

## FRANCHISE DISCLOSURE DOCUMENT



YEL Franchising, Inc.  
a Minnesota corporation  
343 Bluff Road  
Carver, MN 55315  
(800) 959-9261  
Youthenrichmentleague.com  
Youthenrichmentleague.com/franchise

YEL Franchising, Inc. is offering franchises for the operation under the {YEL!} logo of a business that provides after-school and summer enrichment camps and youth events for children (pre-k-12<sup>th</sup> grade) on various subjects ranging from chess to robotics.

The total investment necessary to begin operation of a {YEL!} franchise ranges from \$57,300 to \$83,050. This includes at least \$38,500-\$40,500 that must be paid to the franchisor.

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 for you. To discuss the availability of disclosures in different formats, contact Chet Gunhus at 343 Bluff Road, Carver, Minnesota 55315, telephone (952) 314-1176.

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

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

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

ISSUANCE DATE: April 27, 2023 (See State Effective Dates page immediately prior to Receipt pages for state specific effective dates.)

## 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 you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.  |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit E includes financial statements. Review these statements carefully.  |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.  |
| <b>Will my business be the only YEL 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 YEL franchisee?</b>  | Item 20 or Exhibit D list 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 B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda (if any).

See the Table of Contents for the location of the State Specific Addenda.

## Special Risk(s) 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 at a location chosen by the mediator, or arbitration and litigation only in Minnesota. Out-of-state mediation, arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate at a location chosen by the mediator, or arbitrate and litigate with the franchisor in Minnesota than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in the financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support you.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all of the financial obligations of the Franchise Agreement(s), even if your spouse has no ownership interest in the franchise. This Guarantee will place both your spouse's and your marital and personal assets (perhaps including your house) at risk if the franchise fails.
4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

**NOTICE MANDATED BY SECTION 8 OF  
MICHIGAN'S FRANCHISE INVESTMENT ACT**

The following is applicable to you if you are a Michigan resident or your franchise will be located in Michigan.

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from

exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 525 West Ottawa Street, Lansing, Michigan 48909, telephone: (517) 373-7117.

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

To simplify the language in this Franchise Disclosure Document “**YEL**,” “**Youth Enrichment League**” “**we**,” “**us**,” “**our**” or the “**Franchisor**”, means YEL Franchising, Inc. “**You**”, “**your**” or the “**Franchisee**” means the person, corporation, partnership or other business entity that buys the franchise. If you are a corporation, partnership or other entity, these terms also include your owners who must sign a personal guaranty agreeing to comply with all provisions of the Franchise Agreement.

**The Franchisor**

We are a Minnesota corporation formed on March 25, 2019. Our principal business address is 343 Bluff Road, Carver, Minnesota 55315. We do business only under our company name, “**YEL**”, “**Youth Enrichment League**”, and “**YEL Franchising**”. In the spring of 2019 we began offering franchises for the operation of businesses identified by the {**YEL!**} logo that provide after-school and summer enrichment camps and youth events for children (pre-k-12<sup>th</sup> grade) on various subjects, including chess, fencing, various team sports sewing, robotics, magic, coding, guitar, rocketry and electronics. Although our affiliate has operated similar businesses in the Midwestern part of the United States, we have never operated a business of the type being franchised. We do not conduct business in any other line of business nor do we offer franchises in any other line of business.

Our agents for service of process are disclosed on Exhibit B.

**The Business**

We offer franchises for the establishment, development and operation of a business identified by the {**YEL!**} logo that provides after-school and summer enrichment camps and youth events for children (pre-k-12<sup>th</sup> grade) on various subjects, including chess, fencing, various team sports, sewing, robotics, magic, coding, guitar, rocketry and electronics, all pursuant to curriculum that we provide. Generally these camps are operated in collaboration with local schools, churches, parks and recreation departments, and community based associations. Some of these organizations will allow you to provide your services from their facility without charge. Other organizations may require you to rent space within the facility. In any event, these businesses are operated under the {**YEL!**} logo, the service mark “**Youth Enrichment League**” and other trademarks, trade names, service marks and commercial symbols we may authorize (the “**Marks**”). The business is referred to in this Disclosure Document as a “**YEL Business**”.

You will operate your **YEL Business** within your Designated Territory using our unique operating system, which includes our proprietary curriculum and other know-how, information, trade secrets and confidential information, as well as our standards, designs, methods of trademark and service mark usage, and research and development (“**System**”). We may change or otherwise modify the **System** at any time as we see fit.

You must sign our standard franchise agreement if we grant you a {**YEL!**} franchise (“**Franchise Agreement**”). Your **YEL Business** may only provide the services and products we authorize and you must follow the curriculum we provide to you for each program we authorize you to provide. You may only hold camps and other events we approve within your Designated Territory. You must also follow all of our other policies and procedures when performing services. We can add to, modify, or delete any services or products that you must offer or sell at any time as we determine, and change and modify our policies.

You must be involved in the day-to-day operation of your **YEL Business**. Unless we otherwise approve, you must act as the Manager of the Business and be responsible for managing your teachers providing the programs. If you are an entity, your majority owner must hold this position. If your Designated Territory encompasses more than one county you must retain a Manager for each county. Although no prior



experience in teaching is required, we are looking for potential franchisees who have experience working with children and who are self-starters. We have found that sales experience is also helpful in this business.

### **Predecessors**

Seeing a need in their local community for quality after-school programs our owners formed our affiliated company, Youth Enrichment League, Inc. (“**Youth**”), which in 2004 began providing an after-school LEGO program to students at four different schools in Eden Prairie, Minnesota. In 2005, Youth added a chess program and since that time has steadily expanded its program offerings and the areas in which it provides its services. In 2009 Youth expanded its business operations to Wisconsin and in 2015 and 2016 to Colorado and Iowa respectively, serving various schools in each of these states. In October 2017, it also opened an office in Southern Minnesota. It currently offers over a dozen different enrichment camps and youth events on various subjects ranging from chess and fencing to more traditional team sports such as basketball and flag football to sewing, robotics, magic, coding and guitar.

Youth is a Minnesota corporation formed on April 12, 2004. Youth is the owner of the {YEL!} logo and “Youth Enrichment League” service mark and various other trademarks, trade names and intellectual property you will use in your YEL Business, including the curriculum. As such, Youth may be considered a predecessor of ours. Youth has the same principal address as we do. It has never offered franchises in any line of business. We have no parent companies or affiliates for purposes of this Item 1.

### **Market and Competition**

The target market for your services is any school or other organization that desires to offer its students or community members after-school programming. We have found that most of the organizations Youth collaborates with to provide its services are private and public schools with a student population base desiring after-school enrichment programs. The families of most students are upper to middle class. We suggest you focus your marketing efforts on schools, parks and recreation departments, community education programs and other organizations with youth and student populations fitting these characteristics.

The market for your services is highly developed and very competitive. There are various competitors in this space. For example, there are other businesses, both independent and franchised, that offer supplemental education and enrichment programs. These businesses may have been in business longer than we have and may be better established. You will compete with them for the right to offer enrichment programs at the various schools and other organizations. Some of these businesses are independently owned and operated while others are franchised. Once you have established a relationship with an organization, whether it be a school or other organization, you will compete with others who may be offering after-school enrichment programs. These competitors include private businesses, youth groups and community based associations. Some of these competitors are well established and have been in existence for a substantial period of time. For example, the YMCA and the YWCA.

### **Industry Specific Regulations**

You must comply with all laws regarding the protection of children. In addition to these laws, your YEL Business will be subject to national, state and local regulations that apply to all businesses, such as wage and hour laws, occupational health and safety, equal employment opportunity, taxes, and business licensing requirements. For example, your business is subject to state and federal regulations that allow the government to require businesses, schools or other organizations to temporarily close during state or national emergencies or to require schools to only provide distance learning or a mix of distance and in-person learning. Because the target market for your services are schools and other organizations that cater to students, your business can be affected by such orders more than others.

**ITEM 2  
BUSINESS EXPERIENCE**

**President and Director** – Chet Gunhus

Mr. Gunhus has been our President and a Director since our incorporation in March 2019. He has been the President of our predecessor, Youth Enrichment League, Inc., located in Carver, Minnesota since April 2004.

**Chief Financial Officer and Director** – Lisa Gunhus

Ms. Gunhus has been our Chief Financial Officer and a Director since our incorporation in March 2019. She has been the Chief Financial officer of our predecessor, Youth Enrichment League, Inc., located in Carver, Minnesota since April 2004.

**Regional Director** – Fredric “Mike” Lutz

Mr. Lutz has acted as our Regional Director since our incorporation in March 2019. Mr. Lutz has served as the Director of our affiliate’s central Minnesota {YEL!} operation since May 2015.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

The initial franchise fee (“**Initial Franchise Fee**”) for a YEL Business is \$22,500, plus \$10 for each additional public elementary school over 75 that is in your Designated Territory. The Initial Franchise Fee is payable when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us when you sign the Franchise Agreement. We will refund to you one-half of the Initial Franchise Fee if you or your majority owner if you are an entity, fail to complete our Initial Training Program to our satisfaction and you sign a general release releasing us from liability. Otherwise, the Initial Franchise Fee is nonrefundable.

In certain situations, we may reduce the Initial Franchise Fee. For example, if you are an employee of ours or our affiliate we will reduce the Initial Franchise Fee by \$3,000 for each year you have worked for us or our affiliate. We will reduce the Initial Franchise Fee by \$6,000 if you are a current member of the United States military or a veteran who received an honorable discharge from a branch of the United States military. You may only take advantage of one of the discounts discussed above. We may modify or terminate any of these discounts at any time.

You must also buy from us instructional aids and apparel for your staff to begin operations. The cost for these items ranges from \$2.00 per item to \$200.00 per item, depending upon the item. We estimate that you will need to buy at least 245 of these items to begin operating. The total cost for these items will generally be between \$16,000 and \$18,000 depending upon the mix of items you purchase. You must pay for these items upon receipt of an invoice. None of these amounts are refundable.

**ITEM 6  
OTHER FEES**

| <b>Type of Fee</b>          | <b>Amount (Note 1)</b>  | <b>Due Date</b>   | <b>Remarks</b>  |
|-----------------------------|---|---|---|
| Royalty Fee                 | 6% of monthly Gross Revenue, subject to a minimum monthly Royalty Fee payment. (See Note 2) | Payable on the 10th day of each month for the prior month.            | Gross Revenue includes all revenue generated by your YEL Business. (See Note 2)   |
| Brand Fund Contribution     | 1% of your monthly Gross Revenue.   | Payable on the 10th day of each month for the prior month.            |   |
| Technology Fee              | 1% of your monthly Gross Revenue  | Payable on the 10 <sup>th</sup> day of each month for the prior month | We provide you access to our Youth Database which you will use in the operation of your YEL Business.   |
| Initial Training Fee        | Currently, \$500 per day.   | Payable before we provide the training                                | All Managers must be trained by us within 30 days after they begin working for you.   |
| Cost of Training            | Varies depending upon where training is provided and length.                                | Before training   | If you do not meet our standards and we require additional training, you must pay our costs for the training.   |
| Convention Fee (See Note 3) | Varies, \$700-\$1,000 depending upon our costs for the convention.                          | 120 days before the convention.                                       | If we hold a convention you must pay this fee, regardless of whether you attend the convention.   |
| Grand Opening Marketing     | You must spend at least \$2,500 to market the grand opening of your YEL Business.           | Upon demand   | If you fail to spend at least \$2,500 to market the grand opening of your YEL Business on marketing we approve, you must pay us the difference and we will put that amount into the Brand Fund.   |
| Local Marketing             | 3% of Gross Revenue   | Upon demand   | If you fail to spend at least 3% of your annual Gross Revenue on local marketing we have approved in your market, you must pay us the difference and we will put that amount into the Brand Fund. |
| Renewal Fee                 | 25% of the then-current flat fee amount of Initial Franchise Fee.                           | At least 30 days before the term of your Franchise Agreement expires. | You only pay this fee if you want to renew your franchise. If not selling franchises at time of renewal, fee will be \$5,500.   |
| Transfer Fee                | 25% of the then-current flat fee amount of Initial Franchise Fee.                           | Before you transfer the franchise.                                    | You only pay this fee if you sell your franchise or an interest in it. If not selling franchises at time of transfer, fee will be \$5,500.  |
| Transfer Training Fee       | \$5,000 per person  | Before training.  | If you transfer the franchise you must pay us this fee to train the buyer or their majority owner if the buyer is an entity.  |
| Audit                       | Cost of audit.  | Upon demand   | Payable only if audit shows an understatement of at least 2% of Gross Revenue for any month.  |

| Type of Fee                    | Amount (Note 1)  | Due Date                          | Remarks   |
|--------------------------------|--|-----------------------------------|---|
| Indemnification                | Will vary under circumstances.   | As incurred                       | You must reimburse us if we are sued or held liable for claims arising from your business.  |
| Cost of Enforcement or Defense | All costs including accounting and attorneys' fees. Amount will vary under the circumstances.                              | Immediately after notice from us. | You only pay this amount if we are successful in any legal action or arbitration we bring against you, or in defending any claim you bring against us, or if you fail to enforce a noncompetition and confidentiality agreement against one of your employees and we incur costs and attorneys' fees to enforce that agreement. |
| Interest                       | Lesser of 1.5% per month or highest rate of interest allowed by applicable law.  | As incurred                       | Payable on all overdue amounts.   |
| Office Relocation Fee          | An amount equal to the greater of \$3,500 or the amount we have expended in connection with the relocation of your office. | Upon demand                       | You only pay this fee if you relocate an office other than a home office, or you are relocating to a non-residential office.  |
| Product Purchases              | \$2.00-\$200.00 per item depending on item   | Upon receipt of an invoice        | You pay these amounts to our affiliate for items you purchase.  |
| Testing and Evaluation Fee     | Amount equal to costs we incur in evaluating a supplier you have asked us to approve                                       | Upon receipt of an invoice        | You only pay this fee if you ask us to approve a new supplier.  |
| Insurance                      | Amount equal to amount we incur to purchase insurance for you  | Upon demand                       | You only pay this fee if you fail to obtain the required insurance and we obtain it.  |
| Liquidated Damages             | Varies depending upon when termination occurs and amount of Gross Revenues. (See Note 4)                                   | Upon demand                       | You only pay liquidated damages if we terminate your Franchise Agreement due to your default.   |
| Customer Satisfaction Fee      | Cost incurred by Franchisor  | Upon demand                       | You only pay this fee if you fail to satisfy a customer complaint, including failure to honor a guarantee, and we resolve the complaint.  |
| File Hosting Fee               | Currently, \$24 per month  | Upon receipt of an invoice        | You pay this fee to us to manage the file hosting service where our curriculum is stored.   |

All fees are paid to us and are non-refundable. All fees are uniform for all new franchisees. You must pay fees and other amounts due to us via electronic funds transfer or other similar means. You must comply with our procedures and perform all acts and deliver and sign all documents, including authorization (in the form attached to this Disclosure Document as Exhibit G or other form that we may require) for direct debits from your business bank operating account. Under this procedure you authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owing. You will make the funds available to us for withdrawal by electronic transfer no later than the payment due date.

If you have not timely reported the Gross Revenue to us for any reporting period, we can, at our option, debit your account for: (a) 110% of the fees transferred from your account for the last reporting period for which a report of the Gross Revenue was provided to us; (b) the amount due based on information we have regarding your business activities; (c) 110% of the fees transferred from your account for the same period in the prior year.

**Notes:**

- (1) If your state, or any governmental body in your state, charges a tax on any fee you owe to us or to our affiliates, then you are required to pay an additional amount equal to the amount of this tax. This does not apply to any federal or Minnesota income taxes we or our affiliates have to pay.
- (2) You must pay us a Royalty Fee on the monthly Gross Revenues of your YEL Business. Gross Revenues mean the total amount of revenues, income, receipts and other fees received from all business activities taking place by or through the YEL Business, and all other services and products, if any, sold under the Marks, or otherwise related to the YEL Business.

You must pay us a minimum amount each quarter in Royalty Fees. The minimum amount is an amount equal to \$2,250 plus \$15 per school for each additional public elementary school in your Designated Territory over 75. If the amount you pay us in Royalty Fees for any quarter is less than this minimum amount you must pay us the difference. If for any quarter the amount you pay us in Royalty Fees is more than this amount any excess does not roll-over to other quarters. This minimum quarterly Royalty Fee payment obligation begins at the beginning of the 3<sup>rd</sup> year after the date of your Franchise Agreement and continues for the duration of the Franchise Agreement.

- (3) You or your majority owner if you are an entity must attend any conference we decide to have for franchisees. This fee will cover the cost of that registration. If you want to send additional people to the Annual Conference, for each one you will pay an additional registration fee.
- (4) Amount varies based upon Gross Revenues of YEL Business and time of termination.

If the YEL Business has been open for 12 months at the time of termination you pay an amount determined by (a) taking the average monthly Gross Revenues of the YEL Business over the last 12 months before termination, and multiplying this amount by the Royalty Fee percentage, subject to the minimum payment amount, and multiplying the resulting amount by the lesser of 36 or the number of full months remaining in the term of the Franchise Agreement, plus (b) taking the average monthly Gross Revenues of the YEL Business over the last 12 months, and multiplying this amount by the Brand Fund Contribution percentage, and multiplying the resulting amount by the lesser of 36 or the number of full months remaining in the term of the Franchise Agreement; plus (c) taking the average monthly Gross Revenues of the YEL Business over the last 12 months, and multiplying this amount by the Technology Fee percentage, and multiplying the resulting amount by the lesser of 36 or the number of full months remaining in the term of the Franchise Agreement.

If the YEL Business has opened but has not been operating as a YEL Business for 12 months before the date of termination you pay an amount determined by, (a) determining the average monthly Gross Revenues of the YEL Business over the period the YEL Business has been operating, and multiplying this amount by the Royalty Fee percentage, subject to the minimum payment amount, and multiplying the resulting amount by 36, plus (b) the average monthly Gross Revenues over the period the YEL Business has been operating, multiplied by the Brand Fund Contribution percentage, and multiplied by 36; plus (iii) the average monthly Gross Revenues over the period

the YEL Business has been operating, multiplied by the Technology Fee percentage, and multiplied by 36. You must also pay taxes on these amounts.

For more information as to your initial investment, see Item 7.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| <b>Type of Expenditure<br/>(Note 1)</b>                           | <b>Low Amount</b> | <b>High Amount</b> | <b>Method of<br/>Payment</b> | <b>When Due</b>                      | <b>To Whom<br/>Payment is to be<br/>Made</b> |
|---|-------------------|--------------------|------------------------------|--------------------------------------|--|
| Initial Franchise Fee   | \$22,500 (Note 2) | \$22,500           | Lump sum                     | Upon signing the Franchise Agreement | Us   |
| Vehicles (Note 3)   | \$0               | \$1,200            | Lump sum                     | Before opening                       | Vendor                                       |
| Real Estate, Furniture and Equipment (Note 4)                     | \$200             | \$1,050            | Lump sum                     | Before opening                       | Vendors and lessor                           |
| Initial Supplies (Note 5)   | \$16,000          | \$18,000           | Lump sum                     | Before opening                       | Vendors, including us                        |
| Travel and Living Expenses While Training (Note 6)                | \$1,800           | \$3,700            | As incurred                  | As incurred during training          | Airlines, hotels, restaurants                |
| Grand Opening Marketing (Note 7)                                  | \$2,500           | \$5,000            | As incurred                  | Before opening                       | Vendors or us                                |
| Ongoing Marketing (Note 8)  | \$2,500           | \$5,000            | As incurred                  | As incurred                          | Vendors or us                                |
| Technology Expenses (Note 9)                                      | \$2,500           | \$3,000            | As incurred                  | Before opening                       | Vendors                                      |
| Insurance (Note 10)   | \$600             | \$700              | Lump sum                     | As agreed                            | Vendor                                       |
| Permits and Licenses (Note 11)                                    | \$200             | \$400              | Lump sum                     | As incurred                          | Governmental Agencies                        |
| Professional Fees   | \$2,500           | \$5,000            | Lump sum                     | As incurred                          | Vendors                                      |
| Miscellaneous Expenses (Note 12)                                  | \$1,000           | \$2,500            | As agreed                    | As incurred                          | Vendors                                      |
| Additional Funds and Working Capital for First 3 Months (Note 13) | \$5,000           | \$15,000           | As incurred                  | As incurred                          | Vendors and governmental agencies            |
| <b>TOTAL (Note 14)</b>  | <b>\$57,300</b>   | <b>\$83,050</b>    |                              |                                      |  |

**Notes:**

- (1) These estimates are for a YEL Business with 75 public elementary schools in its Designated Territory with 2-10 instructors. If there are more than 75 public elementary schools in your Designated Territory, you will pay us an additional Initial Franchise Fee equal to \$10.00 per school for each additional school in your Designated Territory. None of these payments are refundable.

- (2) The low estimate assumes you do not qualify for any of the discounts discussed in Item 5. If you qualify for a discount, the low estimate would be reduced by the applicable discount.
- (3) The low estimate assumes you have an existing vehicle meeting our standards, including that the vehicle be in good working condition and appearance. The high estimate is for the down payment on a vehicle you purchase for use in your YEL Business.
- (4) The low estimate assumes you operate out of a home office but that you have to purchase a desk, chair, file cabinet, table, lighting and wastebasket to furnish your office. The high estimate assumes you operate out of a commercial space with no more than 300 square feet. Rent for these locations will typically vary from \$5.50 to \$10.50 per square foot per year, not including CAM or taxes. Our estimate assumes you will not have to make any capital improvements to the space you lease. If you lease space, most landlords will require you to pay the first and last month's rent, plus a security deposit at the time you sign the lease. The high estimate also includes costs for the purchase of a desk, chair, file cabinet, table, lighting and wastebasket to furnish your office
- (5) These estimates are for an inventory of instructional materials and aids to be used in your programs as well as uniform shirts for your instructors. The low estimate is for a minimum amount of aids and shirts to begin your YEL Business (2 instructors teaching multiple subjects) while the high estimate assumes you are providing a greater number of classes and have a higher number of instructors (10 instructors teaching a single subject). We have also included the cost of printed materials such as business cards, promotional materials and an opening order of office supplies in these estimates.
- (6) While we do not charge for our Initial Training Program, you must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all attendees. The low estimate assumes you (your majority owner if you are an entity) attend the Initial Training Program and that you or the majority owner will be acting as the Manager of the YEL Business. The high estimate assumes you (your majority owner if you are an entity) and your Manager, who is someone other than you, attends our Initial Training Program. This training will be held at our corporate offices in Minnesota or at another location we specify. Your actual costs will vary depending on the distance to be traveled, your method of travel, and your personal circumstances.
- (7) Although we only require that you spend \$2,500 on grand opening marketing we recommend that you spend significantly more. If you fail to spend this amount you must pay us the difference and we will put it in the Brand Fund. This is in addition to any other rights we may have against you.
- (8) You must spend at least 3% annually on marketing your YEL Business. If you fail to spend this amount you must pay us the difference and we will put it in the Brand Fund. This is in addition to any other rights we may have against you. This estimate is for the first 3 months after your YEL Business opens. We recommend that you spend significantly more than we have estimated.
- (9) These estimates are for the minimum technology, including an Apple laptop computer, printer, fax and scanner, iPhone, high-speed internet connection and the software we require. Your computer may only be used for YEL Business purposes and only the software we specify may be loaded on it.
- (10) You must carry the types and amounts of insurance we specify. We currently require you to carry commercial general liability insurance, general casualty insurance if your YEL Business is operated from a nonresidential location, and in any event the equipment of the Franchised Business, inland marine insurance, business motor vehicle liability insurance, and workers' compensation insurance. This estimate is for the initial deposit for these insurance coverages.

- (11) These estimates are for a business permit and licenses that may be required by state agencies.
- (12) These estimates are for additional supplies and expenses that you may have in starting your YEL Business
- (13) This amount includes estimated operating expenses you should expect to incur during the first 3 months of operation, which includes the File Hosting Fee, insurance premiums, initial staff recruiting and training expenses, additional supply costs, marketing costs and rent in the high estimate. It excludes real estate lease costs in the low estimate, and in each estimate, any revenue generated by your YEL Business, taxes, and compensation for your employees as compensation depends on the region of the country your YEL Business is in as well as the location of your business in that region. We have relied on the experiences of our affiliate in opening locations in the Midwest to compile these estimates.
- (14) This is based on our estimate of costs and market conditions prevailing as of the date of this Franchise Disclosure Document. It is possible to significantly exceed costs in any of the areas above. You should review these figures carefully with a business and a legal advisor before making any decision to purchase a franchise. Many factors that are unique to your market can make a dramatic difference in the estimates provided. We do not offer financing for any part of the initial investment. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, your relationship with local banks, your business experience, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest or debt service obligations.

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

The equipment, supplies, curricula, classes, furniture, vehicles, signage, computer hardware and software, including electronic commerce platforms, bank, cell phones, student prizes and awards, paper goods, including student handouts, food and beverages, site (if you choose to operate from a non-residential space), insurance, internet access, employee apparel and products you purchase for use or sale in or through your YEL Business, must meet our specifications. Those specifications may include minimum standards for type, performance, design, appearance, and quality. We will issue the specifications to you before you begin operating. We may include these specifications in the manual that we provide to you either hard copy or on-line, or we may issue them separately. While we do not have specifications for local advertising you create to promote your YEL Business, you must obtain our prior approval to the use of any advertising materials to market your YEL Business. You must also obtain our approval before establishing or having established any website, web page, social media and/or social networking site, online directory or online business profile, review or opinion web page or site, avatar, profile, account, or hashtag relating to or making reference to us, your YEL Business, or to the System.

You can expect that the items you purchase to meet our specifications will represent over 95% of the total purchases you will make to begin operations. Once you begin operating, we expect the items you purchase that meet our specifications will represent between 10% and 25% of your total annual expenses.

We may require you to purchase certain items used or offered by your YEL Business from vendors we approve, in which case we will provide you with a list of approved suppliers. These suppliers may pay rebates to us. There are no caps or limitations on the amount of rebates we may receive from suppliers as a result of franchisee purchases. They may also provide us and our affiliates with credits on purchases we and our affiliates make from them based on the volume of purchases our franchisees make from them. In our fiscal year ended December 31, 2022 we received \$3,781 from the required purchase or lease of products or services by franchisees, which amount was approximately 13.9% of our total revenues of \$27,038. This information was taken from our audited financial statements.



