

# PREPAZE ACADEMY™

FRANCHISE DISCLOSURE DOCUMENT

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Prepaze Academy Franchises, Inc.  
a North Carolina Corporation  
3031 Village Market Place  
Morrisville NC  
(919) 342-4002  
contact@prepazeacademy.com  
<https://prepazeacademy.com>

As a Prepaze Academy™ franchisee, you will operate in-person learning centers for grades K-12 offering comprehensive supplemental learning curriculum in all subjects, standardized test preparation, and college counseling preparation.

The initial investment necessary to begin operation of a Prepaze Academy™ franchised business ranges from \$156,500 to \$318,500. This includes the \$39,400 that must be paid to the franchisor or its affiliates.

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, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Shenba Chockalingam at cshenba@prepaze.com and (925) 281-7375.

The terms of your contract will govern your franchise relationship. Don't rely on this disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this document to an advisor, like an attorney 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 be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: January 6, 2022

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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 “D.”
<b>How much will I need to invest?</b>	Items 5 and 6 list fees that 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 “C” 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 Prepaze Academy™ 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 Prepaze Academy™ franchisee?</b>	Item 20 or Exhibit “D” 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 “F.”

Your state may also 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 the franchisor by mediation, arbitration and/or litigation only in Morrisville, Wake County, North Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Morrisville, Wake County, North Carolina than in your own state.

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

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ADDENDA OF STATE REGULATIONS:  
CALIFORNIA

### EXHIBITS

- A. Franchise Agreement and its Exhibits
- B. Statement of Prospective Franchisee
- C. Financial Statements
- D. Schedule of Franchisees
- E. List of Agents for Service of Process
- F. List of State Agencies Responsible for Franchise Disclosure and Registration Laws
- G. Release Agreement (FORM)
- H. Signing Checklist

### RECEIPTS

# FRANCHISE DISCLOSURE DOCUMENT

## ITEM 1

### THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

#### The Franchisor

The name of the franchisor is Prepaze Academy Franchises, Inc. In this disclosure document Prepaze Academy Franchises, Inc. is referred to as “we” or “us” or “our” or “Prepaze Academy”; “franchisee,” “you”, or “yours” means the person or persons, individually and collectively, who buys the franchise from us and includes the current and future owners of a franchisee that is a corporation, partnership or other entity.

Our company was incorporated on October 15, 2021, in the State of California under the name Prepaze Academy, Inc. Our principal place of business is 3736 Fallon Road #403, Dublin, California 94568. On August 10, 2022, the corporate office was moved to 3031 Village Market Place, Morrisville, NC 27560 and the company was renamed to "Prepaze Academy Franchises".

Our agents for service of process in various states are disclosed in Exhibit “E.”

#### Franchisor’s Business Activities

While we do not current operate a business similar to you, we reserve the right to operate Prepaze Academy™ businesses, in addition to franchising the Prepaze Academy brand.

We do not do business under any name other than Prepaze Academy, Inc. or Prepaze Academy™.

As of the date of this disclosure document, we have not offered for sale or sold franchises in any other line of business. We began offering and selling franchises under the Prepaze Academy brand in January 2022.

#### Parents and Affiliates

Our parent, Ace Companies Inc, a corporation, was incorporated on May 29, 2018, in the State of California. Its principal place of business is 3736 Fallon Road #403, Dublin, California 94568. On August 10, 2022, the corporate office was moved to 3031 Village Market Place, Morrisville, NC 27560.

Our affiliate Prepaze Inc., a California corporation, was incorporated on May 29, 2018, in the State of California. Its principal place of business is 3736 Fallon Road #403, Dublin, California 94568. On August 10, 2022, the corporate office was moved to 3031 Village Market Place, Morrisville, NC 27560.

#### **Parent, Affiliate, and/or Predecessor Business Activities Involving Prepaze Academy™**

##### Parent

Our parent, Ace Companies Inc, a North Carolina corporation, owns all content created for Prepaze Academy™ and the prepaze.com site.

##### Affiliate

Our affiliate Prepaze Inc., a North Carolina corporation, is an online corporation prepaze.com will provide teaching and other materials and content for franchise business. Prepaze Inc. is a required vendor for all Prepaze Academy™ related content, including books that you will be allowed to purchase and sell for a mark-up at your franchise business premises.

We have no other parents, predecessors or affiliates required to be disclosed in this item.

#### Franchise Offered

We license and train others to operate Prepaze Academy™ businesses. A Prepaze Academy™ business offers in-person learning centers for grades K-12, offering comprehensive supplemental learning curriculum in all subjects, along with standardized test preparation and college

counseling. The grant of a Prepaze Academy™ franchise authorizes you to engage in our complete system under the name Prepaze Academy™ and other proprietary marks.

You will be required to purchase specific materials, supplies and equipment and to strictly follow our standards, methods, policies and procedures in the operation of your franchise business that are described in more detail in our franchise agreement attached as Exhibit “A” to this disclosure document. You will be required to maintain a ratio of one teacher per five students. Teacher qualifications will be provided in our manuals.

#### General Description of Market and Competition

The general market for academic and extra-curricular enrichment classes is well-developed and competitive. You will typically compete with other established businesses operating academic and extra-curricular enrichment classes targeted at K-12 students. There are many of these competitors from large national chains to small independent operators that offer both in-person and online options. You may also encounter competition from other Prepaze Academy™ franchises operated by us or other franchisees outside your territory, as well as our affiliate’s Prepaze online-only curriculum.

#### Laws and Regulations

You are required to follow all laws and regulations that apply to business generally. Certain states may require specific licensing or certification in order to operate learning centers, and certain states require background checks for those working directly with minors. Your learning center may be classified as a school or daycare under some local zoning laws and regulations, which may require you to undergo further licensing, approvals, and modifications to the premises. To our knowledge there are no generally applicable specific laws or regulations that govern this industry.

You must investigate local zoning rules because they may limit where you can locate your franchise business and may affect the design features including the building façade and signs. In many jurisdictions, you will also be required to obtain a sign permit. You should also be aware of federal, state, and local environmental laws about the disposal of waste materials and packaging. You may be required by local law to participate in a recycling program, which may require that you register and make ongoing fee payments.

At your cost and expense, you must investigate and ensure that you comply with all payment card industry (“PCI”) and data security standard (“DSS”) standards, regulations, and requirements; however, we reserve the right to approve of the vendor you use for compliance. You must meet the requirements of, and comply with enhancements and changes to, the PCI and DSS and maintain PCI compliance with the current version of the PCI and DSS. We reserve the right to require an audit (and to designate the auditor) to verify compliance. You must reimburse us for the audit if you are not in compliance. You are responsible to use all required tools, systems, and vendors to complete ongoing PCI requirements, including quarterly external security scans and annual self-assessment questionnaires. You are solely responsible for all costs relating to PCI compliance and data security issues, such as security threats, breaches, and malware. It is your responsibility to alert us, not later than 24-hours following a suspected or confirmed data security breach, so that appropriate action can be taken to protect customer data and notify relevant parties. You are not permitted to collect, store, transfer, etc., any unnecessary customer information. Additional information can be found at <https://www.pcisecuritystandards.org/>.

The details of state, county and local laws and regulations vary from place to place. It is your responsibility to research these matters. Please be aware that the changes in these laws may increase the cost to operate your business. You are solely responsible to determine what local or state regulations, permits and licenses you will need to comply with and/or obtain to conduct the franchise business in a particular state, city or town.



**ITEM 2  
BUSINESS EXPERIENCE**

NAME	COMPANY NAME AND LOCATION	POSITION	FROM
Shenba Chockalingam	Prepaze Academy, Inc., Morrisville, North Carolina	Founder & CEO	October 1, 2021, to present
	Ace Companies, Inc., Morrisville, North Carolina	Founder & CEO	October 2018 to present
	Myvest Corporation, San Francisco, California (Wealth Management)	Director, Product Management	March 2016 to June 2019
Satheesh Kumar Kasi Malaiyarasan	Prepaze Academy, Inc., Morrisville, North Carolina	CTO	October 1, 2021, to present
	Ace Companies, Inc., Morrisville, North Carolina	CTO	October 2018 to present
	Ellie Mae, Pleasanton, California (Mortgage Software Company)	Senior Manager	July 2013 to present

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this item

**ITEM 5  
INITIAL FEES**

Initial Franchise Fee

On the signing of the franchise agreement, all franchisees pay an initial franchise fee of \$39,000. The initial franchise fees are uniform for all franchisees. The initial franchise fee is payable in a lump sum upon signing the franchise agreement. We may choose to offer discounts to the initial franchise fee on an individual basis including to veterans and those seeking to open in lower income areas. The discount will be negotiated on a case-by-case basis and is not guaranteed even if you are a veteran or seeking to open in a lower income area. As part of your initial franchise fee, we will provide you with digital marketing and social media materials, class stickers, and digital designs for signage and wall decals.

Initial Training

There is no training fee for up to 5 attendees. You will be responsible to cover the cost of travel, food, and lodging for your attendees to attend the initial training. We allow you to have additional attendees for a fee of \$1,500 per attendee.

Required Purchases

You are required to pay us a monthly technology fee (currently \$250 per month) for access to all online content used in your franchise business and a monthly website maintenance fee (currently

\$150 per month). The online content allows you to save on overall operating costs due to the lack of paper-based products and manpower required to correct the paper documents. The technology fee also pays for the dashboard for students and parents to view progress.

Aside from the technology fee, there are no required purchases from us or our affiliate; however, you may purchase additional materials from us, including books that you can offer for resale at your franchise premises. You are also required to use us to develop specialized content, and we will charge you a fee for all content developed outside of our normal curriculum. The fee for specialized content will be determined on a case by case basis due to the unique nature of each request.

#### Uniformity and Refunds

Unless otherwise described above, these costs and fees are uniform and are non-refundable for all franchisees as described above.

### ITEM 6 OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty <sup>1,5</sup>	The greater of 12% of gross sales or \$750 per month	Payable monthly to be received by the 10th day of the following month	Gross sales include all revenue from the franchise business but does not include sales tax. We require royalties to be paid in accordance with our electronic funds transfer or automatic withdrawal program as developed.
Marketing Fund Fee <sup>1</sup>	2% of gross sales	Payable monthly to be received by the 10th day of the following month	See Note 3 below.
Relocation Fee <sup>1</sup>	\$2,000	At the time we approve of the relocation	If you request our approval to relocate your business and we agree, you must pay this fee to us in order to defray our costs associated with updating documentation, reviewing new sites, and editing our website and promotional materials
Late Charges <sup>1,5</sup>	\$25 per day	Payable with royalty or on demand	Charges begin to accrue after the due date of any required payment or report. You will be charged \$25 per day for each late fee or report (up to \$500 per late fee).
Interest on Late Fees and Reports <sup>1</sup>	18% interest or maximum rate permitted by state law, whichever is less	Payable with royalty or on demand	Interest begins to accrue after the due date of any required payment or report.
Non-Sufficient Fund Fees <sup>1</sup>	\$50 per bounced check or insufficient or disputed draft	Payable with royalty or on demand	Or maximum allowed by state law (see state specific addendum)

Tax Reimbursement Fee <sup>1</sup>	Sum equal to tax imposed	Upon demand	If there is hereafter assessed any nature of sales tax or use tax or other tax on fees or other sums previously or hereafter received by us under the franchise agreement, then in addition to all fees and other payments to be made by you to us, you must also pay us or the taxing authority a sum equal to the amount of such tax. Any tax paid to us will be paid when due to the taxing authority.
Audit Charge <sup>1</sup>	Cost of audit	On billing	Payable only if an audit shows an understatement of 2% or more of gross sales for the time period audited, or records are unorganized or unavailable.
System Non-Compliance Fines and Charges <sup>1,2,7</sup>	Amounts to be specified in our manuals, currently ranging between \$50 to \$2,500	As incurred	See Note 6.
Website Maintenance <sup>1,7</sup>	Currently \$150 per month	Monthly	Payable in connection to our maintenance of the website and emails. This fee will be updated periodically in our manuals.
Technology Fee <sup>1,7</sup>	Currently \$250 per month	Monthly	This fee will be updated periodically in our manuals.
New Operating Principal or Management Training <sup>1</sup>	\$1,500 per person	Prior to training	Any new operating principal or managers must complete the initial training program within 10 days of hire or assuming responsibilities.
Additional Training <sup>1</sup>	\$250 per person, per subject	Prior to training	Each additional training will be subject-specific and will last approximately 2 hours. If more time or more subjects are needed to be covered in the training, an additional \$250 per person fee will be charged for each subject.
Insurance Procurement Fee <sup>1</sup>	Varies	Upon demand	You are required to hold and maintain your own insurance, but in the event you fail to do so, we have the right to obtain insurance on your behalf, and you are required to reimburse us the premium payments, plus an administration fee of \$200 per hour.
PCI and DSS Audit Reimbursement Fee <sup>1</sup>	Reasonable costs of the audit	Upon demand	You must reimburse us all costs related to an audit for your non-compliance with PCI and DSS requirements.
Compliance Inspection Fee <sup>1</sup>	\$250 per visit	Upon billing after inspection	Payable if you fail any inspection and we determine a need to conduct a re-inspection for compliance.

Interim Management Fee <sup>1</sup>	25% of gross sales per day, per representative	Time of service	Payable if we elect to operate your business during your unapproved closing, unapproved absence, incapacity, death, or if you are not in compliance. You must also pay all travel, lodging, food and other expenses for our representative(s) and other expenses that may be incurred by us to perform such services, plus royalties, advertising fees and other applicable fees.
Content Creation <sup>1</sup>	Cost, plus 10%	On billing	If you request content to be created outside of what is available through our system, we will charge you our costs in creating the content, plus a fee equal to 10% of the cost in creating the content.
Additional Copies of Marketing Materials <sup>1</sup>	Our reasonable costs, plus 10%, and the costs for shipping and handling	Time of delivery	We may develop and provide you samples of marketing and promotional materials. You will receive one copy of marketing and promotional materials at no cost to you, other than shipping and handling.
Fees on Default <sup>1,2</sup>	Attorney's fees, costs, interests and audit costs	On demand, as incurred	Paid in addition to other payments to us
Early Termination Liquidated Damages <sup>1</sup>	Average royalty from the previous 12 months multiplied by the lesser of 30 months or the remaining term of your franchise agreement	Upon termination	Payable if your franchise agreement is terminated prior to the expiration of the term. This is only to compensate for lost royalties and is not our only remedy.
Post-Termination Fees <sup>1</sup>	Varies, plus \$150 per day	As incurred	You will be responsible to pay us all post-termination expenses, including attorney's fees and costs to enforce your post-term obligations, plus an additional fee for our time.
Franchise Agreement Transfer Fee <sup>1</sup>	\$2,500	At time of approved transfer	Payable when you sell your franchise and prior to our signing any approval or new agreement. If you sell only a non-controlling and minority interest in your entity, then there is no transfer fee, but you are required to cover our reasonable costs associated with the transfer. However, all guarantors will remain guarantors unless otherwise released by us.

Transfer Fee for Transfers of Less Than 40% Ownership or Control (cumulative during the term) <sup>1</sup>	Our legal fees and administrative costs related to the transfer	On demand	All guarantors will remain guarantors unless otherwise released by us. Subject to state law.
Indemnification <sup>1,2</sup>	Varies	As incurred or on demand	
Liquidated Damages for Breach of Non-Competition <sup>1</sup>	\$70,000	Upon demand	See Note 6 (per instance of competition).
Dispute Resolution Fees <sup>1</sup>	Varies	As incurred or on demand	You are required to pay half of the mediation or arbitration fees. Additionally, the prevailing party will be entitled to reimbursement of its legal fees and expenses.

## NOTES

<sup>1</sup> Royalty and Fees. Except as shown in the remarks column, all fees are uniformly imposed and payable to us. All fees payable to us or an affiliate are non-refundable. Payment of the royalty provides you with ongoing access to all Prepaze Academy content that we or our affiliate have developed. You should verify with any third-party payee whether such payments, deposits, or fees are refundable or not. If a sales or similar tax is assessed on the royalties or marketing fees, you may be required to pay us or the taxing authority the amount of this tax.

We have the right to require you to establish a bank sweep, draft or other similar type of electronic funds transfer (“EFT”) account in which you must deposit the gross sales of your outlet (not including local sales & use taxes) which account we may automatically access for any payment due us. You cannot close or terminate any EFT account without receiving our prior written consent. If you fail to timely report gross sales, we may sweep an estimated amount of fees due to us. You will be responsible to pay us any amount owing if we underestimate your payment to us, and we will credit you with any overage that we charge.

<sup>2</sup> Indemnification. You must defend, indemnify, and hold us harmless from any and against any and all losses, liabilities, damages, costs and expenses, including reasonable attorney’s fees arising out of or related to, or in any way connected with you or your acts, errors or omissions in the operation of your franchise business or your franchise business generally, and including any allegation that you are our employee, or that we are a joint employer or otherwise responsible for the acts or omissions relating to your employees, and other laws regarding public accommodations for persons with disabilities.

<sup>3</sup> Advertising Fees. The Marketing Fund fee may be used by us for one or more national or regional marketing and brand development programs, as we choose. You must also spend a minimum of 5% of your monthly gross sales on social media and local Google Ad marketing each month. We may increase the required local marketing amount upon 60 days’ notice to you. However, the increase will not be more than 10% percent of your gross sales. These fees are uniformly imposed.

<sup>4</sup> System Non-Compliance. We have the option to issue you a fine for certain violations of the franchise agreement and/or manuals. The amount of the fine will be set forth in the manuals. If you do not correct

the violation within the time required by us, we have the right to put you in default. All fines are to be paid in accordance with our electronic funds transfer or automatic withdraw program.

<sup>5</sup> Reports. You must submit the following reports by the following due dates.

TYPE OF REPORT	DUE DATE	REMARKS
Gross sales report	Due monthly with royalty payment	You must submit this report in a form we approve or require.
Monthly Financial Statements	Due monthly with royalty payment	These financial statements do not need to be prepared by your accountant or audited unless requested by us.
Local Marketing Report	Due monthly with royalty payment	This report must detail your expenditures for local marketing in a form we may require.
Annual Financial Statements	On or before January 31 of each year	This is a complete financial statement for the preceding calendar year, including a profit and loss statement and balance sheet. These financial statements do not need to be prepared by your accountant or audited unless requested by us.
Sales Tax Report	Quarterly, by the 15 <sup>th</sup> day of the following quarter	
State Tax Return	Within 15 days of submission	
Federal Tax Return	Within 15 days of submission	
IRS Form 941 (Employer's Quarterly Federal Tax Return)	Within 15 days of submission	

<sup>6</sup> Liquidated Damages for Breach of Non-Competition. This fee is applied if you violate the non-compete covenants in the franchise agreement or any related agreements, or if you use our system without our express written permission or approval. Per instance means for each competing business or time you breach your obligations with any business that is not a part of your franchise business. This fee is not our only remedy, does not represent a price for the privilege of not performing, nor does the payment represent an alternative manner of performance.

<sup>7</sup> Fee Increases. Unless otherwise stated in this disclosure document, if a fee is subject to change by us rather than by a third party, the increase will not be more than the equivalent of 5% per year during the term of your franchise agreement. Costs charged by third parties are subject to change at any time and do not have an annual cap.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	LOW AMOUNT	HIGH AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial franchise fee <sup>1</sup>	\$39,000	\$39,000	Lump Sum		Us

Initial training <sup>2</sup>	\$5,000	\$15,000	As incurred	Prior to and during training	Airlines, hotels and restaurants
Real estate improvements <sup>3</sup>	\$40,000	\$150,000	As incurred	As negotiated	Suppliers and contractors
Premises lease (3 months) <sup>4</sup>	\$9,000	\$22,500	As incurred	As negotiated	Landlord
Equipment, furniture, décor, and supplies <sup>5</sup>	\$15,500	\$29,000	As incurred		Suppliers
Computer, hardware, and software <sup>6</sup>	\$1,000	\$3,500	As incurred	As negotiated	
Signs <sup>7</sup>	\$2,500	\$3,500	As incurred	Before opening	Suppliers
Miscellaneous opening costs <sup>8</sup>	\$1,000	\$2,500	As incurred	As incurred	Suppliers, government departments, utilities, etc.
Grand opening marketing <sup>9</sup>	\$5,000	\$6,000	As incurred	As negotiated	Suppliers
Advertising (3 months) <sup>10</sup>	\$3,000	\$6,000	As incurred	As negotiated	Us and suppliers
Additional funds <sup>11</sup>	\$35,500	\$41,500	As incurred	As incurred	Suppliers, employees, etc.
*TOTAL <sup>12</sup>	\$156,500	\$318,500			

## NOTES

<sup>1</sup> Initial Franchise Fee. The initial franchise fee is non-refundable, and we do not finance any portion of the fee. We may, as determined in our sole discretion, choose to offer a discount to individuals who are seeking to open a learning center in a low income area, or to honorably discharged veterans of the United States military (presentation of Veteran ID cards, a DD-214, and other documentation will be required to provide proof of honorable discharged status).

<sup>2</sup> Initial Training. We estimate that you will have approximately 2 people attend training. These costs will vary widely as a function of the distance traveled and the choice of accommodations, meals, and transportation.

<sup>3</sup> Real Estate Improvements. You must purchase or lease a suitable location for your franchise business. We must approve of your location. Costs of commercial property or leases and improvements vary widely based on location, terms of the lease, the total area of your space, as well as construction and material costs. Your landlord may provide you with a tenant improvement allowance as part of your lease. You should review these costs with a local contractor, commercial real estate agent and other professionals. We do not provide standard design plans or specifications, but your space must include a large common work area along with 3 rooms. If you locate your center in newly constructed space, the landlord may require significantly greater additional expenditures to cover leasehold improvements. You are not required to lease newly constructed space. We estimate that you will spend between \$35/sq. ft and \$200/sq. ft for tenant improvements. The high estimate reflects an empty shell in newly constructed space.

<sup>4</sup> Rent. Your space will vary depending on your needs, but we estimate you will need 1,400 to 3,000 square feet, and we estimate your lease to be \$2.50/sq ft \$6/sq ft per month. Our estimate includes 3



months of rent. You are encouraged to negotiate a “free rent” period for the time it takes to build out your business. You may be able to negotiate additional free-rent or reduced rent periods after opening as well. We expect that you will rent your location. If you choose to purchase real estate instead of renting, your costs will be significantly different. We have not included an estimate for the cost to purchase and build a location in the table above.

<sup>5</sup> Equipment, Furniture, Décor, and Supplies. Included in this estimate are the cost of the following items: 3 televisions (minimum 45”), desks and chairs and other furniture, interior painting, copier, office student supplies.

<sup>6</sup> Computer Hardware, and Software. There is no separate POS system as all payments and enrollment are done via a website. However, you are required to have one office computer or laptop that is compatible with our required accounting software. We recommend, but do not require that you have 5 iPads or laptops for students to use while at the learning center. The low estimate assumes you will not be purchasing any iPads or laptops for student use. For more information about your computer, hardware, and software requirements.

<sup>7</sup> Signs. Subject to landlord and government restrictions, 3 signs are required. At least 2 exterior signs displaying the trademark and 1 interior sign(s) are required. These signs may be made locally. All signs must conform to our specifications. You must use the location’s monument sign if available.

<sup>8</sup> Miscellaneous Costs. These miscellaneous costs include legal fees, utility costs, business entity organization expenses, employee training, deposits, insurance and licenses. The cost of insurance may vary depending on the insurer, the location of your franchise business, and your claims history. We strongly recommend that you hire a lawyer, accountant, or other professional to advise you on this franchise offering. Rates for professionals can vary significantly based on locale, area of expertise and experience.

<sup>9</sup> Grand Opening Marketing. This estimates the cost to promote your grand opening. We require that you spend at least \$5,000 in promoting your opening and you must have a grand opening event/ribbon cutting ceremony.

<sup>10</sup> Advertising. This estimates the cost of advertising for the first 3 months of operations. Not less than 30 days prior to your franchise business opening, you are required to submit to us an opening advertising plan. We must review and approve this advertising plan.

<sup>11</sup> Additional Funds. This estimates your operating expenses during your first 6 months of operations, not including cash flows. We require that you maintain a minimum of \$30,000 cash reserves for the first 6 months. After the initial 6 months of operations, you must always have a minimum of \$5,000 in your operating account; provided that in any 30-day period, the operating account may have less than such amount for a period of not more than 5 days. Upon our request, you are required to provide us with view-only access to your operating account, and you cannot to have more than one operating account. We have relied upon the experience of our principals to compile these estimates. Additionally, if you elect to finance your investment, you need to account for the additional costs of repaying that financing.

<sup>12</sup> Total. These figures are estimates for the development of a single franchise unit, and we cannot guarantee that you will not have additional expenses starting your franchise business. You should review these figures in Item 7 carefully with a business advisor before making any decision to purchase the franchise. All purchase agreements or leases must be negotiated with suppliers. For any items purchased from us or an affiliate, we require immediate payment. All fees and payments payable to us or an affiliate are non-refundable. Your lease security deposit and utility deposits will usually be



refundable unless you owe money to the landlord or utility providers. You should verify with any third-party payee whether such payments, deposits, or fees are refundable or not.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Approved Suppliers, Proprietary Products and Required Purchases

You must operate your franchise business according to our system, including purchasing or leasing certain items or services according to our specifications or from approved suppliers. You must not deviate from these specifications without our prior written consent.

You must purchase or lease the following products and services from us, other sources designated or approved by us, or according to our specifications as set forth in the manuals:

Item or Service	Is the franchisor or an affiliate an approved supplier of this item?	Is the franchisor or an affiliate the only approved supplier of this item?
Student and teaching materials	Yes	Yes
Wall decals and décor	Yes	Yes

### Insurance

You must at all times during the entire term of the franchise agreement and at your own expense keep in full force, by advance payment(s), the following minimum insurance policies, obtained from a company rated “A” or better by A.M. Best & Company, Inc.:

Type of Insurance	Minimum Required Amount(s)
Commercial General Liability Insurance	\$1,000,000 per occurrence and \$2,000,000 in the aggregate or leasehold minimum, whichever is greater
Property Insurance	100% of the full replacement cost against loss or damage from fire and other risks normally insured against in extended risk coverage
Business Interruption Insurance	Time covering at least 60% of Your annual revenue or the actual loss sustained, whichever is greater
Umbrella Insurance	Excess “umbrella” liability with a limit of not less than \$5,000,000 per occurrence
Professional Liability	\$1,000,000 per occurrence and \$2,000,000 in the aggregate
Cybersecurity	\$1,000,000 minimum
Government Required Insurances	You must maintain and keep in force all worker’s compensation and employment insurance on your employees that is required under all federal and state laws.

These policies will insure you, us, and our officers, directors, and nominees as additional insureds against any liability that may accrue by reason of your ownership, maintenance or operation of the franchise business. These policies will stipulate that we will receive a 30-day written notice prior to cancellation or termination, and we must receive a 30-day notice of any modification. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to us must be furnished to us together with proof of payment prior to you beginning operations. Our insurance coverage requirements are only minimums. You need to make an independent determination as to whether increased amounts or additional types of insurance are appropriate.

If you fail to obtain or maintain insurance, we may obtain insurance for you, and you will pay us the premium costs for the first month (and will be responsible to pay the insurance provider directly thereafter) upon our demand, plus an administration fee of \$200 per hour for our time. You must also

procure and pay for all other insurance required by state or federal law. We may periodically modify or adjust the amounts of coverage required and/or require different or additional coverage. We do not derive revenue as a result of your purchase of insurance.

#### Approved Suppliers

We may enter into contracts with suppliers for items or services purchased by our franchisees. Pursuant to these contracts, you will be required to purchase items or services from the approved suppliers.

All approved suppliers and specifications are made available to you before the beginning of operations. We consider our approved suppliers and specifications to be of critical importance to the success of the system. You must receive our prior written approval to deviate in any manner from our specifications.

#### Ownership in Approved Suppliers

None of our officers have an ownership interest in any of our suppliers.

#### Revenue to Us and Our Affiliates from Required Purchases

In the last fiscal year, we did not collect any money or obtain any revenues from the sale of these products and services to franchisees. We or our affiliates may derive income from required purchases or leases of goods or services made by our franchisees from approved sources. However, because we are a new company, we have no basis from which to gauge the revenue that we or our affiliate may derive from franchisee purchases from designated sources.

#### Proportion of Required Purchases and Leases

We estimate that the proportion of required purchases or leases will represent 60% to 80% of your overall purchases in opening your franchise business and 5% to 15% of your overall purchases in operating your franchise business.

#### Non-Approved Suppliers

We do not allow you to submit alternative suppliers to be included on our list of approved suppliers.

#### Standards and Specifications

We may issue specifications and standards to you for applicable aspects of the franchise in our manuals and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our manuals and/or issuing new written directives (which may be communicated to you by any method we choose).

Other than as stated above, there is no obligation for you, under the terms of the franchise agreement, to purchase or lease any goods or services regarding the establishment or operation of the franchise business from approved sources.

#### Negotiated Arrangements

At this time, there are no purchasing or distribution cooperatives. We do not currently negotiate purchase arrangements with suppliers, including price and terms for the benefit of franchisees.

#### Benefits Provided to You for Purchases

We do not provide material benefits to franchisees based on the franchisee's purchase of particular products or services or use of particular suppliers (e.g., grant renewals or additional franchises to franchisee's based on purchases).

**ITEM 9  
FRANCHISEE'S OBLIGATIONS**

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

	<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a.	Site selection and acquisition/lease	Sections 4.1 and 4.2	Item 11
b.	Pre-opening purchases/leases	Paragraphs 6.1.3, 6.1.10, and 6.1.12	Item 8
c.	Site development and other pre-opening requirements	Sections 4.3 and 4.4	Items 7 and 11
d.	Initial and ongoing training	Paragraphs 6.1.4 and sections 7.4 and 7.5	Item 11
e.	Opening	Section 4.4	Item 11
f.	Fees	Article V	Items 5, 6 and 7
g.	Compliance with standards and policies/operating manual	Section 6.2 and article IX	Items 8 and 11
h.	Trademarks and proprietary information	Article III	Items 13 and 14
i.	Restrictions on products/services offered	Article VIII	Item 8 and 16
j.	Warranty and customer service requirements	Paragraphs 6.1.2 and section 8.5	Item 11
k.	Territorial development and sales quotas	Section 1.1	Item 12
l.	Ongoing product/service purchases	Article VIII	Item 8
m.	Maintenance, appearance and remodeling requirements	Paragraphs 6.1.2 and 6.1.8	Item 11
n.	Insurance	Paragraph 6.1.11	Item 8
o.	Advertising	Article X	Items 6, 7 and 11
p.	Indemnification	Section 15.2	Item 6
q.	Owner's participation/management/staffing	Paragraphs 6.1.6, 6.1.7, and 6.1.9, and 6.2.3	Items 11 and 15
r.	Records and reports	Sections 5.4 and 5.5	Item 6
s.	Inspections and audits	Paragraphs 5.5.2 and 6.2.2(iv)	Items 6 and 11
t.	Transfer	Article XIV	Item 17
u.	Renewal	Section 2.2	Item 17
v.	Post-termination obligations	Section 12.1	Item 17
w.	Non-competition covenants	Article XVI	Items 14, 15 and 17
x.	Dispute resolution	Article XVII	Item 17
y.	Compliance with government regulations	Sections 4.1 and 4.3 and paragraphs 6.1.1, 6.1.9, and 16.1	Item 12
z.	Guarantee of franchisee obligations	Paragraph 6.3.1	Item 15

**ITEM 10  
FINANCING**

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

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

**Except as listed below, Prepaze Academy, Inc. is not required to provide you with any assistance.**

Pre-Opening Assistance

Before you open your franchise business, we will:

- 1) Designate your territory [franchise agreement section 1.1].
- 2) Approve of your site. However, we do not assist in locating a site. That is your responsibility. We must approve of your site before a lease is entered into or you begin construction. Site approval should be completed by us, and notice provided to you in writing, within 30 days or less after you have selected a prospective site [franchise agreement section 4.1]. Our approval is based upon the following general criteria: rent, lease terms, access, appearance, traffic, general population, number of and types of businesses in the territory, parking, square feet, and general vicinity [franchise agreement section 4.1].
- 3) We do not evaluate or guarantee the potential success of your proposed site. However, we do provide a market analysis report.
- 4) Make available general written specifications for those items listed in Item 8. For purchase, delivery and installation, you are required to work directly with the manufacturer or supplier of these items. We do not offer assistance in delivery or installation of any of these items.
- 5) We provide you with the names of approved suppliers [franchise agreement section 7.2]
- 6) We do provide you with general specifications for the premises layout, signs, equipment and interior décor, but we do not provide you with any design plans [franchise agreement section 4.3 and 7.1]. You must adapt your franchise business in accordance with local, state and federal laws, rules and ordinances [franchise agreement paragraph 6.1.1]. We do not provide actual assistance in the construction, remodeling, or decorating of your franchise business [franchise agreement section 4.3].
- 7) Once developed, we will loan you a copy or provide electronic access to our confidential manuals containing mandatory policies, operating procedures, and other information. As of the date of this disclosure document, we do not have an operations manual for you to use in association with your franchise business. Once developed, the manuals will be confidential, will remain our property, and may be used by you only in association with the Prepaze Academy™ franchise business and only during the term of the franchise agreement. You must keep the contents of all manuals confidential. The master copy of the manuals maintained by us will be controlling in the event of a dispute relative to the contents of the manuals. You may not copy any part of the manuals either physically or electronically [franchise agreement article IX].

