_\_\_[SEAL]  
\_\_\_\_\_

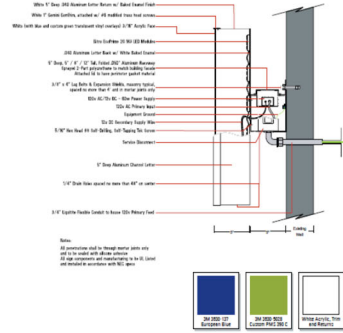
\_\_\_\_\_[SEAL]  
\_\_\_\_\_



EXHIBIT "C" – TENANT'S SIGN PACKAGE



Raceway mounted face lit internally LED illuminated channel letters. Underscore accent bar to be 10" deep self contained, flush mounted, face lit channel. Faces of letters, logo and bar to be inlaid with blue and custom green translucent vinyl.



Alternate Linear Layout



Alternate Stacked Layout



1800 Union Avenue | Baltimore, MD 21211 410 | 662.1100 phone 410 | 662.1105 fax

COLORS ARE REPRESENTATIONAL AND MAY NOT REFLECT FINISH AND COLOR OF FINAL PRODUCT | SIGN SCALE TO PHOTOS SHOWN ABOVE MAY NOT REFLECT ACTUAL SCALE | THIS DESIGN IS THE SOLE PROPERTY OF AJA SIGNS AND MAY NOT BE REPRODUCED IN ANY MANNER WITHOUT WRITTEN PERMISSION

EXHIBIT “D” – ADDENDUM TO LEASE AGREEMENT<sup>3</sup>

**FRANCHISE ADDENDUM TO LEASE**

**THIS ADDENDUM** is executed as of this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between [TENANT ENTITY NAME], a [TENANT’S STATE OF FORMATION] limited liability company (“**Franchisee**”), and [LANDLORD ENTITY NAME], a [LANDLORD’S STATE OF FORMATION] limited liability company (“**Landlord**”), as an addendum to the lease, as modified, amended, supplemented, assigned, renewed and/or extended from time to time as contemplated herein, (“**Lease**”) for the premises located at [PROPERTY ADDRESS], all as legally described as [LEGAL DESCRIPTION] (“**Premises**”) dated as of \_\_\_\_\_, \_\_\_\_.

Franchisee has entered into a Celebree School Franchise Agreement (“**Franchise Agreement**”) with **Celebree Enterprises, LLC** (“**Franchisor**”) for the development and operation of a Celebree School at the Premises, and as a requirement thereof, the lease for the Premises must contain the provisions contained in this Addendum.

Landlord and Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease.

**NOW THEREFORE**, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord shall deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
2. Franchisee hereby assigns to Franchisor, with Landlord’s irrevocable and unconditional consent, all of Franchisee’s rights, title and interests to and under the Lease upon any termination or nonrenewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; (b) Franchisor has exercised its option to acquire the Celebree School from Franchisee under the Franchise Agreement; and (c) Franchisor notifies the Franchisee and Landlord in writing that Franchisor assumes Franchisee’s obligations under the Lease.
3. Franchisor shall have the irrevocable and unconditional right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease within a reasonable period of time but not less than thirty (30) days after written notice to Franchisor and, if so stated in the notice, to also succeed to Franchisee’s rights, title and interests thereunder.
4. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor’s prior written consent.
5. Franchisee and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.
6. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord’s prior consent, further assign the Lease to a franchisee of Franchisor to operate the Celebree School at the Premises provided that the following criteria are met: (a) Franchisor has an established

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<sup>3</sup> Has this Exhibit “D” been updated? If so, the new Franchise Addendum should be inserted here in its place.

franchising program for Celebree School; and (b) the proposed franchisee has met all of Franchisor's applicable program criteria and requirements and has executed Franchisor's standard franchise agreement. Landlord agrees to execute such further documentation to confirm its consent to the assignment permitted under this Addendum as Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor shall be released from any further liability under the terms and conditions of the Lease.

7. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a Celebree School. Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor within thirty (30) days of expiration (without renewal) or termination of the Franchise Agreement, provided Franchisor shall bear the expense of repairing any damage to the Premises as a result thereof.
8. Landlord and Franchisee agree that if Landlord is an affiliate or an owner of Franchisee and Landlord proposes to sell the Premises, prior to the sale of the Premises, the Lease upon the request of Franchisor shall be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Celebree School is located.
9. Franchisor, along with its successors and assigns, is an intended third-party beneficiary of the provisions of this Addendum.
10. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to Franchisor at 8029 Corporate Drive, Nottingham, MD 21236 (Attn: Chief Executive Officer) or such other address as Franchisor shall specify by written notice to Landlord.
11. Under the Franchise Agreement, any lease for the location of a Celebree School is subject to Franchisor's approval with regards to the terms and conditions that affect Franchisor, and Franchisor expressly disclaims any other connotations either expressed or implied as to the other terms and conditions set forth in the Lease that are negotiated between Landlord and Franchisee. Accordingly, the Lease is contingent upon such approval, and Franchisor shall provide written notice to Landlord and Franchisee to evidence such approval, as applicable.

[Signatures follows on next page.]

WITNESS the execution hereof under seal.

LANDLORD: [LANDLORD ENTITY NAME]

FRANCHISEE: [TENANT ENTITY NAME]

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

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

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

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

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

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

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

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

Subscribed and sworn to before me this \_\_\_\_ day  
of \_\_\_\_\_, \_\_\_\_.

Subscribed and sworn to before me this \_\_\_\_ day  
of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

My Commission expires: \_\_\_\_\_

My Commission expires: \_\_\_\_\_

EXHIBIT "E" – SITE PLAN

[SITE PLAN IMAGE]

### **State Effective Dates**

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

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

<b>STATES</b>	<b>EFFECTIVE DATE</b>
INDIANA	PENDING
ILLINOIS	PENDING
MARYLAND	PENDING
MICHIGAN	PENDING
MINNESOTA	PENDING
NEW YORK	PENDING
RHODE ISLAND	PENDING
VIRGINIA	PENDING
WISCONSIN	PENDING

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**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 Celebree Enterprises, LLC offers you a franchise, Celebree Enterprises, LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that Celebree Enterprises, LLC gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Celebree Enterprises, 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.

The franchisor is Celebree Enterprises, LLC, located at 8029 Corporate Drive, Nottingham, Maryland 21236 and (443) 991-4791.

The issuance date of this Franchise Disclosure Document is April 11, 2024.

The name, principal business address and telephone number of each franchise seller offering the franchise is: Richard Huffman, Chief Executive Officer and Director; Allan Greenberg, Chief Financial Officer, Secretary, Treasurer, and Director; Christopher Kelleher, Chief Development Officer and Director; Lisa Bricker, Chief Talent Officer and Director; Lauren Moran, Director of Marketing; Kristen Miller, Director of Education; Allison Tsomos, Chief Operating officer; Stefanie Shurer, Director of Franchise Training; Laura Rice, Chief Marketing Officer; Kimberly Mitchell Wolff, Vice President, Franchise Sales and Development; Michael Carahaly, Director of Franchise Sales; and Michael Forrest, Market Director, Celebree Enterprises, LLC, at 8029 Corporate Drive, Nottingham, Maryland 21236 and (443) 991-4791 and \_\_\_\_\_ [List any broker involved in the sale].

I have received a Franchise Disclosure Document dated April 11, 2024 that included the following Exhibits.

- A. Franchise Agreement
- B. Development Agreement
- C. Table of Contents of the Manuals
- D. Financial Statements
- E. List of State Administrators and Agents for Service of Process
- F. State Specific Addenda to Franchise Disclosure Document
- G. State Specific Addenda to Agreements
- H. General Release
- I. List of Franchisees
- J. Training Participation and Non-Disclosure Agreement
- K. Disclosure Acknowledgement Form
- L. Lease Agreement

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

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

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

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

Please sign this copy of the receipt, date your signature, return the signed receipt to Chris Kelleher, Chief Development Officer, Celebree Enterprises, LLC, at 8029 Corporate Drive, Nottingham, Maryland 21236.

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Date Received

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Prospective Franchisee

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

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

\_\_\_\_\_

Please sign this copy of the receipt, date your signature and retain the signed Receipt for your records.