If you want to purchase items for your YEL Business that differ from our specifications, or from an unapproved supplier, you must notify us in writing. If we request, you must submit samples and other information we require for testing or to otherwise determine whether the product, material, supply and supplier meets our specifications and quality standards. We can charge you a fee to evaluate a proposed supplier or item.

Although we do not make available the criteria we review when approving unapproved items or suppliers, we consider various factors including whether the product or service is consistent with our concept and brand; how the supplier and/or their products or services would enhance our brand; if the product or service is already available through other sources, would approval of another vendor enhance competition or dilute our ability to maximize pricing benefits for our franchisees; and is the product of a commercial quality with a proven record of durability. We will generally notify you and the supplier of our approval or disapproval within 30-days of our receipt of all the information and samples we request. If we revoke approval of any supplier or any item offered by a supplier, we will send you written notice of our revocation of an approved supplier or item.

We are the only approved supplier for your instructional aids, including curricula, apparel for your staff and the “Youth Database”, which is our proprietary electronic operating platform we will provide you access to and which you will use to schedule all of your camp classes. You will also only be able to electronically access our curriculum from one file management system we operate. We only have one supplier for the electronic commerce platform you must use to process student registrations and payments, including via credit card. We also only have one approved supplier for your initial supply of Legos and robotics. We will not approve another supplier for any of these items. We and our affiliates intend to make a profit on any products or services they or we sell to you.

We do not have any purchasing or distribution cooperatives as of the date of this Disclosure Document. We may negotiate purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of designated or approved suppliers and distributors.

Our officers do not own any interest in any of our suppliers, other than their interest in our affiliated supplier.

## ITEM 9 FRANCHISEE’S OBLIGATIONS

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

| Obligation   | Section in Franchise Agreement   | Disclosure Document Item |
|--|--|--------------------------|
| a. Site selection and acquisition/lease                | Sections 3(a) and (d)  | Items 7 and 11           |
| b. Pre-opening purchases/leases                        | Sections 3(d), (e), (f), and 12  | Items 7 and 8            |
| c. Site development and other pre-opening requirements | Sections 3(d), (e), (f), and 10(a)   | Items 7 and 11           |
| d. Initial and ongoing training                        | Sections 9(a), (b), and 10(c)  | Item 11                  |
| e. Opening   | Section 10(a)  | Items 7 and 11           |
| f. Fees  | Sections 2(c)(ii), 3(c), 5, 6 (a)-(b), 7(a), (d), 8(f), 9(b), 10(d), (p), and 17(c)(ii)(e) | Items 5, 6 and 7         |

| <b>Obligation</b>  | <b>Section in Franchise Agreement</b>   | <b>Disclosure Document Item</b> |
|--|---|---------------------------------|
| g. Compliance with standards and policies/operating manual | Sections 3(a)-(g), (j), 7(c)-(f), 9(c), (f), 10(b)-(k), (m)-(o), 12(a), (b), and 14 | Items 8, 11, 15, and 16         |
| h. Trademarks and proprietary information                  | Sections 9(c), 10(e), 11, 13(d), and 15   | Items 13 and 14                 |
| i. Restrictions on products/services offered               | Sections 9(f), 10(n), and 12  | Items 8, 11, and 16             |
| j. Warranty and customer service requirements              | Sections 10(d), (e), (o), and (p)   | Item 16                         |
| k. Territorial development and sales quotas                | Section 4(c)  | Item 12                         |
| l. Ongoing product/service purchases                       | Section 12  | Item 8                          |
| m. Maintenance, appearance and remodeling requirements     | Sections 2(c), 3(d)-(g), (i) and (j), 10(e), (g) and (i)                            | Item 6                          |
| n. Insurance   | Section 14  | Item 7                          |
| o. Advertising   | Sections 4(c), 7(c)-(f), and 10(e)  | Items 6, 7, and 11              |
| p. Indemnification   | Sections 3(h), 17(c), and 22(c)   | Item 6                          |
| q. Owner's participation/management/staffing               | Sections 10(b), (c), (k), and (l)   | Item 15                         |
| r. Records and reports                                     | Section 10(l) and 13(a)   | Not Applicable                  |
| s. Inspections and audits                                  | Sections 13(b) and (c)  | Not Applicable                  |
| t. Transfer  | Sections 17(b)-(e)  | Item 17                         |
| u. Renewal   | Sections 2(b)-(d)   | Item 17                         |
| v. Post-termination obligations                            | Sections 15, 16, and 20(c)  | Item 17                         |
| w. Non-competition covenants                               | Section 16  | Items 15 and 17                 |
| x. Dispute resolution                                      | Sections 21(a), (b), (c) and (g)  | Item 17                         |
| y. Other: guaranty of franchise obligations (Note 1)       | Personal Guaranty (which follows the Franchise Agreement)                           | Item 15                         |

**Notes:**

- (1) Each individual who is an owner of any entity that is the franchisee, and their spouse, must sign a personal guarantee of all the obligations of the franchisee. This guarantee also includes an agreement to be bound by the confidentiality and noncompete provisions of the Franchise Agreement.

**ITEM 10  
FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. We and our affiliates have the right to sell, assign or discount to a third party all or part of any amounts you may owe to us or to our affiliates.

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

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

Before you open your YEL Business, we will:

- (1) Designate your Designated Territory (Franchise Agreement – Sections 4(a)/Rider).
- (2) Provide you with a market introduction plan to assist you in initially marketing your YEL Business (Franchise Agreement – Section 9(h)).
- (3) Provide you a sample layout and décor and signage requirements, if you will be locating your YEL Business office in a non-residential space (Franchise Agreement – Section 3(d)).
- (4) Provide you with a webpage on our or our affiliate's website to advertise your YEL Business and provide you with an email address you will use in the operation of your YEL Business (Franchise Agreement – Section 7(f)).
- (5) Provide for you and your majority owner if you are an entity and your Manager(s) if you or your majority owner are not the Manager, at our expense, the Initial Training Program (Franchise Agreement – Section 9(a)).
- (6) Provide you with 1-3 days of on-site assistance, as we determine, within 14 days after the grand opening of your YEL Business (Franchise Agreement – Section 9(e)).
- (7) Loan you a copy of our manuals that contain various information including mandatory and suggested specifications, standards and procedures. We may accomplish this by providing you with on-line access only. We may modify any manual periodically in our discretion. (Franchise Agreement – Section 9(c)). As of the issuance date of this Disclosure Document, the Brand Standards Manual contains 225 pages. A copy of the table of contents of the Brand Standards Manual is attached to this Disclosure Document as Exhibit C.
- (8) Provide you with various forms you may use in the operation of your YEL Business, including a form of enrollment form (Franchise Agreement – Section 9(g)).
- (9) Provide you with a list of the approved suppliers for certain equipment, supplies and services for your YEL Business (Franchise Agreement – Section 12(a)).
- (10) Sell to you instructor aids and apparel for your staff (Franchise Agreement – Section 12(a)).
- (11) Provide you with access to our proprietary Youth Database to schedule your camps and classes (Franchise Agreement – Section 9(i)).

During the term of the Franchise Agreement, we will:

- (1) Be available during normal business hours to provide you with telephone support on operating issues you confront (Franchise Agreement –Section 9(e)).
- (2) Provide our Initial Training Program to any new Manager you retain for your YEL Business (Franchise Agreement – Section 9(a)).

- (3) Provide you with additional training on topics that you and we agree on so long as we can agree on the charges for the training, the location and topics (Franchise Agreement – Section 9(b)).
- (4) Maintain and administer the Brand Fund (Franchise Agreement – Section 7(b)).
- (5) Provide you curricula your instructors will use to conduct camp classes (Franchise Agreement – Section 9(f)).
- (6) Provide you with an example of a Chart of Accounts you can use in your YEL Business (Franchise Agreement – Section 9(j)).
- (7) Provide you with access to our proprietary Youth Database to schedule your camps and classes (Franchise Agreement – Section 9(i)).
- (8) Provide you with examples of advertising you can adapt for use in the marketing of your YEL Business (Franchise Agreement – Section 9(h)).
- (9) Offer you the chance to service House Accounts in your Designated Territory if we have some in your Designated Territory and if you meet our standards (Franchise Agreement – Section 4(a)).
- (10) Provide a file hosting service where our curriculum will be stored and which you may electronically access (Franchise Agreement – Section 9(k)).

**Training**

Initial Training Program

You, your majority owner if you are an entity or your Manager(s) if different from you or your majority owner if you are an entity must successfully complete the Initial Training Program. The Initial Training Program must be completed within 60 days after you sign the Franchise Agreement. This training will be held on an as needed basis as we sell franchises. There is no charge to you for this training, but you are responsible for all travel and living expenses you and your attendees incur in attending the training. If you or any other attendee fail this training we can terminate the Franchise Agreement. We will refund to you one-half of the Initial Franchise Fee if we terminate the Franchise Agreement because you or your majority owner if you are an entity fail to successfully complete our Initial Training Program, so long as you sign a general release releasing us from liability.

Our Initial Training Program as of the date of this Disclosure Document consists of approximately 8 days of training as follows:

**INITIAL TRAINING PROGRAM**

| <b>Subject</b>             | <b>Hours of Classroom Training</b> | <b>Hours Of On-The-Job Training</b> | <b>Location*</b> |
|----------------------------|------------------------------------|-------------------------------------|------------------|
| {YEL!} Way                 | 2.5                                | 0                                   | Minnesota        |
| Sales and Marketing        | 6                                  | 8                                   | Minnesota        |
| Operations                 | 10                                 | 10                                  | Minnesota        |
| Finance                    | 6                                  | 4                                   | Minnesota        |
| Teacher Subjects           | 20                                 | 10                                  | Minnesota        |
| <b>Total Training Time</b> | 44.5                               | 32                                  |                  |

\* The Classroom portion of the Initial Training Program will usually be conducted in Carver, Minnesota at a location we specify. The On the Job portions of the Initial Training Program will occur in your Designated Territory or at other company-owned locations, and online.

The officer in charge of our Initial Training Program is Chet Gunhus. Mr. Gunhus, one of our founders, has been involved in the youth enrichment programming field since 1999. Each instructor providing this training will have at least 1 year of experience in the subject being taught. Our manuals serve as our primary instructional materials during the Initial Training Program.

### Additional Training

Any new Manager must attend and successfully complete our Initial Training Program before they begin to perform services on your behalf. Each of these trainings is provided at the locations and times we specify. We charge \$500 per day for this training. The cost for this training must be paid at the time of the training. You are responsible for the travel and living expenses incurred by you and your attendees at these trainings.

### **Advertising Programs**

#### System Brand Fund

Under the Franchise Agreement, you must contribute 1% of your monthly Gross Revenue to the Youth Enrichment League System Brand Fund. Your contributions to this Fund are due at the same time you pay your Royalty Fee, based on the amount of Gross Revenue of your YEL Business generated in the previous month. All our franchisees must contribute to this Fund. YEL Businesses operated by us or our affiliates will contribute to this Fund beginning when we have our first franchisee and that franchisee begins contributing to the Fund.

We account for the contributions to this Fund separately from our other revenues, and we do not use them to pay any of our general operating expenses other than our costs of administering the Fund and for creative services, including salaries and overhead of these individuals. The purpose of the Fund is to develop programs that benefit the {YEL!} brand and promote the Marks. This means we may use monies in the Fund for any purpose that promotes the {YEL!} logo and Youth Enrichment League name, logo and overall brand, including the creation, production and placement of advertising; to pay for agency costs and commissions; to pay the costs to create and produce video, audio and written advertisements; to pay for direct mail and other media advertising, including internet advertising, internet search engine campaigns and the cost to maintain and update our or our affiliate's websites, web pages, social media and social networking sites, profiles and accounts and for the costs of search engine optimization; in-house staff assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; market research; and other advertising and marketing activities; and the cost to attract, retain and maintain House Accounts.

We may create advertising materials in-house or use national, regional or local agencies. Advertising may be placed in local, regional or national media of our choice, including print, direct mail, electronic and online advertising, radio or television. We do not guarantee that advertising expenditures from the Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. It is our responsibility to determine how these monies are spent. We are not required to use monies in this Fund to benefit any individual market. However, we will not spend any portion of these monies for advertising principally designed to solicit the sale of franchises, but we may use monies in the Fund to update and administer our or our affiliate's website, which may contain information on franchise opportunities. In our fiscal year ended December 31, 2022, Fund expenditures were made as follows: 75% on digital marketing and 25% on general marketing materials.

Any unused amounts in the Fund in any calendar year will be carried over to the following year. Any interest the Fund earns will be used for advertising before we use any principal. At your request, we will make available to you an annual accounting for the Fund that shows how the Fund proceeds were spent for the previous year, but these statements will not be audited. We may, but have no obligation to, loan amounts to the Fund and can determine the repayment obligation of the Fund, including interest rate of the loan and repayment terms, as we see fit. We have no obligation to advertise your YEL Business.

We do not have an advertising council that advises us on advertising policies.

### Local Marketing

You must conduct your own local marketing of your YEL Business. You must spend at least \$2,500 to market the grand opening of your YEL Business on marketing we approve. You must also spend at least 3% of your annual Gross Revenue on local marketing we have approved in your market. If you fail to meet either of these requirements, in addition to our other rights, you must pay us the difference and we will put that amount in the System Brand Fund. (Franchise Agreement – Section 7(d)).

You must obtain our prior approval of all local marketing, including electronic content, you engage in or use for your YEL Business. Use of the Marks and other materials identifying our brand must be consistent with our approved standards. You may not use the Marks or other materials identifying our brand on items to be sold or services to be provided without our prior written approval. You must also obtain our approval before establishing, or having established, any website, web page, social media or social networking site, application, online directory or online business profile, review or opinion web page or site, avatar, hashtag, profile or account that refers to us, your YEL Business, or to the System. We may also impose prohibitions on you posting or blogging comments about the YEL Business or the System on social media. “Social media” includes personal blogs, common social networks like Facebook, Instagram, TikTok, Twitter, Snapchat and Pinterest; professional networks, business profiles or online review or opinion sites like LinkedIn, Google Business Profile or Yelp; live-blogging tools like Twitter and Snapchat; virtual worlds, metaverses, file, audio and video-sharing sites, and other similar social networking or media sites or tools). (Franchise Agreement – Section 7(f)).

Although we can require you to, we do not currently require Youth Enrichment League franchisees to participate in a local or regional advertising cooperative. If we do, we will define the area of membership of the cooperative and determine how much you must contribute to the cooperative. If we establish a cooperative in a market serviced by YEL Businesses we or our affiliates own, these Businesses will not participate in the cooperative. We will administer any cooperatives. The cooperatives will not operate from governing documents nor will they prepare annual or periodic financial statements. We can form, change, dissolve or merge these cooperatives at any time.

### **Site Selection and Opening**

You must operate your YEL Business from one location we approve in your Designated Territory. This location can be a home office or a commercial space. In either case, the space must meet our standards. However, we do not provide you with any site selection assistance. We do not own property which is then leased to a franchisee generally. You will lease the space for your YEL Business from a third party. We do not conform the premises to local ordinances and building codes or obtain any required permits for you, and we do not construct, remodel or decorate the premises.

You must submit to us information and materials we require about the location from which you will operate your YEL Business. If you will be operating your YEL Business from a commercial space, you must obtain our approval of that space at the time you sign your Franchise Agreement. We take various factors into consideration when reviewing a commercial space, including the location of the space and the nature of surrounding businesses and size of the proposed space. The site must generally be at least 300 square feet

with approximately 200 square feet dedicated to storage space. We must also approve build-out plans developed by you or your architect for your space.

You may not open your YEL Business until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) you and your Manager, if different from you or your majority owner if you are an entity, have completed our Initial Training Program to our satisfaction and you certify that you have provided all of your employees with the training we require; (3) you have furnished us with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums we request; (4) you notify us that all approvals and conditions in the Franchise Agreement have been met; and (5) you have obtained all required permits and licenses, including those required by the licensing agency having jurisdiction over your YEL Business. You must open your YEL Business within 90 days from the date you sign your Franchise Agreement. If you do not, we can terminate your Franchise Agreement and retain all amounts you have paid to us. (Franchise Agreement – Section 10(a)).

We estimate that the typical length of time between signing of the Franchise Agreement and the opening of your YEL Business will be between 1 and 3 months. Some factors that may affect this timing are whether you will be operating from a home office or a commercial space, the amount of time it takes you to hire employees and your ability to secure any necessary financing.

## **Software and Computer Equipment**

### Computer Hardware

You must purchase and use at a minimum, an Apple laptop computer, a printer, facsimile and scanner, and a mobile phone, all of which items must meet our standards for brand and functionality. All of these items must meet our specifications, including those related to model, brand and functionality, but can be purchased from any vendor. You will use the computer to send invoices, perform accounting functions, process payroll and customer payments, complete enrollment forms, schedule classes, maintain financial information, and email correspondence with customers, us and others.

### Computer Software

You must maintain on your computer the most current versions of Microsoft Office, Claris (FileMaker Pro), and QuickBooks Online. You must also use the most current version of the electronic commerce platform we require. You must renew these licenses on a yearly basis. We will also provide you access to our “Youth Database”, which is our proprietary electronic operating platform. You will pay us 1% of your monthly Gross Revenue for access to this platform. You will also have access to our electronic file management system where the curricula is stored. You will pay us our then-current fee for this service, which is currently \$24 per month.

The initial cost for the computer hardware and software ranges from \$2,500-\$3,000. The ongoing annual cost is approximately \$500 per year.

### Ongoing Maintenance and Use

We are not obligated to provide you with ongoing maintenance, repairs, upgrades or updates to the technology discussed above. Although most new computers come with a limited warranty, we are not aware of any third parties with an obligation to repair, update, upgrade or maintain these items. We anticipate that you will be required to upgrade or update your technology during the term of the franchise, and there are no contractual limitations on the frequency and cost of the obligation.

You must have high speed Internet access that meets our specifications and maintain an email account that allows us to communicate with you on a regular basis. We can independently access your electronic information and data, and collect and use this electronic information and data in any manner we choose without compensation to you. There is no contractual limitation on our right to receive or use information we obtain from you.

## **ITEM 12 TERRITORY**

You must have a site for your YEL Business that meets our requirements when you sign your Franchise Agreement. At this same time we will grant you a territory. We refer to this territory as the “**Designated Territory**” and we describe it in the Rider to your Franchise Agreement. The location of your YEL Business, whether it be a home office or a commercial location, must be in your Designated Territory unless we otherwise approve. You may only conduct events, including camps, classes and tournaments, in your Designated Territory.

Your Designated Territory will generally encompass the county in which your YEL Business is located. If there are more than 75 public elementary schools within that county you will pay us a fee of \$10 per school for each additional school in that county. If there are less than 75 schools in that county we will grant you the right to service additional public elementary schools in contiguous counties, up to 75 (subject to payment of the \$10 fee above). The exact size of your Designated Territory will depend upon various factors including whether your YEL Business is located in a metropolitan area and the number of public elementary schools in your market area. We have no obligation to grant you a Designated Territory that includes schools in non-contiguous counties. We will allow you to relocate your site so long as it continues to be in your Designated Territory and meets our other then-current requirements for a site.

As long as you are in compliance with your Franchise Agreement and any other agreements with us and any of our affiliates, we will not operate or grant a third party the right to operate a business providing after-school programming under the {YEL!} logo or Youth Enrichment League mark that is physically located in your Designated Territory. Other than these limitations there are no prohibitions on us in your Designated Territory. For example, we can operate or allow others to operate similar or identical businesses within the Designated Territory if such businesses do not operate under the {YEL!} logo or Youth Enrichment League mark, and to operate similar or identical business outside of your Designated Territory under any trademarks even if the businesses compete with your YEL Business in your Designated Territory. We can also operate or allow others to operate businesses inside the Designated Territory under the Marks so long as the businesses are not competitive with your YEL Business. We can sell any products we or our affiliates provide to you for use in your YEL Business to any person, whether in or outside your Designated Territory. We can sell or grant third parties the right to sell goods or services competitive with those sold by your YEL Business under the Marks or otherwise through other distribution channels including the Internet, catalog sales, telemarketing or other direct marketing, inside and out of your Designated Territory. This includes our provision of on-line classes to students who reside in your Designated Territory or who are attending a school or other organization located in your Designated Territory where you are providing your services. We can acquire businesses in the Designated Territory that are similar to your YEL Business or sell our business whether through a sale of assets or stock to anyone, regardless whether they operate or franchise the operation of businesses similar to your YEL Business. We can also operate or allow others to operate businesses located inside or outside of your Designated Territory that sell to locations inside or outside of your Designated Territory our curriculum, either under the Marks or otherwise. Last, we, an affiliate, or a third party that we grant a right to, can collaborate with or offer to sell, and sell our services to “House Accounts” that may be located in or outside of your Designated Territory. We consider a “House Account” to be a multiple location school or other organization that provides educational services and that is not funded primarily by one or more governmental entities and that has at least one location outside of your Designated Territory.



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

We cannot unilaterally change your Designated Territory, and there are no minimum quotas required. As long as you are in compliance with your Franchise Agreement, you will retain the rights described above. You will not receive any options, rights of first refusal, or similar rights to acquire additional franchises. We will not pay you any compensation for soliciting or accepting orders or providing services in your Designated Territory.

With the exception of House Accounts, we do not restrict the parties that you may collaborate with to provide your services so long as the parties do not negatively impact the reputation of our System or brand. In any event, these parties must be located in your Designated Territory.

You cannot solicit customers via the Internet, telemarketing or other direct marketing efforts unless we approve of those efforts. All of your advertising, including electronic content, must be approved by us, and you must obtain our written approval before you establish any website, web page, or social networking or social media site, profile, account or hashtag, relating to or making reference to us, the Marks, your YEL Business or the System.

### **ITEM 13 TRADEMARKS**

The Franchise Agreement gives you the right to operate a YEL Business under the trade names, trademarks and service marks that we establish. We consider the {YEL!} logo to be our principal mark. Our affiliate registered this mark on the Principal Register of the United States Patent and Trademark Office (“USPTO”) on April 24, 2018, Registration No. 5451015.

The {YEL!} logo includes the word mark “Youth Enrichment League”. In many cases, we use this mark alone to describe our services and our System. We do not have a federal registration for this mark. Therefore, this mark does not have many of the legal benefits and rights as a federally registered trademark. If our right to use this service mark is challenged, you may have to change to an alternative mark, which may increase your expenses.

Our affiliate has also registered on the Principal Register of the USPTO the marks in the chart below:

| Mark Description                    | Registration Number | Date of Registration |
|-------------------------------------|---------------------|----------------------|
| {YEL!} 2 QUESTION, 10 SECOND SURVEY | 5878580             | October 8, 2019      |
| {THINK} - {LEARN} - {PLAY WELL}     | 5878582             | October 8, 2019      |
| TEACH IT!...PRACTICE IT!...PLAY IT! | 5878583             | October 8, 2019      |

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of the Marks relevant to the use of these Marks. No currently effective litigation affects our use or rights in any of these Marks. No currently effective agreement limits our right to use or license the use of these Marks. All affidavits required to preserve and renew the principal mark disclosed above have been or will be filed. We do not know of any infringing uses that could materially affect your use of these Marks.

We obtained the rights to use the {YEL!} logo and all other marks, logos, commercial symbols and other intellectual property owned by our affiliate, and to license others to use these items, under an Intellectual Property License Agreement dated March 25, 2019, between us and our affiliate. Under the terms of that Agreement, our affiliate may continue to operate its own businesses under these marks, provided it does not do so within any Designated Territory granted to any of our franchisees. We are not restricted in any way in which we use these items and the length of the Agreement is indefinite. We therefore essentially have all the rights as the owner of the intellectual property to license others to use the intellectual property. If this License Agreement were terminated you would have to stop using the {YEL!} logo and all other intellectual property licensed to us under the Agreement.

You must follow our standards when you use the Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate or business name or in any form on the Internet, including but not limited to URLs, domain names, hash tags, e-mail addresses, locators, links, metatags or search techniques. You may not use any of the Marks for the sale of any unauthorized product or service or in a manner we have not authorized in writing.

We will protect and maintain all rights to use the Marks against encroachment, misuse or unauthorized use and against all challenges to any rights of use, as we deem appropriate. You must notify us immediately when you learn about an infringement of or challenge to your use of these Marks. We may take the action necessary, in our sole discretion, to prevent the unauthorized use of the Marks, including bringing actions against third parties regarding the use of any of the Marks, but the Franchise Agreement does not require us to take any specific affirmative action. We will control any administrative proceedings or litigation involving the Marks. You must cooperate with us and take all actions we require to carry out the defense or prosecution. While we are not required to defend you against a claim based on your use of the Marks, we will either do so, or we will reimburse you for your liability as long as you properly use the Marks, including against claims of infringement or unfair competition arising out of your use of the Marks.

We may change the Marks and require you to adopt new marks as if they were part of the Franchise Agreement at the time you sign it. You must comply with these changes immediately after we notify you that we have discontinued, modified or changed one or more of the Marks and pay any costs related to the discontinuance, modification or other change. We will have no liability or obligation because of the discontinuation, modification or change. You must not directly or indirectly contest the validity of the Marks or our right to use or license the Marks, trade secrets, confidential information or business techniques that are part of our System. You must use the designations of ®, ™, and ™ in advertising and promotions using the Marks, as we designate.

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

We do not own any rights to, or licenses in, any patents or registered copyright material to the franchise, nor do we have any pending patent applications. We claim copyright protection for our manuals, our curriculum, and to advertising and promotional materials, forms, and related materials that we produce, but we have not registered any of these materials with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and are our property. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of our copyrighted materials, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to our copyrighted materials that will or may significantly limit your use of our copyrighted materials. We are not aware of any infringing uses of these materials that could materially affect your use of these materials. We are not required by any agreement to protect or defend our copyrights.