8) We provide an initial training program for your operating principal and other owners and managers, described at the end of this Item 11 [franchise agreement paragraph 6.1.4 and section 7.4].

9) We do not provide any grand opening assistance or opening training [franchise agreement section 7.4].

#### Lease, Construction and Commencing Operations

You will have two months to have a site selected for your franchise business [franchise agreement section 4.1]. A lease must be in place within 15 days from the date of site approval [franchise agreement section 4.2]. You are required to have the landlord consent to an assignment of the lease before the lease agreement is signed [franchise agreement paragraph 4.2.1].

Construction must be started within 15 days from the date of the lease agreement and be completed within 60 days from the date of the lease agreement [franchise agreement section 4.3]. You are required to begin operations within 15 days after construction is complete. You must give us at least 30 days written notice before opening your franchise business [franchise agreement sections 4.3 and 4.4].

#### Estimated Length of Time Before Operation

It is estimated that the length of time between the signing of the franchise agreement with the accompanying payment of the initial franchise fee and the opening of your franchise business is 3 to 6 months. Factors affecting this length of time usually include obtaining a satisfactory site, financing arrangements, construction, local ordinance compliance, training, and delivery and installation of furniture, fixtures, equipment, signs, supplies, and opening inventory items. You must begin operations no later than 6 months from the date of your franchise agreement.

If you can show a good faith effort to meet these deadlines, we may agree to extend a specific deadline at our discretion. Failure to meet these deadlines may result in a termination of the franchise agreement without a refund [franchise agreement section 4.6].

#### Assistance During Operation

During the operation of your franchise business, we will:

1) Provide you with updates to the manuals, which updates may be in the form of emails, newsletters, announcements, technical bulletins, or other written directives through means determined by us. We have the right to modify the manuals to reflect changes in the system including the development of products or services. The modifications may obligate you to invest additional capital in your franchise business and to incur higher operating costs. You must incorporate all such modifications within the time periods that we specify [franchise agreement section 9.1]. Other than modifications due to health or governmental mandates or guidelines, or public concerns, we will not obligate you to invest additional capital at a time when the investment cannot in our reasonable judgment be amortized during the remaining term of the franchise agreement [franchise agreement paragraph 6.2.2(iii)].

2) At your reasonable request or at our discretion, provide assistance either remotely or in person. For in-person assistance, whether at your premises or other location, you will be charged a fee of \$250 per day, plus the cost of our travel, food, and lodging [franchise agreement section 7.3].

3) Approve a franchise business-related email address which must be used in all correspondence and communications involving your franchise business. You are not allowed to use a non-approved email for business purposes involving the franchise business. You must at all times

maintain and frequently check a valid email address, known and available to us, to facilitate our communication with you [franchise agreement paragraph 6.2.2(i)].

4) Maintain a website for the Prepaze Academy brand that will include your business information and telephone number for your location [franchise agreement section 7.6].

During the operation of your franchise business, we may:

5) Make periodic inspections of your franchise business, which may be done in person or through remote access such as video or live video conferencing and may be performed through a third-party provider. Upon our request, at all reasonable times, you will provide to us a video and/or digital images of the interior and exterior of your franchise business as set forth in the manuals [franchise agreement paragraph 6.2.2(iv)].

6) Hold conferences to discuss improvements, new developments, mutual concerns and business issues. At this time, attendance is not mandatory, but this policy may change at some time in the future. If we choose to hold a conference, we may charge a conference fee, and you will be required to pay all your travel, lodging, food, and other expenses. Your operating principal will be required to attend any conferences we may choose to hold. These conferences will be held at various locations chosen by us [franchise agreement paragraph 6.1.13].

7) Conduct additional seminars, which may be through online webinars, videos, live video conferencing, phone conference or in person, to discuss improvements, new developments, mutual concerns, business issues, sales, marketing, personnel training, bookkeeping, accounting, inventory control and performance standards. We may charge a seminar fee, and you may be required to pay all your travel and living expenses [franchise agreement paragraph 6.1.13].

8) Provide you with such continuing assistance in the operation of the franchise business as we deem advisable [franchise agreement section 7.5].

9) To the degree permitted by law, suggest retail price, specify maximum and minimum pricing above and below which you will not sell any goods or services. If we provide written permission to offer lower pricing, you are not allowed to reduce your fees by more than 10% of our recommended fees/pricing [franchise agreement paragraph 6.1.11]. You must honor all coupon, price reductions and other programs established by us. You will be allowed to provide location-specific discounts with our prior written approval, and we will provide you with a coupon code. [franchise agreement section 6.2.2(ii)].

10) Replace defective products purchased directly from us based on our standard limited warranty, if any. For items purchased through third parties, you must work directly with your supplier or manufacturer of such items regarding warranties, defective products, training and support [franchise agreement section 8.5].

11) At your expense, require you to repair, refinish, repaint, remodel, modernize, redecorate, or other refurbish your premises from time to time as we may reasonably direct, but not more often than every 5 years (except for required changes to the trademarks, which we may require at any time) within the time frames required by us [franchise agreement section 6.1.8].

12) Refine and develop products or services that you will offer to your customers [franchise agreement paragraph 6.2.2(iii)].



### Employment Matters

We do not assist you with the hiring, firing, managing or compensation of your employees. That is your responsibility. We may provide you with an employee guide or manual, but it will only be a sample of certain employment matters unless otherwise indicated by us. It is your responsibility to comply with state and federal employment laws [franchise agreement paragraph 6.1.9].

### Advertising and Promotion

You are required to spend at least 5% of your monthly gross sales on social media and local Google Ad marketing each month. We must approve of your marketing, and you must update your advertising disbursement plan in December of each year detailing how you plan to spend your local advertising funds in the coming year [franchise agreement paragraph 5.3.2].

You may develop advertising and marketing materials for your use, at your cost, but all advertising and marketing material developed or used by you must have our prior written approval. Any advertising or marketing you create may, upon written notice, become our property and will be considered “works for hire” that can be used by us or other franchisees. If you do not receive written approval or disapproval within 15 days of the date we received your submission of advertising materials, the materials submitted are deemed unapproved. We can revoke our approval of any marketing materials at any time in our sole discretion expressed in writing. We may provide you with samples of marketing materials developed by us and provide new marketing techniques as developed [franchise agreement sections 3.10 and 10.4].

### Advertising Fund

Although under the terms of the franchise agreement we are not obligated to conduct advertising for the franchise system. We have the right to maintain and administer a regional and national advertising, marketing, and development fund (referred to as the marketing fund) for local, regional, national marketing, or public relations program as we, in our sole discretion, may deem necessary or appropriate to advertise and promote the franchise system [franchise agreement section 10.1].

You must contribute to the marketing fund. We and our affiliates do not contribute to this fund. We have no franchise businesses that do not contribute to the fund. Contributions by our franchisees to the marketing fund may not be uniform [franchise agreement section 10.1]

We are responsible for administering the marketing fund. We will direct all uses of the advertising fund, with sole discretion over: 1) the creative concepts, materials, endorsements and media used (that may include television, Internet, radio, print, and other media and marketing formats as developed over time, as funds permit); 2) the source of the marketing or public relation efforts (that may be in-house or through an outside agency located locally, regionally or nationally); 3) the placement and allocation of these programs (that may be local or regional); and 4) the composition of all geographic territories and market areas for the development and implementation of these programs [franchise agreement paragraph 10.1.1].

We are not required to spend any amount on marketing directly in the area or territory where you are located. We do not guarantee that marketing expenditures from the marketing fund will benefit you or any other franchisee directly, on a pro rata basis, proportionally, or at all. We do not use marketing funds to solicit new franchisees [franchise agreement paragraph 10.1.2]

Any unused marketing funds in any calendar year will be applied to the following year’s fund. The marketing fund is unaudited. You may request an unaudited annual report of marketing expenditures within 90 days of the end of our fiscal year [franchise agreement paragraph 10.1.2]. Because we are a new franchise, we do not have an accounting of the use of marketing funds in our prior fiscal year.

### Marketing Fund Council

No franchisee advertising council is anticipated at this time.

### Advertising Cooperative

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

### Other Marketing Funds

At this time, you are not required to participate in any other marketing funds.

### The Internet

You may not create a website for your franchise business. However, we may allow you to place pre-approved information concerning your franchise business on our website, as developed by us. You cannot engage in marketing on the Internet, including posting any portion of the proprietary curriculum, posting for re-sell, items on third party re-sell or auction-style websites such as eBay, Craigslist or Amazon without our prior written permission. You may not claim any web listing on sites such as Yelp. Unless otherwise determined by us, you will manage all online reviews for your location. You must strictly comply with our policies and procedures regarding websites, social media, and Internet marketing [franchise agreement section 10.5].

### Social Media

We will own and have the right to control all social media accounts, but we will provide you access to the social media account for your location. We may allow you to create and manage social media for your location, but all social media must strictly comply with our policies and procedures. We can alter, remove, or require that you alter or remove a post. We reserve the right to restrict your use of social media in the future [franchise agreement section 10.5].

### Computer / Point of Sale System

We do not require the use of a separate point of sale system as all enrollments will be done online via our website. However, you must have at least one computer that is able to interact with our required software for invoicing and customer relation management. We will have independent access to the information and data collected or generated by your computer. There are no contractual limits on our rights to do so. You must maintain a minimum internet speed of 180 Mbps. You are required to use our invoicing system and accounting line items and software. All enrollments for services must go through our website and if you take cash payments, you must still enroll the student through the online system. We may require updates and upgrades to your computer hardware, and software at your expense during the term of the franchise agreement. There are no contractual limitations on our right to do so. We estimate the annual costs to maintain, upgrade, and support your computer to be \$1,000 to \$2,500. We are not required to maintain, repair, update and/or upgrade your computer. There are no contractual limitations to the frequency and cost of the obligation to upgrade and maintain the computer [franchise agreement paragraph 6.1.12]. For defective equipment, products, software or other items purchased by you, you must deal directly with that manufacturer [franchise agreement section 8.5].

### Loyalty Programs

You are required to participate in the loyalty, gift card, and coupon programs as developed by us [franchise agreement paragraph 6.2.2(ii)].

### Accounting

You are required to use our designated software for all accounting purposes. You will be required to use only standardized profit and loss statement templates, balance sheet templates, and charts of account, as we may designate provide you [franchise agreement paragraph 6.1.12(i)].



### Merchant Provider

At your sole cost and expense, you are required to use our designed merchant services or payment processor, and to pay all monthly, annual, service, and upgrade fees. The required or designated provider may change at any time, and you are required to comply with any changes and are solely responsible for the fees associated with any changes [franchise agreement paragraph 6.1.12(i)]. We currently require use of Stripe.

### Compliance Monitoring System

You are required to install a compliance monitoring system in your franchise business. You are required to have a least one camera with night vision compatibility in each room, and we have the right to designate the reference points. Your system must be cloud based and allow up to 30 days of storage. This system is not a security system but is a management tool, and we are not required to monitor your store. Both you and we must have the right to online access to the system. By installing the system, you and your employees are waiving their right to privacy. You must require all your employees to sign a waiver of their right to privacy with respect to the use of this compliance monitoring system. We estimate the cost of such system to be \$3,000 for initial installation [franchise agreement paragraph 6.1.12(iv)].

### Miscellaneous

We may approve exceptions to our changes in the uniform standards for you or any other franchise that we believe are necessary or desirable based on particular circumstances. You have no right to object to such variances. We may deny any or all of the above services to you while you are in breach of the franchise agreement or in default in the discharge of any of your obligations to us [franchise agreement sections 7.7 and 20.15].

### Initial Training

We provide an initial training done completely online via videos and web conferencing. The length of training depends on the prior experience of your attendees but should last approximately 1 to 3 days. The training program is held as needed. Your operating principal and your managers, on-premises supervisors, and teachers, among such others as designated by us, are required to attend and successfully complete a training program.

Your “operating principal” is a) if the franchisee is an individual, that individual; or b) if the franchisee is an entity, an individual that owns at least 50% of the ownership and voting interests in the franchisee entity (unless you obtain our written approval of a lower percentage), has authority over all business decisions related to the franchise business, and has the power to bind the franchise business in all dealings with us.

Successful completion of training must be completed at least 15 days before you may open your franchise business. Successful completion will be determined by our trainers [franchise agreement paragraph 6.1.4]. The following measures will be used to help determine successful completion: customer service, knowledge of the Prepaze Academy™ system, understanding of required software. All attendees to any training must sign a non-disclosure agreement acceptable to us before attending training.

There is no training fee for up to 5 attendees. Additional persons attending initial training will be charged a fee of \$1,500 per person. You will be responsible to cover the cost of travel, food, and lodging for your attendees to attend the initial training. The estimated cost of training is listed in Item 5 and Item 7.

The initial training is provided by instructors whose experience is described below and in Item 2 if the trainer is part of management. Below is a table listing the subjects taught and the amount of classroom and onsite training provided as part of the initial training.

**TRAINING PROGRAM<sup>1</sup>**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On – The - Job Training</b>	<b>Location</b>
Operations	2	2	Online
Use of Unik	4	4	Online
Teaching Methodologies	3	8	Online
<b>Totals:</b>	9	14	

<sup>1</sup> The entire training program for franchisees may be changed due to updates in materials, methods, manuals, and personnel without notice to you. The subjects and time periods allocated to the subjects actually taught to you and your personnel may vary based on the experience of those persons being trained.

Our trainers include the following individuals:

<b>Trainers</b>	<b>Subject(s) Taught</b>	<b>Length of Experience in the Field</b>	<b>Length of Experience with the Franchisor</b>	<b>Experience Relevant to Subject(s) Taught and Franchisor’s Operations</b>
Shenba Chockalingam	All	5	5	Owner of Prepaze

**Materials Provided at the Initial Training**

We will provide access to our manuals during training and other handouts to facilitate training.

**Additional Trainings**

We can require your managers or operating principal to attend additional trainings if you are in default, or if we reasonably believe such training would be in the best interest of your franchise. You may also request additional subject-specific trainings for a fee of \$250 per person/per subject.

You are responsible for training of all instructors. If you would like us to train your instructors, you will pay a \$250 per person/per subject training fee.

At this time, other than listed above, no additional trainings or refresher courses are required.

**ITEM 12  
TERRITORY**

**Grant of Territory**

Under the franchise agreement, we will grant you the right to use the system and proprietary marks at a single specific location within your territory, the boundaries of which will be negotiated prior to signing the franchise agreement and are described in the franchise agreement.

**Size of Your Territory**

The specific size of your territory is set by us based on demographic information available to us at the time you sign your franchise agreement. Generally, you will be granted a 10-driving mile protected territory. However, in the event demographic data shows more than 2,500, 5 to 19 year old’s within the 10-mile radius, your protected territory will be limited to a smaller driving mile radius to reflect the target population of 5 to 19 year old’s. The written boundaries of your territory will be included in your franchise agreement.

### Adjustment of Territory Boundaries

We have the right, in our sole discretion, to adjust the boundaries of your territory for increases of more than 2,500, 5 to 19 year old's as demonstrated by demographic data available to us at the time of the proposed territory adjustment. We also have the right to adjust the boundaries of your territory based on inadvertent error in the creation of your territory, or in an effort to more accurately reflect the target 5 to 19 year old market after your premises location has been selected and approved, or for other reasons that we may specify from time to time in the manuals.

### Territory Restrictions

You are restricted to operations from the approved franchised premises and may not, without our prior written approval, open or operate another outlet whether inside or outside the territory, or to provide mobile or off-site services.

### Relocation

You must obtain our prior written permission if you want to relocate your franchise premises, and you must also be able to demonstrate to us that you have the financial ability to relocate. Approval to relocate is based on the then-current criteria used in approving a new franchisee's proposed site and paying us a \$2,500 relocation fee to cover our costs of approving and processing your relocation request. You do not have the automatic right to relocate your business, and we have the right to deny any relocation request.

### Minimum Sales Requirement

Your franchise agreement is dependent upon achievement of a minimum sales volume, market penetration or other contingency. Specifically, you must achieve \$120,000 in annual gross sales.

If you do not achieve the minimum revenue in your territory, then you will be given a notice of default and a 6-month period to cure to demonstrate that You are on track to meet the annual minimum revenue requirement. If you do not cure within the 6-month cure period, we have the right to terminate your franchise. We also have the right to allow you to continue to operate your franchise under the terms of the franchise agreement while we sell your franchise. You are also allowed to sell your franchise to an approved buyer during this time. If we sell your franchise, we will be entitled to a fee equal to 10% of the sales price to compensate us for time and expenses to sell your franchise. You or the buyer will also be required to pay the transfer fee and training fee to train the new franchisee. If we have not sold or terminated your franchise within 6 months of us giving you notice of your second consecutive default, you may cure the default by achieving the minimum revenue quota during that 6-month period.

### Advertising Within and Outside the Territory

Other franchisees may not advertise within your territory, and you may not advertise within other franchise territories.

### Your Rights to Use Channels of Distribution

You do not have the right to sell products or services through other channels of distribution, including the Internet, via apps or social media sites. You are not allowed to offer the Prepaze Academy™ services online without receiving our prior written permission, which can be withheld.

### Options to Acquire Additional Franchises

You do not receive the automatic the right or option to acquire additional franchises.

### Exclusive Territory

You will be assigned an exclusive territory for your franchise business meaning that we will not establish another franchise, affiliate or company-owned unit using the Prepaze Academy™ trademark within your territory so long as you are in strict compliance with the franchise agreement.

### Our Right to Use Channels of Distribution in Your Territory

We and our affiliates also reserve the right to market, both within and outside your territory, and sell and distribute products and services under Prepaze Academy™, both within and outside your territory using distribution channels, such as through websites, etc. We do not pay you for soliciting or accepting orders for any products or services under the Prepaze Academy™ brand through these channels inside your territory.

We and our affiliate also reserve the right to market and sell and distribute products and services under other brands both within and outside your territory using distribution channels, such as: websites, etc. We do not pay you for soliciting or accepting orders for any products or services through other channels inside your territory, if made under other brands.

### Our Activities in Your Territory

Our affiliate, Prepaze Inc. has and continues to offer the same curriculum and content offered through your Prepaze Academy learning center but is solely online and may be offered to individuals in your territory.

### Competition by Us Under Different Trademarks

Neither we, nor an affiliate operates, franchises or has plans to operate or franchise a business that sells or will sell goods or services similar to those sold in your franchise using a different trademark, but we reserve the right to do so in the future.



## **ITEM 13 TRADEMARKS**

### Non-Exclusive Grant of the Trademark

We grant you the non-exclusive right to use certain of our trademarks in the operation of your franchise business. You may also use future trademarks in the operation of your franchise business, as we designate. You will not at any time acquire any rights in the trademarks. By trademarks we mean our trade names, trademarks, commercial symbols, service marks and logos.

### Registered Trademarks

The following trademarks, service marks, trade names, logotypes or other commercial symbols listed below are registered or have been filed for registration with the United States Patent and Trademark Office on the Principal Register, or they have not been registered, and we claim common rights in them. All required affidavits and renewals have been filed.

Registration/ Serial Number	Word or Design Mark	Registry	Registration/ Filing Date	Status
90/841920	Prepaze Academy	Principal	July 22, 2021	Pending initial review by USPTO examiner.
6,459,777		Principal	August 24, 2021	Active.
5090.3.2		Principal	April 18, 2022	Certification approved, notice of allowance issued

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

#### Registered Domain Names

We have registered the following Uniform Resource Locators (domain names): <https://prepazeacademy.com>. You may not register or own a domain name using our trademark or any derivative of our trademark in a domain name, and you may not create or register any domain name in connection with your franchise business or the franchise system without our prior written permission.

#### Use of the Trademark

You must use all trademarks in strict compliance with our manuals and the Prepaze Academy™ system. You must promptly modify or discontinue the use of a trademark at your cost if we modify or discontinue it. You have no rights to compensation or otherwise under the franchise agreement if we require you to modify or discontinue using a trademark. You cannot use the name “Prepaze” or “Prepaze Academy” as part of your corporate name, but you must use the name Prepaze Academy™ as part of an assumed business name or dba (“doing business as”) registered with the applicable governmental authority. This use is non-exclusive. You cannot make application for registration or other protection of Prepaze Academy™ names, derivatives or any other trademark used by us.

You may only use the trademarks with the letters “TM” or “SM” or “®” as appropriate. You cannot use any trademark in the sale of any unauthorized product or service. You must follow all security procedures required by us for maintaining the secrecy of proprietary information.

#### Government Determinations Regarding the Trademarks

There are presently no effective determinations by the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court or pending interference, opposition or cancellation proceeding, or pending material litigation involving the trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the trademarks.

#### Superior Prior Rights

We are unaware of any superior rights in that could materially affect your use of the trademarks in your territory.

#### Infringing Uses

We are unaware of any infringing uses of the trademarks that could materially affect your use of the trademarks in your territory.

#### Protection Against Infringement

You are obligated to immediately notify us when you learn about an infringement of or challenge to your use of our trademarks. We will have the discretion to take the action we deem appropriate.

We will indemnify you against and to reimburse you for all direct, but not consequential (including, but not limited to, loss of revenue and/or profits,) damages for which you are held liable in any proceedings arising out of the use of any trademark pursuant to and in compliance with the franchise agreement, and for all costs reasonably incurred by you in the defense of any claim brought against it or in any proceeding in which it is named as a party, provided that you have timely notified us of any claim or proceeding and have otherwise complied with the franchise agreement.

You may not contest, directly or indirectly, our right and interest in our trademarks, names or service marks, trade secrets, methods, and procedures that are part of our business. Any goodwill associated with the trademarks or system belongs to us.

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

### Patents

You do not receive the right to use an item covered by a patent, and we do not have any pending patent applications with the United States Patent and Trademark Office. We do not own rights to, or licenses in, any patent that is material to the franchise system.

### Copyrights

Our affiliate, Prepaze, Inc. has registered certain content used by Prepaze Academy™ with the United States Copyright Office and continues to file copyright registrations on new and updated content. Copies of registration filings and registration numbers can be provided upon your request to Prepaze Inc. Prepaze Inc. also claims copyright in all non-registered content. Either through us or a parent or affiliate, we claim protected trade secrets and copyrights in parts of our franchise system.

We claim other copyrights in website copy, sales literature, and marketing materials that we or our franchisees develop for our use and for use by our franchisees, and your use of these materials will be limited to the uses required or allowed by us.

You must modify or discontinue the use of any copyright, at your cost, if we modify or discontinue it, in our reasonable discretion.

### Proprietary Information

You may not, without our written approval, use the proprietary information in our manuals but only in connection with the system and as authorized by us. The manuals may not be copied. The manuals must be returned to us or permanently deleted by you upon termination of your franchise agreement. Portions of the “system” are a trade secret or confidential and proprietary to us.

With regards to our proprietary information, the franchise agreement also provides that you will: (a) strictly follow all confidential security procedures required by us; (b) disclose this information to your employees only as needed to market our products and services; (c) not use this information in any other business; (d) exercise the highest degree of diligence to maintain this information as confidential; and (e) promptly notify us if you learn of any unauthorized use of our trade name, trade secrets or proprietary information. Your use of our proprietary information is limited to the uses required or allowed by us.

### Protection Against Infringement

You must also promptly tell us when you learn about unauthorized use of our copyrights, manuals and any other proprietary information. We are not obligated to take any action but will respond to this information as we believe appropriate. We have the right to control any administrative proceedings or litigation. We agree to indemnify you against and to reimburse you for all direct, but not consequential (including, but not limited to, loss of revenue and/or profits) damages for which you are held liable in any proceedings arising out of the use of our copyrights, manuals and any other proprietary information pursuant to and in compliance with the franchise agreement, and for all costs reasonably incurred by you in the defense of any claim brought against it or in any proceeding in which it is named as a party, provided that you have timely notified us of any claim or proceeding and have otherwise complied with the franchise agreement.

### Improvements to the System

Any improvements you make to the system will be owned by us and considered a “work for hire” as defined in Section 101 of Title 17 of the United States Code.

### Superior Prior Rights

We are unaware of any superior rights that could materially affect your use of the copyrights or patents in your territory.

### Infringing Uses

We are unaware of any infringing uses of the trademarks that could materially affect your use of the copyrights or patents in your territory.

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

### On-Premises Supervision

We recommend but do not require on-premises supervision by your operating principal.

### Participation by Your Operating Principal

Your operating principal must personally participate in the direct operation and supervision of the franchise business, but unless your operating principal will act as the full time manager of the franchise business, your operating principal is not required to work a certain or minimum number of hours; however, your operating principal must work sufficient hours to operate your franchise or supervise your managers so that your franchise business is operating at maximum capacity and efficiency. You must have at least one manager on-site during regular business hours.

You must also maintain sufficient supplies and materials and employ adequate personnel to operate the franchise business at maximum capacity and efficiency. Your operating principal must conduct frequent inspections of the franchise business to ensure the highest standards of professionalism, cleanliness and a general pleasant appearance, and compliance with our approved methods.

Although we do not require your operating principal to be involved in the day-to-day on-premises management, your operating principal is required to participate in your franchise business as follows: (i) be directly responsible for overseeing all accounting, reporting and bookkeeping, and all financial components of the franchise business; (ii) attend and complete all training and retraining courses required by us; (iii) attend any annual or special meetings of franchisees required by us; (iv) be directly involved with site selection, construction, remodeling; (v) be directly involved in all personnel decisions affecting the franchise business; and (vi) conduct frequent inspections of the franchise business operations to ensure the highest standards of professionalism, cleanliness and a general pleasant appearance, and compliance with our approved methods.

### Who Must Attend and Successfully Complete Training

Your operating principal, managers, on-premises supervisors, and teachers must attend and successfully complete initial training.

### Restrictions on the On-Premises Supervisor

We do not put a limitation on whom you can hire as your on-premises supervisor. Your on-premises supervisor is not required to have an equity interest in the franchise business.



### No Competing Enterprises

Neither you, your operating principal, nor your management employees can have an interest in or business relationship with any competing business during the term of the franchise agreement and must keep free from activities that would be detrimental to or interfere with the operation of your franchise business or detrimental to the franchise system. You, your partners, directors, members, shareholders, and operating principal will be required to sign our standard principal brand protection agreement to protect and keep confidential our trade secrets and confidential information and to conform with the covenants not to compete described in Item 17 (see franchise agreement, exhibit A-4). Your employees will also be required to sign a confidentiality agreement. We provide you this form, but it is your responsibility to conform it to the laws and regulations of your state (see franchise agreement, exhibit A-5).

### Required Operations

You must operate the franchise business at least 6 days per week throughout the year, Monday through Saturday as designated by us (unless waived in writing by us). At a minimum you must be open between the hours of 4:00 pm and 7:00 pm Monday through Friday, and open for any consecutive 4-hour period on Saturdays so long as that 4-hour block is between the hours of 9:00 am and 7:00 pm. We have the right to require different hours of operation during summer seasonal breaks.

### Personal Guarantees

Any individual who owns a 25% or greater interest in the franchise business (and their spouse -enforced only in limited circumstances) must personally guarantee the performance of all your obligations under the franchise agreement and agree to be personally bound by, and liable for, the breach of every provision of the franchise agreement.

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

You may provide and sell only those products and services specified and approved by us in writing and only to those customers within your territory. No product or service may be added to, altered, or discontinued by your franchise business unless it is first approved by us in writing. You must offer all products and services required by us. We reserve the right to add, modify, or delete products and/or services that you will be required to offer. There are no limits on our right to do so. You must strictly follow our policies, procedures, specifications, methods, and techniques concerning all of our products and services.

You may offer additional services and products that are unique to your area in an effort to blend in with your community; however, you must obtain our written approval before such services and products are offered.

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

### **THE FRANCHISE RELATIONSHIP**

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

	<b>Provision</b>	<b>Section in Franchise or other Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Section 2.1	The term is 4 years. The franchise term will begin upon signing the franchise agreement.



b.	Renewal or extension of the term	Section 2.2	You do not have the right to renew. If you are in good standing at the end of the franchise term, you can enter into a new successor franchise agreement for an additional term of 4 years. Your successor agreement may also provide an option to enter into a subsequent successor franchise agreement.
c.	Requirements for franchisee to renew or extend	Section 2.2	In order to renew, you must, among other things, not be in default, modernize your franchise business to the then-current standards, and sign the then-current successor franchise agreement, which may have materially different terms from the previous agreement, and sign a release (subject to state law). When renewing, you may be asked to sign a contract with materially different terms and conditions than your original contract. You are required to give us notice of your intent to renew between 6 and 12 months prior to the expiration of your franchise agreement. (Subject to state law).
d.	Termination by franchisee	Section 11.4	There are no provisions in the franchise agreement that permit you to terminate the franchise agreement. However, some states may allow you to terminate as permitted by state law.
e.	Termination by franchisor without cause	Section 11.1	We must have cause to terminate the franchise agreement.
f.	Termination by franchisor with cause	Section 11.1	We can terminate if you materially breach and fail to cure. There are certain breaches for which we can terminate without giving you an opportunity to cure. (See (h) below).
g.	“Cause” defined – curable defaults	Paragraphs 11.1 A-N	You have 24 hours to 30 days to cure certain material defaults of the franchise agreement.
h.	“Cause” defined - non-curable defaults	Paragraphs 11.1 O-U	Non-curable defaults include conviction of a felony, fraud, repeated defaults even if cured, harm or threat of harm to the public, abandonment, trademark misuse, etc.
i.	Franchisee’s obligations on termination/non-renewal	Section 12.1	Obligations include complete de-identification, payment of amounts due, compliance with the brand protection agreement, etc. (See also (r) below).
j.	Assignment of contract by franchisor	Section 14.1	There are no restrictions on our right to assign.
k.	“Transfer” by franchisee - defined	Section 14.2	The definition of transfer by you includes the assignment and transfer of contracts, security interests, ownership change, the sale of substantially all of your assets, etc.
l.	Franchisor approval of transfer by franchisee	Section 14.2	We must approve all transfers, but we will not unreasonably withhold our approval.
m.	Conditions for franchisor approval of transfer	Sections 14.3 - 14.8	Conditions to transfer include you are not in default, all fees are current, new franchisee

			qualifies, transfer and training fees are paid, purchase agreement is approved, training for new transferee arranged, new franchisee signs the then-current franchise agreement, a release is signed by you, etc. You must also coordinate with the transferee to ensure coverage at the location during the transferee's initial training. These conditions are subject to state law. (See state specific addenda.)
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 14.9	We can match any offer for your franchise business or business assets within 30 days of written notice to us of the offer.
o.	Franchisor's option to purchase franchisee's business	Sections 13.1 and 14.12	Upon termination or expiration of the franchise agreement, we can elect to buy all or part of your business assets at fair market value within 30 days. Additionally, if we receive an offer to acquire a majority of the franchises or an offer to purchase a majority of our assets or stock, or to merge or go public or similar transactions, we have the option to purchase all of your rights and interests in and under the franchise agreement and your franchise business at fair market value.
p.	Death or disability of franchisee	Section 14.10	Within 160 days of death or disability, your personal representative must be approved, and a new manager must be trained, if applicable, or franchise must be assigned to an approved buyer. We have the right to operate your franchise business until a trained manager is in place. You will be charged our interim management fee, plus our costs, for us to manage your franchise business during this time. You will also be responsible for royalties and other fees during the time of our operation.
q.	Non-competition covenants during the term of the franchise	Section 16.1	No involvement in competing business anywhere without our written consent. Non-competition provisions are subject to state law.
r.	Non-competition covenants after the franchise is terminated, transferred or expires	Sections 16.3 – 16.4	No competing business for 3 years within your former territory, or within 25 miles of your territory, or within 15 miles of any other Prepaze Academy™ franchise, company or affiliate owned Prepaze Academy™ business (including after assignment). If you compete within the time period, then this non-compete time period will be tolled and extended for the period of your competition. Non-competition provisions are subject to state law.