We will be disclosing to you certain information we believe to be confidential or proprietary information and trade secrets, including our curricula. This will be included in our manuals, and in materials we may separately provide you. You may use these materials, in the manner we approve, in the operation of your YEL Business during the duration of your Franchise Agreement. However, you may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include all trade secrets, knowledge or know-how, confidential information, advertising, marketing, designs, plans, or methods of operation. You may disclose this information to your Manager and teachers but only to the extent necessary to operate the YEL Business, and then only while your Franchise Agreement is in effect.

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

You must participate personally, on a full-time basis, in the operation of your YEL Business. However, you must have one Manager for each county that makes up your Designated Territory. You may only act as the Manager for one county, unless we otherwise approve. Each Manager must have successfully completed our Initial Training Program. A Manager need not have any ownership interest in your YEL Business but must sign non-competition and confidentiality agreements that restrict him or her to the same extent as you are restricted under the Franchise Agreement.

If you are an entity or you transfer your Franchise Agreement to a corporation, limited liability company or partnership, you and any other owners must sign a personal guaranty of all obligations under the Franchise Agreement.

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

You must offer the products and services we specify, and you may not sell other products or services in your YEL Business without our prior written approval. This means that we can limit the types of products and services that you may sell. We can also change the products and services you can offer at any time. For example, we can require you to stop offering camps or classes on various subjects or require you to offer camps or classes on new subjects we specify. We can also change the curriculum you must use when providing classes. You may only conduct events, including camps, classes and tournaments, in your Designated Territory. You must follow our policies, procedures, methods, and techniques and comply with all of our mandatory standards and specifications when providing services through your YEL Business and you must follow our curriculum when providing camp classes. You may only provide your services in collaboration with schools or other organizations that do not negatively reflect on our System or brand. We can also limit the days of the week that you can provide your services. You must participate in our customer satisfaction programs, including surveys and provide a guarantee meeting our standards.

You may not solicit, to collaborate with, or provide services to, a House Account. If you would like to solicit a House Account you must obtain our approval before doing so and we can solicit that Account in your place. However, so long as you are in compliance with all of our requirements, including compliance with your Franchise Agreement, we will give you the first right of refusal to work with, or provide services to or on behalf of, the House Account. All of your advertising and marketing must be approved by us, including any electronic content. You must obtain our written approval before you establish or have established any website, web page, or social networking or social media site, online directory or online business profile, review or opinion web page or site, application, avatar, profile, account or hashtag, relating to or making reference to us, your store, our marks, or the franchise system.

We can implement pricing policies, such as minimum or maximum price policies, minimum advertised price policies and unilateral minimum price policies, and you must abide by these policies. You cannot operate other businesses from the site of your YEL Business or in tandem with your YEL Business.

**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 Franchise Disclosure Document.**

| Provision                                  | Section in Franchise or Other Agreements | Summary   |
|--|--|---|
| a. Length of the franchise term            | Franchise Agreement - Section 2(a)       | 10 years.   |
| b. Renewal or extension of the term        | Franchise Agreement - Section 2(b)       | You can renew for two additional 5 years periods as long as you are in good standing and you meet our conditions for renewal.   |
| c. Requirements for you to renew or extend | Franchise Agreement - Section 2(c)       | Give written notice, sign new franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement); upgrade your YEL Business to comply with our then-current standards; sign general release; pay renewal fee.   |
| d. Termination by you                      | Franchise Agreement - Section 20(g)      | You can terminate upon 10 days written notice to us if we default under the Franchise Agreement and fail to cure within 30 days after you provide us notice of the default.   |
| e. Termination by us without cause         | Franchise Agreement - None               | Not Applicable  |
| f. Termination by us with cause            | Franchise Agreement - Section 20(a)      | We may terminate only if you default.   |
| g. "Cause" defined – curable defaults      | Franchise Agreement - Section 20(a)      | Most defaults are curable and you will have 30 days to cure (10 days for monetary defaults).  |
| h. "Cause" defined – non-curable defaults  | Franchise Agreement - Section 20(a)      | You are liquidated or dissolved; fail to begin operations within 90 days of the date of your Franchise Agreement; conduct events outside of your Designated Territory; abandon the business, lose the right to do business; fail to operate for the minimum days; lose a license required to operate the business; unapproved transfers; you or any of your owners engage in fraudulent conduct or are convicted of, or plead guilty or no contest to, certain crimes or an allegation of certain crimes is made that we consider credible; you maintain false books or records or submit any false or misleading application, statement or report to us; understate Gross Revenues by 5% or more; you misuse the Marks or materially impair the value of, or the goodwill associated with the Marks or the System; fail to successfully complete the Initial Training Program in a timely manner; fail to pay certain indebtedness; and other stated non-curable defaults. |

| Provision   | Section in Franchise or Other Agreements | Summary  |
|---|--|--|
| i. Your obligations on termination/non-renewal                | Franchise Agreement - Section 20(c)      | Stop operating the business, stop using our Marks, return information to us, assign to us or cancel certain registrations, listings, telephone numbers, websites and domain names, and pay all amounts you owe us, comply with your post-term obligations, including non-competition, confidentiality, and our purchase option if we exercise it.  |
| j. Assignment of contract by us                               | Franchise Agreement - Section 17(a)      | No restriction on our right to assign.   |
| k. "Transfer" by you – defined                                | Franchise Agreement - Section 17(b)      | Includes transfer of contract or business, or transfer of majority control of the Franchise Agreement or of the business.  |
| l. Our approval of transfer by franchisee                     | Franchise Agreement - Section 17(c)      | We must approve all transfers, but will not withhold our consent if all of the requirements for the transfer are met.  |
| m. Conditions for our approval of transfer                    | Franchise Agreement - Section 17(c)      | Transferee must meet our requirements, including completing training to our satisfaction and signing our then-current form of franchise agreement for the remaining term of your Agreement. (The new agreement may provide for different fees or territory than in your Agreement, but we will not require the transferee to pay us a new initial franchise fee.) You must also pay a transfer fee, training fee and sign a release (subject to state law).  |
| n. Our right of first refusal to acquire your business        | Franchise Agreement - Section 18(b)      | We can match any offer for your business or an interest in the business, including a sale between owners or between an owner and you.  |
| o. Our option to purchase your business                       | Franchise Agreement - Section 18(a)      | We can purchase your business assets upon the termination or expiration of your Franchise Agreement.   |
| p. Your death or disability                                   | Franchise Agreement - Section 17(c)      | Your heirs can assume your rights, but if they do, they must meet the transfer requirements. We may waive the transfer fee but we can charge your heirs for any costs we incur in training them.   |
| q. Non-competition covenants during the term of the franchise | Franchise Agreement - Section 16(a)      | No involvement in a business that provides supplemental education or enrichment programs or services or that is granting franchises or licenses for the operation of a business providing supplemental education or enrichment programs or services; no diversion to a competitor of a party you are collaborating with to provide, or who is facilitating, your services or to whose students, members or youth you are providing services, or from whose location you are providing services, or to whom you are directly providing services; may not interfere with the business activities of us, any of our affiliates or any of our franchisees. |

| Provision   | Section in Franchise or Other Agreements | Summary  |
|---|--|--|
| r. Non-competition covenants after the franchise is terminated or expires | Franchise Agreement - Section 16(a)      | For a period of 2 years, no involvement in any business that provides supplemental education or enrichment programs that is located or doing business in your Designated Territory, including from the location from which you operate, a radius of 10 miles from the Designated Territory or a radius of 10 miles from any other YEL Business. During this period, you may not solicit or attempt to persuade any party you are collaborating with to provide your services or to whose students, members or youth you are providing services, or from whose location you are providing services, or to whom you are directly providing services, to do business with a party other than us or another franchisee, may not interfere with the business activities of us, any of our affiliates or any of our franchisees. |
| s. Modification of the agreement  | Franchise Agreement - Section 24(i)      | No modifications without consent by all parties, but our manuals are subject to change.  |
| t. Integration/merger clause  | Franchise Agreement - Section 24(c)      | <p>Only the terms of the Franchise Agreement and other written agreements are binding (subject to applicable state law). Any representations or promises outside of this Disclosure Document and the Franchise Agreement may not be enforceable.</p> <p>Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in this Franchise Disclosure Document, its exhibits and amendments.</p>   |
| u. Dispute resolution by arbitration or mediation                         | Franchise Agreement - Section 21(b)-(c)  | Subject to state law, except for certain disputes, all disputes must be mediated, and if not settled by mediation, are then subject to arbitration.  |
| v. Choice of forum  | Franchise Agreement - Section 21(g)      | <p>Mediation to be held in a metropolitan area with a population of at least 250,000 people that is not located within 200 miles of your YEL Business location or our principal office.</p> <p>Arbitration at the American Arbitration office located in or nearest to Minneapolis, Minnesota.</p> <p>In most cases, litigation must be brought in the state or federal courts located in Hennepin County, Minnesota, subject to applicable state law.</p>   |
| w. Choice of law  | Franchise Agreement - Section 24(a)      | Subject to state law, Minnesota law generally applies.   |

**ITEM 18  
PUBLIC FIGURES**

We do not currently 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 YEL Business you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about the possible performance at a particular location or under particular circumstances.

**Statement of Historic Revenues, Expenses, and Income From  
YEL Businesses**

The following are statements of actual revenues, expenses and income for 2 YEL Businesses operated by our affiliate for the 12 months ended December 31, 2022. We have also included revenue information for the one franchised YEL Business that was open for the 12 month period ended December 31, 2022. We excluded information from two YEL Businesses operated by our affiliate. One because we do not believe that business is similar to the business that will be operated by any franchisee as it operates over a much larger territory. The other because the Business only operates for 2 months out of the year.

This information was obtained from the internal financial statements of our affiliate or from our franchisee in connection with the franchised location. With respect to the outlets for which we have provided expense information, the actual results have been adjusted, as described in the notes to the statements, to omit costs incurred by our affiliate that a franchisee would not have incurred, and to add costs that we reasonably expect a franchisee would incur. All numbers were rounded to the nearest dollar.

| <b>2022 Revenue and Expenses</b>       |                                |   |  |
|--|--------------------------------|---|--|
|  | <b>Iowa Outlet<sup>1</sup></b> | <b>Madison, WI<br/>Outlet<sup>1</sup></b> | <b>SE Minnesota<br/>Outlet<sup>1</sup></b> |
| <b>Gross Revenue<sup>2</sup></b>       | \$209,192                      | \$125,462                                 | \$284,002                                  |
| <b>Expenses<sup>3</sup></b>            |                                |   |  |
| Computer Software                      | \$522                          | \$517                                     |  |
| Computer Expense (hardware)            | \$0                            | \$1,597                                   |  |
| Advertising                            | \$1,322                        | \$1,706                                   |  |
| Insurance and Worker’s<br>Compensation | \$920                          | \$920                                     |  |
| Payroll Expense <sup>4</sup>           | \$76,283                       | \$45,973                                  |  |
| Office Supplies                        | \$749                          | \$208                                     |  |
| School Supplies                        | \$8,631                        | \$7,043                                   |  |
| Rent <sup>5</sup>                      | \$0                            | \$1,499                                   |  |
| Travel and Entertainment               | \$109                          | \$1,342                                   |  |
| Postage and Delivery                   | \$2,145                        | \$2,178                                   |  |

| <b>2022 Revenue and Expenses</b>   |                                |                                       |  |
|--|--------------------------------|---------------------------------------|--|
|  | <b>Iowa Outlet<sup>1</sup></b> | <b>Madison, WI Outlet<sup>1</sup></b> | <b>SE Minnesota Outlet<sup>1</sup></b> |
| Utilities <sup>6</sup>   | \$384                          | \$384                                 |  |
| Other <sup>7</sup>   | \$5,480                        | \$2,670                               |  |
| <b>Total Expenses</b>  | <b>\$96,545</b>                | <b>\$66,037</b>                       |  |
| <b>Outlet Net Profit Before Interest, Taxes, Depreciation and Director Compensation</b>                              | <b>\$112,647</b>               | <b>\$59,425</b>                       |  |
| <b>Additional Franchise Expenses</b>   |                                |                                       |  |
| Royalties <sup>8</sup>   | \$12,552                       | \$8,957                               |  |
| Advertising <sup>9</sup>   | \$7,046                        | \$3,312                               |  |
| Technology Fee <sup>10</sup>   | \$2,092                        | \$1,255                               |  |
| File Hosting Fee <sup>11</sup>   | \$288                          | \$288                                 |  |
| <b>Total Franchise Expenses</b>  | <b>\$21,978</b>                | <b>\$13,812</b>                       |  |
| <b>Net Profit Before Interest, Taxes, Depreciation and Owner/Director Compensation, but After Franchise Expenses</b> | <b>\$90,670</b>                | <b>\$45,613</b>                       |  |

<sup>1</sup> The Iowa outlet began operating in June 2016. The Madison, WI outlet began operating in June 2019. The SE Minnesota outlet began operating in October 2017. The SE Minnesota outlet operates in a territory that is on the larger geographic range of the average territories in which we expect a franchisee will operate.

<sup>2</sup> Gross Revenues include all revenues received by the outlet, excluding taxes and refunds. This is the same definition as used in the Franchise Agreement.

<sup>3</sup> Because these YEL Businesses were already open and operating as of January 1, 2022, these statements do not include any start-up expenses for opening a YEL Business.

<sup>4</sup> Payroll Expense does not include a Director's salary, as it is assumed you will serve as the Director and your salary will be the profit you earn in the business. Payroll expenses does include payroll taxes, workers' compensation and mileage reimbursement.

<sup>5</sup> None of these locations incurred a rental expense for the rental of office space. The Madison, Wisconsin location incurred the expense in the chart above for the rental of off-site storage. We assume you will work from your home and would not incur an expense for rental of office space or for storage.

<sup>6</sup> Utilities will likely consist of high speed internet and telephone expenses. If you operate out of your home, and already have these services, you may not have this expense.

<sup>7</sup> The category of "Other" includes recruiting costs, professional fees, processing fees (such as bank fees or PayPal fees), charitable contributions, and teacher incentives. These amounts, and the categories of fees, will vary by location.

<sup>8</sup> Royalties equal 6% of Gross Revenues. However, beginning in the 3rd year, there is a minimum quarterly royalty payment obligation of \$2,250 plus \$15 for each public elementary school above 75 in the Designated



Territory. The Madison outlet was open for more than 3 years as of December 31, 2022 and therefore includes three quarters of minimum quarterly royalties based on 96 elementary schools in its Designated Territory. For the remaining quarter, the royalty that would have been paid was more than the minimum quarterly royalty amount. The royalty that would have been paid by the Iowa outlet based on its Gross Revenues would have been more than the minimum quarterly royalty payment obligation.

<sup>9</sup> Under our Franchise Agreement, you must contribute 1% of your revenues to our Brand Fund, and you must spend 3% of your revenues on local advertising. To calculate the additional expense these outlets would have incurred if they had been operated as a franchised outlet, we took the combination of these two expenses, and subtracted the actual advertising expenses the outlet incurred, leaving the balance as an additional expense.

<sup>10</sup> Under our Franchise Agreement, you must pay us a Technology Fee equal to 1% of your revenues.

<sup>11</sup> Under our Franchise Agreement, you must pay us a \$24 monthly fee to manage the file hosting service where our curriculum is stored.

The actual revenues any individual outlet achieves will vary significantly based on a number of factors, including competition in the territory, receptiveness of schools in the territory to having after-school activities or third party vendors on their premises, the length of time the Business has been in operation, and the efforts, abilities and activities of the owner of the Business and its employees. Likewise, the expenses of each outlet will vary significantly, depending on the manner in which the owner of the outlet operates the business, the cost of labor and other items in the territory, and the nature of local advertising/marketing conducted in the territory.

The actual revenues any individual outlet achieves, and the expenses it incurs, will also vary significantly based on the number and type of classes offered by the Business, the price charged for each class, and the average enrollment in each class.

**Some outlets have achieved these results. Your individual results may differ. There is no assurance you'll achieve as much.**

These figures were prepared without an audit. Prospective franchisees should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to the content or form.

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

Other than as discussed above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchise YEL Businesses. 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 YEL Business, however, we may provide you with the actual records of that YEL Business. 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 Chet Gunhus at 343 Bluff Road, Carver, Minnesota 55315, telephone (800) 959-9261, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years 2020-2022<sup>1</sup>**

| <b>Outlet Type</b> | <b>Year</b> | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |
|--------------------|-------------|---|---------------------------------------|-------------------|
| Franchised         | 2020        | 0                                       | 0                                     | 0                 |
|                    | 2021        | 0                                       | 1                                     | +1                |
|                    | 2022        | 1                                       | 1                                     | 0                 |
| Company Owned      | 2020        | 6                                       | 4                                     | -2                |
|                    | 2021        | 4                                       | 4                                     | 0                 |
|                    | 2022        | 4                                       | 4                                     | 0                 |
| Total Outlets      | 2020        | 6                                       | 4                                     | -2                |
|                    | 2021        | 4                                       | 5                                     | +1                |
|                    | 2022        | 5                                       | 5                                     | 0                 |

1. The numbers for each year are as of December 31.
2. These outlets are owned by our affiliate.

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2020-2022<sup>1,2</sup>**

| <b>State</b> | <b>Year</b> | <b>Number of Transfers</b> |
|--------------|-------------|----------------------------|
| All States   | 2020        | 0                          |
|              | 2021        | 0                          |
|              | 2022        | 0                          |
| Total        | 2020        | 0                          |
|              | 2021        | 0                          |
|              | 2022        | 0                          |

1. The numbers for each year are as of December 31.
2. Does not include transfers where beneficial ownership of less than 50% of the franchise did not change, circumstances where and individual transfers to an entity the individual owns or transfers to heirs.

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2020-2022<sup>1</sup>**

| State     | Year | Outlets at Start of the Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations – Other Reasons | Outlets at End of the Year |
|-----------|------|------------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| Minnesota | 2020 | 0                            | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|           | 2021 | 0                            | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
|           | 2022 | 1                            | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
| Total     | 2020 | 0                            | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|           | 2021 | 0                            | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
|           | 2022 | 1                            | 0              | 0            | 0            | 0                        | 0                                 | 1                          |

1. The numbers for each year are as of December 31.

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2020-2022<sup>1,2</sup>**

| State     | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|-----------|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| Colorado  | 2020 | 1                        | 0              | 0                                  | 1              | 0                          | 0                          |
|           | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|           | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
| Iowa      | 2020 | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
|           | 2021 | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
|           | 2022 | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
| Minnesota | 2020 | 2                        | 0              | 0                                  | 0              | 0                          | 2                          |
|           | 2021 | 2                        | 0              | 0                                  | 0              | 1                          | 1                          |
|           | 2022 | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
| Wisconsin | 2020 | 2                        | 0              | 0                                  | 1              | 0                          | 1                          |
|           | 2021 | 1                        | 1              | 0                                  | 0              | 0                          | 2                          |
|           | 2022 | 2                        | 0              | 0                                  | 0              | 0                          | 2                          |
| Total     | 2020 | 6                        | 0              | 0                                  | 2              | 0                          | 4                          |
|           | 2021 | 4                        | 1              | 0                                  | 0              | 1                          | 4                          |
|           | 2022 | 4                        | 0              | 0                                  | 0              | 0                          | 4                          |

1. The numbers for each year are as of December 31.
2. These outlets are owned by our affiliate.

**Table No. 5**

**Projected Openings as of  
December 31, 2022\***

| <b>State</b> | <b>Franchise Agreements Signed as of December 31, 2022, But Outlet Not Opened</b> | <b>Projected New Franchised Outlets in 2023</b> | <b>Projected New Company-Owned Outlets in 2023</b> |
|--------------|---|---|--|
| Illinois     | 0   | 0-1   | 0  |
| Missouri     | 0   | 0-1   | 0  |
| Nebraska     | 0   | 0-1   | 0  |
| Wisconsin    | 0   | 0-1   | 0  |
| Total        | 0   | 0-4   | 0  |

\* We are looking for prospective franchisees throughout certain areas of the United States, and cannot know in advance where we might find prospects. Therefore, any projection of this nature is very speculative. We will add franchises wherever we find qualified prospects.

The YEL Businesses owned by our franchisees and our affiliates are also listed on Exhibit D. We did not have any franchisees who have had a Franchise Agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily, ceased to do business under the Franchise Agreement during the fiscal year ended December 31, 2022, or who had not communicated with us within 10 weeks of the date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. We did not have any franchisees who signed confidentiality clauses with us during the last 3 fiscal years that would prevent them from speaking openly about their experiences with us.

We have not created, sponsored, or endorsed any franchise organization and no independent franchisee organization has asked to be included in this Disclosure Document.

**ITEM 21  
FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document at Exhibit E is a copy of our audited financial statements as of December 31, 2020, 2021 and 2022 and our unaudited balance sheet and profit and loss statement as of, and for the 3-month period ended, March 31, 2023. THE FINANCIAL STATEMENTS AS OF MARCH 31, 2023 ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENTS AND FORM.

**ITEM 22  
CONTRACTS**

Attached to this Disclosure Document as Exhibit A are state specific addenda to the Disclosure Document. Attached as Exhibit F is a copy of the form {YEL!} Franchise Agreement, state specific addenda to the Franchise Agreement, if any, and form of a Guaranty to be signed by shareholders of a corporate franchisee, members of a limited liability company franchisee, or partners of a partnership franchisee, as a condition to your transfer of the Franchise Agreement to a corporation, limited liability company or partnership. Also attached is a form of a transfer form if you want to sell, assign or transfer your Franchise Agreement to a corporation, limited liability company, or partnership you own and an example of a release you must sign if you want to sell, assign or transfer your Franchise Agreement to an unrelated third party or to an entity or partnership you do not own or control. Attached as Exhibit H is a Franchisee Questionnaire you must complete at the time you purchase a franchise.

**ITEM 23  
RECEIPTS**

The last 2 pages of this Disclosure Document are detachable documents acknowledging receipt of this Disclosure Document. Please sign both receipt pages and return one to us.

# **EXHIBIT A**

## **STATE SPECIFIC ADDENDA TO DISCLOSURE DOCUMENT**

**ADDENDUM TO DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the Youth Enrichment League Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to Youth Enrichment League franchises offered and sold in the state of Illinois:

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration of any claims pursuant to the provisions of Title IX of the United States Code.

In conformance with Section 15 of the Illinois Franchise Disclosure Act, Franchisee's payment of Initial Franchise Fees will be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

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

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Addendum.

**ADDENDUM TO DISCLOSURE DOCUMENT  
FOR THE STATE OF INDIANA**

Notwithstanding anything to the contrary set forth in the Youth Enrichment League Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to Youth Enrichment League franchises offered and sold in the state of Indiana:

1. The laws of the state of Indiana supersede any provisions of the Franchise Agreement or Minnesota law if such provisions are in conflict with Indiana law.
2. Indiana State Code 23-3-3.7-1(5) deems it unlawful for you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve YEL Franchising, Inc. from liability imposed by Indiana State Code 23-2-2.7.
3. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement in the state of Indiana to the extent they may be inconsistent with such provision.
4. Choice of forum in any jurisdiction other than Indiana is prohibited under IC 23-2-2.7-1(10). YEL Franchising, Inc. may not require that you agree to participate in any form of alternative dispute resolution other than arbitration before an independent arbitrator.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of the Indiana Franchise Act are met independently without reference to this Addendum.



**ADDENDUM TO DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

Notwithstanding anything to the contrary in the Youth Enrichment League Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold to residents of the State of Minnesota or if the franchise will be located in Minnesota:

1. The following language is added to the page titled “**Special Risk(s) to Consider About This Franchise**”:

**Special Risk(s) to Consider About *This Franchise***

**Early Stage.** THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.

**Minimum Payments.** YOU MUST MAKE MINIMUM ROYALTY PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.

2. Based on the financial condition of the Franchisor, the Franchisor has deferred the payment of the Initial Franchise Fee until the Franchisee’s franchised business is open.
3. Minnesota Statutes, Section 80C.21, and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Disclosure Document or agreement(s) can abrogate or reduce (a) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C; or (b) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
4. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (a) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement; and (b) that consent to the transfer of the franchise will not be unreasonably withheld.
5. To the extent required by Minnesota Statutes, Chapter 80C, the franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols related to the trademarks or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the trademarks, provided the franchisee is using the names in marks in accordance with the Franchise Agreement.
6. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
7. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief.

8. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.17, Subd. 5 with respect to limitation of claims.
9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C, are met independently without reference to this Addendum.

**ADDENDUM TO DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA**

Notwithstanding anything to the contrary set forth in the Youth Enrichment League Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to Youth Enrichment League franchises offered and sold in the state of North Dakota:

1. Item 5 is amended to include the following:

Based upon the franchisor's financial condition, the North Dakota Securities Commissioner has required a financial assurance. Therefore, all initial fees shall be deferred until the franchisor completes its initial obligations under the Franchise Agreement and the franchisee has commenced doing business pursuant to the Franchise Agreement.

2. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Franchise Agreement is deleted from Item 17(c) and from any other place it appears in the Disclosure Document.
3. Item 17(r) is revised to provide that covenants not to compete, such as those mentioned in Item 17(r) of the Disclosure Document, are generally considered unenforceable in the state of North Dakota.
4. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to consent to the jurisdiction of courts located outside of North Dakota. Therefore, any references in the Disclosure Document to any requirement that the franchisee consents to the jurisdiction of courts located outside of North Dakota are deleted.
5. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to agree to arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business. Therefore, any references in the Disclosure Document to any requirement that the franchisee consents to arbitration or mediation located outside of North Dakota are amended to include the following:

Pursuant to the North Dakota Franchise Investment Law, the site of arbitration or mediation shall be agreeable to all parties and may not be remote from your place of business.
6. Any references in the Disclosure Document to any requirement to consent to a waiver of exemplary and punitive damages are deleted.
7. Any references in the Disclosure Document to any requirement to consent to a waiver of trial by jury are deleted.
8. Any claims arising under the North Dakota franchise law will be governed by the laws of the State of North Dakota.

9. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.
10. Any references in the Disclosure Document requiring franchisee to consent to termination penalties or liquidated damages are deleted.
11. Any references in the Disclosure Document requiring the franchisee to consent to a limitation of claims are deleted. The statute of limitations under North Dakota law applies.
12. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO DISCLOSURE DOCUMENT  
FOR THE STATE OF SOUTH DAKOTA**

Notwithstanding anything to the contrary set forth in the Youth Enrichment League Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to Youth Enrichment League franchises offered and sold in the state of South Dakota:

1. Item 5 is amended to include the following:

Based upon the franchisor's financial condition, the Securities Division of the South Dakota Department of Labor and Regulation has required a financial assurance. Therefore, all initial fees shall be deferred until the franchisor completes its initial obligations under the Franchise Agreement and the franchise is operational.

2. Item 17 of this Disclosure Document is supplemented by the following provisions:

The Franchise Agreement requires you to sign a general release of claims upon transfer of the Franchise Agreement. Pursuant to SDCL 37-5B, any condition, stipulation, or provision purporting to waive compliance with any provision of Chapter 37 or any other thereunder is void. Any acknowledgement provision, disclaimer, or integration clause or provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation, or action that would violate Chapter 37 or a rule or order under it.

3. The Summary column of item 17 paragraph (w) of this Disclosure Document is amended to read as follows:

The law of South Dakota governs.

Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of the South Dakota Franchise Investment Law are met independently without reference to this Addendum.

**ADDENDUM TO DISCLOSURE DOCUMENT  
FOR THE STATE OF WISCONSIN**

Notwithstanding anything to the contrary set forth in the Youth Enrichment League Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to Youth Enrichment League franchises offered and sold in the state of Wisconsin:

The Wisconsin Fair Dealership Law applies to most franchise agreements in the state and prohibits termination, cancellation, non-renewal or substantial change in competitive circumstances of a dealership agreement without good cause. The law further provides that 90 days prior written notice of the proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. The Disclosure Document and Franchise Agreement are hereby modified to state that the Wisconsin Fair Dealership Law, to the extent applicable, supersedes any provision of the Franchise Agreement that is inconsistent with Wis.Stat.Ch.135, the Wisconsin Fair Dealership Law, § 32.06(3), Wis.Code.

Each provision of this addendum to the Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently without reference to this addendum.

# **EXHIBIT B**

## **LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS**

**EXHIBIT B****LIST OF STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

| <b>STATE</b>       | <b>STATE ADMINISTRATOR</b>  | <b>AGENT FOR<br/>SERVICE OF PROCESS</b>  |
|--------------------|---|--|
| <b>CALIFORNIA</b>  | Department of Financial Protection<br>and Innovation<br>2101 Arena Boulevard<br>Sacramento, CA 95834<br>(866) 275-2677  | Commissioner of Financial Protection<br>and Innovation<br>Same Address             |
| <b>CONNECTICUT</b> | Securities and Business Investment Division<br>Connecticut Department of Banking<br>260 Constitution Plaza<br>Hartford, CT 06103<br>860-240-8230  | Connecticut Banking Commissioner<br>Same Address                                   |
| <b>FLORIDA</b>     | Department of Agriculture & Consumer<br>Services<br>Division of Consumer Services<br>Mayo Building, Second Floor<br>Tallahassee, FL 32399-0800<br>850-245-6000  | Same   |
| <b>GEORGIA</b>     | Office of Consumer Affairs<br>2 Martin Luther King Drive, S.E.<br>Plaza Level, East Tower<br>Atlanta, GA 30334<br>404-656-3790  | Same   |
| <b>HAWAII</b>      | Commissioner of Securities<br>Department of Commerce and Consumer<br>Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>(808) 586-2722 | Same   |
| <b>ILLINOIS</b>    | Franchise Division<br>Office of the Attorney General<br>500 South Second Street<br>Springfield, IL 62706<br>217-782-4465  | Illinois Attorney General<br>Same Address  |
| <b>INDIANA</b>     | Indiana Secretary of State<br>Securities Division<br>302 West Washington Street<br>Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681  | Indiana Secretary of State<br>200 West Washington Street<br>Indianapolis, IN 46204 |
| <b>IOWA</b>        | Iowa Securities Bureau<br>Second Floor<br>Lucas State Office Building<br>Des Moines, IA 50319<br>515-281-4441   | Same   |



| STATE                 | STATE ADMINISTRATOR  | AGENT FOR SERVICE OF PROCESS  |
|-----------------------|--|---|
| <b>KENTUCKY</b>       | Kentucky Attorney General's Office<br>Consumer Protection Division<br>1024 Capitol Center Drive<br>Frankfort, KY 40602<br>502-696-5389   | Same  |
| <b>LOUISIANA</b>      | Department of Urban & Community Affairs<br>Consumer Protection Office<br>301 Main Street, 6th Floor<br>One America Place<br>Baton Rouge, LA 70801<br>504-342-7013 (gen. info.) 504-342-7900                                | Same  |
| <b>MAINE</b>          | Department of Business Regulations<br>State House - Station 35<br>Augusta, ME 04333<br>207-298-3671  | Same  |
| <b>MARYLAND</b>       | Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202<br>410-576-6360   | Maryland Securities Commissioner<br>Same Address  |
| <b>MICHIGAN</b>       | Michigan Department of Attorney General<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>525 W. Ottawa Street<br>Lansing, MI 48909<br>517-373-7117 | Michigan Department of Commerce<br>Corporations and Securities Bureau<br>Same Address   |
| <b>MINNESOTA</b>      | Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101<br>651-539-1500   | Minnesota Commissioner of Commerce<br>Same Address  |
| <b>NEBRASKA</b>       | Department of Banking and Finance<br>1526 K Street, Suite 300<br>Lincoln, NE 68508<br>P.O. Box 95006<br>Lincoln, Nebraska 68509-5006<br>Tele: 402-471-2171   | Same  |
| <b>NEW HAMPSHIRE</b>  | Attorney General<br>Consumer Protection and Antitrust Bureau<br>State House Annex<br>Concord, NH 03301<br>603-271-3641   | Same  |
| <b>NEW YORK</b>       | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty Street, 21 <sup>st</sup> Floor<br>New York, NY 10005<br>(212) 416-8222   | New York Secretary of State<br>One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, New York 12231-0001<br>(518) 473-2492 |
| <b>NORTH CAROLINA</b> | Secretary of State's Office/Securities Division<br>2 South Salisbury Street<br>Raleigh, NC 27601<br>919-733-3924   | Secretary of State<br>Secretary of State's Office<br>Same Address   |

| STATE                 | STATE ADMINISTRATOR   | AGENT FOR SERVICE OF PROCESS  |
|-----------------------|---|---|
| <b>NORTH DAKOTA</b>   | North Dakota Securities Department<br>600 East Boulevard Avenue<br>State Capitol, Fourteenth Floor, Dept. 414<br>Bismarck, ND 58505-0510<br>701-328-4712                        | North Dakota Securities Commissioner  |
| <b>OHIO</b>           | Attorney General<br>Consumer Fraud & Crime Section<br>State Office Tower<br>30 East Broad Street, 15th Floor<br>Columbus, OH 43215<br>614-466-8831 or 800-282-0515              | Same  |
| <b>OKLAHOMA</b>       | Oklahoma Securities Commission<br>2915 Lincoln Blvd.<br>Oklahoma City, OK 73105<br>405-521-2451   | Same  |
| <b>OREGON</b>         | Department of Insurance and Finance<br>Corporate Securities Section<br>Labor and Industries Building<br>Salem, OR 96310<br>503-378-4387   | Director<br>Department of Insurance and Finance<br>Same Address             |
| <b>RHODE ISLAND</b>   | Rhode Island Department of Business<br>Regulation<br>Securities Division<br>John O. Pastore Center – Building 69-1<br>1511 Pontiac Avenue<br>Cranston, RI 02920<br>401-222-3048 | Director, Rhode Island Department of<br>Business Regulation<br>Same address |
| <b>SOUTH CAROLINA</b> | Secretary of State<br>P.O. Box 11350<br>Columbia, SC 29211<br>803-734-2166  | Same  |
| <b>SOUTH DAKOTA</b>   | Department of Labor and Regulation<br>Division of Securities<br>445 E. Capitol Avenue<br>Pierre, SD 57501-3185<br>605-773-3563  | Director of South Dakota<br>Division of Securities<br>Same Address          |
| <b>TEXAS</b>          | Secretary of State<br>Statutory Documents Section<br>P.O. Box 12887<br>Austin, TX 78711-2887<br>512-475-1769  | Same  |
| <b>UTAH</b>           | Utah Department of Commerce<br>Consumer Protection Division<br>160 East 300 South (P.O. Box 45804)<br>Salt Lake City, UT 84145-0804<br>TELE: 801-530-6601<br>FAX: 801-530-6001  | Same  |

| STATE             | STATE ADMINISTRATOR   | AGENT FOR SERVICE OF PROCESS  |
|-------------------|---|---|
| <b>VIRGINIA</b>   | State Corporation Commission<br>Division of Securities and Retail Franchising<br>Tyler Building, 9 <sup>th</sup> Floor<br>1300 E. Main Street<br>Richmond, VA 23219<br>804-371-9051 | Clerk of the State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, Virginia 23219         |
| <b>WASHINGTON</b> | Department of Financial Institutions<br>Securities Division<br>150 Israel Rd S.W.<br>Tumwater, WA 98501<br>360-902-8762   | Department of Financial Institutions<br>Securities Division<br>PO Box 9033<br>Olympia, WA 98507<br>(360) 902-8760 |
| <b>WISCONSIN</b>  | Wisconsin Dept. of Financial Institutions<br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, WI 53705<br>608-261-9555                                     | Wisconsin Commissioner of Securities<br>Same Address  |

# **EXHIBIT C**

## **TABLE OF CONTENTS OF BRAND STANDARDS MANUAL**

# YEL

## Brand Standards Manuals Table of Contents

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|  |           | 1.6 What Is Franchising?                                       | 2          | Chapter 1 |
|  |           | 1.6.1 Mutual Commitment  | 1          | Chapter 1 |
|  |           | 1.6.2 {YEL!} Franchising, Inc. Responsibilities                | 1          | Chapter 1 |
|  |           | 1.6.3 Franchisee Responsibilities                              | 1          | Chapter 1 |
|  |           | 1.7 Leveraging the Advantages of the Franchise System          | 1          | Chapter 1 |
|  |           | 1.7.1 Field Support & Consultation Services                    | 1          | Chapter 1 |
|  |           | 1.7.2 Annual Conference  | 1          | Chapter 1 |
|  |           | 1.7.3 How a Franchise System Evolves                           | 1          | Chapter 1 |
|  | Chapter 2 |  |            |           |
|  |           | 2 Programs & Pricing   |            | Chapter 2 |
|  |           | 2.1 Required & Approved Offerings                              | 1          | Chapter 2 |
|  |           | 2.2 Required & Optional Camps                                  | 1          | Chapter 2 |
|  |           | 2.3 Approval from {YEL!} Franchising, Inc. for other Offerings | 1          | Chapter 2 |
|  |           | 2.4 Curricula & Program Requirements                           | 1          | Chapter 2 |
|  |           | 2.4.1 Registration Enrollment Minimums & Maximums              | 1          | Chapter 2 |
|  |           | 2.4.2 Minimums & Maximums by Course Subject                    | 1          | Chapter 2 |
|  |           | 2.4.3 Minimum Requirements for Teachers                        | 3          | Chapter 2 |
|  |           | 2.3 Sales Restrictions   | 1          | Chapter 2 |
|  | Chapter 3 |  |            |           |

|                  |                           |  |   |           |
|------------------|---------------------------|--|---|-----------|
|                  | <b>3</b>                  | Service Philosophy & Policies                  |   | Chapter 3 |
|                  | <b>3.1</b>                | Who are our Customers?                         | 3 | Chapter 3 |
|                  | <b>3.2</b>                | Customer Service Standards                     | 2 | Chapter 3 |
|                  | <b>3.2.1</b>              | Surveys  | 1 | Chapter 3 |
|                  | <b>3.2.2</b>              | Phone Etiquette                                | 1 | Chapter 3 |
|                  | <b>3.2.3</b>              | Email Etiquette                                | 1 | Chapter 3 |
|                  | <b>3.2.3.1 Email Tips</b> |  | 3 | Chapter 3 |
|                  | <b>3.2.4</b>              | Greeting Students & Families                   | 1 | Chapter 3 |
|                  | <b>3.3</b>                | Customer Policies                              |   | Chapter 3 |
|                  | <b>3.3.1</b>              | {YEL!} Waiver & Publicity Release Requirements | 1 | Chapter 3 |
|                  | <b>3.3.2</b>              | Payment Policies                               | 1 | Chapter 3 |
|                  | <b>3.3.3</b>              | Refunds  | 1 | Chapter 3 |
|                  | <b>3.3.4</b>              | Late Pick Up Policy & Penalty                  | 2 | Chapter 3 |
|                  | <b>3.3.5</b>              | Trial Classes Policy                           | 1 | Chapter 3 |
|                  | <b>3.3.6</b>              | Snacks/Food Policy                             | 1 | Chapter 3 |
|                  | <b>3.3.7</b>              | Program Cancellations                          | 1 | Chapter 3 |
|                  | <b>3.3.8</b>              | Stranger at Dismissal Policy                   | 1 | Chapter 3 |
|                  | <b>3.4</b>                | Responding to Complaints                       | 3 | Chapter 3 |
|                  | <b>3.4.1</b>              | Responding to Complaints on Social Media       | 1 | Chapter 3 |
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|                  | <b>4</b>                  | Operations                                     |   | Chapter 4 |
|                  | <b>4.1</b>                | Required Hours of Operation                    | 2 | Chapter 4 |
|                  | <b>4.2</b>                | Required Software                              | 1 | Chapter 4 |
|                  | <b>4.2.1</b>              | Database & Data Integrity                      | 1 | Chapter 4 |
|                  | <b>4.3</b>                | Registration Procedures                        | 1 | Chapter 4 |
|                  | <b>4.3.1</b>              | Payment Set-Up                                 | 1 | Chapter 4 |
|                  | <b>4.3.2</b>              | Opening School Year & Summer Registration      | 1 | Chapter 4 |
|                  | <b>4.3.3</b>              | Program Registration Deadlines                 | 3 | Chapter 4 |
|                  | <b>4.3.4</b>              | Raising the Minimum Enrollment                 | 1 | Chapter 4 |
|                  | <b>4.3.5</b>              | Over-Enrolled Classes                          | 1 | Chapter 4 |
|                  | <b>4.3.6</b>              | Schedule Changes & Make-Up Classes             | 2 | Chapter 4 |
|                  | <b>4.4</b>                | Daily Course Procedures                        |   | Chapter 4 |
|                  | <b>4.4.1</b>              | Student Check-In Procedures                    | 2 | Chapter 4 |
|                  | <b>4.4.2</b>              | Student Check-Out Policy & Procedures          | 2 | Chapter 4 |
|                  | <b>4.4.3</b>              | Snack Procedures                               | 1 | Chapter 4 |
|                  | <b>4.4.4</b>              | Daily Room Opening & Closing                   | 1 | Chapter 4 |
|                  | <b>4.5</b>                | Supply Standards                               |   | Chapter 4 |
|                  | <b>4.5.1</b>              | Equipment & Apparatus Maintenance Standards    | 1 | Chapter 4 |

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|                  | <b>4.5.2</b>      | Supply Storage Tips   | 1 | Chapter 4 |
|                  | <b>4.6</b>        | Quality Control   |   | Chapter 4 |
|                  | <b>4.6.1</b>      | Supplies  | 1 | Chapter 4 |
|                  | <b>4.6.2</b>      | Teacher Training  | 1 | Chapter 4 |
|                  | <b>4.6.3</b>      | Course Visits   | 1 | Chapter 4 |
|                  | <b>4.6.4</b>      | Documenting Quality Measurements                                | 2 | Chapter 4 |
|                  | <b>4.6.5</b>      | Surveys   | 1 | Chapter 4 |
|                  | <b>4.7</b>        | Managing the Community Partner Relationship                     | 1 | Chapter 4 |
| <b>Chapter 5</b> |                   |   |   |           |
|                  | <b>5</b>          | Safety & Security   |   | Chapter 5 |
|                  | <b>Disclaimer</b> |   | 1 | Chapter 5 |
|                  | <b>5.1</b>        | Supervising Child Safety  | 1 | Chapter 5 |
|                  | <b>5.1.1</b>      | Teacher Accountability for Head Counts                          | 1 | Chapter 5 |
|                  | <b>5.1.2</b>      | Moving Outside of Classroom: Protocols                          | 4 | Chapter 5 |
|                  | <b>5.1.3</b>      | Dismissing Children from Programs: Protocols                    | 4 | Chapter 5 |
|                  | <b>5.1.4</b>      | Street & Outdoor Safety: Protocols                              | 1 | Chapter 5 |
|                  | <b>5.1.5</b>      | Playground Safety: Protocols                                    | 1 | Chapter 5 |
|                  | <b>5.1.6</b>      | Weather Precautionary Measures                                  | 1 | Chapter 5 |
|                  | <b>5.2</b>        | Recognizing & Reporting Child Abuse                             | 1 | Chapter 5 |
|                  | <b>5.2.1</b>      | Child Abuse Reporting Procedures                                | 1 | Chapter 5 |
|                  | <b>5.3</b>        | Stranger Encounters   | 1 | Chapter 5 |
|                  | <b>5.4</b>        | Student Injury Procedures                                       | 1 | Chapter 5 |
|                  | <b>5.5</b>        | Employee Injury Procedures                                      | 1 | Chapter 5 |
|                  | <b>5.6</b>        | Emergency Procedures  | 2 | Chapter 5 |
|                  | <b>5.7</b>        | Active Shooter Guidelines                                       | 1 | Chapter 5 |
|                  | <b>5.7.1</b>      | Suggested Teacher Training Points                               | 3 | Chapter 5 |
| <b>Chapter 6</b> |                   |   |   |           |
|                  | <b>6</b>          | Financial Management  |   | Chapter 6 |
|                  | <b>6.1</b>        | Maintaining Business Employment Forms & Files                   |   | Chapter 6 |
|                  | <b>6.1.1</b>      | Employment Applications   | 1 | Chapter 6 |
|                  | <b>6.1.2</b>      | Teacher & Support Staff Non-Compete / Confidentiality Agreement | 1 | Chapter 6 |
|                  | <b>6.1.3</b>      | Payroll Records   | 1 | Chapter 6 |
|                  | <b>6.1.4</b>      | Personnel Records   | 1 | Chapter 6 |
|                  | <b>6.2</b>        | Banking   |   | Chapter 6 |
|                  | <b>6.2.1</b>      | Bank Transactions   | 1 | Chapter 6 |
|                  | <b>6.2.2</b>      | Petty Cash Fund   | 1 | Chapter 6 |

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|                  | <b>6.3</b>        | Invoicing Community Partners                     | 1 | Chapter 6 |
|                  | <b>6.4</b>        | Accounting & Bookkeeping                         | 2 | Chapter 6 |
|                  | <b>6.4.1</b>      | Method of Accounting                             | 1 | Chapter 6 |
|                  | <b>6.4.2</b>      | Use of QuickBooks                                | 1 | Chapter 6 |
|                  | <b>6.4.3</b>      | Example of Chart of Accounts                     | 1 | Chapter 6 |
|                  | <b>6.4.4</b>      | Example of Profit & Loss Statement               | 1 | Chapter 6 |
|                  | <b>6.4.5</b>      | Example of Balance Sheet                         | 1 | Chapter 6 |
|                  | <b>6.5</b>        | Earnings Performance                             | 1 | Chapter 6 |
|                  | <b>6.6</b>        | Franchise Reporting Requirements                 | 1 | Chapter 6 |
|                  | <b>6.6.1</b>      | Franchise Reports & Payments Summary             | 4 | Chapter 6 |
|                  | <b>6.6.2</b>      | Electronic Funds Transfer (EFT) Program          | 1 | Chapter 6 |
|                  | <b>6.6.3</b>      | Definition of Gross Revenue                      | 1 | Chapter 6 |
|                  | <b>6.6.4</b>      | Local Advertising Expenses Tracking              | 1 | Chapter 6 |
|                  | <b>6.6.5</b>      | Annual Tax Returns                               | 1 | Chapter 6 |
|                  | <b>6.7</b>        | Business Audits                                  | 1 | Chapter 6 |
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|                  | <b>Disclaimer</b> |  | 1 | Chapter 7 |
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|                  | <b>7.2.1</b>      | Recruitment & Hiring                             | 1 | Chapter 7 |
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|                  | <b>7.2.3</b>      | Checking References                              | 1 | Chapter 7 |
|                  | <b>7.2.4</b>      | Offer Letter                                     | 1 | Chapter 7 |
|                  | <b>7.3</b>        | Job Description Summaries                        | 3 | Chapter 7 |
|                  | <b>7.4</b>        | New Personnel Administration                     | 1 | Chapter 7 |
|                  | <b>7.4.1</b>      | New Hire Paperwork                               | 1 | Chapter 7 |
|                  | <b>7.4.2</b>      | Payroll Administration                           | 1 | Chapter 7 |
|                  | <b>7.5</b>        | Training   | 1 | Chapter 7 |
|                  | <b>7.5.1</b>      | Initial Franchise Training Program               | 1 | Chapter 7 |
|                  | <b>7.5.2</b>      | Replacement Training                             | 1 | Chapter 7 |
|                  | <b>7.5.3</b>      | Orientation, Training & Certification            | 6 | Chapter 7 |
|                  | <b>7.6</b>        | Dress Code                                       | 2 | Chapter 7 |
|                  | <b>7.7</b>        | Managing Personnel Performance                   | 3 | Chapter 7 |



|                  |              |   |   |           |
|------------------|--------------|---|---|-----------|
|                  | <b>7.8</b>   | Retaining Talented Personnel                  |   | Chapter 7 |
|                  | <b>7.8.1</b> | Promoting Internally                          | 1 | Chapter 7 |
|                  | <b>7.8.2</b> | Compensation                                  | 1 | Chapter 7 |
|                  | <b>7.8.3</b> | Performance Appraisals                        | 3 | Chapter 7 |
|                  | <b>7.8.4</b> | Turnover Analysis                             | 3 | Chapter 7 |
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|                  | <b>8</b>     | Marketing                                     |   | Chapter 8 |
|                  | <b>8.1.</b>  | Building the Brand                            | 1 | Chapter 8 |
|                  | <b>8.1.1</b> | Local Advertising Requirement                 | 1 | Chapter 8 |
|                  | <b>8.1.2</b> | System Brand Fund Contribution                | 1 | Chapter 8 |
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|                  | <b>8.2</b>   | Trademarks                                    | 1 | Chapter 8 |
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|                  | <b>8.3</b>   | Advertising & Promotion                       | 1 | Chapter 8 |
|                  | <b>8.3.1</b> | Researching the Competition & Target Customer | 1 | Chapter 8 |
|                  | <b>8.3.2</b> | Competition                                   | 2 | Chapter 8 |
|                  | <b>8.4</b>   | The Basics of Marketing                       | 1 | Chapter 8 |
|                  | <b>8.5</b>   | Defining Terms                                | 3 | Chapter 8 |
|                  | <b>8.5.1</b> | How Consumers Become Loyal Families           | 1 | Chapter 8 |
|                  | <b>8.6</b>   | Marketing Tactics                             | 1 | Chapter 8 |
|                  | <b>8.6.1</b> | Recommended Marketing Tactics                 | 4 | Chapter 8 |
|                  | <b>8.6.2</b> | Media Options                                 | 6 | Chapter 8 |
|                  | <b>8.6.3</b> | Claiming Your Business Listings               | 1 | Chapter 8 |
|                  | <b>8.7</b>   | Media Measurement                             | 1 | Chapter 8 |
|                  | <b>8.8</b>   | Promotions                                    | 1 | Chapter 8 |
|                  | <b>8.8.1</b> | Select Your Message                           | 1 | Chapter 8 |
|                  | <b>8.8.2</b> | Encouraging Referrals                         | 1 | Chapter 8 |
|                  | <b>8.8.3</b> | Tips for Conducting Successful Promotions     | 1 | Chapter 8 |
|                  | <b>8.9</b>   | Public Relations & Publicity                  |   | Chapter 8 |
|                  | <b>8.9.1</b> | If the Media Contacts You                     | 1 | Chapter 8 |
|                  | <b>8.9.2</b> | Media Options                                 | 3 | Chapter 8 |
|                  | <b>8.9.3</b> | What is Newsworthy?                           | 2 | Chapter 8 |

|  |              |  |   |           |
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|  | <b>8.9.4</b> | How to Tell Your Story                 | 1 | Chapter 8 |
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|  | <b>8.9.6</b> | Create a Media Mailing List            | 1 | Chapter 8 |
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# **EXHIBIT D**

## **LIST OF OUTLETS as of December 31, 2022**

**FRANCHISEE OWNED LOCATIONS:**

Minnesota

SacredWrites, LLC  
2417 21st St. NW  
Rochester, MN 55901  
507-250-1400

**AFFILIATE OWNED LOCATIONS:**

Iowa:

415 34<sup>th</sup> Street  
West Des Moines, IA 50265

Minnesota:

343 Bluff Road  
Carver, Minnesota 55315

Wisconsin:

4601 Bellflower Drive  
DeForest, WI 53532

403 N. Douglas St.  
Spencer, WI 54479

**EXHIBIT E**

**FINANCIAL STATEMENTS**

The Financial Statements have been prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to the contents or form.