			For a period of 3 years from termination, transfer, or expiration of your franchise agreement, you cannot divert or attempt to divert any business or customer from us, an affiliate, or our franchisees or injure our goodwill.
s.	Modification of the agreement	Section 20.11	Modifications must be made in writing and signed by both parties, but policies and procedures are subject to change by us.
t.	Integration/merger clause	Section 20.10	Only the terms of the franchise agreement are binding (subject to state law). All representations and promises outside the disclosure document and franchise agreement may not be enforceable. No provision in the franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document. Any representations or promises made outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 17.2	Except for certain claims, for all disputes, there must be a face-to-face meeting, mediation and arbitration. (See state specific addenda).
v.	Choice of forum	Sections 17.2 and 19.2	All dispute resolution must be held in Morrisville, North Carolina or the county where our then-current headquarters is located. (Subject to state law).
w.	Choice of Law	Sections 22.1 and 19.4	North Carolina law the Federal Arbitration Act, and the United States Trademark Act apply. (Subject to applicable state law).

**ITEM 18  
PUBLIC FIGURES**

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

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If

you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Shenba Chockalingam, 3031, Village Market Place, Morrisville, North Carolina, Phone:919-342-4002, and the Federal Trade Commission, and the appropriate state regulatory agencies.]

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2019 to 2021**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	0	0	+0
	2020	0	0	+0
	2021	0	0	+0
Company Owned	2019	0	1	+1
	2020	1	1	+0
	2021	1	1	+0
Total Outlets	2019	0	1	+1
	2020	1	1	+0
	2021	1	1	+0

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners  
(other than the Franchisor)  
For Years 2019 to 2021**

State	Year	Number of Transfers
Total	2019	0
	2020	0
	2021	0

**Table No. 3  
Status of Franchised Outlets  
For Years 2019 to 2021**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
Total	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

**Table No. 4**  
**Status of Company-Owned Outlets<sup>2</sup>**  
**For Years 2019 to 2021**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	2019	0	0	0	0	0	0
	2020	0	1	0	0	0	1
	2021	0	1	0	0	0	1
Total	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1

**Table No. 5**  
**Projected Openings as of December 31, 2021**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
California	0	0-2	0
Nevada	0	0-2	0
Texas	0	0-2	0
Total:	0	0-6	0

List of Franchisees

Exhibit "D" contains a list of our current franchisees. This is a new franchise offer and no franchises were sold, transferred, terminated, not renewed, reacquired or left the system at time of preparation of this disclosure document.

Disclosure of Franchisee Information

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

Sale of Previously Owned Outlet

We are not selling a previously owned franchised outlet now under our control.

Confidentiality Agreements

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

Franchisee Organizations

We do not know of any trademark specific franchisee organization associated with our system that is required to be disclosed in this item.

**ITEM 21  
FINANCIAL STATEMENTS**

We are a start-up franchise. Our unaudited financial statements dated November 2, 2021, and our unaudited interim financials dated December 31, 2021, are attached as Exhibit “C.” Our fiscal year ends on December 30 of each year. The franchisor has not been in business for 3 years or more and cannot include all the financial statements required by the Rule for its last 3 fiscal years.

**ITEM 22  
CONTRACTS**

We have attached the following contracts: as Exhibit “A,” the Franchise Agreement and its Exhibits; as Exhibit “B,” the Statement of Prospective Franchisee; and as Exhibit “G,” the Form Release Agreement. All other contracts and agreements are to be entered into with persons of your choice and therefore cannot be attached.

**ITEM 23  
RECEIPT**

The last 2 pages of this disclosure document contain a receipt, in duplicate. The receipt is a detachable acknowledgement that you have received this Franchise Disclosure Document. Both receipts should be signed and dated by you. One copy should be returned to us, and you should keep the other for your records. If you do not sign this receipt via our electronic signature platform, then you need to send us a signed and dated copy. You may return the signed and dated receipt either by mailing it to us at 3031 Village Market Place, Morrisville, NC 27560 or by emailing it to us at [contact@prepazeacademy.com](mailto:contact@prepazeacademy.com).

**ADDENDUM TO THE PREPAZE ACADEMY™ FDD  
STATE REGULATIONS**

**SCHEDULE “A-1”  
TO THE FDD**

**STATE REGULATIONS  
FOR THE STATE OF CALIFORNIA**

Special Risks to Consider about This Franchise

Owners of the franchise may be required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

**It is unlawful to sell any franchise in California that is subject to registration under this law without first providing to the prospective franchisee, at least 14 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the franchise disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise.**

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

1. The California Franchise Investment law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.
2. The California Franchise Relations Act, Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with California law, California law controls.
3. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)
4. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be fully enforceable under California law.
5. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
6. The franchise agreement requires binding arbitration. The arbitration will occur in Morrisville, North Carolina with the costs being borne by you for travel to, and lodging in, North Carolina, and other costs associated with arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (this or these as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 128a, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. You must sign a general release if you transfer, renew or terminate your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
9. Neither franchisor nor any person listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling this or these persons from membership in such association or exchange.



10. Section 31125 of the California Corporations Code requires the Franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed modification of an existing franchise.

11. OUR WEBSITE at [WWW.PREPAZEACADEMY.COM](http://WWW.PREPAZEACADEMY.COM) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

12. The franchise agreement provides for waiver of a jury trial. This may not be enforceable in California.

13. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

Item 6 under Late Fees is amended to include the following: "The highest interest rate allowed in California is 10% annually."

**EXHIBIT "A"**  
**TO THE FDD**  
**FRANCHISE AGREEMENT**



**FRANCHISE AGREEMENT**

By and Between

PREPAZE ACADEMY, INC.

and

---

(Franchisee)

© 2022, The Franchise & Business Law Group, LLC

This Agreement and the Schedules and Exhibits attached hereto are subject to the copyright of The Franchise & Business Law Group, LLC

**PREPAZE ACADEMY™  
FRANCHISE AGREEMENT**

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**PREPAZE ACADEMY, INC.  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (“Agreement”) is entered into and made effective as of \_\_\_\_\_ by and between **PREPAZE ACADEMY, INC.**, a North Carolina corporation (“Franchisor” or “We,” “Us” or “Our” as further defined in Article XXI below) and \_\_\_\_\_ (“Franchisee” or “You” or “Your” as further defined in Article XXI below).

WHEREAS, We have developed a system for the operation of an in-person learning center for grades K-12 known as Prepaze Academy™, offering to the public comprehensive supplemental learning curriculum in all subjects, standardized test preparation, and college counseling preparation and other related products and services (“Franchise Business” or “Prepaze Academy™ Business”). The system includes the Franchise Business, specific Marks, interior design, layout and décor, color schemes, standards, Manuals, processes, services, know-how, operating procedures and Marketing concepts, business formats, and the use of proprietary and Confidential Information and other Intellectual Property (“System” or “Prepaze Academy System”); and

WHEREAS, You are desirous of entering into an agreement with Us so as to be able to obtain the rights to operate a Franchise Business using the System developed by Us.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, recitals, obligations, terms and conditions herein contained, and the acts to be performed by the respective parties hereto, the parties hereto agree as follows:

**ARTICLE I  
AWARD OF FRANCHISE**

1.1 Award of Franchise. We hereby grant to You, and You accept, subject to the terms, conditions and obligations herein, the non-exclusive, non-sublicenseable personal right to establish and conduct a Franchise Business as a Prepaze Academy™ franchisee and the right to use the System and the Marks only as specifically set forth herein. This right is granted for use only at a single location approved by Us (“Premises”) within Your Territory listed on Exhibit “A-1” (“Territory”). You must operate Your Franchise Business only at the Premises within the Territory approved by Us in strict compliance with the terms and conditions of this Franchise Agreement and the Manuals.

1.1.1 Territory Rights. Except as set forth in Section 1.3 below, We will not establish or operate a company or affiliate-owned outlet, or grant to any person or entity a franchise within the Territory using the same or similar System as that licensed by this Agreement.

1.1.2 Territory Boundaries. We will set Your Territory based on the demographic information available to Us as of the date of this Agreement. Generally, You will be granted a 10-driving mile protected Territory. However, in the event demographic data shows more than 2,500, 5 to 19 year old’s within the 10-mile radius, Your Territory will be limited to a smaller driving mile radius to reflect the target population of 5 to 19 year old’s.

1.1.3 Annual Minimum Revenue. Your Territory rights depend upon Your achievement of an annual minimum revenue volume. Specifically, You must achieve \$120,000 in annual Gross Sales. If You do not achieve the minimum Gross Sales in Your Territory, You will be given a notice of default and a 6-month period to cure to demonstrate that You are on track to meet the annual minimum revenue requirement. If You do not cure within the cure period, We have the right to terminate or sell Your franchise. We also have the right to allow You to continue to operate Your Franchise Business under the terms of this Agreement while We sell Your franchise. If We sell Your franchise, We are entitled to a fee equal to 10%

of the sales price to compensate Us for time and expenses to sell Your franchise. You or the buyer are required to pay the required transfer fee and training fee to train the new franchisee. If We have not sold or terminated Your franchise within six months of Us giving You notice of Your second consecutive default, You may cure the default by achieving the minimum revenue quota during that 6-month period.

1.2 Scope of Franchise Operations. You must at all times comply with Your obligations hereunder and must continuously use Your best efforts to promote and operate Your Franchise Business.

1.3 Our Reservation of Rights. All rights not specifically granted to You in this Agreement are reserved to Us. Nothing contained herein prevents Us from granting the right to establish or operate, or Us establishing, owning and operating a Franchise Business or similar operation outside of the Territory. Furthermore, We and Our affiliates expressly reserve the right to sell, Market and distribute all Prepaze Academy™ products in Your Territory and elsewhere using other Marketing strategies and distribution channels Including the Internet, apps, Social Media, catalog sales, direct sales, retail or wholesale outlets, and/or co-branding with others without compensation to You. You may not sell Our products and/or services using such reserved Marketing strategies and distribution channels without Our prior written permission. You expressly acknowledge and agree that this license is non-exclusive, and that We retain, among other rights, the right, in Our sole discretion: 1) to establish and license others to establish and operate Prepaze Academy™ businesses outside the Territory; 2) to operate and license others to operate businesses anywhere that do not operate under the Prepaze Academy™ brand name; and 3) to sell and license others to sell products and services in the Territory through channels of distribution (Including the Internet) other than through traditional Prepaze Academy™ outlets.

1.4 Restriction of Rights. The rights and privileges granted to You under this Agreement are personal in nature. This Agreement is granted solely for the operation of a Franchise Business at the Premises and do not extend to the operation of a Franchise Business or any other use of the System from any other location within or outside Your Territory, or in any other manner, except as may be allowed by this Agreement. You cannot operate any other business from the Premises other than the Franchise Business.

## **ARTICLE II TERM AND SUCCESSOR FRANCHISE**

2.1 Term. This Agreement will be effective when executed by both You and Us. The franchise term will be for a period of four years unless terminated earlier pursuant to Article XI herein. If We are required by law or otherwise to give You notice before the Termination of this Agreement and fail to do so, this Agreement will remain in effect from month-to-month until We have given the required notice.

2.2 Successor Franchise. If You are not in default of the terms and conditions hereof and have: 1) complied with and timely met material terms and conditions of this Agreement throughout the initial term; 2) complied with Our material operating and quality standards and procedures and any required modification to such standards and procedures; 3) timely paid all monetary obligations owed to Us during the term of this Agreement; and 4) You are not subject to any pending litigation or governmental proceeding which could have a material adverse effect upon You or Your Franchise Business, You have the right to be awarded a successor franchise (“Successor Franchise”) upon the expiration of the original term for an additional term of four years by giving Us written notice at least 6 months and not more than 12 months prior to the expiration date of the term hereof. Your failure to give such notice will constitute an election not to enter into a Successor Franchise Agreement (defined below). If You fail to enter into a Successor Franchise Agreement for any reason but continue to operate Your Franchise Business, at Our election, You will be deemed to have renewed on a month-to-month basis, requiring You to abide by Our then-current Fees. In addition to Our rights to terminate as set forth in Article XI, Your month-to-month Franchise Business may be terminated by Us upon 30 days’ prior written notice to You for any reason whatsoever.

2.2.1 Commencement Date for Successor Franchise Term. Unless another date is specified in a Successor Franchise Agreement, which date will supersede, said Successor Franchise term, including, any month-to-month term, will commence on the day following the expiration date of the initial or applicable Successor Franchise term.

2.2.2 Notice of Non-Approval. Upon receiving Your election to enter into a Successor Franchise, We will have 45 days to provide written notice in the event You do not qualify for a Successor Franchise or as otherwise required by law.

2.2.3 Successor Franchise Agreement. There is no successor franchise fee; however, if You are approved as a Successor Franchise, You must execute Our then-current form of Our successor franchise agreement (“Successor Franchise Agreement”), including personal guarantees and to sign a general release of all claims against Us arising from this Agreement, the relationship created herein, and Your Franchise Business. If You fail to execute such a release, the signing of the Successor Franchise Agreement will be the equivalent of the granting of such a release. The Successor Franchise Agreement will supersede in all respects the terms and conditions of this Agreement, and You will be obligated to pay royalties and other continuing Fees at the then-existing levels required to be paid by new franchisees. You must sign and return to Us the Successor Franchise Agreement within 90 days prior to the expiration of this Agreement, or You will, at Our election, be deemed to have withdrawn Your request to enter into a Successor Franchise Agreement, and this Agreement will Terminate at the expiration of the term then in effect. **It is acknowledged by You that You will be bound by the form of the Successor Franchise Agreement in effect at the time which may contain Fees and charges, territorial, and other changes in material provisions different from those contained in this Agreement, including terms affecting payments to Us or Our affiliates.**

2.2.4 Upgrading Your Franchise Business. As a condition to Us approving You entering into a Successor Franchise Agreement, at Your expense, You are required to reasonably renovate, remodel, redecorate, redesign, refixture, upgrade, and/or otherwise refurbish Your Franchise Business and Premises to the extent and in the manner specified by Us to conform with and bring it up to the standards and image as We determine. Unless otherwise waived by Us, such improvements must be made within six months of signing the Successor Franchise Agreement. You will make all necessary arrangements to continue the occupancy of Your existing Premises through the Successor Franchise term(s) unless We give written permission to relocate Your Premises.

2.2.5 Successor Franchise Training. As a condition to Us approving You entering into a Successor Franchise Agreement, Your Operating Principal and Your designated manager(s) may also be required to attend and successfully complete trainings, certifications and other programs at such times and locations as We specify. If required, the fee for this training will be the same as for additional attendees at initial training (see Exhibit “A-3”). You may be required to cover the expense of travel, meals, lodging, and other related costs for such training.

### **ARTICLE III INTELLECTUAL PROPERTY**

3.1 Intellectual Property and Confidential Information. You acknowledge that: 1) as between You and Us, We have the sole rights in and to the Intellectual Property and Confidential Information; 2) Your right to use the System is granted by Us solely pursuant to the terms of this Agreement; and 3) as between You and Us, We have the sole right to license and control Confidential Information and Intellectual Property. Our Intellectual Property and Confidential Information provided to You by or through Us will remain Our sole property. You acknowledge that Our Confidential Information and Intellectual Property unique and/or confidential and contain trade secrets and other material proprietary to Us.



3.2 Use of Confidential Information and Intellectual Property. You have a non-exclusive right to use the Confidential Information and Intellectual Property and only in connection with Your Franchise Business and in accordance with Our Manuals and this Agreement. You understand and agree that the use of Our Confidential Information, Intellectual Property, and goodwill are all temporary benefits and expire with the Termination of this Agreement. You expressly covenant that during the term of this Agreement and after the Termination thereof, not to: 1) directly or indirectly contest or aid in contesting the validity of Our ownership of, or rights in, the Confidential Information or Intellectual Property; 2) in any manner interfere with or attempt to prohibit Our use of the Confidential Information or Intellectual Property and derivatives thereof or any other name, trademark or service mark that is or becomes a part of Our System; or 3) interfere with the use of Our Confidential Information or Intellectual Property by Our other franchisees or licensees at any time.

3.3 Our Marks. You acknowledge that as between You and Us, the Marks and derivatives thereof are valid trade names, trademarks and service marks owned by Us or licensed to Us.

3.4 Use of Marks. You shall only use Our Marks licensed by this Agreement and only with the letters "TM," "SM" or "®," as appropriate, approved and as instructed by Us, whenever and wherever such Marks are used. You may not use Your own name or any other name service or product in connection with any of Our Marks without Our prior written consent. You are prohibited from using any Mark in connection with the performance or sale of any unauthorized service or product. You cannot use the Marks in any manner that would or may cause the Marks or the System to be subject to any ill repute or negative publicity. You cannot use the Marks on any inter-company documents to identify Your Franchise Business or entity (Including in or on employee manuals, handbooks, emails, letterhead) or on business checks or bank accounts. All communications with Your employees must be under Your entity name.

3.4.1 Cooperation. You shall execute any and all additional papers, documents and assurances in connection with the Marks as reasonably requested by Us and agree to cooperate fully with Us and any of Our other franchisees or licensees in securing all necessary and required consents of any state agency or legal authority for the use of the Marks or any other name, trademark, service mark, logo or slogan that is now or later becomes a part of Our System. You shall immediately notify Us as soon as You become aware of any infringement or apparent or alleged infringement of the Marks, Our Confidential Information, or any part of Our Intellectual Property.

3.4.2 Use in Marketing. The use of the Marks in Marketing is set forth in Article X.

3.4.3 Modification of Marks. We have the right, in Our reasonable discretion, to require You to change, modify or discontinue the Marks or to use one or more additional trademarks, service marks, logo types and/or other symbols in connection with the operation of the Franchise Business. In that event, You must bear the cost of using such additional or modified Marks or items in accordance with Our reasonable directives.

3.4.4 No Registration. You cannot make application for registration or other protection of any of the Marks, or any other trademarks, service marks, symbols, names, slogans, logos, trade names or any items that are similar or derivatives therefrom in any jurisdiction without Our prior written consent and then only upon the terms and conditions specified by Us in connection therewith.

3.5 Copyrights. All right, title and interest in and to Copyright Materials are Our sole and exclusive property and cannot be reproduced or replicated either during or after this Agreement. You have no rights to make any direct or indirect use of the Copyrighted Materials except as allowed under this Agreement.

3.6 Sole Control. As between You and Us, We will have the sole control over any legal or administrative action concerning the Confidential Information and Intellectual Property. You must promptly

notify Us in writing of any unauthorized use of Our Confidential Information and Intellectual Property, or of any claim, demand or suit by any person, corporation or other entity based upon or in connection with any of Our Confidential Information and Intellectual Property licensed hereunder in which We have an interest.

3.7 Goodwill. You acknowledge that valuable goodwill is attached to the Marks and System, and that We have invested and continue to invest time and capital into promoting the System and that such promotion creates goodwill and customer association which benefits Us, You, and all other franchisees in the System. Furthermore, even goodwill associated with the Marks and System that might be deemed to have arisen through Your activities is Our sole property and inures directly and exclusively to Our benefit, except as otherwise provided herein or by applicable law.

3.7.1 Customer Data. All Customer Data is Our sole property and inures directly and exclusively to Our benefit. You have a royalty-free, non-exclusive right to use the Customer Data during the term of this Agreement. You must provide Us copies of all Customer Data upon request. You must abide by all applicable laws pertaining to the privacy of consumer, employee and transaction information, and if We allow You to use the Customer Data to transmit advertisements to customers and potential customers, You are solely responsible to comply with the laws pertaining to the sending of emails or other transmission of information, including any anti-spam legislation.

3.8 Fictitious Business Name. You must not use Our Marks or any other name similar thereto in the name of any partnership or entity owned or formed by You, whether to own or operate Your Franchise Business or otherwise. However, within 30 days of signing this Agreement, You must file for a certificate of assumed or fictitious name or a “doing business as” name (“DBA”) using our Marks as designated by Us, and in the manner required by state law so as to notify the public that You are operating Your Franchise Business as an independent business pursuant to this Agreement and must include Your assigned franchise designation in such filing. You must provide Us with a copy of Your DBA registration and/or certificate upon receipt of the same, and upon Our request from time to time. shall

3.9 Maintaining Secrecy. You shall: 1) fully and strictly adhere to all security procedures prescribed by Us in Our sole discretion for maintaining the secrecy of Our Confidential Information; 2) disclose such information to Your employees only to the extent necessary to market Our products and services and for the operation of the Franchise Business in accordance with this Agreement; 3) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Us; and 4) exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all such information during and after the term of this Agreement.

3.10 Changes to the System. You shall fully disclose all Innovations to Us, without disclosing the Innovation to others and shall obtain Our written approval before using or implementing the Innovation. All Innovations are owned by Us and considered a “work-for-hire” as defined in Section 101 of Title 17 of the United States Code (the “Copyright Act”). If all or part of any Innovation that You create is for any reason deemed not to be a work-for-hire, then You hereby irrevocably transfer and assign to Us or Our affiliate all right, title, interest and ownership, including license rights, in the Innovation, and You agree to execute any document necessary to effectuate the transfer and assignment. To the extent You have any moral or similar rights in an Innovation or derivative thereof, You expressly waive those rights. Any Innovation may be used by Us and all other franchisees without any obligation to compensate You. We reserve the right to make application for and own Intellectual Property relating to any Innovation, and You will cooperate with Us in securing these rights. We may also consider an Innovation as Our trade secret. At Our discretion, We may authorize You to utilize Innovations that may be developed by You, Us, or other franchisees.

3.11 Association with Causes; Co-Branding. You cannot, without first receiving Our written approval, in the name of the Franchise Business or in any manner associated with the Marks: (i) donate money, products, or services to any charitable, political, religious, or other for-profit or non-profit organization, or (ii) act in support of any such organization. You cannot “co-brand” or use the Marks or Your

Franchise Business to associate any other business activity in a manner which is likely to cause the public to perceive it to be related to or sponsored by the System.

#### **ARTICLE IV CONSTRUCTION, COMMENCING OPERATIONS AND LEASE**

4.1 Location of Premises. You must have a site selected within two months of signing this Agreement. You must not commit to purchase or lease any real property or commence construction unless and until You have Our written approval of the proposed location. Your Premises must strictly comply with local zoning and, state and federal laws, rules and regulations.

4.1.1 Location Approval. We must approve Your proposed site. However, it will be Your responsibility, at Your sole cost and expense, to select the site within Your Territory. You must provide Us with the street address of the proposed site and such other information as We request, including pictures or existing brochures of the proposed site. **We do not prepare demographic studies or otherwise evaluate the need for Our products and services in Your Territory, nor do We provide You with a site checklist or other similar information, and We do not warrant or guarantee the success of the site.** Site approval should be completed by Us within 30 days after You have notified Us that You have selected a proposed site.

4.2 Lease. A Lease must be in place within 15 days from the date We approve Your site. We do not assist You in negotiating the purchase or the Lease. We have the right to review all leases relating to Your Franchise Business prior to execution. You must also deliver an executed copy of the Lease to Us within 15 calendar days after execution.

4.2.1 Assignment of Lease. You hereby assign and transfer all rights and interest in and to the Lease to Us to be effective upon Our election when this Agreement Terminates. In such event, We will have the right, but not the obligation, to accept the assignment and assume the Lease or execute a lease with You as provided below. We also have the right to assign the Lease to another franchisee. If You own the Premises, You hereby agree to lease the facilities to Us upon Termination of this Agreement at a rate not to exceed its fair market rental value, and on commercially reasonable terms and conditions. Your Lease must include a provision allowing the assignment of the Lease to Us or Our nominee, at Our option, in the event this Agreement is Terminated for any reason, and You are required to have Your landlord sign the attached Landlord's consent to an assignment of the Lease before the Lease is signed. You and Your Landlord are required to complete and sign the attached lease rider. The Landlord's consent is attached hereto as Exhibit "A-6" and the lease rider is attached as Schedule A-5.1.

4.2.2 Assumption of Lease. We will have 10 days from the date of Termination of this Agreement, to exercise Our right and option to take and assume the Lease for the Premises. If the option is exercised, We will notify You and the Landlord of Our exercise within the option period. In such event, You agree to bring all obligations under the Lease current as of the date of possession by Us as well as to indemnify Us against all losses and costs arising by virtue of, attributable to, or in any way related to the period of Your possession of the Premises. All taxes, utilities and rentals will be prorated between Us and You as of the date of Our possession. We will not be obligated to pay Your arrearages. After the date of possession, We agree to indemnify You against all Lease obligations solely attributable to the period of Our possession of the Premises. You agree that no compensation for the Lease is payable by Us to You unless the Premises are owned by You. The Lease will be transferred to Us without the payment of any kind to You by Us for the Lease other than the indemnification provided above.

4.3 Construction. Any construction of the Premises must be done in strict accordance with the specifications approved by Us, but it is Your responsibility to verify that the plans conform to federal, state and local laws. We do not provide assistance in the actual construction, remodeling, or decorating of Your

Franchise Business. You must commence construction within 15 days from the signing of the Lease, and construction must be completed within 60 days from the date of signing the Lease.

4.3.1 Design of Premises. At Your own expense, and unless waived in writing by Us, You are required to follow Our design standards and specifications and follow Our interior and exterior design specifications. We do not provide You preliminary design plans for Your Franchise Business. You are responsible to obtain any required permits.

4.3.2 Setting up Premises. You agree to arrange the fixtures, signs, furniture and décor of the Premises in strict compliance with the format and color schemes recommended by Us and to strictly follow the Franchise System as outlined in the Our Manuals and to work with Our approved suppliers providing such items. In addition, We must approve Your Premises prior to opening. If any elements of the Premises do not meet Our specifications, You will, at Your cost, be required to make the required adjustments.

4.3.3 Abandonment of Construction. Abandonment of construction or stoppage of construction for six or more weeks due to Your fault or neglect will be grounds for terminating this Agreement.

4.3.4 Approval of Construction. You may not operate Your Franchise Business if construction, improvements and fixturation do not conform to Our approved specifications and failure to correct any unauthorized variance for such plans and specifications within 30 days after written notice from Us will be grounds for terminating this Agreement. We have the right to supervise and inspect all construction to assure compliance with approved plans and specifications.

4.4 Commencing Operations. You are required to commence operations not later than 15 days following completion of Your Premises and in no case later than six months from signing this Agreement.

4.4.1 Conditions to Opening. You shall notify Us in writing at least 30 days before You intend to open the Franchise Business to the public. Before opening, You must satisfy all of the following conditions: 1) You are in compliance with this Agreement; 2) You have obtained all applicable governmental permits, licenses, certificates of occupancy, and authorizations; 3) the Franchise Business conforms to all applicable System standards; 4) We have inspected and approved the Franchise Business, which may be done virtually; 5) You have hired sufficient employees; 6) Your officers and employees have completed all of Our required pre-opening trainings; and 7) We have given Your Our written approval to open, which will not be unreasonably withheld.

4.4.2 Failure to Commence Operations. If You fail to commence operations as provided above, this Agreement is subject to termination by Us, at Our option. However, You may be granted an extension at Our discretion if You demonstrate a good faith effort in finding an approved site and completing the required improvements. You will not receive a refund if You are unable to find an approved location.

4.5 Relocation of Premises. You are not allowed to relocate Your Premises without Our prior written approval. You must give Us at least 60 days' prior written notice of Your desire to relocate. Approval to relocate will be based upon the same criteria used in approving a new franchisee's proposed site. In Our sole discretion, You may be required to attend an initial training program if You choose to move Your Premises. In addition, prior to opening Your new Premises, You will be required to pay for two of Our representatives to visit Your new Premises for up to two days. The price for this mandatory visit will be Our then-current rate for on-site assistance to You. You are responsible for all fees associated with this visit, plus Our expenses for transportation, food and lodging for each representative. You must demonstrate the financial ability to relocate as part of Our approval process. Additionally, You must pay Us a relocation Fee to cover Our costs to review and approve the relocation. See Exhibit "A-3." We have the right to deny a request for relocation in Our sole discretion.

4.6 Failure to Meet Deadlines. If You fail to meet a deadline as provided above, this Agreement is subject to Termination by Us, at Our option. However, You may be granted an extension at Our discretion if You demonstrate a good faith effort in complying with this Article.

## **ARTICLE V FEES AND REPORTS**

5.1 Initial Franchise Fee. You shall pay Us the initial franchise fee listed in Exhibit "A-3" in one lump sum at the time of execution of this Agreement. The initial franchise fee must be paid by wire transfer or certified check. The initial franchise fee is fully earned by Us and is non-refundable. No rights or privileges under this Agreement exist until the initial franchise fee is paid in full.

5.1.2 Discounts Off the Initial Franchise Fee. We have the right, as determined in Our sole discretion to offer negotiated discounts to veterans and those seeking to open a Franchise Business in lower income areas. For veterans approved for a discount, You will be required to provide veteran ID cards, a DD-214, and other documentation for proof of honorable discharged status.

5.1.3 Additional Franchises. During the term of this Agreement, You may purchase additional franchises at a discounted initial franchise fee per location as listed in Exhibit "A-3." This option will only be available to You if there are franchise territories available, You meet Our then-current criteria for new franchisees, You are current and not in default of this Agreement, and, in Our sole discretion, We determine to sell You another franchise. You will be required to sign Our then-current franchise agreement, which may have material terms different from this Agreement.

5.2 Royalty. You shall pay Us a non-refundable, on-going monthly royalty as listed in Exhibit "A-3." The royalty is in consideration of Your right to use Our Intellectual Property and certain Confidential Information in accordance with this Agreement and not in exchange for any specific services We render.

5.2.1 Change in Law. In the event there is a change in the law or a discovery of a law affecting the collection of payments to Us, You agree to allow Us to modify the definition of "Gross Sales" and the calculation of other Fees due to Us in order to comply with the law. However, in no event will the modification of the term "Gross Sales" or the calculation of other Fees due to Us result in Your payment in excess of the Fees listed in Exhibit "A-3."

### 5.3 Marketing Fees.

5.3.1 Marketing Fund. You shall pay Us the weekly/monthly/daily Marketing fee listed in Exhibit "A-3" for Our Marketing and promotion programs as further described in Section 10.1 below. This fee is payable on the same terms as the royalty.

5.3.2 Local Marketing. You must also allocate and spend the amount is listed in Exhibit "A-3" each month on on social media and Google Ad marketing each month in Your Territory. Upon 60 days' prior notice of You, We may increase Your local Marketing requirement to up to 10% of Your Gross Sales. We must approve of Your Marketing, and You must update Your advertising disbursement plan in December of each year detailing how You plan to spend Your local advertising funds in the coming year.

5.3.3 Marketing Cooperative. In the event a local Marketing Cooperative is formed, You will be required to contribute to the Marketing cooperative as established and assessed by the Marketing Cooperative. See Section 10.2 below.

5.4 Calculation and Reporting. The calculation, reporting and payment of the Fees specified in Sections 5.2 and 5.3 above will be made as follows:



5.4.1 Payments; Due Date. Royalties and Marketing Fund Fees are due on the 10<sup>th</sup> day of each month. All Fees must be paid in accordance with Our then-current electronic funds transfer, ACH or other automatic withdrawal program or as specifically directed by Us. Currently, the Fees as shown and calculated on the Gross Sales Report are due and payable and must be received by Us or credited to Our account by pre-authorized bank debit and automatically withdrawn from Your Operating Account. Our current ACH agreement is attached hereto as Exhibit “A-7” and may be modified by Us at any time in Our sole discretion. We reserve the right to require an alternative payment frequency for any or all Fees in the future. You agree that Your obligation to pay all Fees due under this Agreement are absolute and unconditional.

5.4.2 Operating Account. You shall not have more than one Operating Account. If You fail to timely report Gross Sales, We may automatically sweep or debit an estimated amount of Fees due to Us. You shall pay Us any amount owing if We underestimate Your payment to Us, and We will credit You with any overage that We charge. You must maintain a minimum of \$5,000 in Your Operating Account at all times for business emergencies, provided that in any 30-day period, the Operating Account may have less than such amount for a period of not more than five days. You are required to provide Us with view-only access to Your Operating Account.

5.4.3 Late Fees. You will be charged a late Fee if a required Fee or report is not timely received by Us. See Exhibit “A-3.” We may also fine You per bounced check or insufficient funds transfer. See NSF Fee in Exhibit “A-3.” These fines are due within upon demand to You, and the amounts may be adjusted by Us from time to time in the Manuals.

5.4.4 Interest. In addition, all Fees not paid when due will be assessed and accrue interest from the Due Date to the date of payment, both before and after judgment at the rate of 18% per annum or the maximum rate allowed by law, whichever is less. In no event will any amounts be charged as interest or late fees or otherwise that exceed or violate any applicable legal restrictions. Unpaid interest charges will compound annually.

5.4.5 Taxes. If there is hereafter assessed any nature of sales tax or use tax or other tax on Fees or other sums previously or hereafter received by Us under this Agreement (“New Tax”), then in addition to all Fees and other payments to be made by You as provided in this Agreement, You shall also pay Us or the taxing authority, a sum equal to the amount of such New Tax. Any New Tax paid to Us must be paid when due to the taxing authority.

5.5 Reports and Financial Statements. You must submit the following reports by the following due dates. We reserve the right to require all reports to be submitted at more frequent intervals.

TYPE OF REPORT	DUE DATE	REMARKS
Gross Sales Report	Due monthly with royalty payment	You must submit this report in a form We approve or require.
Monthly Financial Statements	Due monthly with royalty payment	These financial statements do not need to be prepared by Your accountant or audited unless requested by Us.
Local Marketing Report	Due monthly with royalty payment	This report must detail Your expenditures for local marketing in a form We may require.
Annual Financial Statements	On or before January 31 of each year	This is a complete financial statement for the preceding calendar year, including a profit and loss statement and balance sheet. These financial statements do not need to be prepared by Your accountant or

		audited unless requested by Us.
Sales Tax Report	Quarterly, by the 15 <sup>th</sup> day of the following quarter	
State Tax Return	Within 15 days of submission	
Federal Tax Return	Within 15 days of submission	
IRS Form 941 (Employer's Quarterly Federal Tax Return)	Within 15 days of submission	

5.5.1 Access and Use of Financial Records. We or Our certified public accountants or other duly authorized agent, have the right during normal business hours to conduct computer and other audits and to examine and make copies of Your books, records, financial statements and sales and income tax returns, and You must keep complete and accurate books and records of the operation of Your Franchise Business.

5.5.2 Audit of Books and Records. In the event that any audit or investigation discloses a deficiency of 2% or more of the Gross Sales in the computation or payment of Fees due to Us, You shall immediately pay Us the amount of the deficiency, the appropriate Fee for late charges, and You shall reimburse Us for the total expense of the audit or investigation, Including the charges for the accountant and the travel expenses, room, board and other costs incurred in connection with the audit. Your failure to report Gross Sales for any time period or Your failure to retain and have available readable and organized required records will be deemed an understatement by more than 2%.

5.6 Application of Payments. We can apply any payments received from You to any past due or then-current indebtedness of Yours for any payments owing to Us.

5.7 No Refunds. The Fees set forth in this Agreement are not refundable.

5.8 Funding. You are solely responsible for obtaining all funding for Your Franchise Business. Failure to obtain sufficient initial funding for opening Your Franchise Business is grounds for termination of this Agreement.

5.9 Non-Compliance Fines. In Our sole discretion, as an alternative to placing You in default, as determined on a case by case basis, Including for failure to cure a prior default even if a fine has been imposed, We may issue You a fine for certain violations of this Agreement and/or the Manuals. The fines are set forth in Our Manuals and are paid to Us to reimburse Us for Our administrative and management costs for Us to address the violation. If You do not correct the violation within the time required by Us, We have the right to put You in default. We are not obligated to charge You a fine before putting You in default. All fines and charges are to be paid upon billing or in accordance with Our electronic funds or automatic withdrawal program, if established. See Exhibit "A-3." Such fines are not Our sole remedy. Our decision to impose, or not to impose, a fine for Your non-compliance does not constitute a waiver of any other right that We may have under this Agreement, Including Termination of this Agreement.

5.10 Webpage Maintenance Fee. You must pay Us the Fee listed in Exhibit "A-3" for maintenance and updates to the Prepaze Academy website. This Fee will be updated periodically in Our Manuals to account for increased costs.

5.11 Technology Fee. You must pay Us the Fee listed in Exhibit "A-3" for utilization of Our technology. This Fee currently Includes access to proprietary software. This Fee will be updated periodically in Our Manuals to account for new technologies and increased costs.



5.12 Fee Increase. Unless otherwise set forth herein, if a Fee is subject to increase by Us (as opposed to by an affiliate or third-party), the increase will not be more than the equivalent of 5% per year during the term of this Agreement.

## **ARTICLE VI FRANCHISEE'S OPERATIONAL COVENANTS**

6.1 Business Operations. In addition to other obligations, requirements and covenants set forth in this Agreement:

6.1.1 Compliance with Applicable Laws. You are solely responsible for ensuring compliance with all applicable laws, ordinances and regulations or ruling of every nature whatsoever which in any way regulate or affect the operation of Your Franchise Business.

6.1.1.1 Licensing. You shall obtain and maintain all required permits and licenses for the operation of Your Franchise Business. You shall agree that We have not made and You have not relied on any representation that no licenses, or only certain licenses, permits, etc., are necessary in connection with the operation of Your Franchise Business.

6.1.2 Appearance; Customer Service. You shall establish and maintain the Premises in a clean, attractive and repaired condition and must give prompt, courteous and efficient service to the public and otherwise operate Your Franchise Business in strict compliance with Our System and policies, practices and procedures contained in the Manuals or otherwise communicated to You so as to preserve, maintain and enhance the reputation and goodwill of Our System. We reserve the right to require that Your employees comply with any dress code, Mark or other brand-related standards that We may require, and/or otherwise identify themselves with the Marks at all times in the manner We specify while on a job for Your Franchise Business. You shall arrange the fixtures, signs, furniture, and décor of the Franchise Business in strict compliance with the format recommended by Us.

6.1.3 Signage. You must have the number of interior and exterior signs as required by Us and according to Our specifications. All signs to be used on, in, or in connection with Your Franchise Business must meet Our specifications and must be approved in writing by Us prior to use by You. You shall maintain all signs in good condition and to undertake such repairs and or replacements at Your expense as We reasonably determine to be necessary. You are required to use the location's pylon/pole or monument sign. You understand and acknowledge that while You are required to purchase and display signage, including signage displaying Our Marks, You do not own rights to use of the signs following Termination.

6.1.4 Training. Your Operating Principal and Your designated managers, if other than Your Operating Principal, are required to attend and successfully complete Our training program at least 15 days prior to opening Your Franchise Business. The length of training is generally one to three days and is done completely via videos and web conferencing. Training could be longer if Your Operating Principal or Your designated manager fails to successfully complete the training. Successful completion will be determined by Our trainers but may include customer service, knowledge of the Prepaze Academy™ system, understanding of required software. Failure to successfully complete training is a default of this Agreement. The training instruction is provided by Us without charge to You for up to five individuals. The cost for additional trainees to attend the initial training is listed in Exhibit "A-3." We reserve the right to limit the number of additional addendees. Your Operating Principal and your managers, on-premises supervisors, and teachers are required to attend the initial training. You shall bear the cost of all travel, lodging, meals and all other living costs and expenses and compensation for all of Your attendees.

i. Replacement Training. Any new Operating Principal or managers must complete the initial training program within 10 days of hire or assuming responsibilities as Your Operating

Principal. The Fee for this training is listed on Exhibit “A-3.” Depending on availability and advanced written notice, this training may take place at Your location, but more likely the training will take place at or near Our headquarters or at an affiliate’s location. You must also cover the travel, food, and lodging for Your attendees or Our representatives, as applicable.

ii. Additional Training. As determined in Our sole discretion, We can require Your managers and/or Operating Principal to attend additional trainings if You are in default, or if We reasonably believe such training would be in Your best interest. You may also request additional subject-specific trainings for a Fee. See Exhibit “A-3.”

iii. Teacher Training Implemented by You. You are required to implement a training program for all instructors. All instructors must be trained within 10 days of hire. If you would like Us to train any of Your instructors, You will be required to pay a per-subject Fee (see Exhibit “A-3”).

iv. Non-Disclosure. All attendees at a training must sign a non-disclosure agreement acceptable to Us before attending a training.

v. Rescheduling Fee. If You postpone or reschedule a training within two weeks of the scheduled date, or if You fail to complete certain requirements prior to a training, You must pay the rescheduling Fee listed in Exhibit “A-3” to reschedule the training.

6.1.5 Other Agreements. You must execute all other agreements required under this Agreement or as reasonably requested by Us from time to time and to provide Us with a copy within 15 days of execution.

6.1.6 Management. Your Franchise Business must be managed by either Your Operating Principal or a designated manager who will be required to devote his or her full time, attention, and best efforts to the management and operation of Your Franchise Business. You must disclose the identity of Your Operating Principal to Us, and You must immediately notify Us in writing if Your Operating Principal or designated manager is no longer acting in such capacity. We must approve of Your Operating Principal and any replacement Operating Principal.

i. Unless Your Operating Principal will act as the full time manager of the Franchise Business, Your Operating Principal is not required to work a certain or minimum number of hours; however, Your Operating Principal must maintain sufficient inventory, supplies and products and work sufficient hours to operate Your Franchise Business or supervise Your managers and employ adequate personnel to operate Your Franchise Business at its maximum capacity and efficiency.

ii. Although We do not require Your Operating Principal to be involved in the day-to-day, on-premises management, Your Operating Principal is required to participate in Your Franchise Business as follows: (i) be directly responsible for overseeing all accounting, reporting and bookkeeping, and all financial components of the Franchise Business; (ii) attend and complete all training and retraining courses required by Us; (iii) attend any annual or special meetings of franchisees called by Us; (iv) be directly involved with site selection, construction, remodeling, (v) be directly involved in all personnel decisions affecting the Franchise Business; and (vi) conduct frequent inspections of the Franchise Business operations to ensure the highest standards of professionalism, cleanliness and general pleasant appearance and in compliance with Our approved methods.

iii. Your Operating Principal must devote their primary attention to the Franchise Business, and You, Your Operating Principal and Your manager(s) must keep free from any conflicting or competing enterprises or any other activities which would be detrimental to or interfere with the operation of Your Franchise Business.

6.1.7 Operational Hours. You shall operate Your Franchise Business at least six days per week throughout the year, Monday through Saturday, (unless waived in writing by Us) and at the hours We may designate. Currently, the minimum hours for operation are between the hours of 4:00 pm and 7:00 pm Monday through Friday, and any consecutive 4-hour period on Saturdays so long as that 4-hour block is between the hours of 9:00 am and 7:00 pm.

6.1.8 Remodel and Upgrades. You shall repair, refinish, repaint, remodel, modernize, redecorate, or otherwise refurbish Your Premises from time to time as We may reasonably direct, but not more often than every five years between required remodels and upgrades (except for required changes to the Marks, which We may require at any time) to conform to the building design, color schemes and presentation of trade dress consistent with Our then-current public image, including, structural changes, new equipment, remodeling, redecoration of the furnishings, fixtures and décor, and such modifications to existing improvements as may be reasonably necessary, such that all locations will have a generally similar look and appearance. You must complete all such updates, remodels, and upgrades within the time frame required by Us. In the event You relocate Your Premises to a new approved location, or sign a Successor Franchise Agreement, You must bring Your new Premises up to Our then-current standards.

6.1.9 Your Employees. You are solely responsible for the hiring, firing, compensation, benefits, managing, and training of Your employees. We do not assist You in employment related decisions, or in creating any policies or terms and conditions related to the management of Your employees or their employment. The only training assistance We provide is the initial training of Your designated managers and Operating Principal. We may provide You with an employee guide or manual, but it will only be a sample of certain employment matters unless otherwise expressly provided by Us. It is Your responsibility to comply with local and federal labor and employment laws.

6.1.10 Insurance.

(i) Minimum Limit Requirements. You shall at all times during the entire term of this Agreement and at Your own expense keep in full force, by advance payment(s), the following minimum insurance policies, obtained from a company rated “A-” or better by A.M. Best & Company, Inc., which minimums may be adjusted from time to time in Our sole discretion:

Type of Insurance	Minimum Required Amount(s)
Commercial General Liability Insurance	\$1,000,000 per occurrence and \$2,000,000 in the aggregate or leasehold minimum, whichever is greater
Property Insurance	100% of the full replacement cost against loss or damage from fire and other risks normally insured against in extended risk coverage
Business Interruption Insurance	Time covering at least 60% of Your annual revenue or the actual loss sustained, whichever is greater
Umbrella Insurance	Excess “umbrella” liability with a limit of not less than \$5,000,000 per occurrence
Professional Liability	\$1,000,000 per occurrence and \$2,000,000 in the aggregate
Cybersecurity	\$1,000,000 minimum
Government Required Insurances	You must maintain and keep in force all worker’s compensation and employment insurance on Your employees that is required under all federal and state laws.

These policy amounts are required minimums, but Your Lease may require higher amounts with which You are required to comply. In the event of damage to Your Premises covered by insurance, the proceeds of any such insurance must be used to restore the facility to its original condition as soon as possible (not more than 160 days) unless We consent otherwise in writing.

(ii) Policy Requirements. Other than worker’s compensation, these policies

must insure You and Us (Prepaze Academy, Inc., 3031 Village Market Place, Morrisville, NC 27560) and Our nominees as additional insureds, without regard to any other insurance program that We may have in effect, against any liability that may accrue by reason of or relating to Your ownership, maintenance or operation of the Franchise Business wherever it may be located. These policies will stipulate that We will receive a 30-day written notice prior to, renewal or termination, and We must receive a 30-day notice of any modifications. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to Us must be furnished to Us together with proof of payment prior to You beginning operations and within 15 days of any request which We may make from time to time.

These insurance coverage requirements are only minimums. You need to make an independent determination as to whether increased amounts or additional types of insurance are appropriate. If You fail to obtain insurance and keep the same in full force and effect, We may obtain insurance at Our discretion, and You must reimburse Us the premium costs for the months We cover, plus an administration Fee for Our time (see Exhibit "A-3"). We may periodically increase the amounts of coverage required and/or require different or additional coverage.

6.1.11 Pricing. We may, to the degree permitted by law, suggest retail prices and specify maximum and/or minimum pricing You may charge for products and services. If We impose a maximum price for any product or service, You may charge any price for the product or service up to and including the maximum pricing We impose, but You may not charge any price in excess of the maximum pricing. If We impose minimum pricing for any product or service, You may charge any price down to and including the minimum pricing imposed, but You may not charge any price below the minimum pricing set by Us unless You receive Our written permission to do so. If we provide written permission to offer lower pricing, You are not allowed to reduce Your fees by more than 10% of Our recommended fees/pricing. Unless otherwise agreed to by Us in writing, You cannot advertise or promote prices lower than, or inconsistent with, Our suggested prices outside of Your Franchise Business Premises. Our pricing policies are intended to benefit the System as a whole and may not maximize Your profits.

6.1.12 Computer and POS System. At Your expense, You must purchase or lease the computer and point of sale ("POS") system and other computer hardware and software systems designated by Us in strict accordance with Our specifications. You must also maintain the minimum Internet speed requirements as set forth in Our Manuals. If We adopt a different computer system, POS system or other system in the future, You must adopt it at Your expense. You must modify and upgrade, all such items, at Your sole expense. You must provide Us full 24-hour/7-day a week access, including online access, and the right to "upload" or "download" information to and from all POS, computer and other systems, and to the information and data contained in them. There is no contractual limitation on Our right to receive information through Your computer, POS or other systems. You hereby waive any claim against Us or Our affiliates for any loss, damage, liability or expense caused by or related to failures, errors, acts, omissions, or otherwise of any computer, POS, hardware or software system.

(i) Retention of Records; Accounting Systems. You must record all customer information and enrollments at the time of enrollment into Our online portal, including cash or check payments made to You directly or at Your Franchise Business Premises. You must have high speed, broadband Internet access at the levels required in the Manuals. You must retain all payment records, charge account records, sales slips, orders, sales tax reports and all of Your other business records and related back-up material, tax returns and financial reports for at least five years following the end of the year in which the items pertain, including after the Termination of this Agreement. You are required to use Our required accounting software, and You are required to follow Our accounting procedures, line items, and templates and charts of accounts as provided and updated in Our Manuals or as established through the accounting software. You are solely responsible for any fees associated with the use of any accounting system, and We can require that We have independent access to Your account at all times.

(ii) Merchant Account. At Your expense, You must participate in Our merchant account and other enrollment programs as set forth in Our Manuals.

(iii) Data Security Standards. At Your cost and expense, You must investigate and ensure that You comply with all payment card industry (“PCI”) and data security standard (“DSS”) standards, regulations, and requirements; however, We reserve the right to approve of the vendor You use for compliance. You must meet the requirements of, and comply with enhancements and changes to, the PCI and DSS and maintain PCI compliance with the current version of the PCI and DSS. We reserve the right to require an audit (and to designate the auditor) to verify compliance. You must reimburse Us for all costs related to the audit if You are not in compliance. You are responsible to use all required tools, systems, and vendors to complete ongoing PCI requirements, including quarterly external security scans and annual self-assessment questionnaires. You are solely responsible for all costs relating to PCI compliance and data security issues, including, security threats, breaches, and malware. It is Your responsibility to alert Us, not later than 24-hours following a suspected or confirmed data security breach, so that appropriate action can be taken to protect Customer Data and to notify relevant parties. You are not permitted to collect, store, transfer, etc., any unnecessary customer information.

(iv) Compliance Monitoring System. You are required to install a compliance monitoring system in Your Premises. You are solely responsible for the monitoring, maintenance and upgrades to this system. We shall have independent access to the compliance monitoring system, but Our access does not obligate Us to monitor Your Premises for safety or compliance. We do not regulate the type of compliance monitoring system or designate any specific vendor, but the system must be cloud based and allow for storage up to 30 days. You are required to have at least one camera in each room, and each camera must be night vision compatible. We have the right to designate the reference points for locating each camera. You are required to provide Us notice of its installation. By installing the monitoring system, You and Your employees are waiving their right to privacy, and You agree to include a provision in all Your employment applications and other applicable documents requiring Your employees to sign and waive their right to privacy with respect to any compliance monitoring system. You agree to indemnify and hold Us harmless from and against any claim related to Your security system.

6.1.13 Conferences and Seminars. In Our discretion, We may hold conferences and/or seminars on a regional or national basis for all franchisees in good standing. The conferences and seminars may be held at various locations chosen by Us. If held, attendance is mandatory for Your Operating Principal shall be required to attend, and if there is a registration fee, You shall pay such fees, along with all travel, lodging, food, and other expenses for each of Your attendees.

6.1.14 Marketing Plan. You are required to provide Us an initial marketing plan at least 30 days prior to the opening of Your Franchise Business. In addition, You are required to annually update Your Marketing plan and submit the updated plan to Us within 90 days after Your fiscal year end.

6.1.15 Required Software and Reporting. You must use all software as required by Us, which may be changed from time to time. You must input all required information into Our designated software as set forth in Manuals.

## 6.2 Quality Control.

6.2.1 Correction of Defects. Should We notify You at any time of defects, deficiencies or unsatisfactory conditions in the appearance or conduct of Your Franchise Business, You shall immediately correct any defect. You shall establish and maintain an image and reputation for Your Franchise Business consistent with the standards set forth in this Agreement, in the Manuals, or as otherwise specified by Us.

6.2.2 System Compliance. You shall strictly follow Our System, the Manuals, and other directives promulgated or provided by Us from time to time and to promptly implement such changes in



Your Franchise Business and to act in good faith in all Franchise Business and System matters and dealings. We may approve exceptions or changes from the uniform standards which We, in Our sole discretion, believe necessary or desirable.

(i) Email Address. You must at all times use and maintain the email address provided by Us or approved by Us for use in relation to Your Franchise Business, frequently checked by You to facilitate Our communications, and that You must use as the sole email for all Franchise Business-related communications and accounts. Use of an unapproved email account for business reasons related to Your Franchise Business is prohibited.

(ii) Incentive Programs. If We adopt a loyalty, coupon, gift, or other discount or incentive program, You are required to implement such program in Your Franchise Business, which may include access to a bank account established by You for card charges made through other franchisees. You will be allowed to provide location-specific discounts with Our prior written approval, and We will provide You with a coupon code.

(iii) Modifications. We have the right to modify, delete, add to and otherwise make systematic and other changes to the System, Intellectual Property, Manuals and operations, etc. We may issue new specifications and standards for any aspect of Our System, or modify existing specifications and standards, at any time by revising Our Manuals and/or issuing new written directives (which may be communicated to You by any method We choose). You must accept, comply with, use, and implement any and all such changes to the System or operations. The modifications may obligate You to invest additional capital in Your Franchise Business and to incur higher operating costs. You must incorporate all such modifications within the time periods that We specify. Other than modifications due to health or governmental mandates or guidelines, or public concerns, We will not obligate You to invest additional capital at a time when the investment cannot in Our reasonable judgment be amortized during the remaining term of this Agreement. You are prohibited from making modifications to the System or Your Franchise Business without Our prior written approval.

(iv) Inspections and Visits. We may conduct periodic evaluations, inspections, and audits of all aspects of Your Franchise Business at reasonable intervals by Our duly authorized representative for compliance with the System, reporting, customer service and the standards and procedures set forth in the Manuals. These inspections may be conducted in person or through remote access such as video or live video conferencing. Our inspections may include Your Premises, business records, operating procedures, reports, computer drives, electronic storage devices, POS system, account records, tax records, etc. Immediately upon Our request, You must provide to Us video and/or images of the interior and exterior of Your Premises as may be more fully set forth in the Manuals. You will be charged a Fee (see Exhibit "A-3") if You fail to comply with the System after an inspection and notice, and We reasonably determine a re-inspection is necessary.

6.2.3 Interim Management. We have the right, based on Your defaults or poor performance (or as set forth in Section 14.10), to step in to manage Your Franchise Business for a period of time, as We deem advisable for a Fee. See Exhibit "A-3." You must also pay all travel, lodging, food and other expenses for our representative(s) and other expenses that may be incurred by us to perform such services, plus royalties, advertising fees and other applicable fees.

(i) Operations, Access to Information and Operating Account. During the Interim Management Period, You hereby grant Us authority to assist You in managing any or all aspects of Your Franchise Business. We will work directly with Your Operating Principal and Your manager, and We may require additional training for Your Operating Principal, Your manager, employees and other contracted personnel. You shall cooperate to provide Us with all pertinent information regarding Your Franchise Business and access to the applicable operating accounts to enable Us to efficiently assist with management operations. All accounts must remain in Your name during the Interim Management Period,

but You shall add Us or Our representative as a co-signer on certain accounts. You shall cooperate with Us in communicating with all vendors and suppliers related to Our interim management. You hereby grant Us permission to speak directly with Your landlord and suppliers, banks, IRS, state agencies, creditors, etc., regarding Your Franchise Business, and You shall cooperate with Us to facilitate such communication. We may require You to establish a new bank account for Your Franchise Business during the Interim Management Period into which all operating income will be deposited. You and We (at Our option) will have authority over this account, and You or We will make payments on Your accounts payable as cash is available, but only with Your prior authorization and direction. You are ultimately responsible for all operating costs both before and during the Interim Management Period. You shall provide Us with a list of all accounts payable with direction on which accounts are to be paid, but with the understanding that all taxing authorities will be paid first. Any excess funds in the Operating Account or any new account after all applicable costs and Fees have been paid and after an additional amount has been set aside sufficient for the Franchise Business to fulfill its business purposes as determined by Us, will be transferred to You monthly. We may provide monthly internal profit and loss statements to You. We have no obligation to infuse capital into Your Franchise Business, but if We do, such amounts will be treated as a loan, which must be repaid within an agreed upon time and bear market interest as agreed. We have the right to direct Your employees and contract personnel during the Interim Management Period. Both You and We agree that in no way does Our interim management create a relationship of trustee, beneficiary or any type of fiduciary relationship over or in relationship to Your Franchise Business.

(ii) Your Obligation to Cure. During the Interim Management Period, You are obligated to cure all applicable defaults within the applicable cure periods as set forth in this Agreement. We have the right to terminate this Agreement during the Interim Management Period for defaults not cured within the applicable cure periods.

6.2.4 "Mystery Shopper" Service. We reserve the right, from time to time and without prior notice to You, to evaluate the operation and quality of Your Franchise Business through the use of a secret or mystery shopper service provided by Us or a third-party. We may use such service evaluations to inspect Your Franchise Business. We may make the results of any service evaluation available to You, in Our sole discretion.

### 6.3 Miscellaneous Obligations.

6.3.1 Personal Guarantees. If Your Franchise Business is owned by a business entity, each individual owner, partner, shareholder, and member, respectively, who own 25% or greater interest, and their spouses to be enforced only in limited circumstances, must each personally sign an agreement not to compete and must personally guarantee the performance of all Your obligations under this Agreement and agree to be personally bound by, and liable for, the breach of every provision of this Agreement. See Exhibit "A-8" Guaranty and Assumption of Obligations.

6.3.2 Drug Testing. We may require You and Your management employees to submit to random drug testing at the time and place We feel necessary to ensure Your compliance with Our policies regarding drug use in the System; however, We are under no obligation to perform such testing on Our or Your behalf. You are required to provide Us a copy of all drug testing results within 30 days from the time You receive such test results.

6.3.3 Vending Machines. No vending machine, cigarette machine, amusement devices, juke boxes, or other devices of similar nature, whether or not coin operated, are allowed to be installed or used on the Premises without Our prior written consent.

6.4 Standards and Control. Any required standards exist to protect Our interest in the System and the Marks and not for the purpose of establishing control or duty to take control over those matters that are reserved to You.



6.5 Required Notices. You shall provide Us with prompt notice (within five business days of receipt) of any default with regards to late payment of any taxes, government fines, payments owing to any vendors, landlords, or amounts owing to employees or contractors.

6.6 Non-Contravention; Non-Disparagement. You shall not undertake any action or inaction to circumvent, contravene, or undermine the purposes of this Agreement. Additionally, during and after the term of this Agreement, You shall not, in any way, form, or medium, disparage Us, the System, or Our officers, owners, partners, directors, members, managers, representatives, agents or employees.

6.7 Non-Delegation. You may not outsource to a third party, any part of Your obligations to Us or services to customers, including to another franchisee, without Our prior written approval.

## **ARTICLE VII FRANCHISOR'S OPERATIONAL ASSISTANCE**

7.1 Layout and Design. We shall provide You with general specifications for the Premises layout, signs, equipment and interior décor.

7.2 Suppliers and Products. We shall provide You with a list of specifications for approved products and a list of approved suppliers. We may add to or discontinue working with any of Our suppliers. There is no guarantee or promise that the relationship with any of Our current suppliers will continue or be available to the System.

7.3 Operations Assistance. We shall furnish You with guidance relating to the general operation of Your Franchise Business and upon Your reasonable request, make Ourselves available to consult with You by telephone, email, video conference, teleconferences, or website posting during regular business hours during the continuing operation of Your Franchise Business. Other than the opening assistance, We are not required to provide in-person assistance to You. If You feel additional assistance is necessary (such as management training), We will provide such assistance to You based on advance notice, availability of personnel, and Your payment of a per day, per person Fee. See Exhibit "A-3."

7.4 Training. We shall train Your Operating Principal and designated manager in the various practices, policies and procedures of operation of Your Franchise Business. This training will take place completely via videos and web conferencing. The training program is described in Paragraph 6.1.4. We do not provide any opening assistance.

7.5 Additional Guidance. Additional guidance, at Our sole discretion, will be furnished in the form of written Manuals, videos, audio recordings, bulletins or other written materials, telephone consultations and/or consultations at Our offices or at Your Franchise Business in conjunction with an inspection of Your Franchise Business. We have the right to communicate directly with Your Operating Principal, designated managers and assistant managers concerning operational matters that We reasonably believe may affect Our goodwill, Marks, or the System.

7.6 Non-Compliance. We may deny any or all of the above services to You while You are in default of this Agreement or any related agreement with Us or an affiliate.

## **ARTICLE VIII PURCHASE OF PRODUCTS AND EQUIPMENT**

8.1 Approved Products and Services; Suppliers. You shall purchase, use, provide, and sell only those goods and services that meet Our specifications and/or that are purchased from approved suppliers in accordance with Our Manuals. You shall promptly add, remove, or modify any good or service

immediately upon notice from Us. You are prohibited from selling, leasing, or offering any goods or services not authorized by Us in writing. For the purpose of this Article, “goods” means any product, good, inventory, supply item, equipment, tool, item, etc.

8.1.1 Additional Curriculum Content. You are required to only use the curriculum content provided by Us or Our affiliate. In the event You require or need additional or specialized content created, You must obtain such content from Us or Our affiliate and You will be charged a Fee for each additional subject for which new content is created (see Exhibit “A-3”).

8.2 Your Purchases. For training on goods purchased from a supplier, You must consult with the respective manufacturer or supplier of those items. You shall purchase all designated goods and services from sources designated or approved by Us. For delivery and installation, You are required to work directly with the manufacturer or services of these items. We do not offer assistance in delivery or installation of any required or approved purchases. We or Our affiliate will may derive revenue from the sale of required goods and services through mark-ups in prices We charge to You for goods and services purchased from Us or an affiliate, or We or an affiliate may receive compensation or discounts from the supplier for Your purchase of such goods and services. No compensation is due to You for compensation or discounts We receive from suppliers.

8.3 Unapproved Suppliers. Because of the proprietary nature of the curriculum that must be used by You, We do not allow You to submit alternative suppliers to be included on Our list of approved suppliers. At Our discretion, We may revoke Our approval of an approved supplier upon 30 days’ prior written notice.

8.4 Equipment. You shall maintain all inventory and equipment in good working order. For problems and training for equipment purchased from a supplier, You must consult with the respective manufacturer or supplier of those items.

8.5 Warranties. You shall look to the respective manufacturers or suppliers for issues related to warranties for any third-party goods purchased for Your Franchise Business. We will replace defective items purchased directly from Us pursuant to Our standard limited warranty, if any.

## **ARTICLE IX MANUALS**

9.1 Manuals. As of the date of signing this Agreement, we have not developed Manuals for use with Your Franchise Business. In the event We develop and provide such Manuals, We shall loan You a copy or provide electronic access to Our Manuals. You may not copy any part of the Manuals either physically or electronically. The Manuals are confidential and remain Our property. The Manuals may be used by You only in association with Your Franchise Business and only during the term of this Agreement. We have the right to revise the Manuals at Our sole discretion. You must promptly and continuously comply, at Your expense, with all provisions of, and modifications to the Manuals. The master or most updated copy of the Manuals maintained by Us will be controlling in the event of a dispute relative to the contents of the Manuals.

9.2 Standards and Procedures. We may establish performance procedures, standards and specifications for products, services and Marketing (“Standards”) for the operation of Your Franchise Business. We may change these Standards at Our discretion, and You must strictly follow and implement all such Standards within the periods required by Us.

## **ARTICLE X MARKETING**

10.1 Marketing Fund. We have the right to institute, maintain and administer a national Marketing and brand development fund ("Marketing Fund") for such Marketing or public relations programs as We, in Our sole discretion, may deem necessary or appropriate to Market and promote the System. The Fees for the Marketing Fund are listed in Exhibit "A-3."

10.1.1 Marketing Fund Administration. We will direct all such programs, with sole discretion over: 1) the creative concepts, materials, endorsements and media used in connection with such programs; 2) the source of the Marketing or public relation efforts; 3) the placement and allocation of such programs; and 4) the composition of all geographic territories and market areas for the development and implementation of such programs. The Marketing Fund can be operated through an entity separate from Us that has all of Our rights and duties relating to the Marketing Fund. We are not liable for any act or omission with respect to the Marketing Fund or otherwise that is consistent with this Agreement or which is done in subjective good faith. The Marketing Fund may be used, in Our reasonable discretion, to reimburse Us for costs related to the administration of the Marketing Fund and any promotion and Marketing efforts intended to benefit the System. We have the right to loan money to the Marketing Fund to cover any deficits. The Marketing Fund is not in the nature of a trust, fiduciary relationship or similar special arrangement, and We disclaim any such relationship.

10.1.2 Use of Marketing Fund Fees. We may use the Marketing Fund to offset a portion of direct costs to manage and maintain the Marketing Fund, including the payment of staff salaries and other expenses for those employees who may be involved in Marketing Fund activities. We may receive payment for providing goods or services to the Marketing Fund. We reserve the right to use fees from the Marketing Fund to place Marketing in national or regional media. We are not required to spend any amount on Marketing directly in Your area or Territory, and We do not have any obligation to ensure that expenditures are or will be used equally in each region or that they will be equivalent to contributions to the fund by other franchisees operating in any geographic area. We make no representations that Marketing expenditures will benefit You or any other franchisee directly, on a pro-rata basis, proportionally, or at all. Any unused Marketing funds in any calendar year will be applied to the following year's fund. You may request an unaudited annual report of Marketing expenditures within 90 days of the end of each year.