## YEL Franchising, Inc

**Balance Sheet**

As of March 31, 2023

|                                       | <u>Mar 31, 23</u>      |
|---------------------------------------|------------------------|
| <b>ASSETS</b>                         |                        |
| Current Assets                        |                        |
| Checking/Savings                      |                        |
| Old National Checking                 | 2,848.35               |
| Total Checking/Savings                | 2,848.35               |
| Total Current Assets                  | 2,848.35               |
| <b>TOTAL ASSETS</b>                   | <b><u>2,848.35</u></b> |
| <b>LIABILITIES &amp; EQUITY</b>       |                        |
| Liabilities                           |                        |
| Current Liabilities                   |                        |
| Credit Cards                          |                        |
| US Bank Visa x9022                    | 1,070.13               |
| Total Credit Cards                    | 1,070.13               |
| Total Current Liabilities             | 1,070.13               |
| Long Term Liabilities                 |                        |
| Note Payable-Officer                  | 1,000.00               |
| Total Long Term Liabilities           | 1,000.00               |
| Total Liabilities                     | 2,070.13               |
| Equity                                |                        |
| Opening Balance Equity                | 100.00                 |
| Retained Earnings                     | 4,825.66               |
| Net Income                            | -4,147.44              |
| Total Equity                          | 778.22                 |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b><u>2,848.35</u></b> |

**YEL Franchising, Inc**  
**Profit & Loss**  
January through March 2023

---

|  | <u>Jan - Mar 23</u> |
|--|---------------------|
| <b>Ordinary Income/Expense</b>         |                     |
| <b>Income</b>                          |                     |
| <b>Franchise Revenue</b>               |                     |
| Royalty Fee 5%                         | 2,577.86            |
| Brand Fee 1%                           | 3,552.95            |
| Tech Fee 1%                            | 515.57              |
|  | <hr/>               |
| <b>Total Franchise Revenue</b>         | 6,646.38            |
|  | <hr/>               |
| <b>Total Income</b>                    | 6,646.38            |
| <b>Expense</b>                         |                     |
| <b>Business Gifts</b>                  | 106.94              |
| <b>Advertising and Promotion</b>       |                     |
| General Advertising                    | 1,273.48            |
| Brand Fund Purchases                   | 822.00              |
|  | <hr/>               |
| <b>Total Advertising and Promotion</b> | 2,095.48            |
| <b>Computer and Internet Expenses</b>  | 79.99               |
| <b>Office Supplies</b>                 | 406.95              |
| <b>Professional Fees</b>               | 7,840.75            |
| <b>Travel Expense</b>                  | 263.71              |
|  | <hr/>               |
| <b>Total Expense</b>                   | 10,793.82           |
|  | <hr/>               |
| <b>Net Ordinary Income</b>             | -4,147.44           |
|  | <hr/>               |
| <b>Net Income</b>                      | <b>-4,147.44</b>    |
|  | <hr/> <hr/>         |



## Audited Financial Statements



**Thoresen  
Diaby  
Helle  
Condon  
& Dodge, Inc.**  
CPAs & Advisors

**YEL Franchising, Inc.  
Financial Statements  
Year Ended  
December 31, 2022, 2021, and 2020**



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STEPHEN D. HELLE, CPA  
MICHAEL J. CONDON, CPA  
RACHEL A. PETERS, CPA, CFE  
JOSEPH T. BERNDT, CPA

## INDEPENDENT AUDITOR'S REPORT

Stockholder and Board of Directors  
YEL Franchising, Inc.  
Carver, Minnesota

### Opinion

We have audited the accompanying financial statements of YEL Franchising, Inc. (a Minnesota S corporation) which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of income (loss), changes in stockholder's equity (deficit), and cash flows for the years ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YEL Franchising, Inc. as of December 31, 2022, 2021, and 2020 and the results of its operations and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management's for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about YEL Franchising Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material

600 Hwy 169 South, Suite 300  
Minneapolis, Minnesota 55426

Phone 763 545 2353 | Fax 763 354 7059

[www.tdhcd.com](http://www.tdhcd.com)

misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of YEL Franchising Inc.'s internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about YEL Franchising Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Johansen Draboy Helle Condon & Dodge, LLC*

**Minneapolis, MN**  
**April 17, 2023**

**FINANCIAL STATEMENTS**

**YEL Franchising, Inc.**  
**Balance Sheets**

|  |  | <b>December 31</b> |                 |                 |
|--|--|--------------------|-----------------|-----------------|
|  |  | <b>2022</b>        | <b>2021</b>     | <b>2020</b>     |
| <b>Assets</b>  |  |                    |                 |                 |
| <b>Current assets</b>  |  |                    |                 |                 |
| Cash   |  | \$ 5,926           | \$ 1,100        | \$ 1,100        |
| Accounts receivable  |  | 3,664              | 1,871           | -               |
| Prepaid expenses   |  | -                  | 199             | -               |
| <b>Total current assets</b>  |  | <b>9,590</b>       | <b>3,170</b>    | <b>1,100</b>    |
| <b>Total assets</b>  |  | <b>\$ 9,590</b>    | <b>\$ 3,170</b> | <b>\$ 1,100</b> |
| <b>Liabilities and Stockholder's Equity (Deficit)</b>  |  |                    |                 |                 |
| <b>Current liabilities</b>   |  |                    |                 |                 |
| Accrued expenses   |  | \$ 2,175           | \$ -            | \$ -            |
| Deferred revenue - brand fund fee  |  | 13,156             | 267             | -               |
| <b>Total current liabilities</b>   |  | <b>15,331</b>      | <b>267</b>      | <b>-</b>        |
| <b>Stockholder's equity (deficit)</b>  |  |                    |                 |                 |
| Common stock, \$.01 par value; 100,000 shares authorized,<br>1,000 shares issued and outstanding |  | 10                 | 10              | 10              |
| Additional paid-in capital   |  | 272,485            | 211,160         | 157,168         |
| Retained deficit   |  | (278,236)          | (208,267)       | (156,078)       |
| <b>Total stockholder's equity (deficit)</b>  |  | <b>(5,741)</b>     | <b>2,903</b>    | <b>1,100</b>    |
| <b>Total liabilities and stockholder's equity (deficit)</b>                                      |  | <b>\$ 9,590</b>    | <b>\$ 3,170</b> | <b>\$ 1,100</b> |

See notes to financial statements

**YEL Franchising, Inc.**  
**Statements of Income (Loss)**

|                                 | Years Ended December 31 |                  |                    |                    |                    |
|---------------------------------|-------------------------|------------------|--------------------|--------------------|--------------------|
|                                 | 2022                    |                  | 2021               |                    | 2020               |
|                                 | Amount                  | Percent          | Amount             | Percent            | Amount             |
| <b>Revenues</b>                 |                         |                  |                    |                    |                    |
| Royalty fee                     | \$ 18,902               | 69.9 %           | \$ 1,337           | 83.4 %             | \$ -               |
| Brand fund fee                  | 4,355                   | 16.1             | -                  | -                  | -                  |
| Technology fee                  | 3,781                   | 14.0             | 267                | 16.6               | -                  |
| <b>Total revenues</b>           | <b>27,038</b>           | <b>100.0</b>     | <b>1,604</b>       | <b>100.0</b>       | <b>-</b>           |
| <b>Cost of goods sold</b>       | -                       | -                | -                  | -                  | -                  |
| <b>Gross profit</b>             | <b>27,038</b>           | <b>100.0</b>     | <b>1,604</b>       | <b>100.0</b>       | <b>-</b>           |
| <b>Operating expenses</b>       |                         |                  |                    |                    |                    |
| Advertising                     | 26,362                  | 97.5             | 23,922             | 1,491.4            | 82                 |
| Professional fees               | 25,406                  | 94.0             | 13,167             | 820.9              | 15,991             |
| Management fee                  | 15,690                  | 58.0             | 16,478             | 1,027.3            | 6,563              |
| Franchise development           | 26,176                  | 96.8             | -                  | -                  | 3,468              |
| Meals and entertainment         | -                       | -                | 116                | 7.2                | -                  |
| Miscellaneous                   | 3,373                   | 12.5             | 111                | 6.9                | -                  |
| Recruiting                      | -                       | -                | -                  | -                  | 742                |
| <b>Total operating expenses</b> | <b>97,007</b>           | <b>358.8</b>     | <b>53,793</b>      | <b>3,353.7</b>     | <b>26,846</b>      |
| <b>Net loss</b>                 | <b>\$ (69,969)</b>      | <b>(258.8) %</b> | <b>\$ (52,189)</b> | <b>(3,253.7) %</b> | <b>\$ (26,846)</b> |

See notes to financial statements



**YEL Franchising, Inc.**  
**Statements of Changes in Stockholder's Equity (Deficit)**  
**Years Ended December 31, 2022, 2021, 2020**

|                                     | <u>Common Stock</u> |               | <u>Additional</u> | <u>Retained</u>     | <u>Total</u>      |
|-------------------------------------|---------------------|---------------|-------------------|---------------------|-------------------|
|                                     | <u>Shares</u>       | <u>Amount</u> | <u>Paid-In</u>    | <u>Deficit</u>      |                   |
| <b>Balances - December 31, 2019</b> | <b>1,000</b>        | <b>\$ 10</b>  | <b>\$ 129,097</b> | <b>\$ (129,232)</b> | <b>\$ (125)</b>   |
| Stock issuance                      | -                   | -             | 28,071            | -                   | 28,071            |
| Net loss                            | -                   | -             | -                 | (26,846)            | (26,846)          |
| <b>Balances - December 31, 2020</b> | <b>1,000</b>        | <b>\$ 10</b>  | <b>\$ 157,168</b> | <b>\$ (156,078)</b> | <b>\$ 1,100</b>   |
| Stockholder contributions           | -                   | -             | 53,992            | -                   | 53,992            |
| Net loss                            | -                   | -             | -                 | (52,189)            | (52,189)          |
| <b>Balances - December 31, 2021</b> | <b>1,000</b>        | <b>\$ 10</b>  | <b>\$ 211,160</b> | <b>\$ (208,267)</b> | <b>\$ 2,903</b>   |
| Stockholder contributions           | -                   | -             | 61,325            | -                   | 61,325            |
| Net loss                            | -                   | -             | -                 | (69,969)            | (69,969)          |
| <b>Balances - December 31, 2022</b> | <b>1,000</b>        | <b>\$ 10</b>  | <b>\$ 272,485</b> | <b>\$ (278,236)</b> | <b>\$ (5,741)</b> |

See notes to financial statements

**YEL Franchising, Inc.**  
**Statements of Cash Flows**

|   | <b>Years Ended December 31</b> |                 |                 |
|---|--------------------------------|-----------------|-----------------|
|   | <b>2022</b>                    | <b>2021</b>     | <b>2020</b>     |
| <b>Cash flows from operating activities</b>                                       |                                |                 |                 |
| Net loss  | \$ (69,969)                    | \$ (52,189)     | \$ (26,846)     |
| <b>Adjustments to reconcile net loss to net cash used by operating activities</b> |                                |                 |                 |
| <b>Changes in operating assets and liabilities:</b>                               |                                |                 |                 |
| <b>(Increase) decrease in:</b>  |                                |                 |                 |
| Accounts receivable   | (1,793)                        | (1,871)         | -               |
| Prepaid expenses  | 199                            | (199)           | -               |
| <b>Increase (decrease) in:</b>  |                                |                 |                 |
| Accounts payable  | -                              | -               | (225)           |
| Accrued expenses  | 2,175                          | -               | -               |
| Deferred revenue - brand fund fee   | 12,889                         | 267             | -               |
| <b>Net cash used by operating activities</b>                                      | <b>(56,499)</b>                | <b>(53,992)</b> | <b>(27,071)</b> |
| <b>Cash flows from financing activities</b>                                       |                                |                 |                 |
| Stockholder capital contributions   | 61,325                         | 53,992          | 28,071          |
| <b>Net cash provided by financing activities</b>                                  | <b>61,325</b>                  | <b>53,992</b>   | <b>28,071</b>   |
| <b>Net increase in cash</b>   | <b>4,826</b>                   | <b>-</b>        | <b>1,000</b>    |
| <b>Cash</b>   |                                |                 |                 |
| Beginning of period   | 1,100                          | 1,100           | 100             |
| <b>End of period</b>  | <b>\$ 5,926</b>                | <b>\$ 1,100</b> | <b>\$ 1,100</b> |

See notes to financial statements

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

### **Business description**

YEL Franchising, Inc. (the Company), located in Carver, Minnesota, is a Minnesota corporation formed on March 25, 2019. The Company offers franchises that provide after-school and summer enrichment camps and youth events for children. The Company's activities are subject to significant risks and uncertainties, including failing to secure additional franchisee's.

### **Basis of presentation**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

### **Franchising**

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The agreements cover a ten-year period. The franchise agreements require the franchisee to pay an initial fee of \$22,500, plus \$10 for each additional public elementary school located in the franchisee's designated territory over the minimum of seventy-five. The initial franchise fee is due upon signature of the franchise agreement. Each franchisee is required to pay a monthly royalty fee equal to 6% of monthly gross revenue. Starting in year three of the franchise agreement each franchisee is required to pay a minimum quarterly royalty fee amount of \$2,250 plus \$15 per public elementary school located in the franchisee designated area over the minimum of seventy-five. If the amount paid in royalty fees for that quarter is less than this amount the franchisee must pay the difference. Each franchisee is also required to pay a monthly brand fund contribution of 1% of monthly gross revenue. The brand fund proceeds are used to develop programs that benefit the franchisor's brand and promotes the trademarks. Each franchisee is also required to pay a monthly technology fee of 1% of monthly gross revenue. The technology fees proceeds are used to provide access to the Youth Database used in operations (see note 3). Subject to the Company's approval and payment of a renewal fee totaling 25% of the then current initial franchise fee, a franchisee may generally renew its agreement upon its expiration subject to satisfaction of certain conditions for two additional five-year periods. Direct costs of sales and servicing of franchise agreements are charged to operating expenses as incurred.

### **Revenue recognition**

The Company accounts for revenue in accordance with FASB ASU No. 2019-09, Revenue from contracts with Customers (Topic 606), implemented from inception.

### ***Performance obligations***

A performance obligation is a promise in a contract to transfer a distinct good or service to the client and is the unit of accounting in Topic 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation based on the relative standalone selling price. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Company forecasts their expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service based on margins for similar services sold on a standalone basis. While determining relative standalone selling price and identifying separate performance obligations require judgment, generally relative standalone selling prices and the separate performance obligations are readily identifiable as the Company sells those performance obligations unaccompanied by other performance obligations.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Revenue recognition (continued)**

#### *Franchise revenue*

Franchise revenues consist of the initial franchise fee and renewal fees. The Company has identified the following performance obligations in connection with the initial franchise fee:

1. Intellectual property license
2. Training
3. Webpage
4. Site selection and pre-opening services includes providing services to the franchisee to assist in opening and operating for the first fourteen days.

Each of the identified performance obligations is considered to be a series of distinct services transferred over time. While the underlying activities may vary from day to day, the nature of the commitments are the same each day, and the franchisee can independently benefit from each day's services.

Under ASC 606, the intellectual property license portion of the initial and renewal fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. All initial franchise fees and renewal fees are due on the date of signing the agreement.

Training fee revenue is considered a separate performance obligation from the franchise fee and is recognized after completion of the training services.

Revenue from royalties is recognized in the period in which the franchisee earns the revenue upon which this fee is based. Royalties are computed as a percentage of gross revenues earned by the franchisee.

Revenue from brand fund fees are deferred and classified as a liability until used for qualifying purposes. Brand fund fees are computed as a percentage of gross revenues earned by the franchisee. Beginning in January, 2022 Corporate locations are required to pay a 1% brand fund fee to YELL Franchising, Inc.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

#### **Cash and cash equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not hold any cash equivalents at December 31, 2022, 2021, and 2020. At times throughout the period, the Company's cash balances may exceed Federal Deposit Insurance Corporation (FDIC) limits. No amounts were in excess of limits at December 31, 2022, 2021, and 2020, and the Company has not experienced any losses from such accounts.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Advertising costs**

Advertising costs are generally charged to operations in the year incurred and totaled \$26,362, \$23,922, and \$82 for the years ended December 31, 2022, 2021 and 2020, respectively.

**Accounts receivable**

Accounts receivable evolve in the normal course of business. It is the policy of management to review the outstanding receivable balance at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. The Company believes no allowance for doubtful accounts is necessary at December 31, 2022, 2021, and 2020. Normal accounts receivable are due net 30 days from the invoice date. Extended terms may be offered on a per customer basis. The Company accrues interest on past due accounts based on terms on a per contract basis.

**Income taxes**

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the stockholders are taxed on the Company's taxable income or losses. Therefore, these statements do not include any provision for corporation income taxes, refunds, or deferred income taxes. For state tax purposes the stockholders are taxed on the proportionate share of the Company's taxable income.

**Financial instruments**

The Company's financial instruments consist of accounts receivable, accounts payable, and deferred revenue – brand fund fee. It is management's opinion that the Company is not exposed to significant interest rate or credit risks arising from these instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

**Uncertain tax positions**

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax filings will not be challenged by the taxing authorities and that the Company or its members will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax filings remain open for three years. The Company has adopted the policy of expensing any interest or penalties related to uncertain tax positions in other expense on the statements of income (loss). For the years ended December 31, 2022, 2021, and, there were no such interest or penalty expenses.

**Leases**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases, which together with subsequent amendments is included in ASC 842. ASC 842 requires a lessee to recognize a liability to make lease payments and an asset with respect to its right to use the underlying asset for the lease term.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

In July 2018, the FASB issued ASU No. 2018-11, which amends the guidance to add a method of adoption whereby the issuer may elect to recognize a cumulative effect adjustment at the beginning of the period of adoption. ASU No. 2018-11 does not require comparative period financial information to be adjusted. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of income (loss) and members equity (deficit). ASU 2016-02 defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration.

To determine whether a contract conveys the right to control the use of the identified asset for a period of time, the customer has to have both (1) the right to obtain substantially all of the economic benefits from the use of the identified asset and (2) the right to direct the use of the identified asset, a contract does not contain an identified asset if the supplier has a substantive right to substitute such asset ("the leasing criteria").

Management determines if an arrangement is a lease at inception. Operating leases are included in ROU assets, and lease liability obligations are included in the balance sheet, except for those that qualify for the short-term scope exception of 12 months or less. ROU assets represent the right to use an underlying asset for the lease term and lease liability obligations represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

As of December 31, 2022, 2021, and 2020, the Company was not party to any lease agreements in which it was the lessor or the lessee.

**Subsequent events**

The Company has evaluated subsequent events through April 17, 2023, the date which the financial statements were available to be issued.

**NOTE 2 – FRANCHISING**

Franchise revenue consisted of the following:

|   | <b>Year Ended December 31</b> |                 |             |
|---|-------------------------------|-----------------|-------------|
|   | <b>2022</b>                   | <b>2021</b>     | <b>2020</b> |
| Revenue, initial fees                           | \$ -                          | \$ -            | \$ -        |
| Brand fund fee                                  | 958                           | -               | -           |
| Royalty fee                                     | 18,902                        | 1,337           | -           |
| Technology fee                                  | 3,781                         | 267             | -           |
| <b>Total franchise revenue</b>                  | <b>\$ 23,641</b>              | <b>\$ 1,604</b> | <b>\$ -</b> |
| <b>Related party franchise revenues:</b>        |                               |                 |             |
| Brand fund fee                                  | 3,397                         | -               | -           |
| <b>Total – related party franchise revenues</b> | <b>\$ 3,397</b>               | <b>\$ -</b>     | <b>\$ -</b> |
| <b>Total revenue</b>                            | <b>\$ 27,038</b>              | <b>\$ 1,604</b> | <b>\$ -</b> |

**YEL Franchising, Inc.**  
**Notes to Financial Statements (continued)**  
**December 31, 2022, 2021, and 2020**

**NOTE 2 – FRANCHISING (continued)**

Information about the number of franchised offices is as follows:

|                                       | <b>Year Ended December 31</b> |             |             |
|---------------------------------------|-------------------------------|-------------|-------------|
|                                       | <b>2022</b>                   | <b>2021</b> | <b>2020</b> |
| <b>Franchised locations:</b>          |                               |             |             |
| Opened                                | (0)                           | 1           | 0           |
| Closed                                | (0)                           | (0)         | (0)         |
| <b>In operation as of December 31</b> | <b>5</b>                      | <b>5</b>    | <b>4</b>    |

\*Four of the current locations are owned and operated by an affiliate of the Company.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

As of December 31, 2022, 2021 and 2020, four locations were in operation under common ownership. Starting in 2022 the Company required these locations to operate under the terms of the franchise agreement related to the brand fund fee. Sales to these locations comprised 78.1%, of total brand fund sales for the year ended December 31, 2022. Accounts receivable relating to these locations totaled \$2,132 at December 31, 2022.

The stockholders of the Company are also the owners of Youth Enrichment League, Inc. Youth Enrichment League, Inc. holds the rights to the intellectual property and the Youth Database used in franchising operations. The Company is not restricted in any way in which they can use these items, and the term is indefinite. The Company does not pay any licensing fees for the use of this intellectual property.

**NOTE 4 – COVID-19 PANDEMIC**

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the Company operates. To date the Company has experienced a delay in adding new franchisees as a result of COVID as people put plans on hold in an effort to determine the COVID effect on the industry. The final determination of the extent of the impact of COVID-19 on the business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Company operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

# **EXHIBIT F**

## **FRANCHISE AGREEMENT, GUARANTY, GENERAL RELEASE, TRANSFER FORM AND STATE SPECIFIC ADDENDA**



# {YEL!} FRANCHISE AGREEMENT

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## {YEL!} FRANCHISE AGREEMENT

**THIS AGREEMENT** is made the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between YEL FRANCHISING, INC. a Minnesota corporation (“Franchisor”), and \_\_\_\_\_ (“Franchisee”).

### INTRODUCTION

Franchisor and its affiliate have developed certain policies, procedures and techniques for the operation of a business under the {YEL!} logo and other trade or service marks owned or licensed to Franchisor that provides after-school and summer enrichment camps and youth events for children (pre-k-12<sup>th</sup> grade) on various subjects ranging from chess to robotics. These businesses are identified by their strong working relationships with local organizations including schools, churches, community education programs, and parks and recreation departments, and their proprietary curriculum and electronic operating platform. Franchisor desires to grant to qualified persons franchises to use the concepts, programs and methods of promotion developed by Franchisor and its affiliate to develop and operate a {YEL!} business. Franchisee has made application to Franchisor for a franchise and the application has been approved by Franchisor in reliance on all the representations made in the application.

**NOW, THEREFORE**, in consideration of the mutual promise of the parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

#### 1.) DEFINITIONS

The terms and phrases specified below shall have, for purposes of this Agreement, the following meanings:

- (a) “Competitive Business” shall mean any business that provides supplemental education or enrichment programs or services, or that is granting franchises or license for the operation of a business providing supplemental education or enrichment programs or services.
- (b) “Designated Territory” shall mean the area described as such and identified in the Rider to this Agreement.
- (c) “Franchise” shall mean the right granted to Franchisee by Franchisor to use the System of Operation and to use the Names and Marks selected, used, and promoted by Franchisor to operate a business providing after-school and summer enrichment camps and youth events for children on various subjects approved by Franchisor through curricula meeting Franchisor’s standards.
- (d) “Franchised Business” shall mean the business franchised under this Agreement to operate utilizing the System of Operation and the Names and Marks.

(e) “Franchised Location” shall mean the premises from which the Franchised Business will be operated, the address of which is set forth on the Rider to this Agreement.

(f) “Gross Revenues” shall mean the total amount of revenues, income, receipts and other fees received from all business activities taking place by or through the Franchised Business, and all other services and products, if any, sold under the Names and Marks, or otherwise related to the Franchised Business. There shall be excluded from “Gross Revenues” amounts collected and remitted by Franchisee to any governmental taxing authority in satisfaction of sales or occupation taxes.

(g) “House Account” shall mean a multiple location school or other organization that provides educational services and that is not funded primarily by one or more governmental entities and that has at least one location outside of the Designated Territory.

(h) The term “including” shall mean “including, but not limited to.”

(i) “Names and Marks” shall mean the commercial trade names, trademarks, service marks, domain names, and other commercial symbols, including associated logos, now or hereafter selected, used or promoted by Franchisor and licensed to Franchisee for use in connection with the System of Operation.

(j) “Restricted Area” shall mean the Designated Territory, which for the avoidance of doubt shall include the premises of the Franchised Location, a radius of ten (10) miles from the Designated Territory, and a radius of ten (10) miles from any other {YEL!} business location in existence as of the date of termination, expiration or assignment of this Agreement.

(k) “System of Operation” shall mean the business plans and methods developed by Franchisor and its affiliates to be used in connection with a business providing after-school and summer enrichment camps and youth events for children on various subjects approved by Franchisor through curricula meeting Franchisor’s standards. The “System of Operation” includes standards, specifications, methods, procedures, techniques, and management systems, all of which may be changed, improved and further developed from time to time by Franchisor, but specifically excludes any employee policies or procedures that Franchisor may make available to Franchisee for its optional use during the Term of the Franchise.

(l) “Term of the Franchise” shall mean the initial term of the Franchise.

2.) GRANT OF FRANCHISE AND RENEWAL OF FRANCHISE

(a) Initial Term - Subject to the provisions of this Agreement, Franchisor grants to Franchisee a Franchise for an initial term of ten (10) years, commencing on the date of this Agreement, to utilize the System of Operation and to use the Names and Marks of Franchisor in the conduct of a business providing after-school and summer enrichment

camps and youth events for children on various subjects approved by Franchisor through curricula meeting Franchisor's standards.

(b) Renewal – Franchisee may renew the Franchise for two additional terms of five (5) years each, subject to the satisfaction of any conditions imposed by Franchisor upon renewal, including those set forth in Section 2(c) below.

(c) Conditions – Franchisee must satisfy such conditions for renewal as Franchisor may impose, including that upon expiration of the Term of the Franchise, Franchisee shall have: (a) complied with all provisions of this Agreement; (b) operated the Franchised Business utilizing and conforming to the System of Operation; (c) utilized exclusively the Names and Marks in the operation of the Franchised Business; (d) upgraded the Franchised Business, including equipment, curricula, and classes to meet Franchisor's standards; and (e) provided Franchisor with evidence of control of the premises for the Franchised Business for the renewal term if the Franchised Business is being operated from a non-residential location. Additionally, Franchisee shall:

(i) Provided Franchisor at least two hundred ten (210) days prior written notice of its election to renew the Franchise; and

(ii) Within thirty (30) days after delivery to Franchisee of all agreements and documents required by Franchisor for renewal: (a) executed Franchisor's then current form of franchise agreement offered to prospective franchisees new to Franchisor's system, as amended to provide for the fact that Franchisee is not new to Franchisor's system, including higher minimum royalty payments, and all other agreements and legal instruments and documents then customarily employed by Franchisor in the grant of Franchises to prospective new franchisees, including a general release; and (b) paid to Franchisor a renewal fee of twenty-five percent (25%) of the then-current flat fee amount of the initial franchise fee the Franchisor is charging to new franchisees, and if the Franchisor is not then offering for sale new franchises, the renewal fee shall be Five Thousand Five Hundred Dollars (\$5,500).