10.2 Local Marketing Requirement. You are required to Market locally as set forth in Section 5.3.2.

10.3 Sample Marketing and Promotional Materials. We may provide You samples of Marketing and promotional materials developed by Us from time to time. Additional copies will be made available at cost, plus 10%, plus shipping and handling.

10.4 Your Obligations to Market. Neither We nor You are restricted from Marketing Your Franchise Business in the Territory. Except for the rights expressly given to You, there will be no limitation on Our rights to deal with potential or actual customers located anywhere. You are prohibited from Marketing whether directly or indirectly outside of Your Territory as more fully set forth in the Manuals.

10.4.1 Approval of Marketing. You may develop Marketing and promotional materials and digital Marketing programs for Your use at Your cost. You must submit to Us, prior to publication, copies of all Marketing, promotional and public relations materials, proposed to be used by You, including any use of the Internet, or other digital, electronic or Social Media along with a description of how it will be used, by what media published and such other information thereon as may be reasonably requested by Us. All such materials must be approved by Us in advance and in writing in accordance with Our Manuals. Submitted Marketing materials will be deemed unapproved if You do not receive Our written approval or disapproval

within 15 days of the date We receive the submission. We have the right to disapprove previously approved Marketing materials at any time.

10.4.2 Marketing Compliance. All Your Marketing and promotional activities must be done in strict compliance with Our Manuals and in good taste and must reflect favorably upon Us and the System. sYou shall participate in all Marketing, email, and other programs as developed by Us, Including the collection of Customer Data and participation in using and promoting apps, as developed by Us and as directed in Our Manuals.

10.5 Internet and Social Media You must strictly comply with Our policies and procedures regarding websites, Social Media sites, and Internet Marketing. We reserve the right to restrict Your use of these mediums in the future.

10.5.1 Use of the Internet. You may not create a website for Your Franchise Business. However, You may be allowed to place pre-approved information concerning Your Franchise Business on Our website, as developed by Us. Additionally, You cannot market on the Internet, Including posting for re-sell, items on third party re-sell or auction-style websites such as eBay®, Craigslist or Amazon.com without Our prior written permission. You shall not post any portion of Our proprietary curriculum on any website or webpage. We have the right to manage and control all online reviews for Your Franchise Business. With Our prior approval, You may be allowed to register listing on sites such as Yelp.

10.5.2 Social Media We will own and and maintain the right to control all Social Media, but You will be provided access to certain aspects of Social Media related to Your location. In all cases, We will have administrative access, and access to account information, and any other information related to Your Social Media activities related to the Prepaze Academy™ brand. We have the right to remove or require You to remove any content We deem inappropriate or inconsistent with the Prepaze Academy™ brand. Additionally, You must sign the Digital and Social Media Authorization for Assignment attached as Exhibit "A-9."

## **ARTICLE XI BREACH AND TERMINATION**

11.1 Default and Termination. We may terminate this Agreement before the expiration of its term if You breach this Agreement and fail to cure, if curable. If curable, You must cure a default within the time periods set forth below after receiving notice of default. If the default is one which is incapable of cure, Termination is effective as of the date of the notice of default.

No Cure Period:

A. Insolvency. You become insolvent or commit an act of bankruptcy or make a general assignment for the benefit of creditors or to an agent authorized to liquidate Your property or assets, or become or are adjudicated bankrupt, or voluntarily file a petition in bankruptcy or for reorganization.

B. Unauthorized Duplication. You duplicate the System or use the System or any part thereof, or Our Intellectual Property, or Confidential Information in connection with any other business.

C. Repeated Breaches. You repeatedly breach (defined as three or more times during the term of this Agreement) the same or different conditions of this Agreement or the Manuals within a 12-month period.

D. Unauthorized Use. You use Our Confidential Information or Intellectual Property other than in connection with the operation of Your Franchise Business.

E. Public Safety. Your maintenance or operation of Your Franchise Business results in a threat or danger to public health or safety.

F. Misrepresentations. You make any material misrepresentations relating to the acquisition of the Franchise Business or You engage in conduct, which reflects materially upon the operations and/or reputation of Your Franchise Business or the System in an adverse manner.

G. Abandonment. You abandon Your Franchise.

H. Unauthorized Transfer. You attempt to Transfer all or any part of this Agreement, Your Franchise Business, or any material portion of the property associated with Your Franchise Business, or an unapproved percentage of Your franchise entity, or You attempt to purport to sublicense to another any of the rights licensed to You hereunder, or You otherwise fail, refuse or neglect to obtain Our prior written consent or approval required hereunder.

I. False Reporting. You knowingly or intentionally conceal revenues, maintain false books, or records or submit any false report or payment or otherwise defraud Us.

J. Crimes and Adverse Behavior. You commit or are convicted of or plead guilty or no contest to, a felony, a crime involving moral turpitude, or any other crime, offense or behavior that We believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Our interest therein; You make disparaging remarks against Us, Our management, employees, the System, or Our brand to Our other franchisees or in a public forum, including radio, television, newspapers, the Internet, or Social Media; or You engage in conduct that, in Our good-faith estimation, does or could reflect negatively upon the operations and/or reputation of Your Franchise Business, the System, or Us.

K. Unauthorized Competition. You fail to comply with the covenant not to compete during the term of this Agreement or intentionally or recklessly disclose or use the contents of the Manuals, trade secrets or confidential or proprietary information provided to You by Us in violation of this Agreement.

L. Termination of Lease Agreement. Your Lease for the Premises is terminated.

M. Illegal Drug Use/Intoxication on the Job. You or Your officers, directors, members, managers or principals use illegal drugs or abuse prescription medication or refuse to submit to a drug test. Additionally, You go to a job or provide services while intoxicated whether by use of alcohol, illegal or legal drugs.

N. Termination of Another Agreement. Another agreement between Us or an affiliate of Ours and You or with an affiliate of Yours is terminated.

24-Hour Cure Period:

O. Health Code or Safety Violations. You fail to cure a health code or safety violation within 24 hours of an inspection by Us or the applicable governmental agency except for threats to the public safety which may be cause for immediate Termination.

5-Day Cure Period:

P. Unauthorized Closure. Your Franchise Business is closed for a period of three or more consecutive business days or not open for the business hours as required under this Agreement for three or more days in any 30-day period without Our prior written approval, which consent will not be unreasonably withheld or delayed, or You move the location of Your Franchise Business Premises without Our prior written approval.

15-Day Cure Period:

Q. Failure to Pay. You fail to pay any Fee or an amount due to Us, any of Our affiliates, or other designated, approved or other suppliers or assigns, within the time period specified for such payments by this Agreement, the Manuals or an agreement specifying the payment concerned.

R. Failure to Accurately Report. You fail to accurately report or fail to submit any reports or records required under this Agreement or the Manuals.

S. Default Notice of Lease Agreement. You receive a notice of default under Your Lease.

T. Act in Contravention. You perform or undertake any action to undermine or circumvent this Agreement, the System, or Us.

30-Day Cure Period:

U. Other Breaches. Except as otherwise provided herein, You fail to comply with any other provision of this Agreement or the Manuals.

11.1.1 Adequate Assurance. When reasonable grounds for insecurity arise with respect to the performance of Your obligations under this Agreement, We may demand adequate assurance of due performance, and, until We receive such assurance, We may reasonably suspend any performance of Our obligations. Failure to provide Us with adequate assurances within 30 days, when properly demanded, will be considered a default of this Agreement for which no additional cure period will be granted.

11.2 Event of Default. In the event of any default by You, We will give You written notice of default specifying the default(s) and, if curable, state what You must do to cure the specific default(s) within the cure period. In the event of a default by You, all of Our costs and expenses arising from such default(s), including reasonable legal fees and reasonable charges for Our employee's time related to the default(s) must be paid to Us by You within 10 days following Our demand for payment.

Notwithstanding anything to the contrary herein, We have the right, to be exercised in Our sole discretion, to grant You an extended period of time to cure. Any such extension will not be construed as a waiver of Our rights in the future.

11.3 Failure to Cure. If You fail to cure any default within the time period allotted, We may proceed to enforce any or all of the following non-exclusive remedies in accordance with this Agreement, and the pursuit of any one remedy will not be deemed an election or waiver by Us to pursue additional remedies:

11.3.1 Actionable Claim. Bring an action or claim for the balance of any monies due hereunder, including penalties and interest as provided for in this Agreement and for all other damages sustained by Us as a result of Your breach of this Agreement. As part of any such action, We may accelerate the balance of any outstanding installment obligation due hereunder and bring an action for the entire accelerated balance.

11.3.2 Injunctive Relief. Bring an action for temporary or permanent injunctions and orders of specific performance enforcing the provisions of this Agreement and otherwise stop You from engaging in actions prohibited hereby.

11.3.3 Termination. Terminate this Agreement and proceed to enforce Our rights under the appropriate provisions. Such Termination will be effective upon delivery of a notice of Termination to You without further action by Us.



11.3.4 Other Remedies. Seek any other remedy available to Us at law or in equity, including lost profits.

11.4 No Right of Termination. You may not terminate this Agreement. However, some states may allow You to terminate as permitted by state law.

11.5 Opportunity to Cure. Prior to taking any action against Us, You must first give Us 60 days' prior written notice and an opportunity to cure any alleged act or omission. If such act or omission cannot be cured within such 60-day period, and We are diligently continuing efforts to attempt to cure such alleged act or omission, You must give Us such additional time as is reasonably necessary to cure.

## **ARTICLE XII TERMINATION AND EXPIRATION**

12.1 Upon Termination of this Agreement for any reason, You immediately cease to be Our franchisee and must:

12.1.1 Payments Due. Immediately pay for all product purchases, Fees and other obligations owed or accrued to Us, Our affiliates or designated suppliers.

12.1.2 Cease Use. Not hold Yourself out as a Prepaze Academy™ franchisee or business and immediately and permanently cease to advertise or in any way use the System, Intellectual Property, Confidential Information, apps, materials, methods, procedures, processes, Marks, or promotional materials provided by or licensed to You by Us or in any way connected with the Franchise Business or System.

12.1.3 Trade Secret and Confidential Information. Except as provided below in Paragraph 12.1.7, within five days, You must demonstrate with video proof sent to Us that You have permanently destroyed all information and/or products that We deem trade secret or confidential,.

12.1.4 Disassociation. Within 15 days of Termination, take all necessary steps to disassociate Yourself from the System and Your Franchise Business, including the removal of signs, destruction of letterheads, changing of telephone listings, telephone numbers, and the like, and to assign and transfer the telephone listing, telephone numbers, Marketing accounts, email addresses, URL's, Internet sites, web pages, and Social Media to Us. If You fail or refuse to do so, the telephone company, URL and hosting companies, and other listing agencies may accept this Agreement as evidence of Our exclusive rights in and to such telephone number(s), Internet websites, URL's, email accounts, and Social Media and listing and its authority to direct their transfer. You hereby appoint Us as Your attorney-in-fact for the above transfers. You must not identify any present or future business owned or operated by You as having been in any way associated with Us or the System.

12.1.5 Cancel DBA. Within 15 days of Termination, take such action as will be necessary to amend or cancel any assumed name, fictitious or business name or equivalent registration, which contains any Mark of Ours or in any way identifies You as being affiliated with Our System.

12.1.6 Notify Suppliers. Immediately notify all suppliers, utilities, creditors and concerned others that You are no longer affiliated with Us or the System and provide proof to Us of such notification.

12.1.7 Return Materials. At Your cost, permanently delete electronic copies and return to Us by first class prepaid United States Mail, (including originals and any copies) physical copies of Our Manuals, all training materials, Marketing and promotional aids and materials, and all other printed and electronic materials and any other Confidential Information obtained by You from Us pertaining to the operation of Your Franchise Business.



12.1.8 Modification of Premises. If We do not exercise Our right to purchase Your Operating Assets or assume Your Lease upon Termination, then You must alter, modify and change both the exterior and interior appearance of Your Franchise Business Premises to Our satisfaction, so that it will be easily distinguished from the standard or common appearance of a Prepaze Academy™ business and shall cease using the signs, décor, displays, advertisements, promotional materials and the like that are unique or distinctive to the System.

12.1.9 Customer Data. Provide Us with the Customer Data for all current, prior and expectant customers of the Franchise Business.

12.1.10 Evidence of Compliance. Otherwise, furnish evidence satisfactory to Us or in the manner required by Us of Your full compliance with this Section 12.1 within 30 calendar days after the Termination of this Agreement or on the timeline We may provide at Termination.

12.1.11 Financial Inspections. You must provide Us with access to all Your financials, books, and other accounting records for 12 months following the date of Termination.

12.1.12 Pay Damages and Costs. Pay to Us all costs, damages and expenses, including post-term expenses and reasonable attorney's fees incurred by Us to enforce the provisions of this Agreement, including to obtain injunctive or other relief to enforce any provision of this Agreement. In the event You fail to comply with this Section 12.1, You will be charged \$150 per day for non-compliance, and, at Your expense, We may hire a third-party or use Our own personnel to carry out Your obligations on Your behalf.

12.2 Upon Termination of this Agreement, for any reason:

12.2.1 No Compensation. No payment is due to You from Us or any source on account of any goodwill, intangible assets or other equity claimed by You arising from or relating to Your operation or ownership of Your Franchise Business, or otherwise. All goodwill connected in any way with Your Franchise Business or the System belongs now and, in the future, exclusively to Us.

12.2.2 No Refund. No Fees, charges, or other payments of any kind from You to Us are refundable in whole or in part.

12.2.3 No Equity. You shall have no equity or other continuing rights to use the System, Intellectual Property or goodwill of the Franchise Business.

12.3 Survival of Provisions. All of the provisions of this Agreement, which by their terms or implication apply following the Termination of this Agreement, survive and apply following Termination of this Agreement, including Your obligations to indemnify Us and to pay all amounts owed, and You must continue to observe the confidentiality, brand protection, non-competition and other restrictions of this Agreement and the provisions with respect to arbitration and dispute avoidance.

12.4 Make Premises Available to Us. In addition to those obligations set forth above, upon Termination, You must make the Premises accessible and available for Us to examine and verify Your compliance with Your post-termination obligations, and/or to operate if We, in Our sole discretion, choose to do so. If You fail to make the Premises available to Us, You will be assessed a Fee for the expense incurred by Us to enforce Our rights under this paragraph.

12.5 Liquidated Damages. If this Agreement is Terminated, other than for non-renewal or mutual termination, in addition to other remedies available under this Agreement, We will be entitled to liquidated damages, not as a penalty, and solely to compensate Us for lost future royalties. You and We recognize

the difficulty of calculating damages caused by lost future royalties but nevertheless recognize and agree that such damages could arise, and You and We hereby agree to the formula listed on Exhibit "A-3" as a compromise on the calculation of such damages. You and We agree that such amount will be reduced to the present value of such payments as of the date of termination utilizing an interest rate of 5% compounded annually.

12.5.1 Additional Equitable Remedies. The amounts contemplated under Section 12.5 do not represent a price for the privilege of not performing nor does the payment represent an alternative manner of performance. Accordingly, as a purely liquidated damages provision for early termination, Section 12.5 does not preclude and is not inconsistent with a court granting Us specific performance, other damages set forth herein, or any other equitable remedies, such as an injunction, to prevent future breaches.

12.6 Cumulative Rights. Our rights provided above are cumulative and in addition to any other right or remedy available at law or in equity.

### **ARTICLE XIII PURCHASE OPTION**

13.1 Purchase Option. Upon Termination of this Agreement, You hereby grant to Us the right to:

13.1.1 Acquisition of Assets. Acquire, in Our sole discretion, all or any part of Your assets, contracts, inventory, equipment, signs, service vehicles, accessories and other personal property relating to Your Franchise Business (collectively "Operating Assets") at the then-existing fair market value of such item or items as of the date of Termination of this Agreement. You hereby grant Us permission to speak directly with Your landlord and other creditors, including suppliers, banks, the IRS and state agencies (and You will cooperate with Us to facilitate such communication), regarding any loans and/or liens or obligations that would encumber Your Operating Assets. If the fair market value is not agreed to between us, the fair market value will be established by an independent appraisal. The appraisal will be done at Our expense by an appraiser selected by Us. No goodwill will be considered associated with Your Franchise Business or said items. We must exercise this option within 60 days of such Termination or within 15 days of the establishment of the price of the Operating Assets, whichever is later ("Option Period"), by giving written notice to You of Our intent to exercise Our option to purchase. We have the right to off-set any amounts You owe to Us against the purchase price. If We have not notified You of Our election to exercise this option within the Option Period, it will be conclusively presumed that We have elected not to exercise Our option, and You are then free to sell or transfer such assets to any person or entity on such terms as You may so choose, so long as the Operating Assets have been de-identified as set forth herein. If any of the Operating Assets are subject to liens or taxes, We may withhold a portion of purchase price to pay off such lien or taxes. We may also withhold 25% of the purchase price for 90 days to ensure that all other liabilities affecting the Operating Assets are paid.

13.1.1.1 Interim Management During Option Period. We have the right, but not the obligation, to use Your Operating Assets and Premises (if the Lease is still in effect, and in such case We will obtain this right from the landlord as applicable), and to hire Your employees to operate the business during the Option Period. You and We understand and agree that We will not be operating Your Franchise Business during this time, but We will be using Your Operating Assets and the Premises to operate Our own, separate Prepaze Academy™ business ("New Business") in order to keep the business open during the Option Period. We will pay You the fair market rental value for such use of the Operating Assets as agreed, but not exceed fair market rental value, and if we use the Premises, We may pay rent directly to the landlord for Our use of the Premises. You will be required to cooperate to provide Us with all pertinent information regarding Your Franchise Business, as We deem necessary. We will establish Our own bank accounts and other accounts for the New Business during the Option Period. During the Option Period, We will pay all costs and expense of the New Business, and all proceeds of the New Business will belong to

Us. We will not assume any of Your debts or obligations and will not be responsible to pay any debts or expenses incurred by Your Franchise Business. You will indemnify and hold Us harmless from and against any and all claims, damages, losses, deficiencies, liabilities and costs, Including attorney's fees, of or related in any way to the Franchise Business prior to Us operating the New Business at the Premises, and We will indemnify and hold You harmless from and against any and all claims, damages, losses, deficiencies, liabilities and costs arising solely from the New Business. If necessary, We have the right to change the locks and exclude You from the Premises during this Option Period.

13.1.2 Assumption of Lease. We have the right, during the Option Period, to assume Your Lease under the provisions of Section 4.2 above.

13.1.3 Warranties. The purchase contract for the Operating Assets, as set forth in Paragraph 13.1.1 above, will include standard representations, warranties, covenants and indemnities from You as to the Operating Assets being purchased, Including warranties of good title, absence of liens, compliance with laws, absence of defaults under contracts, litigation and tax compliance.

13.1.4 Assignability. Our rights under this Section 13.1 are assignable by Us at Our discretion.

13.1.5 Prepaid Services. If We determine to service a client/customer that was previously serviced by Your Franchise Business, and the client had prepaid for the services, We can offset the costs of fulfilling those services against amounts owing to You, and We are entitled to seek those amounts as damages.

## **ARTICLE XIV SALES OR TRANSFERS OF THE FRANCHISE**

14.1 Our Right of Assignment. This Agreement and all rights and obligations hereunder are fully assignable and transferable, whether in part or whole, by Us, and if so assigned or transferred, will be binding upon and inure to the benefit of Our successors and assigns. We may be sold, or We may sell any part of or all of Our Intellectual Property or other assets to a competitive or other entity. In addition, We may go public, may engage in a private or other placement of some or all of Our securities, may merge, acquire other entities or assets which may be competitive with the System or not, be acquired by a competitive or other entity, and may undertake any refinancing, leveraged buy-out or other transaction, Including arrangements in which: 1) the territories, retail locations or other facilities are, or are not, converted to the System or other format or brand (Including using the System or Marks), or 2) the System is converted to another format or brand, maintained under the System or a different system. You waive all claims, demands and damages with respect to any transaction or otherwise allowed under this Section or otherwise. You must fully cooperate with any such proposal, merger, acquisition, conversion, sale or financing.

14.2 No Assignment by You Without Our Approval. This Agreement is personal as to You, and is being entered into in reliance upon and in consideration of Your qualifications and representations, Including representations of all current owners. Therefore, neither this Agreement nor any of its rights or privileges, nor any shares or units in the ownership of Your entity, Your Franchise Business, or substantially all of Your assets may be Transferred in any manner by You or anyone else unless Our prior written approval is obtained. You must follow and strictly comply with Our policies, if developed by Us, related to Transfer of all or any part of Your ownership or this Agreement. You shall provide Us with all documentation relating to the Transfer of Your Franchise Business. Said approval will not be unreasonably withheld but will be conditioned upon Our satisfaction with the qualifications set forth in Section 14.3 below of the proposed transferee and its owners and officers. You must provide Us written notice of Your intent to Transfer prior to listing or offering the Franchise Business for sale.

14.2.1 Transfers to Competitors Prohibited. You cannot Transfer any part of this Agreement, Your Franchise Business, or any part of Your entity, if applicable, to a competitor of Ours or an affiliate of a competitor of Ours without Our written permission. Any such Transfer without Our written approval is considered void ab initio.

14.3 Qualifications of Transferee. In determining the acceptability of the proposed transferee, We will consider, among other things, Our then-current standards for new franchisees, including the net worth, credit worthiness, background, training, personality, reputation, and business experience of the proposed transferee, the terms and conditions of the Transfer and any circumstances that would make the Transfer not in the best interests of Us or the System, including the proposed purchase price. We may meet and candidly discuss all matters relating to Your Franchise Business with the potential transferee, including providing a proposed transferee with corrected information or information in addition to what You have provided. In no case will You or a proposed transferee rely on Us to review or evaluate any proposed Transfer. Neither We nor Our affiliates will be liable to You or the transferee or any other person or entity relating to the Transfer, and You shall indemnify and hold Us harmless from any liability whatsoever relating thereto.

14.4 Application for Transfer. Upon any proposed Transfer of this Agreement, Your franchise entity, or any interest therein, You must submit to Us an application in the form specified by Us on behalf of the proposed transferee.

14.5 Transfer Fee. As a condition of Our approving the Transfer of this Agreement or Your Franchise Business, You shall pay Us the non-refundable Transfer Fee listed in Exhibit "A-3" at the time of the approved transfer.

14.6 Minority Interest Transfers. If a proposed Transfer is for less than 40% of Your entity (cumulative during the term of this Agreement), there will be no transfer Fee, but You must reimburse Us Our legal and corporate fees incurred related to the Transfer, and We will not be entitled to exercise Our right of first refusal set forth in Section 14.9 below. However, all guarantors will remain guarantors to this Agreement unless otherwise released by Us in Our sole discretion. Each ownership certificate of a corporation or limited liability company franchisee must have endorsed upon its face that a Transfer is subject to the restrictions of this Agreement. Any new owner, along with their spouse or legal domestic partner, with an ownership of 25% or more in Your Franchise Business or Your entity must personally guarantee the obligations of this Agreement.

14.7 Involuntary Transfers Void. Involuntary Transfers of this Agreement by You, such as by legal process, are not permitted, are not binding on Us, and are grounds for Termination of this Agreement. Using this Agreement as security for a loan, or otherwise encumbering this Agreement is prohibited unless We specifically consent to any such action in writing prior to the proposed transaction. You cannot grant a sub-franchise under this Agreement nor otherwise seek to license or permit others to use this Agreement or any of the rights derived by You under it. Any attempt to Transfer this Agreement or Your Franchise Business in whole or in part, or any material portion or property used by You in connection herewith, whether or not binding on Us, will be grounds for the immediate Termination of this Agreement unless such Transfer is authorized in writing by Us.

14.8 Conditions of Transfer. Prior to the effective date of Transfer of this Agreement or Your Franchise Business and as a condition for Our approval of any Transfer:

14.8.1 Compliance. You must be in full compliance with this Agreement and not be in default hereunder. All accounts payable and other monetary obligations to Us or Our affiliates or subsidiaries must be paid in full. You must have submitted to Us all required reports, financial statements and other documents.

14.8.2 Written Proposal. The terms and conditions of the proposed Transfer must be provided in writing to Us within the time frames specified by Us. The price and other proposed terms of the Transfer must not, in Our reasonable business judgment, have the effect of negatively impacting the future viability of the Franchise Business.

14.8.3 Assumption of Obligations. All Your obligations in connection with Your Franchise Business must be assumed by the transferee, including assuming Your Lease obligations, if applicable.

14.8.4 New Franchise Agreement. The transferee must sign the then-current form of the Franchise Agreement and fully upgrade the Franchise Business and Premises to the level required of new franchisees. The transferee must sign the then-current form of the Franchise Agreement for a term equal to, at Our discretion, the remaining term of this Agreement, the remaining term of the existing Lease, or the term set forth in the then-current franchise agreement and fully upgrade and refurbish the Franchise Business and Premises to the level required of new franchisees.

14.8.5 Training. The transferee must pay for and complete the training program required of new franchisees. The transferee is responsible for the cost of travel, food and lodging for Our representatives or each of the transferee's attendees. You and the transferee and We must coordinate on the timing of training the transferee, so that the Franchise Business does not have a gap in properly trained management.

14.8.6 Transfer Fee. You must pay the transfer Fee set forth on Exhibit "A-3."

14.8.7 General Release. You must execute a general release releasing Us of any claims You may have against Us.

14.8.8 Survival of Covenants. Your non-competition, indemnity and confidentiality obligations and the provisions relating to dispute resolutions survive any Transfer.

#### 14.9 First Right of Refusal.

14.9.1 Right of First Refusal. You hereby grant to Us the right of first refusal to purchase Your assets, this Agreement, the Franchise Business or ownership in Your entity (collectively "Assets") on such terms and conditions specified in a bona fide written offer from a third-party, who would satisfy the criteria for approval under Section 14.3. You must notify Us in writing of the terms and conditions of the Transfer, including the Assets proposed to be Transferred, the purchase price or other consideration, any creditor financing terms being extended by You, the date of the proposed Transfer, and all other pertinent provisions of the proposed Transfer. In addition, a copy of any contract, agreement, memorandum of sale, deposit receipt, letter of intent and the like, must also be forwarded to Us as soon as it is signed by You. Following receipt of all pertinent data and documents concerning the proposed Transfer, including any additional data concerning Your Franchise Business, including financials, employee information, and lease information, requested by Us from You, We will have 60 days in which to advise You in writing of Our election to have the Assets transferred and assigned to Us on the terms and conditions agreed to by the prospective transferee. Should We elect to purchase the Assets proposed to be Transferred pursuant to Our right of first refusal, You and We agree to cooperate to accomplish the Transfer as set forth in the provisions submitted to Us by You, provided that the date for the completion of the Transfer can be extended at Our option for up to 30 days beyond the date originally indicated for the completion of the Transfer in order to allow the completion of the transaction in a manner more convenient to Us. We have the right to off-set any amounts You owe to Us against the purchase price.

14.9.2 Non-Election of Rights. If We do not elect to purchase the Assets proposed to be Transferred, You may complete the proposed Transfer on the terms and conditions set forth in Your notice to Us subject to Our right to approve the proposed transferee and the terms and conditions set forth under



this Article. However, if there are any material changes in the terms and conditions of the proposed Transfer after You notify Us of the proposed Transfer, Including any changes in the terms and conditions occurring after We notify You of Our election not to purchase the Assets pursuant to Our right of first refusal, and any of those changes are more favorable to the purchaser, You must notify Us of the changes in writing, and We will have an additional 10 days within which to elect to purchase the Assets proposed to be Transferred on the revised terms and conditions. Additionally, if Your Franchise Business is not Transferred to such third-party within 120 days after We elect not to purchase the Assets, You must re-offer the Assets to Us before You may Transfer to an approved third-party. We have no obligation to purchase Your Assets.

14.10 Death or Incapacity and Interim Management. In the event of the death or incapacity of an individual franchisee or Operating Principal of an entity franchisee (the term “incapacity” means any physical or mental infirmity that prevents the person from performing the obligations under this Agreement: (i) for a period of 60 or more consecutive days, or (ii) for 100 total days during a calendar year), the heirs or personal representative will have the right to continue Your Franchise Business; provided that within a reasonable time (not more than 160 days) after such death or incapacity (or such longer period required by the laws of the state where Your Franchise Business is located) the heirs appoint a representative to act in behalf of the heirs in all matters pertaining to Your Franchise Business as provided for new Operating Principals, designated managers, or franchisees, Including the requirements to have the representative trained and accepted by Us in accordance with Our standards. The heirs or personal representatives, instead of operating Your Franchise Business themselves under the foregoing procedures may choose to Transfer Your Franchise Business. If a decision to Transfer is made, the Transfer procedures explained above will apply. If We are required to operate Your Franchise Business for a time due to Your death, incapacity, unexcused absence, poor performance, or as otherwise allowed under this Agreement, the provisions of Paragraph 6.2.3 above will apply.

14.11 Assumption of Obligations. The parties agree that in the event a court of competent jurisdiction orders You to Transfer to Your spouse or a third-party all or any part of Your interest in this Agreement or Your franchisee entity and/or in any property related thereto, such an order will constitute a Transfer of this Agreement and will cause the transferee to be subject to all of the terms and conditions concerning Transfers set forth herein above.

14.12 Acquisitions. If We receive an offer to acquire a majority of the franchises or to purchase a majority of Our assets or stock, or to merge or go public or similar transactions, We have the option, but not the obligation, to purchase all of Your rights and interests in and under this Agreement and Your Franchise Business at fair market value payable on terms as reasonably negotiated. The purchase price will not include compensation for any successor term or goodwill. All goodwill belongs to Us. If the purchase option is exercised, You must execute a general release to Us. We will close Our purchase and make payment within 60 days after closing or as soon thereafter as reasonably practical.

14.13 Transfer for Convenience of Ownership. If You are an individual or individuals, You may Transfer this Agreement without paying a fee to Us, to a corporation or limited liability company formed for the convenience of ownership, provided You: 1) give Us at least 15 days’ prior written notice of the proposed Transfer; 2) send Us copies of the entity’s charter documents, bylaws (or operating agreement), ownership interests of the owners, and similar documents, as We may request for Our review; 3) own all equity and voting securities of the corporation or limited liability company; and 4) remain as a personal guarantors to this Agreement.

## **ARTICLE XV RELATIONSHIP OF THE PARTIES**

15.1 Independent Contractors. In all matters, You are an independent contractor. Nothing in this Agreement or in the franchise relationship constitutes You as Our partner, agent, employee, joint employer, or joint venturer with Us, and this Agreement does not create a fiduciary relationship between

You and Us. Neither party is liable for the debts, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, wages, negligence, errors or omissions of the other. You are solely responsible for the management and control of Your Franchise Business, Including, its daily operations, managing and directing employees, contractors, and sales persons, and paying all costs and expenses of Your Franchise Business. The parties agree not to hold themselves out by action or inaction contrary to the foregoing and to indemnify each other for any liability, cost or expense Including attorney's fees, incurred by either of them for any act, omission, finding or result to the contrary. None of Your employees will be deemed to be Our employee and each employee will be so notified by You. Neither party has the authority to act as agent for the other, and neither You nor We guaranty the obligations of the other or in any way become obligated for the debts or expenses of the other unless agreed to in writing. You must post promptly and maintain any signs or notices specified by Us or by applicable law indicating the status of the parties as described above.

15.2 Indemnification. You shall defend, indemnify, and hold Us harmless from any and against any and all losses, liabilities, damages, costs and expenses whatsoever, Including reasonable attorney's fees arising out of or related to, or in any way connected with You or Your acts, errors, negligence, or omissions in the operation of Your Franchise Business or Your Franchise Business generally, Including any allegation that You are Our employee, or that We are a joint employer or otherwise responsible for the acts or omissions relating to Your employees, and other laws regarding public accommodations for persons with disabilities. This indemnity will continue in full force and effect subsequent to and notwithstanding the Termination of this Agreement.

## **ARTICLE XVI COVENANT NOT TO COMPETE**

16.1 In-Term Covenants. During the term of this Agreement and for any extensions or Successor Franchises hereof, neither You, Your Principals, nor Your Immediate Family shall own, operate, lease, franchise, conduct, consult with, engage in, be connected with, have any interest in, or assist any person or entity engaged in or on its own account or as a Participant of a Competing Business except with Our prior written consent. You understand and acknowledge that to violate this Section creates irreparable harm. Your Principals must each execute the standard Brand Protection Agreement for Principals attached as Exhibit "A-4," and Your employees must execute Our Employee Brand Protection Agreement (see Exhibit "A-5"). (Although We provide You this form You are responsible to conform it to the laws and regulations of Your state.) A copy of all such agreements must be promptly delivered to Us within 10 days of hiring of the respective employee.

16.2 Confidentiality. During the term of this Agreement and any extensions or Successor Franchises hereof, and at any time after the Termination of this Agreement, You and those over whom You have control shall not make any unauthorized disclosure or use of Our Confidential Information or Intellectual Property other than as authorized by this Agreement. You shall adopt and implement all reasonable procedures to prevent unauthorized use or disclosure of the Confidential Information and Intellectual Property, which procedures may be prescribed from time to time by Us. You shall never contest the validity of Our exclusive ownership of and rights to Our Intellectual Property or the Confidential Information. Without limiting the foregoing, any communication (email, paper, etc.) from Us to You cannot be forwarded to another email account You control or share, or forwarded to anyone, Including employees, without first receiving Our express written consent.

16.2.1 Prior Disclosures. You acknowledge and agree that prior to the execution of this Agreement, You have received information and met and corresponded with Our principals, agents and/or representatives and that any Confidential Information obtained or received as part of any prior meeting or correspondence is subject to the protection and restrictions of this Agreement.

16.2.2 Confidentiality of this Agreement. You agree that all terms of this Agreement that are not otherwise made public under franchise disclosure laws will remain confidential, and You will not



make any public announcement, issue any press release or publicity, make any confirmation of statements made by third parties concerning the terms of this Agreement, or make any other disclosures without Our prior written consent. It is agreed and understood that You may disclose the confidential terms of this Agreement only to Your professional lenders and advisors.

16.3 Post-Term Covenants. Upon Termination of this Agreement and for a continuous, uninterrupted period of three years thereafter, You, Your Principals, and Your Immediate Family shall not, directly or indirectly, participate as a Participant or serve in any other capacity whatsoever or have any interest in or assist any person or entity in any Competing Business within Your Territory or within 25 miles of Your Territory or within 15 miles of the territory of any Prepaze Academy™ business operation at the time of Termination of this Agreement.

16.4 Non-Solicitation of Customers. For three years after the Termination of this Agreement, You shall not, directly or indirectly, contact any customer serviced by the Franchise Business, or any former or then-current customer of Ours (with whom You had contact during the term of this Agreement) for the purpose of soliciting any such customer to a Competing Business.

16.5 Survival of Covenants; Tolling of Covenants. The foregoing covenants survive the Termination of this Agreement and apply regardless of whether this Agreement was Terminated by lapse of time, by default of either party, or for any other reason. In addition to other remedies available to Us, in the event You violate a non-competition and/or non-solicitation covenant, the applicable non-competition or non-solicitation period will be tolled and extended for the period of Your violation.

16.6 Acknowledgement of Harm. You acknowledge that Your violation or breach of the covenants and provisions of this Article is likely to cause substantial and irreparable harm to Us and the System. You agree that the restrictions contained in this Agreement are reasonable and necessary for Our protection and the protection of other franchisees in the System, and 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 ability to enforce the covenants set forth in this Article.

16.7 Enforceability. It is the desire and intent of the parties to this Agreement that the provisions of this Article be enforced to the fullest extent permissible under applicable laws. If any of the restrictions of this Article are determined to be unenforceable because of duration, scope or coverage or otherwise, then We have the right in Our sole discretion to reduce the scope of any covenant set forth above or any portion thereof, without Your consent, effective immediately upon receipt by You of written notice thereof; which modified covenant will be fully enforceable notwithstanding any other provision of this Agreement.

16.8 Breach of Non-Competition, Liquidated Damages. You and We recognize the difficulty of calculating damages caused by Your breach of Your non-competition obligations and agree that such damages could arise, and You and We hereby agree to the following as a compromise on the calculation of such damages. If You operate a Competing Business in violation of this Agreement, in addition to any other remedy We may have under this Agreement and under law, You shall pay Us the Fee listed on Exhibit "A-3" per instance of competition. Per instance means for each competing business or time you breach your obligations with any business that is not a part of your franchise business.

16.9 Additional Equitable Remedies. The amount contemplated under Section 16.8 does not represent a price for the privilege of not performing nor does the payment represent an alternative manner of performance. Section 16.8 does not preclude and are not inconsistent with a court granting Us specific performance or any other equitable remedies, such as an injunction, to prevent future breaches. Additionally, We have the right to automatically debit by EFT or other electronic withdrawal means, Your bank account for the amounts payable to Us under Section 16.8.

## **ARTICLE XVII DISPUTE RESOLUTION**

17.1 Quick Resolution. You and We understand that there is always a possibility of differences of opinion or other disagreements in any business relationship and agree that it is important to resolve any Disputes amicably, quickly, inexpensively and professionally and to return to business as soon as possible.

17.2 Manner of Handling Disputes. In the event any Dispute arises between Us and You in connection with, arising from, or with respect to, any provision hereof, the relationship created herein, or the validity of this Agreement or any provision hereof, or the offer and sale to You, such Dispute will be:

17.2.1 Face-to-Face Meeting. First discussed in a face-to-face meeting between You and Us in Morrisville, North Carolina or at Our then-current headquarters, within 30 days after either You or We give written notice to the other proposing such a meeting. We have the right, in Our sole discretion, to waive this requirement.

17.2.2 Mediation. If, in the opinion of either You or Us, the face-to-face meeting has not successfully resolved such Dispute, and if desired by either You or Us, the Dispute will be submitted to non-binding mediation before Franchise Arbitration and Mediation Services ("FAM") or as otherwise mutually agreed. The mediation will be conducted exclusively in Morrisville, North Carolina. On election by either party, arbitration as provided below may proceed forward at the same time as mediation. The mediator will be disqualified as a witness, consultant, expert or counsel for any party with respect to the Dispute and any related matters.

17.2.3 Arbitration. If in the opinion of either You or Us the mediation has not successfully resolved such matters, at the request of either You or Us, the Dispute will be submitted for arbitration to the offices of the American Arbitration Association in accordance with its commercial arbitration rules in effect. All arbitration hearings will be conducted exclusively in Morrisville, North Carolina. The arbitrator will have the power and jurisdiction to decide such dispute solely in accordance with the express provisions of this Agreement. The arbitrator will render a written opinion setting forth the facts found, law applied and reasons for the decision.

(i) Arbitration Procedures. In any arbitration, the parties will be entitled to specific performance of the obligations under this Agreement. The arbitrator may award or otherwise provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other pre-judgment, equitable and/or interim relief as appropriate pending final resolution by binding arbitration of a Dispute, as well as in connection with any such final resolution, and may issue summary orders disposing of all or part of a Dispute at any point. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction. Offers and/or other communications made in connection with, or related in any way to, mediation, possible settlement or other resolution of a Dispute will not be admitted into evidence or otherwise used in connection with any arbitration or other proceeding, and any arbitration award in violation of this provision will be vacated by the arbitration appeal panel (described below) and/or any court having jurisdiction. The arbitrator will have the power to order compliance with such discovery procedures, as well as assess sanctions for non-compliance with any order. Discovery will be controlled by the arbitrator and will be permitted to the extent set out in this Paragraph. Each party may submit in writing to the other party, and the other party will respond, to a maximum of any combination of 25 (none of which may have subplots) of the following: interrogatories, demands to produce documents, and requests for admission. You and We are also entitled to take the oral deposition of one individual of the other party. Additional discovery may be permitted upon mutual agreement of the parties, or at the discretion of the arbitrator if petitioned by either party. The arbitrator, and not a court, will decide any questions relating in any way to the parties' agreement or claimed agreement to arbitrate, including a claim for fraud in the inducement or otherwise. Each participant must submit or file any Dispute that would constitute a compulsory counterclaim (as defined by

the applicable rule under the Federal Rules of Civil Procedure) within the same proceedings as the Dispute to which it relates. Any such Dispute that is not submitted or filed in such proceedings will be forever barred. The award and findings of the arbitrator will be conclusive and binding upon all parties hereto and the judgment upon the award may be entered in any court of competent jurisdiction.

(ii) Individual Disputes. All Disputes must be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff or similar basis between You and Us and will not be consolidated with any other arbitration or court proceeding involving Us and any other party.

(iii) Agreed Limitations. Except for payments owed by one party to the other, claims attributable to Your underreporting of sales, or claims related to an act of Yours allowing Us to immediately terminate this Agreement, any legal action or arbitration proceeding (Including the offer and sale of a franchise to You) brought or instituted with respect to any Dispute hereunder must be brought or instituted within a period of one year from the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; provided that no claim may be brought more than two years after the first act or omission giving rise to an alleged claim. The initiation of mediation or arbitration hereunder will toll the applicable statute of limitations for the duration of any such proceedings.

(iv) Limited Damages. You and We waive any right or claim of any consequential, punitive or exemplary damages against each other and agree that in the event of a Dispute between You and Us, each will be limited to the recovery of actual damages sustained. In the event we are found liable in any Dispute, whether in contract or in tort, You agree that Our total monetary responsibility and liability will not exceed a total equal to the amount You spent in opening Your Franchise Business and limited to those items set forth in Item 7 of the Franchise Disclosure Document provided to You. We will not be liable for any act or omission which is consistent with this Agreement or which is done in subjective good faith. If You bring an action for alleged wrongful Termination of this Agreement and provided that the Termination has not resulted in a closure of Your Franchise Business, Your sole remedy will be to be reinstated as a franchisee with no award of damages. If the Termination results in a closure of Your Franchise Business, Your sole remedies will be reinstatement as a franchisee and to receive compensation for economic losses directly incurred by You as a result of such closure, conditioned upon Your duty to mitigate.

(v) Exceptions to Arbitration. You and We agree that nothing in this Agreement obligates Us to arbitrate or mediate Disputes or issues relating to: (a) the validity of the Marks, or any trademarks, service marks or other Intellectual Property; (b) rights to obtain a writ of attachment or other prejudgment remedies; (c) rights to receive and enforce a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief; or (d) Disputes solely for fees and other monies owed by one party to the other under this Agreement.

(vi) Appeals. If any party to an arbitration wishes to appeal any final award by an arbitrator (there will be no appeal of interim awards or other interim relief), that party can appeal, within 30 days of such final award, to a three-person arbitrator panel to be appointed by the same organization as conducted the arbitration to be held exclusively at the same location as specified above. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not include any trial *de novo* or other fact-finding function. The party requesting such appeal must pay all costs and fees of the arbitrators and arbitration proceedings.

(vii) Sharing of Fees. Except for an appeal, the parties to the Dispute or action will share the fees and expenses of the mediation and the arbitration equally during the mediation and arbitration. If a party is unable or unwilling to pay its share of the upfront cost of the mediation or arbitration, the other party has the right to cover those costs; however, the prevailing party in arbitration, including on appeal, will be awarded costs and attorney's fees as set forth in Section 19.3 below.

(viii) Federal Arbitration Act. You and We mutually agree that all issues relating to arbitrability are governed exclusively by the Federal Arbitration Act and the federal common law of arbitration to the exclusion of any state statutes or common law and will be decided by the arbitrator. All provisions of this Agreement pertaining to venue, choice-of-laws, dispute avoidance and resolution will be strictly enforced, and You and We will rely on federal preemption under the Federal Arbitration Act.

17.3 Continued Performance. During the pendency of any Dispute or any such interim relief proceeding, the parties shall continue to perform their respective obligations under this Agreement.

**ARTICLE XVIII  
NOTICES**

18.1 Notices. All notices permitted or required under this Agreement must be in writing and delivered as follows with notice deemed given as indicated: (i) by personal delivery when delivered personally; (ii) by overnight courier upon written verification of receipt; (iii) by facsimile transmission when confirmed by facsimile transmission, during normal business hours, Monday through Friday, holidays excepted; (iv) by sending an email to the email address below or other verified email address when confirmed by receipt verification, which verification will not be withheld or otherwise denied; or (v) by certified or registered mail, return receipt requested, addressed as follows:

FRANCHISOR:	FRANCHISEE:
Prepaze Academy, Inc. 3031 Village Market Place, Morrisville, NC 27560 (or Our then-current headquarters) Email: <a href="mailto:contact@prepazeacademy.com">contact@prepazeacademy.com</a>  With a courtesy copy to (which will not act as notice or service to Prepaze Academy, Inc.): The Franchise & Business Law Group Attn: Kara K. Martin 222 South Main Street, Suite 500 Salt Lake City, Utah 84101 Email: <a href="mailto:kmartin@fblglaw.com">kmartin@fblglaw.com</a>	_____, LLC/Inc. _____ _____ Email: _____

18.2 Delivery. If You refuse or fail to accept any certified or overnight delivery, acceptance will be deemed to have occurred 48 hours after rejection or failure to accept such notice. Any notice delivered by mail in the manner herein specified will be deemed delivered and received three days after mailing.

18.3 Listed Addresses. The address specified herein for services of notices may be changed at any time by the party making the change by giving written notice to the other party by certified mail or as otherwise agreed by You and Us. Any notice to You may be delivered to the address set forth above or to the address of Your Franchise Business or office.

**ARTICLE XIX  
CONSTRUCTION AND JURISDICTION**

19.1 Governing Law. Except as provided in Section 19.5, this Agreement will be governed, construed and interpreted in accordance with the laws of the state of North Carolina without giving effect to its conflicts of law provisions. You and We agree that the provisions of this Agreement will control the state or provincial laws by which this Agreement will be governed and any provisions of state or provincial law to the contrary or any statements in Our franchise disclosure document or otherwise required as a condition

of registration or otherwise. If the governing law requires terms other than or in addition to those in this Agreement, then such terms will be deemed incorporated herein but only to the extent necessary to prevent the invalidity of this Agreement or any of the provisions hereof or the imposition of civil or criminal penalties or liability. To the extent permitted by the laws of the state whose laws govern this Agreement, You hereby waive any provisions of law or regulations which render any portion of this Agreement invalid or unenforceable in any respect.

19.2 Jurisdiction. In order to facilitate our joint interests in having franchise issues determined in a consistent manner for application throughout the System, without in any way limiting or otherwise affecting Your and Our obligations regarding mediation and arbitration in accordance with the provisions of Article XVII, if there is any litigation between us, You and We hereby irrevocably consent to the exercise of general personal jurisdiction in the courts of record of the state of North Carolina even though it may be otherwise possible to obtain jurisdiction elsewhere, and You and We agree that Morrisville, North Carolina will be the exclusive venue for any litigation between Us and You. Each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of North Carolina.

19.3 Costs and Attorney's Fees. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties are entitled to reasonable attorney's fees and other costs reasonably incurred in such action or arbitration or litigation proceeding. The costs of mediation will also be awarded to the prevailing party in arbitration or litigation, if applicable. For purposes of this Agreement, "prevailing party" includes the party which obtains a judgment in their favor or agrees to dismiss an action or proceeding upon the other's payment of sums allegedly due or performance of the covenants allegedly breached, or which obtains substantially the relief sought. Reimbursement is due within 30 days of written notice after prevailing.

19.4 No Jury Trial. You and We waive, to the fullest extent permitted by law, all rights to trial by jury in any action or Dispute, whether at law or in equity, brought by either party.

19.5 Exception. Notwithstanding the foregoing, the Federal Arbitration Act (9 U.S.C. §§ 1 Et. Seq.) and the United States Trademark Act (Lanham Act, U.S.C § 1051 Et. Seq.) will apply to this Agreement and the relationship of the parties and preempt any state law to the contrary.

## **ARTICLE XX MISCELLANEOUS**

20.1 Headings. Headings used in this Agreement are for reference and convenience purposes only and are not to be used in construing the provisions of this Agreement. As used herein, the male or female gender will include the other and the neuter. The singular will include the plural and the plural will include the singular as appropriate.

20.2 No Third-Party Rights. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third parties will have any right or claims, benefit or right or a third-party beneficiary under this Agreement or any provision hereof. Similarly, You are not entitled to claim any rights or benefits, including those of a third-party beneficiary, under any contract, understanding or agreement between Us and any other person or entity, unless that contract, understanding or agreement specifically refers to You by name and specifically grant rights or benefits to You.

20.3 Authority. Where an entity is a party to this Agreement, the person or persons signing this Agreement on behalf of the entity warrant to Us that he, she or they have the requisite authority to sign this Agreement. At Our request, the concerned company signatory agrees to promptly provide Us with a certified copy of the resolution authorizing the execution of this Agreement and naming the officers, directors, members, or managers of the entity who are authorized to sign this Agreement on behalf of the



entity. No field representative or salesperson has the right or authority to sign this Agreement or make oral representations or written modifications hereof on Our behalf.

20.4 No Partial Payments. No payment by You or receipt by Us of any amount less than that required to be paid under this Agreement, or otherwise, to Us or any person or entity affiliated with Us, will be deemed to be anything except payment on account, regardless of any endorsement to the contrary contained on any such payment or in any oral or written communication transmitted in connection therewith.

20.5 Joint and Several Liability. If more than one person, corporation, limited liability company, partnership or other entity, guarantor or any combination thereof, sign this Agreement, the liability of each will be joint and several. All members of a general partnership and all members of any association or other unincorporated entity, which is part of the franchisee hereunder, are jointly and severally liable for Your performance hereunder.

20.6 No Off-Set or Withholdings. You shall not offset or withhold the payment of any Fees, payments or other amounts due to Us or Our affiliates or suppliers on grounds of the alleged non-performance by Us of any of Our covenants or obligations hereunder, any Dispute of any nature or otherwise.

20.7 Disclosure. We can disclose, in disclosure documents or otherwise, information relating to Your Franchise Business, including Your name, address, phone numbers, financial information, copies or reports, and other information.

20.8 Binding Agreement. This Agreement is binding upon the heirs, administrators, personal representatives, assigns and successors in interest to the parties hereto.

20.9 Force Majeure. Neither party will be liable by reason of any failure or delay in the performance of such applicable party's obligations hereunder on account of strikes, fires, flood, storm, explosion or other cause which is beyond such party's reasonable control. This Section will not be interpreted to relieve You from Your obligation to pay Us when due all payments required to be made by You under this Agreement.

20.10 Entire Agreement. The parties intend this Agreement and all attached exhibits hereto to be the full and complete agreement between Us and You and the entire integration of all our understandings of every nature concerning the matters contained in this Agreement or in any way related thereto, whether oral or written, and whether occurring before or contemporaneously with the execution of this Agreement. You represent and acknowledge that no agreements, representations, negotiations, promises, commitments, inducements, assurances, terms, conditions, or covenants of any nature exist between You and Us except as specifically set forth in this Agreement, whether pertaining to this Agreement or to any future, further or additional rights of either You or Us. Nothing in this Agreement, or in any related agreement, is intended to be a disclaimer of the representations We made to You in the franchise disclosure document.

20.11 Amendments. No amendment, change or variance from this Agreement will be binding on either party unless executed in writing and signed by both parties; however, the Manuals and policies and procedures may be modified by Us from time to time as set forth in this Agreement and are binding.

20.12 Effective Date. This Agreement will become effective only when fully executed and accepted by Us at Our headquarters.

20.13 No Course of Dealing. No course of dealing between You and Us will affect Your or Our rights under this Agreement or otherwise.

20.14 No Representations. You understand that the success or failure of Your Franchise Business depends, in major part, upon Your efforts. You agree that We have not made nor have You received any promise, representation or warranty that: 1) any payments by You are refundable at Your option; 2) We will repurchase any rights granted hereunder; 3) You will achieve any particular sales, income or other levels of performance, or that You will be successful in Your Franchise Business licensed by this Agreement; 4) You will have any exclusive rights of any type other than as expressly set forth herein; 5) You will receive any level of Marketing assistance, site location, development or other services, operational assistance or otherwise other than as expressly set forth in this Agreement; 6) You will not be required to obtain any licenses or permits in order to operate Your Franchise Business; 7) any location or territory will be successful; or 8) that You will be awarded additional or further franchises or other rights, except as expressly set forth in a written document signed by Us.

20.15 Variations. You understand and agree that: 1) We may have offered franchises in the past, may currently be offering franchises or may offer franchises in the future, on economic or other terms, conditions and provisions which may significantly differ from those offered by this Agreement and any related documents; and 2) there may be instances where We have varied, or will approve exceptions to or changes in the uniform standards, or the terms on which We offer franchises, the charges We make, or otherwise deal with Our franchisees to suit the circumstances of a particular transaction as We believe necessary or desirable under particular circumstances. You have no right to object to such variations or to obtain the same variations for Yourself.

20.16 No Misrepresentations. You further represent to Us, as an inducement to Our entry into this Agreement, that You have made no misrepresentations in obtaining the award of this franchise.

20.17 Representations of Non-Violation. You represent and warrant that You can enter into this Agreement and that the execution and performance of this Agreement will not be in violation or breach, or cause the violation or breach, of any agreement or covenant between any third-party or the violation or breach of any order, decree or judgment of any court or administrative agency.

20.18 FDD Acknowledgement. You represent that You have had a copy of Our franchise disclosure document ("FDD") for at least 14 calendar days or 10 business days, whichever is applicable in Your state, prior to signing this Agreement or making any payment to Us.

20.19 Waiver. We may, in writing, unilaterally waive any of Your obligations or requirements under this Agreement. Waiver by Us of any particular default by or obligation of You does not affect or impair Our rights with respect to any subsequent default by You or any of Our other rights to declare the same or subsequent acts a breach or default. Unless otherwise agreed to by Us in writing, Our acceptance of any payments due from You does not waive any prior defaults.

20.20 Counterpart and Electronic Signatures. This Agreement and its exhibits may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature with full legal force and effect and may be used for all purposes as if it were an original.

20.21 Owners of the Franchise. You represent and We rely upon Your representations in entering into this Agreement that the individuals in Exhibit "A-2" are the owners of and sole holders of a legal and beneficial interest in Your Franchise Business.

20.22 Drafting. You acknowledge that You have read this Agreement, have had the opportunity to review it with an attorney of Your respective choice and have agreed to all of its terms. The rule of construction that a contract be construed against the drafter will not be applied in interpreting this Agreement.



## ARTICLE XXI DEFINITIONS

“Competing Business” means an in-person learning center for children in grades K-12 offering supplemental learning curriculum in any subject, standardized test, or college preparation.

“Confidential Information” means any non-public information relating to Our products or services, or operation of a Prepaze Academy™ business, the System, or relating to the System as a whole, Including: (i) methods, techniques, formats, specifications, procedures, and systems; (ii) hardware, software, proprietary technology, and equipment; (iii) sales and Marketing programs, sales techniques, pricing, bidding methods, etc.; (iv) the development and operation of Prepaze Academy™ businesses; (v) knowledge of, specifications for, and suppliers of, certain Prepaze Academy™ products, materials, supplies, equipment, furnishings and fixtures; (vi) operating results, margins, expenses, and financial performance of Prepaze Academy™ businesses; (vii) Our strategic plans and concepts for the development, operation, or expansion of Prepaze Academy™ businesses; (viii) the contents of Our Manuals; (ix) all Customer Data; (xi) login, passwords, access information, etc., to Our Manuals or other internal sites or shared documents (xii) Our Intellectual Property that is generally deemed confidential; (xiii) all Innovations; and (xiv) any other information obtained from Us in confidence at any time by virtue of the franchise or license relationship.

“Copyright Materials” means all writings, video and audio recordings, materials, Manuals, artwork, website copy, logos, Marketing materials, and designs used with the Marks or in association with the System.

“Customer Data” means any and all customers, and customer and potential customer data and lists, Including phone numbers, emails, Social Media followers’ information, etc., even if maintained by You or deemed to have arisen through Your activities.

“Dispute” any claim, controversy, disagreement, or dispute of any type whatsoever.

“Fees” refers to those fees, payments, and costs You are required to pay to Us, as more fully set forth on Exhibit “A-3.”

“Gross Sales” Includes the total of all sales of all goods and services sold, traded, bartered, or rendered by You and income of every kind and nature, Including the value of a trade or other bartering, arising from Your Franchise Business and tangible property of every kind sold by You during the term of this Agreement. “Gross Sales” excludes bona fide credits and returns for products and excludes amounts paid by You for sales or use taxes on the sale of any products or services.

“Immediate Family” refers to and Includes each of Your spouses, parents, step-parents, children, step-children, brothers and sisters, and their spouses or children or step-children, mothers-in-law, and fathers-in-law, sons-in-law, and daughters-in law, brothers-in-law, and sisters-in-law.

“Innovation” means any idea conceived or developed, or any actual improvement, change, modification, enhancement, or addition to the System, Including to Your Franchise Business, Copyrighted Materials, Manuals, Confidential Information, website, Social Media, Marketing materials, apps or any other documents or information pertaining to or relating to the System, or any Intellectual Property related to the System, or any creative concepts, Marketing and promotional ideas or inventions related to the System, and all derivatives thereof, whether implemented in the System or not.

“Including” or “Includes” means, “including but not limited to,” “including, without limitation,” and similar all-inclusive and non-exhaustive meanings.

“Intellectual Property” means all Marks, trade dress, names, Copyrighted Materials, systems, patents, patent applications, trade secrets, websites, Social Media, apps, and software.

“Interim Management Period” refers to the period of time during which We step in to manage Your Franchise Business due to Your defaults or poor performance or as otherwise allowed under this Agreement.

“Internet” means any present or future interactive system for electronic communications, using lines, cables, wireless, satellite, radio or any other technology; and which involves one or more of the following: the system of interconnected computer networks that use the internet protocol suite (TCP/IP) or its successor; websites or similar remotely-accessible electronic information sources (whether password protected or not); use of domain names, other locators, or emails that use our trademarks; internet phone services; cellular or similar messaging; mobile applications; social networks or Social Media; or wikis, podcasts, online content sharing communities, or blogging.

“Lease” means a commercial lease or other document of occupancy of the Premises.

“Manuals” means one or more guides or manuals, including an operations manual and/or policies and procedures manual, technical bulletins or other written materials as may be developed, modified and supplemented by Us periodically in printed or in an electronic format. All references to Manuals and provision in the Manuals in this Agreement refer to a time when We have developed Manuals; at such time You are obligated to use and comply with all provisions in the Manuals.

“Marketing” or “Market” includes advertising, brand development, promoting and selling products and/or services, public relations campaigns, market research and other related processes.

“Marks” means the federally registered and common law trademarks and service marks owned by Us or licensed to Us, whether now or later developed. “Marks” will also include any and all names, trade names, trademarks, slogans, service marks, logos and/or other commercial property or symbols licensed to You pursuant to this Agreement or used in connection with the System or later added to the System.

“Operating Account” means that account into which all receipts of Your Franchise Business must be deposited.

“Operating Principal” is: a) You if You as the franchisee are an individual; or b) if You are an entity, an individual that owns at least 50% of the ownership and voting interests in the franchisee entity (unless You obtain Our written approval of a lower percentage), has authority over all business decisions related to the Franchise Business, and has the power to bind You in all dealings with Us.

“Participant” means an owner, operator, shareholder, director, partner, member, manager, consultant, agent, employee, contractor, advisor, officer, lessor, lessee, franchisor, or franchisee.

“Principal” means shareholders, owners, partners, directors, members, managers, officers, and principal employees and contractors.

“Shall” when used in this Agreement (even if not capitalized) means must or other similar affirmative obligation, as the context requires.

“Social Media” means any and all websites, apps and web or Internet pages for social interaction, business operation, Marketing, and other online information communications, whether now or later developed.

“Termination” or “Terminate” Includes expiration, non-renewal, repurchase of Your rights, non-granting of a Successor Franchise, non-renewal, Transfer, or any other means by which this Agreement is no longer in effect and wherein You are no longer a franchisee of the Prepaze Academy™ System.

“Transfer” Includes any direct or indirect assignment, transfer, division, trade, sale, gift, pledge, mortgage or granting of any security interest.

“We,” “Our(s)” or “Us” only as applied to Paragraphs 2.2.3, 10.1.1, 10.1.2, and 14.8.7, Sections 3.1, 3.5, and 16.4, and Articles XI, XV Includes Our predecessors, parents, affiliates, subsidiaries, and Our officers, directors, shareholders, members, managers, employees, agents, development agents, or others with whose conduct We are chargeable, as applicable.

“You” or “Your” Includes all signers of this Agreement, all current and subsequent guarantors, all subsequent and current members, Operating Principals, owners, partners, shareholders, managers, directors, officers, agents, affiliates, principal employees and with those whose conduct You are chargeable.

**[INTENTIONALLY LEFT BLANK]**

**WE CANNOT RELIABLY PROJECT YOUR FUTURE PERFORMANCE, REVENUES OR PROFITS, AND YOU REPRESENT, COVENANT AND AGREE THAT WE HAVE MADE NO REPRESENTATIONS OR WARRANTIES CONCERNING YOUR SUCCESS AS A FRANCHISEE, AND WE DISCLAIM ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL SUCCESS OF THE BUSINESS OPERATIONS UNDER THIS FRANCHISE AGREEMENT. THE SUCCESS OF YOUR BUSINESS IS LARGELY DEPENDENT ON YOUR PERSONAL EFFORTS.**

**WE EXPRESSLY DISCLAIM THE MAKING OF ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES REGARDING THE SALES, EARNING, INCOME, PROFITS, GROSS SALES, BUSINESS OR FINANCIAL SUCCESS, OR VALUE OF YOUR FRANCHISE BUSINESS.**

**YOU ACKNOWLEDGE THAT YOU HAVE HAD AN OPPORTUNITY TO HAVE THIS AGREEMENT AND RELATED DOCUMENTS REVIEWED BY YOUR OWN ATTORNEY.**

IN WITNESS WHEREOF, the parties have respectively signed this Franchise Agreement effective as of the day and year first written above.

**FRANCHISOR:**

PREPAZE ACADEMY, INC.

By:

\_\_\_\_\_  
(Signature)

Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

By:

\_\_\_\_\_  
(Signature)

Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

If the franchisee is not an entity, each person must sign personally.

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_, personally

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_, personally

**EXHIBIT "A-1"**  
**TO THE FRANCHISE AGREEMENT**

**TERRITORY:**  
**(Map may be attached)**

The Territory will consist of the following area: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Franchisee Initial and Date

\_\_\_\_\_  
Franchisor Initial and Date

**APPROVED PREMISES LOCATION:**

1. You approved Premises is to be located at:

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

**Our approval of the Territory or a site is not a guarantee or a warranty  
of the potential success of a territory or a site.**

\_\_\_\_\_  
Franchisee Initial and Date

\_\_\_\_\_  
Franchisor Initial and Date

**EXHIBIT "A-2"**  
**TO THE FRANCHISE AGREEMENT**

**COMPANY REPRESENTATIONS AND WARRANTIES**

You make the following additional warranties and representations:

You are a (check one):

- Partnership                       Corporation  
 Sole Proprietorship               Limited Liability Company

Name \_\_\_\_\_ of \_\_\_\_\_ Entity:

State Entity was Formed: \_\_\_\_\_ /Date of Formation: \_\_\_\_\_  
 EIN: \_\_\_\_\_

You must write below the name and address of each shareholder, partner, or member holding an ownership interest in the corporation, partnership or limited liability company.

Name	Address	Percentage of Ownership*

- \*Corporation: Percentage owned of outstanding voting stock.
- \*Partnership: Percentage owned in voting and in capital and profits.
- \*Limited Liability Company: Percentage owned in membership interest.

List the names of the officers of the company:

Name	Title

The address where Your corporate records are maintained is:

\_\_\_\_\_

The name and address of the Operating Principal who has been approved by Us and who will be directly responsible for supervising Your business operations and who has authority to work with Us and make decisions relating to the operations of the Franchise Business:

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

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

Email: \_\_\_\_\_

You must provide Us a copy of Your articles of organization and operating agreement or articles of incorporation and bylaws within one week of the date below.

Dated \_\_\_\_\_.

**FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_  
(Signature)

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

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

[SIGNATURE PAGE TO EXHIBIT A-2 TO THE FRANCHISE AGREEMENT]



**EXHIBIT “A-3”  
TO THE FRANCHISE AGREEMENT**

**FEE CHART<sup>1</sup>**

The following Fees are more fully described in the Franchise Agreement.