(d) Renewal Acknowledgments – Franchisee acknowledges that the right of renewal set forth herein does not give Franchisee the right to renew any specific provisions of this Agreement, and Franchisee recognizes that the terms of franchise agreements utilized by Franchisor upon renewal are likely to be substantially different than the terms offered by Franchisor as of the date hereof. Franchisee further acknowledges that the failure to meet any conditions of renewal imposed by Franchisor, including those set forth herein, shall be deemed an election by Franchisee not to renew the Franchise

(e) Holdover - If Franchisee does not sign a new franchise agreement prior to expiration of the Term of the Franchise, and Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of Franchisor this Agreement shall be deemed to: (i) have expired as of the date of its stated expiration, with Franchisee then operating without a franchise to do so and in violation of

Franchisor's rights; or (ii) be continuing on a month-to-month basis (the "Interim Period") until one party provides the other with written notice of such party's intention to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. Notwithstanding anything set forth herein to the contrary: (x) all obligations of Franchisee shall remain in full force and effect during the Interim Period as if the Term of the Franchise had not expired; and (y) all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

### 3.) LOCATION; CONSTRUCTION

(a) Approval – Franchisor has approved the Franchised Location for the Franchised Business, the address of which is set forth on the Rider to this Agreement along with the Designated Territory. Franchisee understands and acknowledges that Franchisor's approval of the Franchised Location relates solely to whether such location meets Franchisor's standards, including location of the Franchised Location in the Franchisee's Designated Territory. Franchisee acknowledges and agrees Franchisor shall not be responsible for Franchisee's results in operating at any particular site that has been approved by Franchisor. Franchisee shall not use the Franchised Location to operate any business other than the Franchised Business. Franchisee may not operate the Franchised Business from more than one location and any home office must be established in a room or workspace separate from the living space.

(b) Governmental Approvals – Franchisee understands and acknowledges that it shall obtain all of the required municipal and other governmental approvals and permits necessary to construct the Franchised Location in accordance with applicable law.

(c) Re-location – Franchisor must approve the relocation of the premises from which the Franchisee operates the Franchised Business. If Franchisee is relocating a non-residential office or relocating to a non-residential office, Franchisee shall pay Franchisor an office relocation fee equal to the greater of Three Thousand Five Hundred Dollars (\$3,500) or the actual amount incurred by Franchisor in evaluating and processing the relocation request. If Franchisee desires to operate the Franchised Business from a location other than that indicated in the Rider, and Franchisor approves the new location, Franchisee authorizes Franchisor to amend the Rider to change the location to the address of the new site approved by Franchisor.

(d) Design – If Franchisee is locating its Franchised Business in a non-residential location Franchisor shall provide to Franchisee a sample layout for the interior of a typical {YEL!} location, including a set of typical preliminary plans and décor specifications. Franchisee shall, at its own expense, employ architects, engineers, or others as may be necessary to complete, adapt, and modify the sample plans and specifications to fit the specific location. Franchisee shall submit to Franchisor a complete set of final plans and specifications prior to commencing construction. Franchisor shall review such plans and specifications and approve or provide comments to Franchisee on the plans and specifications. Franchisee shall not commence construction of the Franchised Location until Franchisor approves in writing the final

plans and specifications to be used in constructing the location. Franchisor shall consult with Franchisee, to the extent that Franchisor deems necessary, on the construction and equipping of the Franchised Location, but it shall be and remain the sole responsibility of Franchisee to diligently design, construct, equip, and otherwise ready and open the Franchised Business on a timely basis.

(e) Construction Obligations of Franchisee - Franchisee shall use a licensed general contractor satisfactory to Franchisor to perform construction work at the Franchised Location, if such location is a non-residential site. Franchisor shall not be responsible for delays in the construction, equipping, or decoration of the site or for any loss resulting from design or construction since Franchisor has no control over the landlord or developer and the numerous construction and/or related problems which could occur and delay the opening of the Franchised Business. Franchisor must approve in writing any and all changes in any plans prior to construction or the implementation of such changes. If the Franchised Location is a nonresidential site, Franchisor shall have access to the Franchised Location while work is in progress and may require such reasonable alterations or modifications of the construction of the Franchised Location as Franchisor deems necessary. Franchisee shall correct any unauthorized variance from the approved plans and specifications promptly.

(f) Fixtures, Leasehold Improvements and Equipment - Franchisor will provide to Franchisee specifications for leasehold improvements, fixtures and equipment for the Franchised Business. If the Franchised Location is a nonresidential location, all leasehold improvements shall be constructed according to the exact specifications of Franchisor in effect at the time the improvements are made. All equipment used in the Franchised Business must meet the exact specifications of Franchisor, including brand and model number, where designated. Franchisor may designate specific or approved suppliers from whom such items can be purchased. If Franchisor designates a specific supplier for any items, Franchisee must purchase the items from the specific, designated supplier. Franchisee acknowledges that designated, specific suppliers may include Franchisor or its affiliates.

(g) Exterior and Interior Signs - All signs used in the Franchised Business must conform to Franchisor's sign criteria at the time the signage or display is installed as to type, color, size, design, and location. All signs must be approved in writing by Franchisor prior to installation. Franchisor may require Franchisee to display signage in its nonresidential Franchised Location advertising Franchisor's franchises for sale. Franchisor shall pay for any such signage. Franchisee shall, at all times, place and maintain such signage at the location inside its Franchised Location as Franchisor may designate from time to time.

(h) Indemnification of Franchisor - Franchisee is strictly responsible for the acts or omissions of its contractors regarding compliance with all specifications and requirements provided for by Franchisor, and Franchisor shall have no responsibility for such acts or omissions. Franchisor shall not be liable for any loss or damage arising from the design or plan of the Franchised Location. Franchisee shall indemnify Franchisor for any loss, cost, or expense, including attorneys' fees, that may be sustained by Franchisor

because of the acts or omissions of Franchisee's contractors or arising out of the design or construction of the Franchised Location.

(i) Alterations - During the Term of the Franchise, if the Franchised Location is a nonresidential site, the floor plan, interior and exterior design, and furnishings of the Franchised Location shall not be altered or modified, without the prior written approval of Franchisor.

(j) Remodeling – If the Franchised Location is a nonresidential location, Franchisee shall be required to periodically make reasonable capital expenditures to remodel, modernize and re-decorate the Franchised Location so that the premises reflect the current image intended to be portrayed by locations operated under the Names and Marks. All remodeling, modernization and redecoration of a non-residential Franchised Location must be done in accordance with the standards and specifications prescribed by Franchisor from time to time and with the prior written approval of Franchisor. All replacements must conform to Franchisor's then current quality standards and specifications and must be approved by Franchisor in writing. Franchisor may inspect, but shall not be obligated to inspect, such work at any time to determine that the work is done in accordance with Franchisor's approved plans and specifications. In addition to the remodel of a nonresidential Franchised Location that may be required at the time of renewal, Franchisor may require Franchisee to remodel, modernize and re-decorate the Franchised Location at any time during the Term of the Franchise.

#### 4.) DESIGNATED TERRITORY

(a) Designated Territory - During the term of this Agreement, and provided that Franchisee is not in default under this Agreement or any other agreement between Franchisor and Franchisee or any Franchisor affiliate, and except as provided below, Franchisor will not grant to anyone else a Franchise to operate, and will not itself operate, under the Names and Marks, a business providing after-school programming that is physically located in the Designated Territory. Franchisee acknowledges that the foregoing restrictions do not prevent Franchisor or its affiliates from any activity not specifically set forth in such restrictions, including:

- (i) Operating, or allowing others to operate, similar or identical businesses within the Designated Territory if such businesses do not operate under the {YEL!} logo or Youth Enrichment League mark or operating, or allowing others to operate, similar or identical businesses physically located outside the Designated Territory, whether under the Names and Marks or other trade or service marks even if the businesses compete with the Franchised Business;
- (ii) Operating, or allowing others to operate, businesses inside the Designated Territory under the Names and Marks that are not competitive with the Franchised Business;

- (iii) Selling products that may be provided to Franchisee for use in its Franchised Business to other parties, whether located in the Designated Territory or otherwise and whether under the Names and Marks or otherwise;
- (iv) Selling goods or services, or granting others the right to sell goods or services, similar to or competitive with those sold by the Franchised Business, whether using the Names and Marks or other trademarks or service marks, through other distribution channels (including, the Internet, catalog sales, telemarketing, or other direct marketing) both inside and outside the Designated Territory, including, but not limited to, Franchisor's provision of on-line classes to students who reside in the Designated Territory or who are attending a school or other organization located in the Designated Territory;
- (v) Acquiring businesses that are similar to the Franchised Business;
- (vi) Operating or allowing other to operate businesses located inside or outside of the Designated Territory that sell to locations inside or outside of the Designated Territory Franchisor's proprietary curriculum, either under the Names and Marks or otherwise; and
- (vii) The sale of Franchisor or substantially all of its assets, to any third party regardless whether such third party operates, or franchises the operation of, businesses similar to the Franchised Business.

Notwithstanding the restrictions above, in addition to any rights or remedies of Franchisor, Franchisor, on its own behalf and on behalf of its affiliates and designees, reserves the right to offer and sell, to House Accounts, whether located within or outside the Designated Territory, after-school and summer enrichment camps or classes or other supplemental education services, as well as youth events, and may collaborate with, or engage as a co-facilitator or otherwise work with, such House Accounts to offer and sell such services to students or other members or participants of the House Account; provided, however, so long as Franchisee is in compliance with this Agreement and any other agreement between Franchisee and Franchisor or its affiliates, and so long as Franchisee agrees to comply with the terms and conditions of any House Account program, Franchisor shall give Franchisee the first right to provide such services to a location of a House Account located in the Designated Territory or to collaborate or work with such location of the House Account to sell services to its members, students or other participants. Notwithstanding the above, if Franchisee declines an opportunity to service a House Account Franchisor shall have no obligation to provide Franchisee any further opportunities.

(b) Acknowledgments - Franchisee acknowledges: (i) that the restrictions set forth in this Section do not prevent Franchisor or its affiliates from any activity not specifically set forth in such restrictions; (ii) Franchisor cannot prevent another franchisee from



soliciting customers inside Franchisee's Designated Territory; and (iii) Franchisee is not prohibited from soliciting customers located outside of its Designated Territory.

(c) Limitation of Rights - Franchisee acknowledges and agrees that it may only operate its Franchised Business within its Designated Territory. For the avoidance of any doubt, Franchisee acknowledges and agrees that it may not conduct events, including camps, classes and tournaments, outside of its Designated Territory, and that it may not sponsor any of the foregoing if they are to be conducted outside of the Designated Territory.

5.) INITIAL FRANCHISE FEE

In consideration for the grant of the Franchise to Franchisee, Franchisee shall pay to Franchisor an initial franchise fee of \$\_\_\_\_\_ (the "Initial Franchise Fee"). The Initial Franchise Fee shall be due and payable upon execution of this Agreement. The Initial Franchise Fee shall be deemed to have been earned by Franchisor at the time it is due, and shall not be refundable. Franchisor will refund one-half of the Initial Franchise Fee if Franchisee or its majority owner if Franchisee is an entity, fails to complete the Initial Training Program to Franchisor's satisfaction and Franchisee signs a general release in a form satisfactory to Franchisor.

6.) ROYALTIES

(a) Royalty Fee - On or before the tenth (10th) day of each month, Franchisee shall pay to Franchisor a monthly nonrefundable royalty fee (the "Royalty Fee") equal to six percent (6%) of the Gross Revenues of the Franchised Business for the prior month. The Royalty Fee shall be due and payable beginning on the tenth (10th) day of the month following the first full month after the commencement of operation of the Franchised Business for the prior full month and any prior partial month and continuing thereafter for each subsequent month. The Franchised Business shall be deemed to be operating on the date certified as such by Franchisor.

(b) Minimum Quarterly Royalty - Beginning in the first quarter after the third anniversary date of the date hereof and continuing for each quarter during the remainder of the Term of the Franchise, Franchisee shall pay Franchisor a minimum Royalty Fee amount equal to the greater of: (i) six percent (6%) of the Gross Revenues of the Franchised Business for the prior quarter; and (ii) an amount equal to Two Thousand Two Hundred Fifty Dollars (\$2,250) plus Fifteen Dollars (\$15.00) per school for each public elementary school over seventy-five (75) in the Designated Territory. For the avoidance of doubt a quarter shall be each 3-month period beginning with the 3-month period ended on the third anniversary date of the date hereof and continuing thereafter for the remainder of the Term of the Franchise.

7.) MARKETING AND PROMOTION

(a) Brand Fund Contribution - Franchisee shall pay to Franchisor a monthly "Brand Fund Contribution" equal to one percent (1%) of the previous month's Gross Revenues of the Franchised Business. The Brand Fund Contribution shall be due and payable

beginning at the same time the Royalty Fee becomes due and payable and shall be due payable at the same time thereafter.

(b) Use of System Brand Fund - Reasonable disbursements from the {YEL!} Brand Fund (the “System Brand Fund”) shall be made solely for the payment of expenses incurred by Franchisor in connection with the general promotion of the Names and Marks, including: (i) development and production of advertising and promotional materials; (ii) the cost of formulating, developing and implementing advertising campaigns, including Internet advertising and Internet search engine campaigns and the cost to maintain and update Franchisor’s or its affiliates websites, web pages, social media and social networking sites, profiles and accounts and search engine optimization; (iii) the cost of formulating, developing and implementing promotional and public relations programs, including advertising in trade publications; (iv) market research; (v) solicitation, retention and maintenance of House Accounts; and (vi) the reasonable cost of administering the System Brand Fund, including professional fees, the cost of salaries and fringe benefits paid to Franchisor’s employees engaged in administration of the System Brand Fund and creative services, and overhead allocated to advertising activities. All interest, if any, earned by the System Brand Fund shall be used for the payment of the foregoing expenses in connection with promotion of the Names and Marks, before application of any principal to those expenses. Methods, media employed, contents of advertising, and terms and conditions of advertising campaigns and promotional programs shall be within the sole discretion of Franchisor. Franchisor reserves the right to engage the professional services of an advertising agency owned by, or affiliated with, Franchisor or any of its principals, to assist in developing and/or placing advertising, and to compensate that agency. Disbursements from the System Brand Fund shall not be made for the production or placement of advertising that is principally for the purpose of marketing franchise licenses. Franchisor reserves the right to dissolve the System Brand Fund but will not do so until all the monies in the System Brand Fund have been expended or until monies have been rebated to the then-existing franchisees operating under the Names and Marks on a pro-rata basis based upon their contributions to the System Brand Fund during the preceding twelve (12) months.

(c) Marketing Materials - Prior to using any marketing or promotional materials, advertisements, or other advertising not prepared by or at the direction of Franchisor, Franchisee shall submit such items to Franchisor for its prior approval. If Franchisor does not approve the use of such materials by Franchisee within ten (10) days after its receipt of such materials, such materials shall be deemed not approved and Franchisee shall not use such materials.

(d) Grand Opening; Local Marketing; Minimum Marketing Requirements – At its own expense, Franchisee shall conduct local marketing campaigns and promotional programs designed primarily to promote the Franchised Business (“Local Marketing”). To that end: (a) Franchisee shall spend within ninety (90) days before the opening of the Franchised Business at least Two Thousand Five Hundred Dollars (\$2,500) to market the opening of the Franchised Business (the “Minimum Opening Marketing Amount”) on Local Marketing that has been approved by Franchisor; and (b) Franchisee shall spend at least three percent (3%) of Franchisee’s Gross Revenue per year (the “Minimum Yearly

Marketing Amount”) on Local Marketing that has been approved by Franchisor. Minimum Opening Marketing Amounts spent by Franchisee shall be credited against the Minimum Yearly Marketing Amount for the first year after the Franchised Business opens. Franchisee shall, upon request of Franchisor, provide Franchisor with receipts evidencing its expenditure of the Minimum Opening Marketing Amount or the Minimum Yearly Marketing Amount on Local Marketing approved by Franchisor. If Franchisee fails to spend the Minimum Opening Marketing Amount within the timeframe set forth above, or the Minimum Yearly Marketing Amount in any given year, Franchisee shall, upon demand of Franchisor, pay to Franchisor the difference between the Minimum Opening Marketing Amount or the Minimum Yearly Marketing Amount, as applicable, and the amount spent by Franchisee, and Franchisor shall place such amount in the System Brand Fund. Local Marketing includes any electronic content Franchisee desires to use to market or otherwise advertise the Franchised Business, including the Franchised Business.

(e) Advertising Cooperative - At such time as Franchisor in its sole discretion may determine, Franchisee shall join an advertising cooperative made up of Youth Enrichment League franchisees (the “Local Cooperative”), as determined by Franchisor. In such event, Franchisee shall be required to participate in the Local Cooperative on the terms and conditions required by Franchisor. Franchisor shall have the right to modify or dissolve any Local Cooperative at any time.

(f) Website; Internet -

(i) Franchisor shall provide Franchisee a webpage on Franchisor’s or its affiliate’s website where Franchisee may advertise its Franchised Business. This webpage shall be a template and Franchisee shall be responsible for completing this page, including the payment of any costs therefor. Franchisee may edit this webpage one time per month. Any and all changes to the webpage must be approved by Franchisor prior to being made and the webpage may contain only such information as Franchisor may approve from time to time. Other than this webpage, Franchisee shall not establish or maintain, or have established or maintained on its behalf, either alone or in concert with others, any other digital or electronic medium or method of communication, including a website, email address, home page, HTML document, Internet site, online directory, online business profile, web page, review or opinion page or site, social media or social networking site, avatar, hashtag, profile, avatar, account username, or application, whether web based or otherwise, relating to or making reference to Franchisor or the Franchised Business (each, a “Social Media Site”), unless otherwise approved by Franchisor. Franchisee must provide Franchisor with all passwords and access to any Social Media Site.

(ii) Franchisee will comply with all directives from Franchisor with respect to any Social Media Site approved by Franchisor, including those related to materials posted on any Social Media Site, links to and from any Social Media Site, the use of the Names and Marks on any Social Media Site, and

security for any Social Media Site. In addition, any Social Media Site approved by Franchisor must be operated and maintained by Franchisee in compliance with all provisions of this Agreement, including those regarding the use of confidential and proprietary information, as well as any and all operating procedures, policies, standards and requirements that Franchisor may specify from time to time. Franchisee must also maintain any Social Media Site approved by Franchisor in compliance with all applicable laws, rules, and regulations, including those applicable to copyright and trademark, privacy, anti-defamation, and advertising and endorsements. Franchisor reserves the right at any time, in its sole discretion, to require Franchisee to remove, delete or modify any Social Media Site, or any information, content or post thereon. Franchisor will retain sole ownership of any Social Media Site, as well as any domain name related thereto and all content thereon, which includes all or a portion of any of the Names and Marks, or any word, phrase or symbol confusingly similar thereto or variant thereof, as part of the domain name, username, account name, hashtag, profile or page reference (a “Franchisor Social Media Site”).

- (iii) Franchisor will provide Franchisee with an email address, which shall be the sole email address Franchisee may use to operate and otherwise conduct the Franchised Business during the Term of the Franchise.
- (iv) In addition to the prohibitions set forth above, Franchisee may not offer, promote or sell any products or services or make use of any of Franchisor’s Names and Marks, the Franchised Business or the System of Operation, via any Social Media Site without Franchisor’s prior written approval. Franchisee acknowledges that Franchisor may also impose prohibitions on Franchisee posting or blogging of comments about Franchisor, the Franchised Business or the System of Operation. The foregoing prohibition includes personal blogs, common social networks like Facebook, Instagram, TikTok, Twitter, Snapchat and Pinterest; professional networks, business profiles or online review or opinion sites like LinkedIn, Google Business Profile or Yelp; live-blogging tools like Twitter and Snapchat; virtual worlds, metaverses, file, audio and video-sharing sites, and other similar social networking or media sites or tools.

(g) Photos, Videos and Electronic Records - Franchisor shall have the right to take photographs, videos and electronic records of the Franchised Business, including the Franchised Location, and associated vehicles and signage and to use such photographs, videos and electronic records in any advertising or promotional material, in any form or medium now existing or later developed. Franchisor may use the foregoing without providing notice to Franchisee or receiving Franchisee’s consent, and Franchisor shall not be obligated to make attribution or to compensate Franchisee for use of the foregoing. Upon the request of Franchisor, Franchisee shall cooperate with Franchisor in taking and arranging for such photographs, videos and electronic records and for obtaining the necessary consents of or assignments from individuals depicted in or involved in such

photographs, videos and electronic records. Franchisee irrevocably assigns to Franchisor all of its right, title, and interest, if any, in and to all such photographs, videos and electronic records, together with all related intellectual property rights.

8.) METHOD OF PAYMENT/LATE PAYMENT CHARGES

(a) Electronic Funds Transfer - Franchisee shall remit Royalty Fees, Brand Fund Contributions, the Technology Fee, and other amounts due to Franchisor or its affiliates via electronic-funds transfer or other similar means. Franchisee shall comply with all procedures specified by Franchisor in this Section and in the Confidential Manual(s) with respect to such transfers, and deliver and execute such documents as may be necessary to facilitate or accomplish payment by the method described in this Section.

- (i) On or before the tenth (10th) day of each month throughout the Term of the Franchise, beginning in the month following the first full month after the commencement of operation of the Franchised Business, Franchisee shall report to Franchisor the true and correct Gross Revenues of the Franchised Business during the preceding month (but in the first month, the report shall include all Gross Revenues received by Franchisee from the date of this Agreement through the end of the preceding month, all of which shall be deemed received in the preceding month). Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of Royalty Fees, Brand Fund Contributions, the Technology Fee, and any other amounts payable to Franchisor or its affiliates under this Agreement. Franchisee shall make the funds available to Franchisor for withdrawal by electronic transfer no later than 10:00 a.m. central time on the tenth (10th) day of each month, or if that day is not a banking business day, then by 10:00 a.m. central time on the next banking business day. If Franchisee fails to timely report Gross Revenues for any period Franchisor may debit Franchisee's account for: (i) one hundred ten percent (110%) of the Royalty Fees, Brand Fund Contributions and Technology Fees paid by Franchisee for the last period for which a Gross Revenue report was provided; (b) the amount due for Royalty Fees, Brand Fund Contributions and Technology Fees based upon information Franchisor has regarding the Franchised Business; or (c) one hundred ten percent (110%) of the Royalty Fees, Brand Fund Contributions and Technology Fees paid by Franchisee for the same period in the prior year.
- (ii) If, at any time, Franchisor determines that Franchisee has under-paid Royalty Fees, Brand Fund Contributions, Technology Fees or other amounts payable to Franchisor or its affiliates, Franchisor shall be authorized to initiate immediately a debit to Franchisee's account in the appropriate amount in accordance with the foregoing procedure, plus late payment charges as provided for in this Agreement. Any overpayment shall be credited to Franchisee's account through a credit effective as of the first reporting date after Franchisee and Franchisor determine that such

credit is due. If the amount debited is less than the actual amount owed, Franchisee shall pay the remaining amount owing, plus a late payment charge thereon as set forth in this Agreement. If Franchisor is unable for any reason to debit the full amount permitted under this Agreement, Franchisee shall remit the remaining amount owing within five (5) days from notice by Franchisor, plus a late payment charge thereon as set forth in this Agreement.

(b) Minimum Account Balance - Franchisee shall at all times maintain a minimum balance in the designated checking or savings account for payments of Royalty Fees, Brand Fund Contributions, Technology Fees and any other amounts payable by Franchisee to Franchisor or its affiliates in an amount specified by Franchisor.

(c) Late Payment Charges - All fees or payments of any type whatsoever owed by Franchisee to Franchisor or its affiliates that are not received when due will be subject to the imposition of late payment charges equal to the maximum rate permitted by law, not to exceed one and one-half percent (1 1/2%) per month.

(d) No Setoff - Franchisee shall not withhold or escrow any amounts due to Franchisor under this Agreement, or set off any such amounts against any amounts claimed to be due to Franchisee.

(e) Timing of Payment - Unless specifically set forth herein to the contrary, all amounts owed to Franchisor or its affiliate shall be due and payable to Franchisor within ten (10) days following Franchisee's receipt of an invoice therefor. Royalty Fees, Brand Fund Contributions and Technology Fees shall be due and payable as set forth in this Agreement.

(f) Fees - Franchisor may at any time in its sole discretion, upon notice to Franchisee, modify any prices or other amounts charged by Franchisor or an affiliate for products or services, other than the Royalty Fee, Brand Fund Contribution and Technology Fee.

(g) Taxes - If any sales, excise, use or privilege tax is imposed or levied by any government or governmental agency on account of any amounts payable under this Agreement, Franchisee shall pay to Franchisor as an additional fee, a sum equal to the amount of such tax (but this provision shall not apply to any federal or Minnesota income taxes imposed upon Franchisor).

#### 9.) ASSISTANCE; TRAINING; ONGOING SUPPORT

(a) Initial Training - Franchisor shall provide, at a suitable location of its choice, an initial training program consisting of approximately eight (8) days of training for Franchisee and its Manager(s) if different from Franchisee (the "Initial Training Program"). The Initial Training Program for Franchisee and its Manager(s) will be provided without charge, but travel and living expenses incurred by individuals attending training on Franchisee's behalf in connection with the Initial Training Program shall be the responsibility of Franchisee. Franchisee and its Manager(s) shall attend and satisfactorily complete the Initial Training Program within sixty (60) days of Franchisee's

execution of this Agreement, but in any event, prior to commencing operation of the Franchised Business. If Franchisee, its majority owner if Franchisee is an entity, or any Manager, fails to satisfactorily complete the Initial Training Program within such period, Franchisor may terminate the Franchise Agreement.

All Managers must attend the Initial Training Program within thirty (30) days after beginning to perform services for the Franchised Business. Franchisor will charge its current charge for such additional training, and Franchisee must pay the charge for such training prior to the beginning of such training.

(b) Additional Optional Training - Upon the request of Franchisee, at reasonable times determined by the parties, Franchisor will provide additional training to Franchisee on topics requested by Franchisee and agreed to by Franchisor. Such training shall be held at a location determined by Franchisor or may be provided electronically. Franchisor shall charge such fees as it shall establish from time to time for such training and such fees must be paid prior to the time such training begins.