Type of Fee*	Amount	Section Reference
Initial Franchise Fee	\$39,000	See Section 5.1
Royalty	Greater of 12% of Gross Sales or \$750 per month	See Section 5.2
Marketing Fee	2% of Gross Sales	See Paragraph 5.3.1
Local Marketing Requirement*	5% of Gross Sales	See Paragraph 5.3.2 and Section 10.2
Relocation Fee	\$2,000	See Section 4.5
Late Fees and Interest	\$25 per day, plus 18% interest, or the maximum interest allowed by state law (10% in California)	See Paragraphs 5.4.3 and 5.4.4
NSF Fees	\$50 per bounced check or draft, or the maximum allowed by state law	See Paragraph 5.4.3
Tax Reimbursement Fee	Sum equal to tax imposed	See Paragraph 5.4.5
Audit Charge	Cost of audit	See Paragraph 5.5.2
System Non-Compliance Fines and Charges	Amounts to be specified in the Manuals. Ranging between \$50 and \$2,500	See Section 5.9
Website Maintenance Fee	\$150/month	See Section 5.10
Technology Fee	\$250/month	See Section 5.11
Additional Trainees at Initial Training	\$1,500 per person	See Section 6.1.4
New Operating Principal or Management Training	\$1,500 per person	See Paragraph 6.1.4(i)
Additional Training	\$250 per person, per subject	See Paragraph 6.1.4(ii)
Insurance Procurement Fee	Varies	See Paragraph 6.1.10
Administrative Fee	\$200 per hour	See 6.1.10
PCI and DSS Audit Reimbursement Fee	Reasonable costs of the audit	See Paragraph 6.1.12(iii)
Conference Fee	Currently, \$0	See Paragraph 6.1.13
Seminar Fee	Currently, \$0	See Paragraph 6.1.13
Compliance Inspection Fee	\$250 per visit	See Paragraph 6.2.2(iv)
Interim Management Fee	25% of Gross Sales per day, per representative	See Paragraph 6.2.3 and Section 14.10
Content Creation	Cost, plus 10%	See Paragraph 8.1.1
Additional Copies of Marketing Materials	Our reasonable costs, plus 10%, and the costs for shipping and handling	See Section 10.3
Fees on Default	Attorney’s fees, costs, interests and audit costs	See Section 11.2
Post-Termination Fees	Varies, plus \$150 per day	See Section 12.1.12

Early Termination Liquidated Damages	Average royalty from the previous 12 months multiplied by the lesser of 30 months or the remaining term of the Franchise Agreement	See Section 12.5
Transfer Fee	\$2,500	See Section 14.5
Transfer Fee of Less Than 40% Ownership	Legal and corporate fees and costs incurred	See Section 14.6
Indemnification	Varies	See Section 15.2
Non-Compete Violations Liquidated Damages	\$70,000 per instance of competition	See Section 16.8
Dispute Resolution Fees	Varies	See Section 17.2 and Section 19.3

<sup>1</sup> If a fee is subject to change by Us rather than by a third party, the increase will not be more than the equivalent of 5% per year during the term of this Agreement. Costs or fees charged by third parties are subject to change at any time and do not have an annual cap.

**EXHIBIT "A-4"**  
**TO THE FRANCHISE AGREEMENT**

**BRAND PROTECTION AGREEMENT FOR PRINCIPALS**

This BRAND PROTECTION AGREEMENT FOR PRINCIPALS (the "Agreement") is entered into and made effective as of the effective date listed below by PREPAZE ACADEMY, INC. ("Franchisor") and the undersigned ("Principals").

WHEREAS, Principals or his or her or their company entered into an agreement with Franchisor so as to be able to obtain the rights to operate a Prepaze Academy™ Business using the System developed by Franchisor, including certain confidential and proprietary information of Franchisor ("Franchise Agreement"); and

WHEREAS, Principals will have access to such proprietary information; and

WHEREAS, Principals recognize the value of the System and the intangible property rights licensed under the Franchise Agreement, and the importance of maintaining the Confidential Information, and recognize that the Franchisor's entering into the Franchise Agreement is conditioned upon each Principal entering into this Agreement; and

WHEREAS, all capitalized terms used, but not defined, herein will have the respective meanings assigned to them pursuant to the Franchise Agreement.

NOW THEREFORE, in consideration of Franchisor entering into the Franchise Agreement with Principals or his or her or their company, the recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Acknowledgment. Principals individually acknowledge that he or she has obtained or may obtain access to Confidential Information and made available to Principals that is necessary and essential to the operation of the Franchise Business, without which information the Franchise Business could not efficiently, effectively and profitably operate. Principals further acknowledge that such Confidential Information was not known to him or her prior to the association with Franchisor.

2. Non-Disclosure and Non-Use. Except as may be required or allowed under the Franchise Agreement, Principals and any of a Principal's Immediate Family, shall not during the term of the Franchise Agreement and any Successor Franchise or Successor Franchise Agreement or any time thereafter, directly or indirectly, use, or disclose to any third-party, or authorize any third-party to use, any information relating to the Franchise Business or interest of Franchisor, Confidential Information, the System, or other information or materials that he or she knows, or reasonably should know, is regarded as confidential to Franchisor. The parties intend that the information disclosed by Franchisor prior to the actual execution of this Agreement constitutes Confidential Information and is subject to all the terms and conditions of this Agreement (including the covenants protecting against disclosures) as if such information had been disclosed following the execution of this Agreement.

2.1 Duty to Notify. Principals agree to notify Franchisor of any reasonably suspected attempts to violate the terms or purposes of this Agreement and further agree to require all employees to report to it any reasonably suspected attempts to violate this Agreement. In the event it is discovered that Principals knew or had reason to know of any suspected attempts to violate this Agreement, Principals agree to indemnify Franchisor for all costs and fees associated with enforcement, and to reimburse Franchisor for those losses sustained due to such violation.

2.3 No Reverse Engineering. Principals shall not, either personally, in concert with others or

through other authorization, reverse engineer, decompile or deconstruct or attempt to reverse engineer, decompile or deconstruct any portion of the Confidential Information, and shall not allow, encourage or permit any partner, owner, director, member, manager, agent, employee or other person to do so.

2.4 Limited Use. Principals shall limit his/her use of the Confidential Information, to the performance of their duties as described in the Franchise Agreement, the Manuals, and any policies and procedures implemented by Franchisor Confidential Information for any personal use or gain.

2. Non-Competition; Non-Solicitation. The following covenants will be enforced during and after the term of the Franchise Agreement:

3.

3.1 In-Term Covenant. During the term of the Franchise Agreement and for any extensions or Successor Franchises thereof, except as permitted under the Franchise Agreement, Principals and each Principal's Immediate Family, shall not own, operate, lease, franchise, conduct, consult with, engage in, be connected with, have any interest in, or assist any person or entity engaged in or on its own account or as a Participant of any Competing Business except with Franchisor's prior written consent. Principals understand and acknowledge that to violate this Section creates irreparable harm.

3.2 Post-Term Covenant. Upon Termination for any reason of the Franchise Agreement, and any extensions thereof, or upon any Transfer or repurchase of a Principal's rights under the Franchise Agreement or the franchise entity, or a Principal's dissociation from the Franchise Business, and for a continuous, uninterrupted period of three years thereafter, Principals, and Principal's Immediate Family, shall not, directly or indirectly, participate as a Participant or serve in any other capacity whatsoever or have any interest in or assist any person or entity in any Competing Business within the Territory or within 25 miles of the Territory or within 15 miles of the territory of any System franchise or Prepaze Academy™ business operation at the time of Termination of the Franchise Agreement. The ownership of not more than 2% of the voting stock of a publicly held corporation will not be considered a violation of the foregoing provision. Principals agree that the Franchise Business attracts customers from up to 25 miles, and that such geographical restraint is not unreasonable.

3.3 Non-Solicitation of Customers. Subject to applicable state law, Principals shall not, during the term of the Franchise Agreement and any extensions or Successor Franchise and for three years thereafter, directly or indirectly, contact any former or then-current customer of the Franchise Business, or any former or then-current customer of Franchisor (with whom the Principal had contact during the term of the Franchise Agreement) for the purpose of soliciting such customer to a Competing Business. All Customer Data belongs to Franchisor.

4. Survival of Covenants; Tolling of Covenants. The foregoing covenants survive the Termination of this Agreement and apply regardless of whether this Agreement was Terminated by lapse of time, by default of either party, or for any other reason. In addition to other remedies available to Franchisor, in the event a Principal violates a non-competition and/or non-solicitation covenant, the applicable non-competition or non-solicitation period will be tolled and extended for the period of that Principal's violation.

5. Return of Materials. Upon the Termination of the Franchise Agreement, or a Principal's disassociation from the Franchise Business, each Principal agrees to deliver to Franchisor (and shall not keep a copy in his or her possession or deliver to anyone else) the Prepaze Academy™ Manuals and any and all Confidential Information.

6. Irreparable Harm. Principals hereby acknowledge and agree that any breach by him or her of any portion of Sections 1 through 5 above, inclusive, will cause damage to Franchisor in an amount difficult to ascertain. Accordingly, in addition to any other relief to which Franchisor may be entitled, Franchisor will be entitled to temporary, preliminary, and/or permanent injunctive relief for any breach or

threatened breach by any Principal of any of the terms of Section 1 through 5 above, inclusive, without proof of actual damages that have been or may be caused to Franchisor by such breach. Additionally, Principals agree that the existence of any claims a Principal may have against Franchisor, whether or not arising from this Agreement or the Franchise Agreement, will not constitute a defense to Franchisor's ability to enforce the covenants set forth in this Agreement.

7. Reasonableness and Enforceability. Principals agree that the terms of this Agreement are fair and reasonable in light of the circumstances and were in part, based on the perceived or potential value of the System and the business relationship that Principals and/or his or her or their company have and will have with Franchisor. If any portion of this Agreement will be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement will be considered valid and operative, and effect will be given to the intent manifested by the portion held invalid or inoperative. Whenever the context so requires, the masculine will include the feminine and neuter and the singular will include the plural and conversely. Principals understand that a separate action may be brought or prosecuted against a Principal whether or not the action is brought or prosecuted against any other Principal or against the franchisee, or any or all of them, or whether any other Principal or the franchisee is or are joined in the action.

8. Governing Law and Jurisdiction. The validity, enforcement, construction, rights and liabilities of the parties and provisions of this Agreement will be governed by and interpreted in accordance with the laws of the state of North Carolina without giving effect to its conflicts of law provisions. If for any reason court action is filed, Principals individually consent to the jurisdiction of the courts of record in the state of North Carolina, and unless the enforcement of this Agreement is brought in connection with a Dispute under the Franchise Agreement (in which case this matter may be handled through arbitration as set forth in the Franchise Agreement), each Principal agrees that proper jurisdiction and venue for all Dispute resolution will be exclusively in the state and federal courts of Morrisville, North Carolina.

9. Attorney's Fees and Costs. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding.

10. Binding Agreement. This Agreement will bind the successors and assigns of a Principal and his or her heirs, personal representative, successors and assigns. No rights under this Agreement are assignable by any Principal, and any purported assignment will be null and void and of no force or effect.

11. Survival of Covenants. All covenants made in this Agreement by Principals survive the Termination of this Agreement or the Franchise Agreement or Principal's disassociation with the Franchise Business or the System in any way.

12. Modification of Agreement. This Agreement may be amended in whole or in part only by an agreement in writing signed by the parties.

13. Counterpart and Electronic Signatures. This Agreement may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original.

**PRINCIPALS INDIVIDUALLY ACKNOWLEDGE THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS.**

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date below.

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

**FRANCHISOR:**

PREPAZE ACADEMY, INC.

By:

\_\_\_\_\_  
(Signature)

Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

**PRINCIPALS:**

By:

\_\_\_\_\_  
(Signature)

Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

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

(Signature)

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

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

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

(Signature)

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

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

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

(Signature)

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

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

[Continuation of Brand Protection Agreement for Principals Signature Page]

**EXHIBIT "A-5"**  
**TO THE FRANCHISE AGREEMENT**

**EMPLOYEE BRAND PROTECTION AGREEMENT**

This EMPLOYEE BRAND PROTECTION AGREEMENT ("Agreement") is entered into as of \_\_\_\_\_, between \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Employee"), residing at \_\_\_\_\_.

A. Franchisee is the holder of a Prepaze Academy™ franchise developed by Prepaze Academy, Inc. ("Franchisor").

B. Franchisor has developed certain confidential and proprietary information for the operation of a Prepaze Academy™ franchise, including without limitation, processes, methods, trade secrets, systems, software, pricing, financial information, customer data and lists, manuals, marketing techniques, and procedures ("Proprietary Information"), and Employee may in the course of his or her employment by Franchisee have access to such Proprietary Information.

NOW, THEREFORE, in consideration of the employment of Employee by Franchisee, the parties hereto agree as follows:

1. Acknowledgement. Employee acknowledges that during the course of his or her employment by Franchisee he or she has obtained or may obtain knowledge of the Proprietary Information and other confidential matters and procedures developed, licensed to or owned by Franchisor and made available to Franchisee, which are necessary and essential to the operation of the business of Franchisee, which without such information, Franchisee could not efficiently, effectively and profitably operate its Prepaze Academy™ franchise. Employee shall disclose in writing to Franchisee or Franchisor, within 10 days after receipt of such Proprietary Information, as to whether such Proprietary Information was already known to him or her. Recipient agrees that by not providing such disclosure to Franchisee or Franchisor, Employee is acknowledging and representing that that such Proprietary Information was not known to Employee prior to the association with Franchisee.

2. Non-Use, Non-Disclosure. Except as may be required in the performance of duties for Franchisee, Employee shall not, during the course of his or her employment or at any time thereafter, directly or indirectly, use, or disclose to any third-party, or authorize any third-party to use any portion of the Proprietary Information, and agrees not to copy, transmit, recreate or otherwise reproduce all of any part of the Proprietary Information at any time.

3. Limited Use. Employee shall not use the Proprietary Information at any time, place, or circumstance, except as directed by Franchisee or its authorized representatives. In no event shall Employee use the Proprietary Information, whether in part or in whole, outside of Employee's specific employment duties.

4. Duty to Notify. Employee agrees to notify Franchisor or Franchisee or Employee's immediate superiors of any reasonably suspected attempts to violate the terms or purposes of this Agreement or to otherwise disclose, copy or reproduce any part of the Proprietary Information. In the event it is discovered that Employee knew or had reason to know of any suspected attempts to violate this Agreement and fails to report such knowledge, Employee agrees to indemnify Franchisor and Franchisee for all costs and fees associated with enforcement, and to reimburse Franchisor and Franchisee for those losses sustained due to such violation. Employee agrees to cooperate with Franchisor and Franchisee in its or their attempts to enforce the terms of this Agreement and to otherwise protect the Proprietary Information, and to cooperate with Franchisee and Franchisor to the extent Franchisee is obligated to



cooperate with Franchisor's attempts to enforce its rights in and to the Proprietary Information.

5. Return of Materials. Immediately upon the termination of employment, Employee agrees to deliver to Franchisee (and shall not keep in his or her possession or deliver to anyone else whether in hard or electronic soft copy) any and all records, data, photographs, notes, manuals, lists, correspondence, specifications, materials, other documents or property, or reproductions relating to, directly or indirectly, to the Proprietary Information.

6. Management and Supervisor Employees. This Section 6 shall only apply if Employee is a management employee and/or acts in a supervisory role over other employees ("Management Employee"), and will only apply to the extent permitted by state law.

6.1 Non-Competition. Management Employee shall not, during the course of his or her employment by Franchisee, and for one year thereafter, directly or indirectly in any capacity, without Franchisee's prior written consent, engage in a business, or plan for or organize a business, or have any financial interest in, or become and owner, officer, director, shareholder, partner, associate, employee, contractor, agent, representative or consultant in any offering or selling products or services the same or substantially similar to a Prepaze Academy™ business. Without limiting the generality of the foregoing, the minimum area of competitive nature will be that area within a 15-mile radius of Franchisee's place of business or any Prepaze Academy™ business operation at the time Management Employee is no longer employed by Franchisee or its affiliate. The ownership of not more than 2% of the voting stock of a publicly held corporation will not be considered a violation of the foregoing provision.

6.2 Non-Solicitation of Customers. Management Employee shall not, during the course of his or her employment and for two years thereafter, directly or indirectly, contact any customer or former customer of Franchisee for the purpose of soliciting such customer to be a customer of a business that is the same as or similar to a Prepaze Academy™ business.

7. Irreparable Harm. Employee hereby acknowledges and agrees that any breach by him or her of any portion of Sections 1 through 6 above, inclusive, will cause damage to Franchisee and Franchisor in an amount difficult to ascertain. Accordingly, in addition to any other relief to which Franchisee may be entitled, either Franchisee or Franchisor will be entitled to enforce this Agreement and to seek temporary, preliminary, and/or permanent injunctive relief for any breach or threatened breach by Employee of any of the terms of Section 1 through 6 above, inclusive, without proof of actual damages that have been or may be caused to Franchisee or Franchisor by such breach, and without the requirement of posting bond.

8. Modification. Employee hereby agrees that, without limitation, any modifications, alterations, changes, or improvements conceived, designed, devised, developed, perfected or made by Employee, whether alone or in conjunction with others, and related in any manner to the actual or anticipated operation of the Franchise, or the Prepaze Academy™ system, or to any area of research and development, must be promptly disclosed to the Franchisee and will become the property of Franchisor, and Employee hereby irrevocably assigns, transfers, and conveys any such to Franchisor.

9. Enforceability. If any portion of this Agreement will be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement will be considered valid and operative, and effect will be given to the intent manifested by the portion held invalid or inoperative. Whenever the context so requires, the masculine will include the feminine and neuter and the singular will include the plural and conversely.

10. Survival of Covenants. All covenants made in this Agreement by Employee survive the termination of Employee's employment with Franchisee or the expiration, transfer, or termination of this Agreement.

11. Modification of Agreement. This Agreement may be amended in whole or in part only by an agreement in writing signed by both parties.

12. Attorneys' Fees. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding.

13. Counterpart and Electronic Signatures. This Agreement may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original.

14. Third-party Beneficiary. It is agreed and acknowledged that Franchisor is a third-party beneficiary to this Agreement.

**EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS.**

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

FRANCHISEE:  
\_\_\_\_\_

EMPLOYEE (if a minor, see next page):  
\_\_\_\_\_

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

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

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

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

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

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

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

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

Age: \_\_\_\_\_

**For persons under 18 years of age, a parent or legal guardian must sign the Employee Brand Protection Agreement and complete the following section.**

I, \_\_\_\_\_ (Parent/Guardian), the undersigned and the parent and natural guardian of \_\_\_\_\_ (minor's name), hereby acknowledge that I have executed the foregoing Employee Brand Protection Agreement for and on behalf of the minor named herein. I represent that I have legal capacity and authority to act for and on behalf of the minor named herein. As the natural or legal guardian of such minor, I hereby bind myself, the minor, and our successors and assigns to the obligations and liabilities of the foregoing Employee Brand Protection Agreement.

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

Signature of Parent/Guardian: \_\_\_\_\_

Name of Parent/Guardian: \_\_\_\_\_

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

Phone: \_\_\_\_\_

**EXHIBIT "A-6"**  
**TO**  
**FRANCHISE AGREEMENT**

**LANDLORD'S CONSENT TO ASSIGNMENT**

\_\_\_\_\_ ("Landlord") hereby consents to an assignment of the lease agreement ("Lease Agreement") to Prepaze Academy, Inc. ("Franchisor") for the purpose of securing the obligations of \_\_\_\_\_ ("Lessee" and Franchisor's franchisee) to Franchisor. In the event of Lessee's breach of the Lease Agreement, Landlord agrees to provide Franchisor with written notice of any breach of the Lease Agreement that Landlord is required to provide to Lessee. Further, Landlord agrees it will not take any action to terminate said Lease Agreement without first giving Franchisor an opportunity, but not the obligation, to cure said breach for an additional 10 days beyond the applicable cure period granted to the Lessee under the Lease Agreement.

Landlord agrees to provide Franchisor with all information relating to amounts owing, settlement agreements, and all matters related to the Lease Agreement within five days of written request from Franchisor.

Landlord agrees that if the Lease Agreement or franchise agreement is terminated, Franchisor will have the right, but not the obligation, within 90 days after termination of the Lease Agreement or franchise agreement, to take possession of the premises, and to assume or reassign the Lease Agreement, or sublet the premises to another franchisee for the remaining term of the Lease Agreement; provided that Landlord will have the right to reasonably approve such reassignment or subletting.

Landlord further covenants that so long as Franchisor has not entered into possession of the leased premises, Franchisor will not be liable for rent or any other obligation under the Lease Agreement, but that Landlord will look to Lessee for all obligations under the Lease Agreement.

Notices to Franchisor will be sent to: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

Dated as of \_\_\_\_\_.

Landlord:

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

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

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

Contact person authorized to act on behalf of the Landlord:

\_\_\_\_\_ (Name)

\_\_\_\_\_ (Phone)

\_\_\_\_\_ (Email)

\_\_\_\_\_ (Address)

**SCHEDULE “A-6.1”  
To the Landlord’s Consent to Assignment  
Lease Rider**

Notwithstanding anything in the lease to the contrary, the Landlord and Tenant agree as follows (capitalized terms not defined herein having the meanings set forth in the Franchise Agreement between Tenant and PREPAZE ACADEMY, INC. (“Franchisor”), Tenant’s franchisor):

1. The initial term of the lease, or initial term together with renewal terms, will be for not less than 5 years from the time Tenant opens for business.
2. Landlord consents to Tenant’s use and display of the Prepaze Academy™ Marks and signage as Franchisor may require from time to time for the Franchised Business, subject only to the provisions of applicable law.
3. Tenant will have the right to alter, renovate, add, remodel, modify, and/or change the Premises and/or other improvements upon the Premises as Tenant may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the Premises and/or improvements upon the Premises affect the exterior, structural elements or foundation of the Premises, Tenant must first obtain the consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed.
4. The Premises will be used solely for the operation of a Prepaze Academy™ which operates using the Prepaze Academy™ Marks and System while the Franchise Agreement is in effect and Tenant is in lawful possession of the Premises.
5. Landlord shall concurrently provide Franchisor with a copy of any written notice of deficiency or default under the lease sent to Tenant, and Landlord will provide Franchisor with written notice specifying any deficiencies or defaults that Tenant does not cure. Notices to Franchisor must be sent to: PREPAZE ACADEMY, INC., 3031 Village Market Place, Morrisville, NC 27560 unless otherwise directed by Franchisor. Landlord will also provide Franchisor with the contact information for the Landlord’s representative regarding the lease.
6. Franchisor has the right (but not obligation) to cure any deficiency under the lease within 30 days, of the expiration of any applicable cure period allotted to the Tentant and Landlord will not terminate the lease during that period.
7. Landlord acknowledges that, in the event the Franchise Agreement expires or is terminated: (a) Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a “Prepaze Academy”; and (b) Landlord shall cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement, including allowing Franchisor, its employees and agents to enter and remove signs, décor, and materials bearing or displaying any Marks, designs, or logos, provided that Landlord will not be required to bear any expense thereof.
8. For a period of 90 days from the date of termination or expiration of the Franchise Agreement, Franchisor has the right, at Franchisor’s election, to enter into a new lease with the Landlord on the same terms and conditions as the terminated lease. Additionally, Tenant (and any guarantors of the lease) will remain liable to Landlord for all of Tenant’s obligations under the lease, notwithstanding any new lease agreement with the Franchisor or Franchisor’s assignee.
9. If Franchisor so requests, Landlord shall provide Franchisor with all sales and other information that Landlord may have related to the operation of the Franchised Business.

10. Tenant is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Prepaze Academy™ businesses by Tenant, Franchisor, or any other person or entity.

11. Landlord agrees that Tenant may not assign the lease or sublease all or any part of Tenant's occupancy rights thereunder without Franchisor's prior written consent.

12. Landlord's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting to Franchisor, or any parent, subsidiary or affiliate of Franchisor or Tenant, or another operator that Franchisor has approved to be the franchisee and operate at the Premises.

13. Landlord shall not sell or lease or allow the sublease of, space in the building, or on the property, to any person or entity for an in-person K-12 learning center. Additionally, Landlord shall not sell and will prohibit any other tenant or subtenant in the building, or on the property, from engaging in activities predominantly related to the offer and sale of products and services similar to those offered by a Prepaze Academy™ business. In the event Landlord does not comply with these restrictions, Tenant will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant, as the case may be.

14. Landlord shall, upon reasonable request from Tenant's lender, subordinate any interests it may have in Tenant's equipment or other leasehold improvements to Tenant's lender's interests.

15. No amendment may be made to the lease without Franchisor's prior written consent (which Franchisor will not unreasonably withhold or delay), and Franchisor may elect not to be bound by the terms of any amendment to the lease executed without obtaining Franchisor's prior written approval to such amendment.

IN WITNESS WHEREOF, the parties have executed this Lease Rider effective as of the date of the lease agreement.

**LANDLORD:**

\_\_\_\_\_

By: \_\_\_\_\_  
(Signature)

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

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

**TENANT:**

\_\_\_\_\_

By: \_\_\_\_\_  
(Signature)

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

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

**EXHIBIT "A-7"  
TO FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)**

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

I hereby authorize Prepaze Academy, Inc. hereinafter called ("Company"), to initiate debit entries to my " checking account / " savings account (select one) indicated below at the depository financial institution named below, hereinafter called ("Depository"), and to debit the same to such account. I acknowledge that the origination of ACH transactions to my account must comply with the provisions of United States law.

Depository Name: \_\_\_\_\_ Branch: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Routing Number: \_\_\_\_\_ Account Number: \_\_\_\_\_

Type of Account Checking/Savings: \_\_\_\_\_

This authorization is to remain in full force and effect until the Company has received written notification from me of its termination in such time and in such manner as to afford the Company and Depository a reasonable opportunity to act on it.

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

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

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

**NOTE: ALL WRITTEN DEBIT AUTHORIZATIONS MUST PROVIDE THAT THE RECEIVER MAY REVOKE THE AUTHORIZATION ONLY BY NOTIFYING THE ORIGINATOR IN THE MANNER SPECIFIED IN THE AUTHORIZATION.**

**EXHIBIT "A-8"**  
**TO FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

This GUARANTY AND ASSUMPTION OF OBLIGATIONS ("Guaranty") is entered into and made effective as of \_\_\_\_\_ by and between PREPAZE ACADEMY, INC. ("We," "Us" or "Our") and the undersigned Guarantor(s) ("Guarantor(s)") owners of \_\_\_\_\_ (the "Business Entity") and their spouses or legal domestic partner (collectively and individually referred to as "spouse").

**1. Scope of Guaranty.** In consideration of and as an inducement to Our signing and delivering the Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement"), each Guarantor(s) signing this Guaranty personally and unconditionally: (a) guarantees to Us and Our successors and assigns that the Business Entity will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Franchise Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, any provision in the Franchise Agreement, including confidentiality and the non-competition provisions. Each Guarantor acknowledges and agrees no subsequent amendment, modification, and/or extension of the Franchise Agreement by and between Franchisor and the franchisee thereunder will affect the enforcement or validity of this Guaranty.

**2. Waivers.** Each Guarantor waives: (a) acceptance and notice of acceptance by Us of Guarantor(s) obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by Guarantor(s); (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by Guarantor(s); (d) any right Guarantor(s) may have to require that an action be brought against the Business Entity or any other person as a condition of Guarantor(s) liability; (e) all rights to payments and claims for reimbursement or subrogation which Guarantor(s) may have against the Business Entity arising as a result of Guarantor(s)' execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which Guarantor(s) may be entitled in Guarantor(s)' capacity as guarantors.

**3. Consents and Agreements.** Each Guarantor consents and agrees that: (a) Guarantor(s)' direct and immediate liability under this Guaranty are joint and several; (b) Guarantor(s) must render any payment or performance required under the Franchise Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) Guarantor(s)' liability will not be contingent or conditioned upon Our pursuit of any remedies against the Business Entity or any other person; (d) Guarantor(s)' liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which We may from time to time grant to Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance of the compromise or release of any claims (including the release of other guarantors) and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Franchise Agreement and, where required by the Franchise Agreement, after its termination or expiration.

**4. Enforcement Costs.** If We must enforce this Guaranty in any judicial or arbitration proceeding or any appeals, Guarantor(s) must reimburse Us for Our enforcement costs. Enforcement costs include reasonable fees from accountants, attorneys, attorney's assistants, arbitrators, and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred before, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

**5. Disputes.** Guarantor(s) and its spouse acknowledge and represent that Guarantor(s) and its spouse have had an opportunity to review the Franchise Agreement and agree that the provisions of Article XVII (disputes and arbitration) of the Franchise Agreement have been reviewed by Guarantor(s) and its



spouse and by reference are incorporated herein and will govern this Guaranty and any disputes between Guarantor(s) and/or its spouse and Us. Each Guarantor(s) and its spouse irrevocably submits to the exclusive jurisdiction and venue of said arbitration and listed courts. Nevertheless, Guarantor(s) agree that We may also enforce this Guaranty and awards in the courts of the state or states in which a Guarantor(s) or a spouse is domiciled. Each Guarantor will be held personally, jointly, and severally liable. Any settlement made between Us and the Business Entity or any determination made pursuant to this Agreement will be binding upon the Guarantor(s).

**6. Limited Enforcement on Spouse; Spouse’s Signature.** To the extent allowed under applicable state law, the undersigned spouse’s guarantee will be limited to instances of death or long term disability of their Guarantor spouse. By signing below, the undersigned spouse acknowledges and consents to Guarantor(s) execution and performance under this Guaranty and the undersigned spouse also consents to his or her personal and marital assets securing the Business Entity’s performance under the Franchise Agreement and Guarantor(s)’ performance under this Guaranty.

**7. Counterparts.** This Guaranty may be signed in counterparts including by electronic signatures and other electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original, and when said counterparts have been exchanged between the parties, they will be of full force and effect.

IN WITNESS WHEREOF, the Guarantor(s) and its spouse have respectively signed this Guaranty effective as of the day and year first written above.

Guarantor(s)’s Signature	Spouse Signature	Contact Information for Notice
By: _____	By: _____	_____
Name: _____	Name: _____	_____
By: _____	By: _____	_____
Name: _____	Name: _____	_____
By: _____	By: _____	_____
Name: _____	Name: _____	_____
By: _____	By: _____	_____
Name: _____	Name: _____	_____

**EXHIBIT "A-9"**  
**TO THE FRANCHISE AGREEMENT**

**DIGITAL AND SOCIAL MEDIA AUTHORIZATION FOR ASSIGNMENT**

This DIGITAL AND SOCIAL MEDIA ASSIGNMENT AUTHORIZATION ("Assignment") is made and entered into as of the Effective Date (defined below), by and between the undersigned Franchisee and Prepaze Academy, Inc. ("Franchisor").

RECITALS

WHEREAS, Franchisee has entered into a franchise agreement with ("Franchise Agreement"); and

WHEREAS, as part of the Franchise Agreement, Franchisee is granted limited rights to use the Prepaze Academy™ trademark, trade names, trade dress, and other associated intellectual property (collectively, the "Marks") in conjunction with Franchisee's Franchise Business; and

WHEREAS, all capitalized terms used, but not defined, herein will have the respective meanings assigned to them pursuant to the Franchise Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, recitals, obligations, terms and conditions herein contained, and the acts to be performed by the respective parties hereto, the parties hereto agree as follows:

1. Franchisee hereby assigns all rights and interest, including all associated goodwill, in the Social Media and other digital media accounts used in the Franchise Business or used or created in any way by Franchisee to promote or use the Marks, including, Franchisee's Facebook, Instagram, Pinterest, Google listings, Twitter, LinkedIn, Tumblr accounts, and the like (collectively the "Social Media Accounts"). Franchisee shall take all action necessary to grant exclusive access of the Social Media Accounts to Franchisor, including providing all passwords and administrative access to such Social Media Accounts.

2. Franchisee represents, warrants, and covenants the following with regard to the Social Media Accounts:

- a. Franchisee has the right to assign the Social Media Accounts, and they are free and clear of all liens and encumbrances.
- b. Franchisee shall not, after Termination of the Franchise Agreement attempt to access, control, interfere with, or obstruct the Social Media Accounts.
- c. Franchisee shall not prevent or hinder Franchisor from enforcing its rights in or to the assigned Social Media Accounts.
- d. Franchisee has not taken, or permitted, any action that would prevent Franchisor from enjoying the full benefits of assignment of the Social Media Accounts to Franchisor hereunder.

3. Franchisee hereby directs and authorizes each company associated with, or in control of, the Social Media Accounts to assign, transfer, set over and otherwise authorize Franchisor to take over and control the Social Media Accounts. If necessary, Franchisee shall execute all documents required by Franchisor to give effect to the assignment of the Social Media Accounts to Franchisor hereunder.

4. This Assignment is binding upon the heirs, administrators, personal representatives, assigns and successors in interest to the parties hereto.