(c) Confidential Manual(s) - Franchisor shall loan to Franchisee one or more manuals for use in the Franchised Business, which manuals may consist of brand standards, operations, and training manuals or otherwise (the "Confidential Manual(s)"). The Confidential Manual(s) are not to be copied in whole or in part, shall remain the property of Franchisor and shall always be kept in safekeeping. Franchisor, from time to time, may add to or modify some or all of the Confidential Manual(s) to supplement or to improve the System of Operation and the contents and methods of promotion franchised hereunder and Franchisee shall at all times maintain the updated Confidential Manual(s).

(d) Conventions - Franchisor may conduct an annual or bi-annual convention for all franchisees operating under the Names and Marks. If Franchisor chooses to hold such a convention, Franchisee must attend such convention or send a representative approved by Franchisor. Regardless whether Franchisee attends the convention, it shall pay to Franchisor any convention registration fee established by Franchisor for that convention.

(e) On-Site Support; Telephonic Assistance - In addition to its other obligations under this Agreement, Franchisor will, without additional charge, provide Franchisee with at least one (1) day of on-site support and assistance at the Franchised Business during the fourteen (14) day period after the opening of the Franchised Business. Franchisor will also be available during normal business hours, and without charge to Franchisee, to provide Franchisee with reasonable telephone support on operating issues concerning the Franchised Business.

(f) Curriculum - During the Term of the Franchise, Franchisor shall provide to Franchisee the curricula for use in conducting classes provided by Franchisee in connection with its Franchised Business. All classes shall be conducted by Franchisee pursuant to the curricula. Franchisee acknowledges and agrees that the curricula is proprietary information of Franchisor and Franchisee shall have no right to use any of such items after the Term of the Franchise.

(g) Forms - Franchisor shall provide to Franchisee various forms Franchisee may use in the operation of the Franchised Business, including a form of enrollment form. Franchisee may not enroll a student in its program unless and until the student's parent or guardian signs a parent contract, the form of which must be approved by Franchisor.

Franchisor makes no representation or warranty as to the enforceability of any contracts or other forms provided to Franchisee for use in its Franchised Business, or whether any such forms meet the legal requirements of the jurisdiction in which Franchisee does business. Franchisee acknowledges that it is Franchisee's responsibility to modify such forms to meet all laws and regulations applicable to the Franchised Business and to use no contract that does not comply with applicable law. Franchisor may from time to time update the forms provided to Franchisee. Upon provision of an updated form to Franchisee, Franchisee must immediately discontinue use of any prior version and only use the new version of the form on a going forward basis.

(h) Market Introduction Plan; Marketing Materials - Franchisor shall provide to Franchisee a market introduction plan consisting of various marketing materials Franchisee may use in initially marketing its Franchised Business. Franchisor shall from time to time provide Franchisee with various examples of marketing materials that Franchisee may adapt for use in its Franchised Business; provided, however, Franchisee must obtain Franchisor's prior written consent to any adaptations prior to such use.

(i) Electronic Platform - Franchisee shall pay Franchisor a "Technology Fee" of 1% of its monthly Gross Revenue. In exchange for which, Franchisor shall provide Franchisee with access to its proprietary electronic operating platform known as "Youth Database", or a successor thereto. The Technology Fee shall be due and payable beginning at the same time the Royalty Fee becomes due and payable and shall be due and payable at the same time thereafter. Franchisee shall schedule all of its camp classes in such platform and shall provide such other information as may be required by Franchisor. Franchisor may discontinue the use of this platform at any time upon notice to Franchisee and may require Franchisee to use another platform of Franchisor or a third party and Franchisee shall pay all costs related thereto. Franchisor shall have independent access to all information contained in this platform or any other successor platform.

(j) Chart of Accounts - Franchisor shall provide to Franchisee a form of chart of accounts that Franchisee may use in the financial management of its Franchised Business.

(k) File Hosting. - Franchisor shall maintain a file hosting service to store the curriculum and any other items determined by Franchisor. Franchisee shall pay Franchisor's then-current fee for such service upon receipt of an invoice therefor. Franchisor may change this service from time to time and may designate a third-party to provide such service directly to Franchisee and Franchisee shall pay all such costs related thereto.

(l) Level of Performance; Delegation - Franchisor is not obligated to perform any services to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment. In addition, Franchisor shall have the right to



subcontract or delegate any of its duties and responsibilities under this Agreement; provided, however, Franchisor shall be responsible for the performance of such duties, notwithstanding such subcontract or delegation, to the same extent as if Franchisor had not subcontracted or delegated such duties, unless such subcontract or delegation is in connection with an assignment pursuant to Section 18(a) below.

(m) Notice of Deficiencies - If Franchisee believes Franchisor has failed to adequately provide any services required to be provided to Franchisee or its employees in regard to the training, support or any other matter affecting the establishment of the Franchised Business, Franchisee shall so notify Franchisor in writing within thirty (30) days following opening of the Franchised Business. Absent the timely provision of such notice to Franchisor, Franchisee shall be deemed to conclusively acknowledge that all pre-opening and opening services required to be performed by Franchisor were sufficient and satisfactory in Franchisee's judgment.

#### 10.) OPERATION OF THE FRANCHISED BUSINESS

(a) Commencement of Operation - Franchisee may not commence operation of the Franchised Business until Franchisee has satisfied all conditions set forth in this Agreement required to be satisfied by Franchisee prior to opening the Franchised Business, including successful completion by Franchisee and its Manager(s), if any, of the Initial Training Program, and Franchisor has provided Franchisee with written certification of the completion of all such conditions. Franchisee must satisfy all such conditions and open its Franchised Business to the general public within ninety (90) days of the date hereof.

(b) Full Time Basis; Involvement - Although Franchisee may have a Manager responsible for the general operation of the Franchised Business, Franchisee (or the majority owner of Franchisee if Franchisee is not an individual) must be involved on a full-time basis in the operation of the Franchised Business. Franchisee and its Manager(s), if any, shall each have successfully completed Franchisor's Initial Training Program. Notwithstanding the foregoing Franchisee shall at all times be held responsible for the day-to-day operation and management of the Franchised Business. Franchisee shall, at all times, retain at least one Manager for each county or partial county contained in Franchisee's Designated Territory.

(c) Training - Franchisee shall provide to each of its staff members an initial training program meeting Franchisor's requirements. Franchisee shall also provide such annual trainings to such individuals as are required by Franchisor. The content of these trainings shall also meet Franchisor's requirements. Franchisee shall provide to Franchisor, upon Franchisor's request, a certification that all of such individuals have successfully completed the initial training program as well as any annual programs. No such individual shall perform services on behalf of Franchisee until such individual has successfully completed the initial training program as well as any applicable annual program.

(d) Maintenance of High Quality Service - Franchisee shall utilize its best efforts, skill and diligence to ensure that Franchisee and Franchisee's employees and agents establish and maintain high quality service to all doing business with the Franchised Business. At all times, Franchisee shall conduct its business in a manner that will preserve and enhance the goodwill associated with the Names and Marks.

If Franchisee fails to provide services that meet Franchisor's standards, specifications or procedures, including meeting any student-teacher ratios specified by Franchisor, Franchisor shall have the right to assign such person or persons that it deems necessary to provide additional training to Franchisee or its employees to assure that such standards of quality and service are maintained. Franchisee shall pay to Franchisor all of Franchisor's actual costs for such person so assigned, including wages, travel and living expenses. Franchisee shall at all times offer such services through the Franchised Business as are required by Franchisor. Franchisee may not, however, use the Franchised Business, including the Franchised Location, to operate any other business, or offer any services, that have not been approved by Franchisor.

(e) Compliance with Specifications and Procedures - Franchisee acknowledges that the Confidential Manual(s) are designed to protect Franchisor's standards and systems, and the Names and Marks, and not to control the day-to-day operation of the business. Franchisee shall comply with all rules, regulations, and directives specified by Franchisor, as well as all mandatory standards, specifications and procedures contained in the Confidential Manual(s), as amended from time to time, and shall adopt and adhere to the policies of Franchisor. Franchisor specifically reserves the right to modify or change such rules, regulations and directives.

(f) Internet Usage - Franchisee must subscribe, at Franchisee's expense, to an Internet service provider or other electronic communication provider or service and obtain and use, at Franchisee's expense, and in the manner and form and meeting such minimum standards as Franchisor may approve or require, computer equipment, operating software, communication services, and other electronic and computer systems, and the like, for communicating, reporting and other operations of the Franchised Business. Franchisor shall have independent access to all of Franchisee's computer systems. Franchisee shall use its computer and computer systems required by Franchisor solely for the operation of the Franchised Business. Franchisor may require that any and all communications between Franchisee and Franchisor be made through the Internet or such other electronic medium as Franchisor may designate, and Franchisee may be required to access the Internet or other electronic information on a regular basis to obtain full benefit of the System of Operation. To that end, Franchisee shall maintain a working email address to communicate with Franchisor. Franchisor is not liable for any damage to Franchisee including lost profits, which occur as a result of any outage or delay related to electronic transmission of information, whether by the Internet or otherwise, or as a result of Franchisee's failure to access the information, or the inoperability of any electronic platform or website provided by Franchisor or an affiliate to Franchisee. Franchisor may, in its sole discretion, make use of any information furnished by it to Franchisee in the conduct of its business.

(g) Upgrades - Notwithstanding anything set forth in this Agreement to the contrary, Franchisor may require Franchisee to upgrade any technology used by Franchisee in the Franchised Business at any time and without regard to any expenditure limitations. Additionally, there shall be no limit on Franchisor's right to require Franchisee to replace its computer system, to replace or upgrade hardware or software used by Franchisee in the Franchised Business or to require Franchisee to purchase additional hardware or software that Franchisor may select for use in the Franchised Business.

(h) Provision of Information - Franchisee also acknowledges and agrees that any and all information provided to Franchisee by Franchisor under this Agreement may be provided in such manner and by such media as Franchisor may determine, including, without limitation, by electronic and/or computer means. Franchisee also specifically agrees Franchisor may communicate with Franchisee by facsimile, email, or other electronic communications.

(i) Equipment/Vehicle Maintenance - Franchisee shall maintain all equipment and vehicles used in the Franchised Business in excellent working condition. As such items become obsolete or mechanically impaired to the extent they require replacement, Franchisee shall replace such items with either the same or substantially similar types and kinds of items as are being installed or used in other, similar businesses franchised by Franchisor, or opened by Franchisor or its affiliates, at the time replacement becomes necessary. All equipment and vehicles used in the Franchised Business shall meet the specifications of Franchisor and shall be approved by Franchisor prior to installation or use thereof.

(j) Taxes - Franchisee shall promptly pay when due all taxes levied or assessed by reason of its operation and performance under this Agreement. Franchisee further shall secure and pay premiums on a workers' compensation policy covering all of its employees and, if applicable, shall be responsible to pay all state unemployment taxes, state sales taxes and all other taxes and expenses of operating the Franchised Business. In the event of any bona fide dispute as to the liability for any taxes assessed against Franchisee, Franchisee may contest the validity or amount of the tax in accordance with procedures of the taxing authority. In no event, however, shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant to occur against the Franchised Business, or any part thereof.

(k) Personnel - All Franchisee's personnel involved in the Franchised Business shall wear apparel meeting Franchisor's standards. Franchisee shall hire all personnel of the Franchised Business, and be exclusively responsible for the terms of their relationships with Franchisee, including compensation. Furthermore, Franchisee shall require each Manager, as a condition to their employment, to enter into a noncompetition and confidentiality agreement restricting the disclosure of confidential information and competition with Franchisee and Franchisor to the same extent as Franchisee is restricted under this Agreement. If there is a violation of that agreement, Franchisee shall take all action necessary to enforce that agreement. If Franchisee fails to enforce that agreement, it shall be liable to Franchisor for any damages, costs and losses suffered by Franchisor, including any attorneys' fees Franchisor may incur if it elects to attempt to enforce that

agreement on Franchisee's behalf. In such event, Franchisee shall execute all documents reasonably requested by Franchisor in connection with such enforcement attempt. Franchisee shall provide Franchisor an executed copy of each such agreement immediately upon execution by Franchisee and a Manager.

(l) Franchisee Control - Franchisee acknowledges that it is responsible for the day-to-day operation of its Franchised Business, including hiring, setting the conditions of employment, supervising, discipline and termination of all personnel, purchases (or leases) and maintenance of equipment and supplies, preparing Franchisee's own marketing plans and funding and implementing those marketing plans, maintenance of employment records, and daily maintenance, safety, security and the achievement of compliance with the System of Operation. Franchisor's ability to approve certain matters, to inspect the Franchised Location and the operations of the Franchised Business and to enforce its rights, exists only to the extent necessary to protect its interest in the System of Operation and the Names and Marks. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters that are clearly reserved to Franchisee. Franchisee's employees are not Franchisor's agents or employees and Franchisor is not a joint employer of these individuals. Franchisee is solely responsible for performing all administrative functions related to the Franchised Business, including payroll and providing workers' compensation insurance. Franchisee acknowledges that it is not economically dependent on Franchisor, and that Franchisor does not provide facilities, equipment or house or transport Franchisee's employees or provide to Franchisee's employees tools or materials required for Franchisee's employees to perform services for Franchisee.

(m) Compliance with Laws - Franchisee shall comply with all laws applicable to its Franchised Business including all laws applicable to children. For the avoidance of any doubt, Franchisee shall ensure that all employees of the Franchised Business are licensed to perform the services they are performing on behalf of Franchisee, including compliance with any teaching or child care licensure requirements, as applicable.

(n) Collaborators - Franchisee may only offer its services at locations and in connection with organizations that do not reflect negatively on the Franchisor's system and the {YEL!} brand.

(o) Customer Satisfaction - Franchisee shall participate in all customer, and collaborator satisfaction programs, including any surveys Franchisor requires. If Franchisor receives a complaint from: (i) an organization Franchisee is collaborating with, or has collaborated with, to provide services or from whose location Franchisee is providing services or has provided services; (ii) any student, member or youth, as applicable, to whom Franchisee is providing services to or has provided services; or (iii) any parent or guardian of an individual referred to in clause (iii), and Franchisee fails to resolve the complaint within the time Franchisor specifies, Franchisor may resolve the complaint or respond for Franchisee, and bill Franchisee for Franchisor's costs to resolve the matter along with an administrative fee. In addition, upon request by a third party, Franchisee hereby consents to Franchisor providing Franchisee's contact information to that third party.

(p) Guarantee - Franchisee shall provide its customers a standard limited guarantee meeting Franchisor's standards. If that guarantee is not satisfied with respect to a particular customer, Franchisee shall take all such action specified by Franchisor to satisfy the guarantee. If Franchisee refuses to take such action, Franchisor, an affiliate or a designee of Franchisor, may take such action to satisfy the guarantee. In such case, Franchisee shall, upon demand, pay to Franchisor all amounts incurred by Franchisor, its affiliate or designee in connection with the satisfaction of such guarantee.

(q) Operating Principal - If Franchisee is an entity with more than one owner, Franchisee shall appoint one person with the sole authority to make decisions on behalf of Franchisee in connection with its dealings with Franchisor.

#### 11.) NAMES AND MARKS

(a) Display of Names and Marks - Franchisee shall operate under, and prominently display, the Names and Marks in the operation of the Franchised Business in the manner specified by Franchisor, and pursuant to the standards made available to Franchisee by Franchisor. Franchisee shall use no commercial trade names, service marks, or other commercial symbols, including associated logos, that do not satisfy the criteria established by Franchisor. If this Agreement is executed by, or assigned to, a corporation, partnership, or limited liability company, Franchisee may not use all or part of the Names and Marks as part of the name of the corporation, partnership, or limited liability company, and Franchisee must obtain Franchisor's prior written approval of the name of the corporation, partnership, or limited liability company prior to incorporation, formation or organization, as applicable. Franchisee may not use all or part of any of the Names and Marks, or any similar name, word, symbol or variant thereof, in a domain name, account name, profile or URL, except as specifically approved by Franchisor.

(i) If Franchisor deems it advisable, Franchisee shall file for and maintain a "Certificate of Trade Name" in the county, or other appropriate jurisdiction, in which the Franchised Business is located.

(ii) Franchisee shall not use any of the Names and Marks in combination with other words, letters, prefixes, suffixes, logos or designs, other than in the manner authorized by Franchisor.

(b) Change of Names and Marks - From time to time, Franchisor may elect to discontinue the use of certain Names and Marks and to commence use of new Names and Marks. Franchisee shall pay all expenses incurred in connection with discontinuing the use of existing Names and Marks in the Franchised Business and commencing the use of new Names and Marks therein.

(c) Ownership of Marks and Goodwill - Franchisee acknowledges that Franchisor owns the Names and Marks. Franchisee's right to use the Names and Marks is derived solely from this Agreement and all such usage and any goodwill established thereby shall inure to the exclusive benefit of Franchisor. Franchisee waives any right to challenge Franchisor's entitlement or ownership of the Names and Marks.

(d) Cessation of Use - Franchisee agrees that, upon the termination or expiration of the Term of the Franchise for any reason whatsoever, Franchisee shall forthwith discontinue the use of the Names and Marks, and thereafter shall no longer use, or have the right to use, the Names and Marks.

(e) Notification of Infringement - Franchisee shall immediately notify Franchisor of any infringement of or challenge to Franchisee's use of present and future Names and Marks and shall not communicate with any other person in connection with any such infringement, challenge or claim. Franchisor shall have sole discretion to take such action as it deems appropriate, including the exclusive control of any litigation or any Trademark Office or other administrative proceeding arising out of any such infringement, challenge or claim relating to any of the Names and Marks.

## 12.) EQUIPMENT/SUPPLIES/SERVICES

(a) Equipment; Supplies and Approved Suppliers - All equipment, vehicles, supplies, furnishings, décor, food, beverages, curricula, classes, computer hardware and software, cell phones, bank, student prizes and awards, paper goods, including student handouts, insurance, site (if Franchisee operates from a non-residential location), apparel, internet access, and advertising and marketing materials, must meet Franchisor's specifications as they may be provided to Franchisee from time to time, unless otherwise consented to by Franchisor. From time to time, Franchisor shall provide Franchisee a list of approved suppliers of various items, which may include equipment, food, beverages, supplies, furnishings, software, hardware, curricula, cell phones, student prizes and awards, paper goods, including student handouts, apparel, insurance, and other items or services necessary to operate the Franchised Business. The approved source of supply for any individual item may be Franchisor, an affiliate of Franchisor, or an independent third party. To that end, Franchisor, an affiliate or an unrelated third party may be the sole source of supply for an item.

(i) Unless otherwise specified by Franchisor, Franchisee shall not be restricted from using sources of supply other than those previously approved by Franchisor, if the other sources supply items or services of substantially the same quality and specifications as those supplied by the approved suppliers.

(ii) Franchisor reserves the right to require Franchisee to obtain the written approval of Franchisor prior to the use of any supplier or item not previously approved by Franchisor and, as a precondition to the granting of such approval, may require the proposed supplier to submit to Franchisor samples of products it proposes to provide to Franchisee for use in the Franchised Business and any other information Franchisor requires and require Franchisee to pay a testing and evaluation fee. In such event, Franchisor shall have thirty (30) days from its receipt of all such information to approve such supplier. Any supplier not approved in such time period shall be deemed disapproved. Franchisor does not maintain any written criteria for approval of a supplier.

(iii) Franchisee acknowledges that, as of the date hereof, Franchisor has only approved one supplier for the initial supply of Franchisees Legos and robotics, the electronic commerce platform Franchisee shall use to process student registrations and payments, including credit card payments and that Franchisor is unlikely to approve another supplier for such items. Franchisee acknowledges that, as of the date hereof, Franchisor is the sole supplier for instructional aids, including curricula, apparel for Franchisee's staff. Franchisor's electronic operating platform and the electronic file management system where the curriculum is stored.

(b) Services/Pricing - Franchisee shall not offer or sell any products or services that have not been approved by Franchisor or for which approval has been revoked. Franchisee acknowledges and agrees that it may not conduct events, including camps, classes and tournaments, outside of its Designated Territory, and that it may not sponsor any of the foregoing if they are to be conducted outside of the Designated Territory. Franchisee shall set its own pricing and rates for the products and services it offers in the Franchised Business; provided, however, Franchisee shall adhere to any minimum or maximum prices prescribed by Franchisor for services or products offered by Franchisee or to any prices negotiated between Franchisor and a House Account. Franchisee must also participate in, and comply with all terms and conditions of, and pay all charges related to, all programs, including any House Account program, Franchisor may require Franchisee to participate in from time to time including, but not limited to, any national or regional campaigns or membership programs. The terms and conditions of any such program, as well as the programs themselves, may be modified or terminated at any time by Franchisor in its sole and absolute discretion.

(c) Liability - Franchisor shall not be liable to Franchisee for damages caused by the failure of Franchisor or an approved supplier to make available for purchase any item or service, unless the failure is the result of factors within Franchisor's reasonable control.

### 13.) INFORMATION, REPORTS, INSPECTIONS AND AUDITS

(a) Books and Records; Financial Reports - Franchisee shall maintain its books and records in the manner reasonably required by Franchisor. Franchisee shall provide Franchisor with such financial and sales information relating to the business of Franchisee as from time to time may be reasonably required by Franchisor. To that end, Franchisee shall provide to Franchisor such monthly and/or annual financial reports as Franchisor may specify. The financial and sales information shall be delivered to Franchisor, at the time, in the form and by the means of communication authorized by Franchisor. Franchisor may use such financial information in any manner and for any purpose it, in its sole and absolute judgment, deems appropriate. Franchisee, and if Franchisee is a limited liability company, corporation or partnership, the owners of Franchisee, shall also submit to Franchisor, upon request, copies of their annual federal, state, and city, if any, income and sales tax returns, if any.

(b) Audit Rights - Franchisor shall have the right to audit or cause to be audited the sales reports and financial statements delivered to Franchisor, and any other financial

books or records, as well as the sales and income tax returns of Franchisee, and if Franchisee is a limited liability company, corporation or partnership, the owners of Franchisee. If any audit discloses that Franchisee has failed to pay to Franchisor any Royalty Fees, Brand Fund Contributions or Technology Fees owed Franchisor based upon an understatement of Gross Revenues, Franchisee, within ten (10) days of receipt of the audit report, shall pay to Franchisor the Royalty Fees, Brand Fund Contributions, Technology Fees, and other amounts due Franchisor, plus late payment charges from the due date at the maximum rate permitted by law, not to exceed one and one-half percent (1 1/2%) per month. In addition, if an understatement for any period equals two percent (2%) or more of the Gross Revenues of the Franchised Business for any period, Franchisee shall reimburse Franchisor for the cost of the audit, including the charges of any independent accountant and the travel expenses, room and board, and compensation of persons employed by Franchisor to make the audit. In addition to its other rights hereunder, if an understatement for any period equals five percent (5%) or more of the Gross Revenues of the Franchised Business for any period, Franchisor may terminate this Agreement.

(c) Inspection Rights - Franchisee shall permit Franchisor and its representatives, whenever Franchisor reasonably may deem necessary, during normal business hours, to enter, remain on and inspect the Franchised Business, including the Franchised Location, and the operation of the foregoing. Franchisor and its representatives may also, without notice to Franchisee, interview and otherwise communicate with parents of children to whom Franchisee has provided services as Franchisor in its sole discretion determines.

(d) Ownership of Information - All information Franchisor obtains from Franchisee or about or related to the Franchised Business (collectively, the "Information"), and all revenues Franchisor derives from such Information, shall be Franchisor's property. Franchisee may use information that it acquires from third parties in operating the Franchised Business, such as customer data or data from an organization Franchisee is collaborating with, or has collaborated with, to provide services or from whose location Franchisee is providing services or has provided services, at any time during the Term of the Franchise to the extent lawful and at its sole risk and responsibility, but only in connection with operating the Franchised Business for the purposes hereunder. The Information (except for information Franchisee provides to Franchisor with respect to it and its affiliates) shall become the Confidential Information of Franchisor, which Franchisor may use for any reason it deems necessary or appropriate. Franchisee and Franchisor shall comply with all applicable laws pertaining to the privacy and security of personal information, including, without limitation, local, regional and national requirements applicable to the Franchised Business. Further, Franchisee recognizes and agrees that between Franchisee and Franchisor, Franchisor owns all rights to and all interest in and to any data, whether customer data, click-stream data, user data, reviews or otherwise, hits or other information collected via any electronic medium or method of communication, including a website, home page, HTML document, Internet site, online directory, web page, or social media or social networking site, or application, whether web-based or otherwise, related to the System of Operation or the Names and Marks. Such information is deemed by Franchisor to be and constitutes its confidential information.



14.) INSURANCE

(a) Type of Coverage - At all times during the Term of the Franchise, Franchisee shall maintain in force, at its sole expense, commercial general liability insurance against claims for bodily and personal injury, death and property damage caused by, or incurred in conjunction with, the operation of, or conduct of business by, Franchisee; general casualty insurance (including the perils of fire, broad form extended coverage, vandalism and malicious mischief) on the premises of the Franchised Location if it is a nonresidential location, and in any event the equipment of the Franchised Business; inland marine insurance; business motor vehicle liability insurance; workers' compensation insurance; and such other types of insurance and all in such amounts as may be specified by Franchisor from time to time.

- (i) The insurance coverage shall be maintained under one (1) or more policies of insurance containing the amounts and types of coverage from time to time prescribed by Franchisor and insured by insurance companies rated A or better by A. M. Best Company.
- (ii) All public liability and motor vehicle liability insurance policies shall name Franchisor as an additional insured and shall provide that Franchisor receive ten (10) days' prior written notice of termination, expiration, reduction or cancellation of any such policy.
- (iii) Franchisee shall submit to Franchisor, annually, a copy of the certificate of or other evidence of the renewal or extension of each such insurance policy.

(b) Failure to Obtain - If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor, or fails to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may obtain such insurance coverage on behalf of Franchisee, and any costs of premiums incurred by Franchisor in connection therewith shall be paid by Franchisee on demand.