5. This Assignment is governed, construed and interpreted in accordance with the laws of the State of North Carolina without giving effect to its conflicts of law provisions.

6. This Assignment may be signed in counterparts by facsimile, electronic signature, or scanned and emailed signature, or similar electronic means, which will be deemed the same as an original signature and may be used for all purposes as if it were an original.

**FRANCHISEE:**

**FRANCHISOR:**

\_\_\_\_\_

Prepaze Academy, Inc.

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

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

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

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

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

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

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

**EXHIBIT “A-10”  
TO FRANCHISE AGREEMENT  
STATE SPECIFIC ADDENDA**

## STATE REGULATIONS FOR THE STATE OF CALIFORNIA

**It is unlawful to sell any franchise in California that is subject to registration under this law without first providing to the prospective franchisee, at least 14 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the franchise disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise.**

1. The California Franchise Investment law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.
2. The California Franchise Relations Act, Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with California law, California law controls.
3. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)
4. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be fully enforceable under California law.
5. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
6. You must sign a general release if you transfer, renew or terminate your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
7. Neither franchisor nor any person listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling this or these persons from membership in such association or exchange.
8. Section 31125 of the California Corporations Code requires the Franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed modification of an existing franchise.
9. OUR WEBSITE at [www.prepazeacademy.com](http://www.prepazeacademy.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).
10. The franchise agreement provides for waiver of a jury trial. This may not be enforceable in California.
11. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.
12. Late Fees is amended to include the following: "The highest interest rate allowed in California is 10% annually."

**EXHIBIT "B"**  
**TO THE FDD**

**STATEMENT OF PROSPECTIVE FRANCHISEE**





entity, nor have We relied in any way on any such, except for information (if any) expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein), except as follows:

---

(If none, write NONE)

3. We are not relying on the Franchisor or any other entity to provide or arrange financing of any type, nor have We relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum/Appendix thereto to be signed by Us and the President of the Franchisor, except as follows:

---

(If none, write NONE)

4. We constitute all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of Us individually has received the Franchise Disclosure Document and all exhibits and has carefully read, discussed, understands and agrees to the Franchise Agreement, each written Addendum/Appendix and any Personal Guarantees.
5. We have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and the Franchisor has strongly recommended that We obtain such independent professional advice.
6. We confirm that We have had the opportunity to discuss the proposed purchase of, or investment in, a/an Prepaze Academy™ Franchise with existing Prepaze Academy™ franchisees.
7. We understand that entry into any business venture necessarily involves some unavoidable risk of loss or failure and that the Prepaze Academy™ Franchise is a speculative investment. Investment beyond that outlined in the Disclosure Document may be required to succeed and there exists no guaranty against possible loss or failure and the most important factors in our success are Our personal business, marketing, sales, management, judgment and other skills.

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that We sign this document without all of its statements being true, correct and complete, We will (a) **immediately** inform the Franchisor's President; and (b) make a written statement regarding such next to my signature below so that the Franchisor may address and resolve any such issue(s) at this time before going forward.

We understand and agree that the Franchisor does not furnish or endorse or authorize its salespersons or others to furnish or endorse, any oral, written or other information concerning actual or potential sales, income, expenses, profits, cash flow, or otherwise, that any such information not expressly set forth in Item 19 of the Franchisor's Disclosure Document (or in a formal exhibit to the Disclosure Document).

8. We acknowledge that the law governing the franchise relationship is North Carolina law and that the exclusive venue for any dispute will be in Morrisville, North Carolina. \_\_\_\_\_

9. We are also a franchisee in the following system(s): \_\_\_\_\_  
(write "NONE" if not a franchisee for another franchise system)  
That franchise was first purchased on \_\_\_\_\_. \_\_\_\_\_

We understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

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

**PROSPECTIVE FRANCHISEE ENTITY:**

\_\_\_\_\_

By: \_\_\_\_\_  
(Signature)

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

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

**INDIVIDUALS: (individual owners)**

By: \_\_\_\_\_  
(Signature)

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

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

By: \_\_\_\_\_  
(Signature)

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

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

By: \_\_\_\_\_  
(Signature)

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

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

By: \_\_\_\_\_  
(Signature)

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

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

**EXHIBIT "C"  
TO THE FDD**

**FINANCIAL STATEMENTS\*  
(Attached)**

November 2, 2021  
December 31, 2021

**\*THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

**Financial Statements  
of  
Prepaze Academy Inc.  
3031 Village Market  
Place, Morrisville,  
NC 27560**

<b>Particulars</b>	<b>Page No.</b>
Accountant's Review Report	1
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**AMI SHAH**  
CERTIFIED PUBLIC ACCOUNTANT

450 South Abel Street #361750, Milpitas, CA -95035  
Tel: 408 548 7179 Fax: 408-890-4723 Email: info@amicpa.com

### **Independent Accountant's Review Report**

The Board of Directors  
Prepaze Academy Inc.  
3736, Fallon Road, #403  
Dublin, CA 94568

I have reviewed the accompanying balance sheet of Prepaze Academy Inc. (a corporation) as of October 31, 2021, and the related statements of income and cash flows for the period then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company Management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such opinion.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Accountant's Responsibility***

My responsibility is to conduct review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provided a reasonable basis for my conclusion.



***Accountant's Conclusion***

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

For,

*Ami Shah CPA*

Ami Shah CPA  
San Jose, California  
November 18, 2021

**Prepaze Academy Inc.  
Balance Sheet  
As on October 31, 2021**

	<b>10/31/2021</b>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	9,500.00
Accounts Receivable	-
Total Current Assets	9,500.00
Fixed Assets	
Total Fixed Assets	-
<b>TOTAL ASSETS</b>	<b>9,500.00</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accrued Expenses	3,000.00
Total Current Liabilities	3,000.00
Total Liabilities	3,000.00
Equity	
Common Stock	9,500.00
Retained Earnings	-
Net Income	(3,000.00)
Total Equity	6,500.00
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>9,500.00</b>

**Prepaze Academy Inc.**  
**Statement of Operations**  
**For the period ended on October 31, 2021**

Profit & Loss A/c	10/31/2021
Sales/Revenue	-
Total Revenue	-
Gross Profit	-
Operating Expenses	
Rent	-
Legal and Professional	3,000.00
Licence and Permit	-
Supplies	-
Total Operating Expenses	3,000.00
Net Ordinary Income	(3,000.00)
Other Income/Expense	
Other Income	
Total Other Income	-
Other Expense	
Interest Expense	
Total Other Expense	-
Net Other Income	
Net Income	(3,000.00)

**Prepaze Academy Inc.**  
**Statement of Cash Flow**  
For the period ended on October 31, 2021

Particulars	Amount
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net Income	\$ (3,000)
Adjustments to reconcile net income to net cash provided by operating activities:	
Accounts Receivable	
Other Receivable	
Prepaid Expense	
Unbilled Revenue	
Employee Advance	\$ -
Accumulated Depreciation	\$ -
Accounts Payable	
Accrued Expense	\$ 3,000
Accrued Payroll	\$ -
Payroll Tax Payable	\$ -
Tax Payable	\$ -
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ -</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ -</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Shareholders Contribution	\$ 9,500
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>\$ 9,500</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ 9,500
CASH AND CASH EQUIVALENTS, beginning of the year	\$ -
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<b>\$ 9,500</b>

# Prepaze Academy

## Balance Sheet

As of December 31, 2021

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Checking	8,000.00
<b>Total Bank Accounts</b>	<b>\$8,000.00</b>
<b>Total Current Assets</b>	<b>\$8,000.00</b>
<b>TOTAL ASSETS</b>	<b>\$8,000.00</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Credit Cards	
Chase Credit Card 5117	13,040.00
<b>Total Credit Cards</b>	<b>\$13,040.00</b>
<b>Total Current Liabilities</b>	<b>\$13,040.00</b>
<b>Total Liabilities</b>	<b>\$13,040.00</b>
Equity	
Retained Earnings	
Shareholder Contribution	
Shareholder 1-Shenba	5,700.00
Shareholder 2- Satheesh	3,800.00
<b>Total Shareholder Contribution</b>	<b>9,500.00</b>
Net Income	-14,540.00
<b>Total Equity</b>	<b>\$ -5,040.00</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$8,000.00</b>

# Prepaze Academy

## Profit and Loss

January - December 2021

	TOTAL
Income	
<b>Total Income</b>	
GROSS PROFIT	<b>\$0.00</b>
Expenses	
Bank Charges	40.00
Legal & Professional Expense	14,500.00
<b>Total Expenses</b>	<b>\$14,540.00</b>
NET OPERATING INCOME	<b>\$ -14,540.00</b>
NET INCOME	<b>\$ -14,540.00</b>

**EXHIBIT “D”  
TO THE FDD**

**SCHEDULE OF FRANCHISEES:**  
(as of December 31, 2021)

CURRENT FRANCHISES: NONE

This is a new franchise offer and no franchises were sold, transferred, terminated, not renewed, reacquired or left the system at time of preparation of this disclosure document.

\* If you invest in this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.



**EXHIBIT "E"  
TO THE FDD**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

If a state is not listed, Prepaze Academy, Inc. has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed below in which Prepaze Academy, Inc. has appointed an agent for service of process.

<b>STATE</b>	<b>CONTACT</b>	<b>DEPARTMENT</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>
California	Commissioner of Financial Protection and Innovation	Department of Financial Protection and Innovation	2101 Arena Blvd., Sacramento, CA 95834	(916) 445-7205 (866) 275-2677
Georgia	Secretary of State of Georgia	Corporations Division	2 Martin Luther King Jr. Dr., SE, Suite 315, West Tower, Atlanta, GA 30334	
Hawaii	Commissioner of Securities	Department of Commerce and Consumer Affairs Business Registration Division, Securities Compliance Branch	335 Merchant Street, Room 203, Honolulu, HI 96813	(808) 586-2722
Illinois	Chief, Franchise Division	Office of Attorney General	500 South Second Street, Springfield, IL 62706	(217) 782-4465
Indiana	Indiana Secretary of State		210 State House, Indianapolis, IN 46204	
Maryland	Maryland Securities Commissioner	Division of Securities; Office of Attorney General	200 St. Paul Place, 20 <sup>th</sup> Floor, Baltimore, MD 21202-2020	(410) 576-6360
Michigan	Antitrust and Franchise Business	Michigan Department of the Attorney General's Office; Franchise Administrator; Consumer Protection Division	6546 Mercantile Way, Lansing, MI 48910	(517) 373-7117
Minnesota	Commissioner of Commerce	Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280, St. Paul, MN 55101	(651) 539-1500
New York	New York Department of State		One Commerce Plaza, 99 Washington Avenue, 6 <sup>th</sup> Floor, Albany, NY 12231-0001	(518) 473-2492
North Dakota	North Dakota Securities Department		600 East Boulevard Ave., State Capital Fifth Floor, Dept.	(701) 328-4712

			414, Bismarck, ND 58505-0510	
Oregon	Director of Insurance & Finance	Business Service Division of Finance and Corporate Securities Labor and Industries Building	Salem, OR 97310	(503) 378-4387
Rhode Island	Chief Securities Examiner of Business Regulation	Department of Business Regulation Securities Division	1511 Pontiac Avenue, John O. Pastore Complex – Building 69-1, Cranston, RI 02920	(401) 462-9527
South Dakota	Division of Insurance	Securities Regulation	124 South Euclid Avenue, 2 <sup>nd</sup> Floor, Pierre, SD 57501- 3185	(605) 773-3563
Virginia	Clerk of the State Corporation Commission		1300 East Main Street, 1 <sup>st</sup> Floor, Richmond, VA 23219	
Washington	Director of Financial Institutions		150 Israel Road SW, Tumwater, WA 98501	(360) 902-8760
Wisconsin	Wisconsin Commissioner of Securities	Franchise Investment Division	101 East Wilson Street, Fourth Floor, Madison, WI 53702	

**EXHIBIT "F"  
TO THE FDD**

**LIST OF STATE AGENCIES RESPONSIBLE FOR  
FRANCHISE DISCLOSURE/REGISTRATION LAWS**

<b>STATE</b>	<b>CONTACT</b>	<b>DEPARTMENT</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>
California		Department of Financial Protection and Innovation	<p><u>Sacramento:</u> 2101 Arena Blvd., Sacramento, CA 95834</p> <p><u>San Diego:</u> 1350 Front Street, Room 2034, San Diego, CA 92101-3697</p> <p><u>San Francisco:</u> One Sansome Street, Ste. 600, San Francisco, CA 94101</p> <p><u>Los Angeles:</u> 320 West 4<sup>th</sup> Street, Ste. 750, Los Angeles, CA 90013-2344</p>	<p><u>Sacramento:</u> (916) 445-7205</p> <p><u>San Diego:</u> (619) 525-4233</p> <p><u>San Francisco:</u> (415) 972-8559</p> <p><u>Los Angeles:</u> (213) 576-7500</p> <p><u>Toll Free:</u> (866) 275-2677</p>
Connecticut	Securities and Business Investment Division	Connecticut Department of Banking	260 Constitution Plaza, Hartford, CT 06103-1800	(860) 240-8233
Florida	Division of Consumer Services	Department of Agriculture and Consumer Services	P.O. Box 6700, Tallahassee, FL 23214-6700	(805) 488-2221 Fax: (805) 410-3804
Georgia	Secretary of State of Georgia	Corporations Division	2 Martin Luther King Jr. Dr., SE, Ste. 315, West Tower, Atlanta, GA 30334	
Hawaii	Business Registration Division, Commissioner of Securities	Department of Commerce and Consumer Affairs	P.O. Box 40, Honolulu, HI 96810	(808) 586-2744
Illinois	Franchise Bureau	Office of Attorney General	500 South Second Street, Springfield, IL 62706	(217) 782-4436
Indiana	Franchise Section	Indiana Securities Division, Secretary of State	302 West Washington Street, Room E-111, Indianapolis, IN 46204	(317) 232-6681
Iowa	Iowa Securities Bureau		340 Maple, Des Moines, Iowa 50319-0066	(515) 287-4441
Maryland	Office of the Attorney General	Division of Securities	200 St. Paul Place, 20 <sup>th</sup> Floor, Baltimore Maryland 21202-2020	(410) 576-6360

Michigan	Michigan Attorney General's Office	Consumer Protection Division; Attn: Franchise Section	525 West Ottawa Street, Williams Building, 6 <sup>th</sup> Floor, Lansing, MI 48933	(517) 373-7117
Minnesota	Minnesota Department of Commerce	Securities – Franchise Registration	85 7 <sup>th</sup> Place East, Suite 280, St. Paul, Minnesota 55101-2198	(651) 539-1600
Nebraska	Bureau of Securities/Financial Institutions Division	Department of Banking and Finance	1526 K Street, Suite 300, Lincoln, NE 68508-2732	(402) 471-3445
New York	NYS Department of Law	Investor Protection Bureau	28 Liberty St. 21 <sup>st</sup> Floor, New York, NY 10005	(212) 416-8222 Fax: (212) 416-6042
North Dakota	Franchise Examiner	North Dakota Securities Department	600 East Boulevard Avenue, State Capital 5 <sup>th</sup> Floor, Dpt 414, Bismarck, ND 58505-0510	(701) 328-4712
Oregon	Division of Finance and Corporate Securities	Department of Consumer and Business Services	Labor and Industries Building	(503) 378-4140 Fax: (503) 947-7862
Rhode Island	Securities Division	Department of Business Regulation	1511 Pontiac Avenue, John O. Pastore Complex 69-1, Cranston, RI 02920-4407	(401) 462-9527
South Dakota	Division of Insurance	Securities Regulation	124 S. Euclid 2 <sup>nd</sup> Floor, Pierre, SD 57501-3185	(605) 773-3563 Fax: (605) 773-5953
Texas	Secretary of State	Registration Division	P.O. Box 13193, Austin, TX 78711-3193 1719 Brazos, Austin, TX 78707	(512) 475-1769
Utah	Division of Consumer Protection	Utah Department of Commerce	160 East 300 South, SM Box 146704, Salt Lake City, UT 84114-6704	(801) 530-6601 Fax: (801) 530-6001
Virginia	State Corporation Commission	Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor, Richmond, VA 23219	(804) 371-9051
Washington	Securities Division	Department of Financial Institutions	P.O. Box 9033, Olympia, WA 98507-9033	(360) 902-8760
Wisconsin	Division of Securities	Department of Financial Institutions	P.O. Box 1768, Madison, WI 53701	(608) 266-2801
Federal Trade Commission	Division of Marketing Practices	Bureau of Consumer Protection	Pennsylvania Avenue at 6 <sup>th</sup> Street, NW, Washington DC 20580	(202) 326-3128

**EXHIBIT "G"  
TO THE FDD**

**RELEASE AGREEMENT (FORM)**

**RELEASE AGREEMENT  
(Form)**

This RELEASE AGREEMENT ("Agreement") is made and entered into as of \_\_\_\_\_ by and between **PREPAZE ACADEMY, INC.** ("Franchisor") and \_\_\_\_\_, **LLC/INC.**, \_\_\_\_\_, **AND** \_\_\_\_\_ (jointly and severally "Franchisee"). The above will collectively at times be referred to as "Parties" and individually as "Party." Capitalized terms used herein will have the meanings set forth in the Franchise Agreement, unless defined otherwise herein.

**RECITALS**

WHEREAS, Franchisee entered into a/n Prepaze Academy™ franchise agreement on \_\_\_\_\_, 20\_\_ with Franchisor ("Franchise Agreement"); and

WHEREAS, the Franchise Agreement was personally guaranteed by \_\_\_\_\_ and \_\_\_\_\_ ("Personal Guarantor(s)"); and

WHEREAS, the Franchise Agreement has been terminated effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

NOW THEREFORE, in consideration of the recitals, premises and other provisions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Franchisor, Franchisee and Personal Guarantor(s) hereby agree as follows:

1. Franchisee and Personal Guarantor(s) hereby, fully and irrevocably, release, acquit and forever discharge Franchisor and its successors, affiliates, directors, officers, members, managers, employees, shareholders, representatives and agents and each of them, individually and collectively, of and from any and all claims, demands, obligations, causes of action, suits or liabilities of any kind and nature, whatsoever, whether known or unknown, suspected or unsuspected, and in whatever legal theory or form which Franchisee and Personal Guarantor(s) have or claim to have, or at any time heretofore, had or claimed to have had, or which may hereafter accrue or arise, against Franchisor, its successors, affiliates, directors, officers, members, managers, shareholders, employees and agents, and each of them, by reason of, or in any way connected with the Franchise Agreement, the relationship described therein and any business transaction, agreement or occurrence, act or omission relating thereto prior to the date hereof. Franchisee and Personal Guarantor(s) further waive any and all state law provisions limiting the effect of a general release.

2. Franchisee and Personal Guarantor(s) hereby covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim against any person or entity released under Section 1 above with respect to any claim released under Section 1.

3. Franchisee and Personal Guarantor(s) represent that each of them fully understands the broad coverage of the release provisions of this Agreement, and that they execute the same with respect to all claims, causes of action and demands, as set forth above, they have or may have against the Franchisor, fully intending that the provisions hereof be given the broadest interpretation permitted by law or the English language. Franchisee and Personal Guarantor(s) acknowledge and expressly agree that they will make no claim, and hereby waive any right they may now have, or may hereafter have, based upon any alleged oral or written alteration, amendment, or modification of this Agreement,

fully waiving any right they may have to refer to extrinsic matters in the interpretation hereof, whether to establish fraud, duress, mistake, undue influence, or for any other purpose.

**These releases are intended to waive, release and discharge all claims, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, North Carolina Civil Code Section 1542, which states:**

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.**

**The parties, with the advice of their respective counsel, waive the benefit of both statute and other legal doctrine or principle of similar effect in any jurisdiction.**

4. This Agreement may be pleaded as a full and complete defense to, and may be used as the basis for, an injunction against any action, suit or other proceeding which may be instituted, prosecuted or maintained in breach of this Agreement.

5. Nothing in this Agreement releases Personal Guarantor(s) or Franchisee from their obligations under the non-competition clauses of the Franchise Agreement or their Non-Competition Agreements signed with Franchisor.

6. Miscellaneous.

6.1 Cooperation. Franchisee and Personal Guarantor(s) will make, execute and deliver to Franchisor, promptly upon request and without additional consideration, any document or instrument necessary to carry out and effectuate the purposes of this Agreement.

6.2 Choice of Law and Jurisdiction. This Agreement will be construed in accordance with and all disputes hereunder will be governed by the laws of the State of North Carolina without giving effect to its conflicts of law provisions. Franchisee, Personal Guarantor(s), and Franchisor hereby irrevocably consent to the exercise of general personal jurisdiction in the courts of record of the State of North Carolina even though it may be otherwise possible to obtain jurisdiction elsewhere, and we both agree that Morrisville, North Carolina will be the exclusive venue for any litigation between us. Each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of North Carolina.

6.3 Arbitration. In the event any controversy or dispute arises between the Parties hereto in connection with, arising from or with respect to the provisions hereof, the relationship of the Parties hereto, or the validity of this Agreement or any provision hereof, such dispute or controversy will, on the request of any Party hereto be submitted for arbitration to the American Arbitration Association in accordance with its commercial arbitration rules. All arbitration hearings will be conducted exclusively in Morrisville, North Carolina, and the laws of the State of North Carolina will govern, without giving effect to its conflicts of law provisions. The arbitrator will have the power and jurisdiction to decide such controversy or dispute solely in accordance with the express provisions of this Agreement. The prevailing Party in any arbitration suit or action to enforce this Agreement, will be entitled to recover the administrative costs of the arbitration proceeding and the fee for the arbitrator. The Parties agree that any claim hereunder will result in an award not more than 120 days from the date of the statement of claim filed with the American Arbitration Association, unless otherwise waived by the

Parties. The award and findings of the arbitrators will be conclusive and binding upon all Parties hereto and the judgment upon the award may be entered in any Court of competent jurisdiction.

6.4 Attorneys' Fees and Costs. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing party or parties will be entitled to reasonable attorney's fees and other costs reasonably incurred in such action or proceeding.

6.5 Amendment. This Agreement may be amended, modified or changed only by a written instrument signed by duly authorized representatives of both Parties.

6.6 Company Authority. The persons signing below warrant that they are authorized to enter into this Agreement on behalf of their respective principals identified below and that by their signatures they bind such principals to this Agreement.

6.7 Binding Agreement. This Agreement and all its terms, conditions and stipulations will be binding upon and will inure to the benefit of the Parties hereto and their respective legal representatives, heirs, successors and permitted assigns.

6.8 Confidentiality. Franchisee and Personal Guarantor(s) agree to maintain this Agreement, the terms hereof, and any and all information obtained or provided by either Party in order to initiate a contractual relationship, in the strictest of confidence.

6.9 Counterparts. This Agreement, and those contemplated herein, may be executed in counterparts, including by means of telefaxed, emailed pdf or other electronically delivered signature page, each of which will be deemed an original, but all of which together will constitute one and the same document.

6.10 Entire Agreement. This Agreement contains the entire agreement and only understanding between the Parties with respect to the subject matter hereof and supersedes all previous negotiations, agreements and understandings between the Parties and affiliates of the Parties, in connection with the subject matter covered herein, whether oral or written, and any warranty, representation, promise or condition in connection therewith not incorporated herein will not be binding upon either Party. The Parties hereby agree that all prior agreements with between the Parties regarding the subject matter hereof are hereby terminated with no continuing duties or obligations on the part of the other Party.

6.11 Paragraph Headings. The paragraph headings appearing in this Agreement are inserted only as a matter of convenience and reference and in no way define, limit, construe or describe the scope, interpretations or extent of such paragraph or in any way affect such paragraph or this Agreement. Words in the masculine gender include the feminine and neuter. Use of the singular will include the appropriate plural numbers.

6.12 Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, not be effective to the extent of such prohibition, but such prohibition will not invalidate the remaining provisions hereof or affect the validity or enforceability of such provisions in any other jurisdiction.

7. This Agreement will be effective when all the parties have signed it. The date of this Agreement will be the date this Agreement is signed by the last party to sign it as provided in the signature block below.



8. The Franchisee and Personal Guarantor(s) acknowledge that they have carefully read the foregoing Agreement and know and understand the contents of this Agreement, have been represented by counsel, or had the opportunity to be represented by counsel, and sign this Agreement as their own free act, fully intending to be legally bound thereby.

**IN WITNESS WHEREOF**, and by their signatures below, the Parties hereto acknowledge that they have read, understand and agree to all of the terms and provisions of this Agreement and have caused this Agreement to be executed as of the date provided below written with the full authority of the company principal they represent.

FRANCHISOR:

**PREPAZE ACADEMY, INC.**

By: \_\_\_\_\_  
(Signature)

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

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

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

FRANCHISEE:

\_\_\_\_\_, LLC/INC.

By: \_\_\_\_\_  
(Signature)

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

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

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

PERSONAL GUARANTOR(S):

By: \_\_\_\_\_  
(print name)\_\_\_\_\_, personally

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

By: \_\_\_\_\_  
(print name)\_\_\_\_\_, personally

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

By: \_\_\_\_\_  
(print name)\_\_\_\_\_, personally

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

By: \_\_\_\_\_  
(print name)\_\_\_\_\_, personally

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

**EXHIBIT "H"  
TO THE FDD  
SIGNING CHECKLIST**



### Franchise Documents Signing Checklist

The following items need to be filled out, signed, or dated by the party indicated

#### 1. When you receive the FDD

DOCUMENT	PAGE OR SECTION NUMBER	INSTRUCTIONS	CHECK WHEN COMPLETED
FDD Receipt pages	(last 2 pages of the entire FDD packet)	There are two receipt pages at the very end of the FDD. You must sign and date <u>both</u> copies. You will keep the copy labeled "Franchisee Copy" and return the other copy ("Franchisor Copy") to the franchisor ("Prepaze Academy, Inc.").	_____

#### 2. Before you sign the Franchise Agreement, but after 14 days of having the FDD

DOCUMENT	PAGE OR SECTION NUMBER	INSTRUCTIONS	CHECK WHEN COMPLETED
Statement of Prospective Franchisee	Exhibit – B	The franchisee must fill in, initial, sign, and date where indicated.	_____

#### 3. When you sign the Franchise Agreement and other documents

DOCUMENT	PAGE OR SECTION NUMBER	INSTRUCTIONS	CHECK WHEN COMPLETED
Franchise Agreement	(page 1)	Fill in the franchisee name	_____
Franchise Agreement	(page 3)	In first paragraph fill in date and franchisee name.	_____
Franchise Agreement	(page 37)	Fill in the franchisee name, address, and email	_____
Franchise Agreement	(page 44)	<ol style="list-style-type: none"> <li>1. If the franchisee is an entity, (1) fill in the entity name on the line before LLC/INC., and have the president, manager, etc. sign on behalf of the entity.</li> <li>2. If there is no entity, the franchisee will sign on the lower lines and print his or her name on the line before "personally."</li> </ol>	_____
Territory	Exhibit A-1 (page 45)	If the premises is not already known, this will be filled out and initialed later	_____
Company Reps. and Warranties	Exhibit A-2 (page 46-47)	The franchisee must fill in the appropriate fields, date, and sign.	_____
Brand Protection Agreement for Principals	Exhibit A-4 (page 50-53)	Each owner and principal manager of the franchisee must fill out and sign and date a separate form.	_____
Employee Brand Protection Agreement	Exhibit A-5 (page 54-56)	<p>All your management level employees need to fill out and sign separate non-compete agreements.</p> <ol style="list-style-type: none"> <li>1. On the first page, the management employee will fill in the date the document is signed and will list you or your company as the franchisee, and the employee will fill in their address.</li> </ol>	_____

		2. Each of your management employee must sign this document.	
Landlord's Consent to Assignment	Exhibit A-6 (page 57)	Landlord fills in the blanks, dates, and signs. A copy must be returned to Franchisor within 15 days of signing.	_____
Lease Rider	Schedule A-6.1	You and the landlord fill this out and sign. A copy must be returned to Franchisor within 15 days of signing.	
ACH Agreement	Exhibit A-7 (page 60)	This must be filled out with all the appropriate bank information and signed.	_____
Guaranty of Assumption of Obligations	Exhibit A-8 (page 61-62)	Franchisee must fill in the date, the name of its entity and the date of the franchise agreement on the first page. The owners of the franchisee must sign the second page.	_____
Digital and Social Media Authorization for Assignment	Exhibit A-9 (page 63-64)	Franchisee must fill in appropriate fields, sign and date.	_____
Addendum for the State of California	Exhibit A-10 Schedule 1 (page 66)	If the franchisee is from California or if the franchisee will be operating in California, Franchisee must fill in the date and sign the California addendum.	_____

**4. Items to complete after you sign the franchise agreement.**

DOCUMENT	INSTRUCTIONS	CHECK WHEN COMPLETED
Proof of insurance	The franchisee must get and maintain insurance and provide proof of insurance that lists the franchisor as an additional insured. The franchisee must provide this <b>annually</b> .	_____
Franchisee's d.b.a.	In the state where your franchise is located, you need to file for a dba or "doing business as" under the name "Prepaze Academy _____." The blank line will be the city or neighborhood where your franchise is located or as assigned by the franchisor. For example, if your franchise is located in Irvine, California, your filed dba could be "Prepaze Academy – Irvine." The franchisor must approve your dba before you file it. You must send a copy of the dba filing to the franchisor after it is filed. Please note that a dba is different from your company name if you have a company that is the franchisee. Please note that also you <b>cannot</b> use the name "Prepaze Academy" or "Prepaze" as part of your company name.	_____
Franchisee's Certificate of Occupancy	Franchisee must provide a certificate of occupancy before you schedule on-site opening assistance/training	_____
Franchisee's Marketing Plan	Franchisee must provide this within 30 days of signing the franchise agreement <b>and annually within 90 days of fiscal year end.</b>	_____
Franchisee's Entity Documents	Articles of Incorporation or Organization along with Bylaws or Operating Agreement sent to franchisor.	_____
Copy of lease agreement	The franchisee must provide a copy of the lease agreement to the franchisor.	_____

## State Effective Dates

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

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

<u>State</u>	<u>Effective Date</u>
California	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**  
(Franchisee's Copy)

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 Prepaze Academy, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Prepaze Academy, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator listed in Exhibit "F." Prepaze Academy, Inc. authorizes the respective state agencies identified on Exhibit "E" to receive service of process for it in the particular state.

Prepaze Academy, Inc., is located at 3031 Village Market Place, Morrisville, North Carolina. Its telephone number is (919) 342-4002.

The issuance date of this disclosure document is January 6, 2022.

The names, business addresses, and phone numbers of each franchise seller offering this franchise is as follows:

Name	Address	Phone Number
Shenba Chockalingam	3031, Village Market Place, Morrisville, North Carolina	(919) 342-4002

I received a disclosure document dated January 6, 2022, that included the following Exhibits:

A.	Franchise Agreement and Its Exhibits	F.	List of State Agencies Responsible for Franchise Disclosure and Registration Laws
B.	Statement of Prospective Franchisee		
C.	Financial Statements	G.	Release Agreement
D.	Schedule of Franchisees		
E.	List of Agents for Service of Process	H.	Signing Checklist

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

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

\_\_\_\_\_  
Title (if Signing for Company)

Please keep this copy for your records.

**RECEIPT**  
(Franchisor's Copy)

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 Prepaze Academy, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Prepaze Academy, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator listed in Exhibit "F." Prepaze Academy, Inc. authorizes the respective state agencies identified on Exhibit "E" to receive service of process for it in the particular state.

Prepaze Academy, Inc., is located at 3031 Village Market Place, Morrisville, NC 27560. Its telephone number is (919) 342-4002.

The issuance date of this disclosure document is January 6, 2022.

The names, business addresses, and phone numbers of each franchise seller offering this franchise is as follows:

Name	Address	Phone Number
Shenba Chockalingam	3031 Village Market Place, Morrisville, NC 27560	(919) 342-4002

I received a disclosure document dated January 6, 2022, that included the following Exhibits:

A.	Franchise Agreement and Its Exhibits	F.	List of State Agencies Responsible for Franchise Disclosure and Registration Laws
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C.	Financial Statements		
D.	Schedule of Franchisees	H.	Signing Checklist
E.	List of Agents for Service of Process		

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

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

\_\_\_\_\_  
Title (if Signing for Company)

If you do not sign this receipt via our electronic signature platform, then you need to send us a signed and dated copy. You may return the signed and dated receipt by mailing it to Prepaze Academy, Inc. at 3031 Village Market Place, Morrisville, NC 27560, or by emailing a copy of the signed and dated receipt to [contact@prepaze.com](mailto:contact@prepaze.com).