15.) CONFIDENTIALITY AND IMPROVEMENTS BY FRANCHISEE

(a) Maintenance of Confidence - Franchisee acknowledges that all of the information it has now or obtains in the future concerning the System of Operation, including any curricula provided by Franchisor, and the concepts and methods of promotion franchised hereunder, is derived from Franchisor pursuant to this Agreement, and that such information will be treated in confidence. Franchisee agrees never to, directly or indirectly, engage in or abet the misappropriation (as the term "misappropriation" is defined in the Minnesota Uniform Trade Secrets Act), or the disclosure, divulgence, or distribution of all or any part of the System of Operation and the concepts and methods of promoting franchises hereunder.

(b) Improvements - If Franchisee, during the Term of the Franchise, conceives or develops any improvements or additions to the System of Operation, new trade names,

trade and service marks and other commercial symbols related to the Franchised Business, or any advertising, promotion or marketing ideas related to the Franchised Business (“Improvements”), Franchisee shall fully disclose the Improvements to Franchisor without disclosure of the Improvements to others and shall obtain Franchisor’s written approval prior to the use of such Improvements. Any such Improvement approved by Franchisor may be used by Franchisor and all other franchisees of Franchisor without any obligation to Franchisee for royalties or similar fees. Franchisee shall assign to Franchisor, and hereby does assign to Franchisor, without charge, all rights to such Improvements, together with the goodwill associated with the Improvements, including the right to grant sublicenses to any such Improvements. Franchisor, at its discretion, may make application for and own copyrights, trade names, trademarks and service marks relating to any such Improvements. Franchisor also may consider such Improvements as the property and trade secrets of Franchisor. Franchisor shall authorize Franchisee to utilize any Improvement authorized generally for use by other franchisees.

#### 16.) RESTRICTIVE COVENANTS

(a) Covenants - Franchisee acknowledges Franchisor must be protected against the potential for unfair competition by Franchisee’s use of Franchisor’s training, assistance and trade secrets in competition with Franchisor. Franchisee therefore agrees that it shall not:

- (i) During the Term of the Franchise, either directly or indirectly: (a) operate, own, manage, or be employed by or consult with, any Competitive Business other than one operated under a valid franchise agreement with Franchisor; or (b) divert or attempt to divert a party Franchisee is collaborating or otherwise working with to provide its services, or to whose students, members or youth Franchisee is providing services, or from whose location Franchisee is providing services, or to whom Franchisee is directly providing services, to any competitor of Franchisor, or a competitor of a {YEL!} franchisee or of an affiliate of Franchisor; or (c) otherwise interfere with the business activities of Franchisor or any affiliate or any other franchisee of Franchisor with respect to any of the foregoing.
- (ii) For a period of two (2) years following the expiration, termination or assignment of this Agreement, either directly or indirectly: (a) operate, own, manage, be employed by or consult with any Competitive Business, other than one operated under a valid franchise agreement with Franchisor, that is located or doing business in the Restricted Area; (b) divert or attempt to divert a party Franchisee is collaborating or otherwise working with to provide its services, or to whose students, members or youth Franchisee is providing services, or from whose location Franchisee is providing services, or to whom Franchisee is directly providing services, to do business with a party other than Franchisor or another {YEL!} franchisee or an affiliate of Franchisor; or (c) otherwise interfere with the

business activities of Franchisor or any affiliate or any other franchisee of Franchisor.

- (iii) In the event of the violation of Section 17(a)(ii) above by Franchisee following expiration, termination or assignment of this Agreement, the period of time Franchisee shall be required to abide by the breached obligation shall be extended to a period of two (2) years after Franchisee is no longer in breach of such obligation.

(b) Franchisee Acknowledgments - Franchisee agrees that the restrictions contained in this Section 16 are reasonable and necessary to protect the interests of Franchisor and other franchisees of Franchisor. Franchisee further acknowledges that because of the narrow scope of the limitations, the foregoing restrictions do not unduly restrict Franchisee's ability to engage in gainful employment. If Franchisee violates these restrictions, then in addition to damages incurred by Franchisor for which Franchisee shall be liable, Franchisor shall be entitled to injunctive relief to prevent the continuation of such breach.

#### 17.) ASSIGNMENT

(a) By Franchisor - This Agreement is fully assignable by Franchisor, and shall inure to the benefit of any assignee or other legal successor in interest of Franchisor.

(b) General Prohibition on Franchisee Assignment - No Franchisee, partner (if Franchisee assigns this Agreement to a partnership), shareholder (if Franchisee assigns this Agreement to a corporation), or member (if Franchisee assigns this Agreement to a limited liability company), without the prior written consent of Franchisor, by operation of law or otherwise, shall sell, assign, transfer, convey, give away, lease, have redeemed or encumber to any person, firm, corporation, or company, its interest in this Agreement or its interest in the Franchise granted hereby or its interest in any proprietorship, partnership, corporation, or limited liability company which, directly or indirectly, owns any interest in the Franchise, or its interest in the Franchised Business or the assets of the Franchised Business, including any lease or sublease for a non-residential Franchised Location. Any purported assignment not having the necessary consent shall be null and void and shall constitute a material default hereunder.

(c) Conditions to Franchisee Assignment - Franchisor shall not unreasonably withhold its consent to any assignment provided the following conditions and requirements shall first be satisfied:

- (i) If Franchisee desires to assign or transfer all of its rights to a partnership, corporation, or limited liability company controlled by Franchisee:
  - (a) the transferee shall be newly organized and its charter shall provide that its activities are confined exclusively to operating the Franchised Business;

- (b) Franchisee shall be and shall remain the owner of all of the issued and outstanding voting stock or membership interests of the transferee corporation or limited liability company or, in the case of a partnership, of all of the voting control of the transferee partnership;
  - (c) Franchisee shall be and shall remain the principal executive officer of the transferee;
  - (d) the transferee shall enter into a written agreement with Franchisee and Franchisor, in a form satisfactory to Franchisor, assuming all of Franchisee's obligations hereunder;
  - (e) all the partners, shareholders, or members of the transferee shall enter into a written agreement in a form satisfactory to Franchisor jointly and severally guaranteeing the full payment and performance of the transferee's obligations to Franchisor and agreeing to be personally bound by all covenants and restrictions imposed upon the transferee under this Agreement;
  - (f) each stock or membership certificate of the transferee corporation or limited liability company, or the partnership agreement of the transferee partnership, shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer of any interest therein is subject to, all restrictions imposed upon assignments by this Agreement;
  - (g) no new voting interest in the transferee shall be issued to any person or entity without obtaining Franchisor's prior written consent; and
  - (h) all accrued money obligations of Franchisee to Franchisor and its subsidiaries, affiliates and assigns shall be satisfied prior to assignment or transfer.
- (ii) If an assignment (other than an assignment as set forth in Section 18(c)(i) above), alone or together with other previous, simultaneous or proposed transfers, would have the effect of transferring control of the Franchise created hereby or the Franchised Business:
- (a) the transferee shall meet Franchisor's then current standards for the issuance of a franchise, including satisfying any requirements imposed by applicable law, be of good moral character and reputation and shall have a good credit rating, financial capabilities and competent business qualifications reasonably acceptable to Franchisor. Franchisee shall provide Franchisor with the information it may reasonably require to make a determination concerning each proposed transferee;

- (b) the transferee, including all shareholders, members and partners of the transferee, shall jointly and severally execute a new franchise agreement with Franchisor, on the terms then offered by Franchisor to new franchisees, except that all pre-opening obligations of the parties, other than the transferee's obligation to complete the Initial Training Program to Franchisor's satisfaction, shall be waived, including the obligation of the transferee to pay a new initial franchise fee;
- (c) if the transferee is a corporation, limited liability company or partnership, each stock or membership certificate, or the partnership agreement, shall have conspicuously endorsed upon it a statement that it is held subject to, and further assignment or transfer of any interest therein is subject to, all restrictions imposed upon assignments by this Agreement;
- (d) if the transferee is a corporation, partnership, or limited liability company, no new voting interest in the transferee shall be issued to any person or entity without obtaining Franchisor's prior written consent;
- (e) Franchisee shall have fully paid and satisfied all of Franchisee's obligations to Franchisor and its affiliates, and Franchisee shall pay to Franchisor a transfer training fee of Five Thousand Dollars (\$5,000) per person to be trained by Franchisor and a transfer fee equal to the then current franchise fee being charged by Franchisor in connection with the sale of a new franchise; provided, however, if Franchisor is not then selling franchises the fee shall be Five Thousand Five Hundred Dollars (\$5,500);
- (f) Franchisee shall have executed an agreement in form satisfactory to Franchisor in which it agrees to: (i) release any claims it has against Franchisor and its affiliates; (ii) subordinate any claims it may have against the transferee to any amounts owed by the transferee to Franchisor; (iii) comply with the post-term obligations set forth herein, including the non-competition and confidentiality provisions; and (iv) indemnify Franchisor against all claims brought against Franchisor by the transferee for a period of three (3) years following the transfer;
- (g) if the transferee is a corporation, limited liability company or partnership, all the shareholders, members, or partners of the transferee shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing the full payment and performance of the transferee's obligations to Franchisor and agreeing to be personally bound by all covenants

and restrictions imposed upon the transferee under the terms of this Agreement; and

- (h) if the assignment or transfer is caused by the death or incapacity of Franchisee (or in the case of a partnership, corporation or limited liability company, by the death or incapacity of one controlling more than forty-nine percent (49%) of the voting interest of Franchisee), the provisions of this Section 17(c)(ii) must be met with regard to the heir or personal representative of Franchisee succeeding to Franchisee's interest hereunder; provided, however, if the heir or personal representative assigns, transfers or sells its interest in the Franchise within sixty (60) days after the death or incapacity of Franchisee, the person to whom the interest is assigned, transferred or sold, and not Franchisee's heir or personal representative, must comply with the provisions of this Section 17(c)(ii) as transferee.

(d) Disclosure - Franchisee consents to Franchisor releasing to any proposed transferee any information concerning the Franchised Business which Franchisee has reported to Franchisor.

(e) No Single or Partial Transfer - Notwithstanding anything set forth herein to the contrary, Franchisee may not transfer a portion of its rights or obligations hereunder or a portion of the Franchised Business, if such transfer would result in the division of the Franchised Business.

#### 18.) PURCHASE OPTION AND RIGHT OF FIRST REFUSAL

(a) Franchisor's Purchase Option - If this Agreement is terminated for any reason, Franchisor has the option, upon thirty (30) days' written notice from the date of termination, to elect to purchase from Franchisee or any affiliate, as applicable, all the tangible and intangible assets relating to the Franchised Business, (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the "Purchased Assets") and to take an assignment of any other leased assets used in operating the Franchised Business. Franchisor may assign to a third party this option to purchase separate and apart from the remainder of this Agreement.

The purchase price for the Franchised Business will be the fair market value of the Purchased Assets; provided that: (1) Franchisor may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (2) Franchisor may exclude from fair market value any provision for goodwill or similar value attributable to intangible property (such as the Names and Marks and any confidential information). If the parties cannot agree on fair market value within ten (10) days of the end of thirty (30) day period discussed above, Franchisor may designate an independent appraiser to determine the fair market value of the Purchased Assets. The determination of such appraiser will be binding on the parties hereto, and the costs of such appraisal will be divided equally between the parties. Once the purchase price is

determined Franchisor, may within ten (10) days of the determination, revoke its election to purchase the Purchased Assets. The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur within a reasonable time, not to exceed sixty (60) days, after the fair market value is determined. At the closing, Franchisee, or its affiliate, as applicable, will deliver documents transferring good and marketable title to the Purchased Assets, free and clear of all liens, encumbrances and liabilities to Franchisor or its designee and such other documents Franchisor may reasonably request to permit it to operate the Franchised Business without interruption. Franchisor may set off against and reduce the purchase price by all amounts owed by Franchisee to Franchisor or any of its affiliates. If Franchisor exercises its option to purchase the Franchised Business, it may, pending the closing, appoint a manager to maintain the operations of the Franchised Business.

(b) Right of First Refusal - If, at any time during the term hereof, Franchisee receives a bona fide offer to purchase or lease the Franchised Business, including a nonresidential Franchised Location, or any owner of Franchisee receives an offer to purchase any interest in Franchisee, either directly or indirectly, which offer Franchisee or such owner is willing to accept, Franchisee shall communicate in writing to Franchisor the full terms of the offer and the name of the offeror. Franchisor may elect to purchase or lease the business, the property or the interest, as applicable, on the terms set forth in the offer. If Franchisor elects to exercise such option, it shall give Franchisee written notice of the election within thirty (30) days after Franchisor receives Franchisee's communication of the offer. If Franchisor fails to give written notice of election within thirty (30) days, Franchisee or the owner, as the case may be, may sell or lease to the offeror on the terms offered, subject to the provisions relating to assignment. The sale or lease must, however, be completed within sixty (60) days of the termination of the thirty (30) day period during which Franchisor may give written notice of election to purchase or lease; otherwise, an additional notice must be given to Franchisor and an additional option period must expire prior to any such transfer. If Franchisor elects to exercise its rights hereunder, it shall have the right to substitute equivalent cash for any noncash consideration included in the bona fide offer and Franchisor and Franchisee or Franchisee's owner, as the case may be, will use their best efforts to complete the transaction within sixty (60) days from the date of Franchisor's notice of election to exercise its rights hereunder. The failure of Franchisor to exercise its rights under this Section 18(b) shall not affect Franchisor's rights to consent to an assignment as set forth in Section 17 above.

#### 19.) PRE-TERMINATION OPTIONS OF FRANCHISOR

(a) Rights in Addition to Termination - Prior to the termination of this Agreement, if Franchisee fails to pay any amounts owed to Franchisor or its affiliates or fails to comply with any term of this Agreement or any other agreement between Franchisor and Franchisee or an affiliate of Franchisor and Franchisee, then in addition to any right Franchisor may have to terminate this Agreement or to bring a claim for damages, Franchisor shall have the option to:

- (i) Remove any listing of the Franchised Business from any Franchisor Social Media Site;
- (ii) Prohibit Franchisee from attending any meetings or seminars held or sponsored by Franchisor or taking place on the premises of Franchisor;
- (iii) Terminate Franchisee's right to participate in, or to continue to participate in, any House Account program of Franchisor, without any obligation to provide any make-up referrals if Franchisee cures the default; and
- (iv) Suspend the provision of any or all of the services provided by Franchisor to Franchisee hereunder.

(b) Continuation of Franchisor Options - Franchisor's actions, as outlined in this Section 19, may continue until Franchisee has brought its accounts current, cured any default, and complied with Franchisor's requirements, and Franchisor has acknowledged the same in writing. The taking of any of the actions permitted in this Section shall not suspend or release Franchisee from any obligation that would otherwise be owed to Franchisor or its affiliates under the terms of this Agreement or otherwise nor shall Franchisee assert that the taking of any such actions shall act as an actual or constructive termination of this Agreement.

## 20.) TERMINATION

(a) By Franchisor - In addition to Franchisor's other termination rights in this Agreement, Franchisor may terminate this Agreement effective immediately upon receipt by Franchisee of notice of termination, if Franchisee:

- (i) Loses a license required by applicable law to operate the Franchised Business;
- (ii) Loses the right to occupy the Franchised Location if the Franchised Location is a non-residential location;
- (iii) Voluntarily abandons the franchise relationship or fails to operate the Franchised Business for three (3) consecutive business days or 5 individual days in a twelve (12) month period, without the consent of the Franchisor;
- (iv) Or an owner is convicted in a court of competent jurisdiction of an offense directly related to the business conducted pursuant to this Agreement, including any offense that indicates unsuitability for childcare or an allegation is made against the Franchisee or an owner that indicates unsuitability for childcare;
- (v) Fails to cure a default under this Agreement which materially impairs the goodwill associated with the Names and Marks after Franchisee has



received written notice to cure at least twenty-four (24) hours in advance of the notice of termination;

- (vi) Makes an assignment for the benefit of creditors or an admission of its inability to pay its obligations as they become due;
- (vii) Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar relief under any law, admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated a bankrupt or insolvent;
- (viii) Defaults under the terms of any indebtedness resulting in the right of a creditor to accelerate the payment of indebtedness with an outstanding principal amount of more than Fifty Thousand Dollars (\$50,000);
- (ix) Or an owner fails to comply with any federal, state, or local law or regulation applicable to the operation of the Franchised Business or operates the Franchised Business in a manner that, in the sole judgment of the Franchisor, in any way jeopardizes the life or health of students, other participants or staff;
- (x) Or an owner makes an unauthorized assignment or transfer of this Agreement, the Franchised Business, including any nonresidential Franchised Location or the Franchise;
- (xi) Submits to Franchisor two (2) or more sales reports, financial statements, other information or supporting records in any period of twelve (12) consecutive months, which understates by two percent (2%) or more the Gross Revenues of the Franchised Business, or otherwise materially distorts any other material information;
- (xii) Consistently fails to submit when due sales reports or financial statements to Franchisor;
- (xiii) Fails to pay when due any Royalty Fee, Brand Fund Contribution, Technology Fee or other payment due to Franchisor, if such failure continues for ten (10) days after notice to Franchisee;
- (xiv) Consistently fails to remit when due payments to suppliers or other creditors of the Franchised Business, and such failure continues for ten (10) days after notice to Franchisee;
- (xv) Has made material misrepresentations on its application for the Franchise;
- (xvi) Purchases items from approved suppliers or from the Franchisor or any affiliate and subsequently resells or uses those items in a business other than the Franchised Business;

- (xvii) Or an owner fails to pass, to Franchisor's satisfaction, a background check;
- (xviii) Is in breach of any other agreement with Franchisor or any of its affiliates and such failure continues for thirty (30) days after notice to Franchisee; or
- (xix) Or an owner otherwise materially breaches this Agreement or fails to comply with any provision of this Agreement or any specification, standard or operating procedure prescribed by Franchisor and does not correct such failure within thirty (30) days after notice to Franchisee.

(b) Compliance with Applicable Law - The foregoing notwithstanding, to the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, be superseded by said law, and Franchisor shall comply with applicable law in connection with each of these matters.

(c) Actions Upon Termination/Assignment - Franchisee agrees, upon termination or assignment of the Franchise:

- (i) To immediately return to Franchisor all copies of all Confidential Manual(s) that have been loaned to it by Franchisor and any material marked as property of Franchisor or as confidential;
- (ii) To immediately pay to Franchisor such Royalty Fees, Brand Fund Contributions, Technology Fees and other charges as have or will thereafter become due hereunder and are then unpaid including amounts due for printed materials, forms, advertising material, supplies, products and services supplied by Franchisor;
- (iii) To immediately take such action as may be required to properly cancel all assumed name or equivalent registrations relating to the use of the Names and Marks, and notify the telephone company, any domain name registrar, any internet service provider, and all listing agencies of the termination or expiration of Franchisee's right to use any domain names, profiles, accounts, user names, telephone numbers and classified and other directory listings associated with any Franchisor Social Media Site, or that include any portion of the Names and Marks, and authorize the telephone company, domain name registrars, internet service providers, and listing agencies to transfer to Franchisor all such telephone numbers, registrations, profiles, accounts, and directory listings, along with access thereto. Franchisee acknowledges that, as between Franchisor and Franchisee, Franchisor has the sole right to and interest in all telephone numbers, directory listings, domain names profiles, user names, and accounts associated with the Names and Marks, or any word, phrase or

symbol confusingly similar to any of the Names and Marks, including any Franchisor Social Media Site, as well as any content thereon. Franchisee authorizes Franchisor, and appoints Franchisor its attorney-in-fact, to direct the telephone company, domain name registrars, internet service providers, and all listing agencies to transfer telephone numbers, domain names, accounts and listings to Franchisor, as well as provide access to Franchisor to any such account or registration;

- (iv) To not indicate directly or indirectly, in any manner, that it is or ever was affiliated with Franchisor in any capacity, identify itself or any business as a member of the Franchisor's system, or as otherwise associated with Franchisor, or use, in any manner or for any purpose, any of the System of Operation, concepts and methods of promotion, or Names and Marks, or any other indicia of a business operated under the Names and Marks;
- (v) To immediately terminate its provision of services to, or partnership with or sponsorship by, any House Account or any location thereof; and
- (vi) To immediately cause all signs using the Names and Marks to be removed. If Franchisee fails to remove such signage, Franchisor shall be entitled to remove and destroy the signage, without prior notice to Franchisee, and Franchisee shall be obligated to reimburse Franchisor for all costs associated with such removal and destruction.
- (vii) To immediately comply with all obligations of Franchisee that expressly or by their nature survive the termination or assignment of the Franchise, including the non-competition and confidentiality obligations, the obligation to sell the assets of the Franchised Business, and the indemnification obligations herein.

(d) Survival of Provisions - All obligations of Franchisor and Franchisee that expressly or by their nature survive the termination or assignment of the Franchise, including the non-competition, confidentiality and indemnification provisions herein, shall continue in full force and effect subsequent to and notwithstanding the termination or assignment of the Franchise until they are satisfied in full or by their nature expire.

(e) Communication with Third Parties - After Franchisor provides Franchisee with notice of any default hereunder, Franchisor can notify any third parties, including any lenders, of the default and communicate with such third parties regarding Franchisee, the Franchised Business, including the Franchised Location, and its operations.

(f) Liquidated Damages - If this Agreement is terminated because of Franchisee's default, the actual damages Franchisor would suffer for the loss of prospective fees and other amounts payable to it under this Agreement would be difficult if not impossible to ascertain. Therefore, if this Agreement is terminated because of Franchisee's default, Franchisee, within 10 days of such termination, will pay to Franchisor as liquidated damages and not as a penalty a reasonable estimate of the probable damages Franchisor

would suffer for the loss of prospective fees and other amounts payable under this Agreement, calculated as follows:

- (i) The average monthly Gross Revenues over the twelve (12) months before the termination, multiplied by the Royalty Fee being paid or to be paid by Franchisee hereunder (representing the undiscounted Royalty Fee), and multiplied by the lesser of thirty-six (36) or the number of full months remaining in the term of this Agreement, plus (ii) the average monthly Gross Revenues over the twelve (12) months before the termination, multiplied by one percent (1%) (representing the undiscounted Brand Fund Contribution), and multiplied by the lesser of thirty-six (36) or the number of full months remaining in the term of this Agreement, plus (iii) the average monthly Gross Revenues over the twelve (12) months before the termination, multiplied by one percent (1%) (representing the undiscounted Technology Fee), and multiplied by the lesser of thirty-six (36) or the number of full months remaining in the term of this Agreement;
- (ii) If the Franchised Business has opened but has not been operating as a {YEL!} business for twelve (12) months before the date of such termination, (i) the average monthly Gross Revenues over the period the Franchised Business has been operating multiplied by twelve (12), multiplied by the Royalty Fee being paid or to be paid by Franchisee hereunder (representing the undiscounted Royalty Fee), and multiplied by thirty-six (36), plus (ii) the average monthly Gross Revenues over the period the Franchised Business has been operating, multiplied by 1% (representing the undiscounted Brand Fund Contribution), and multiplied by 36; plus (iii) the average monthly Technology Fees over the period the Franchised Business has been operating, multiplied by 1% (representing the undiscounted Technology Fee), and multiplied by 36.

Franchisee must also pay taxes on such payments.

(g) Franchisee Termination Right - Franchisee may terminate this Agreement and the Franchise granted hereunder effective ten (10) days after delivery to Franchisor of notice of termination, if Franchisee is in compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure the breach within thirty (30) days after written notice of the breach is delivered to Franchisor.

## 21.) ENFORCEMENT

(a) Injunctive Relief; Attorneys' Fees - Either party may apply for injunctive or other equitable relief to: (i) enforce its right to terminate this Agreement for the causes in Section 21; and (ii) prevent or remedy a breach of this Agreement if such breach could materially impair the goodwill of such party's business, including to enforce the obligations of a party to be performed following the termination of this Agreement and enforcement of the non-competition and confidentiality provisions of this Agreement.

Each party shall be entitled to the entry of temporary restraining orders and temporary and permanent injunctions enforcing its aforementioned rights. If Franchisor secures any such injunction, or any other relief against Franchisee, or is successful in defending a claim brought against it by Franchisee, Franchisee shall pay Franchisor an amount equal to the aggregate of Franchisor's costs of obtaining such relief and defending such claim, including, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses.

(b) Mediation - Except with respect to matters for which a party believes it necessary to seek injunctive or equitable relief, Franchisee and Franchisor shall be required to enter into mediation of all disputes involving this Agreement, or any other aspect of the relationship between them, for a minimum of four (4) hours, prior to the initiation of any action or proceeding against the other.

(i) Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select an independent entity that regularly provides mediation services to franchisors and franchisees to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such an organization within ten (10) business days from the date the notice of intention to mediate is received, then the other party may forego mediation of the issue(s) and commence legal action or, at its option, make the selection of the organization to provide mediation services. If one party selects an organization that is unwilling to serve as mediator or does not meet the requirements of this Section 21(b)(i), then the other party may select the organization. Once the organization is designated and agrees to accept appointment as mediator, the organization shall be directed to schedule a mediation proceeding at a time mutually convenient to Franchisor and Franchisee. The mediation shall be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. The actual mediator shall either be a retired judge, or a person who has had at least ten (10) years of experience as either franchisee or franchisor (or as an officer of such an entity), or in franchise law.

(ii) The parties shall equally share the cost of the mediator. The mediator shall select the location for the mediation, giving due consideration to the location that will minimize the total expenses of the mediation; provided, however, that unless agreed to by both Franchisor and Franchisee, the mediation shall be held in a metropolitan area having a population of at least two hundred fifty thousand (250,000) persons that is not located within two hundred (200) miles of the Franchised Location or the principal office of Franchisor, unless the Franchised Location and the principal office of the Franchisor is in Minnesota, then the location shall be in Minneapolis, Minnesota.

- (iii) Except with respect to matters for which a party is permitted to seek injunctive or equitable relief, if either party initiates arbitration or litigation without complying with their obligation to mediate in accordance with this Section 21(b) (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section 21(b)), then upon petition of any party named as a defendant in such arbitration or litigation, the court or arbitrators, as the case may be, shall dismiss the action without prejudice, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to such party's attorneys' fees and costs incurred in seeking dismissal. If the court or arbitrators refuse for any reason to dismiss the action, then regardless of the outcome of such action, or of any award given by the court or arbitrators in such action, the party initiating the action shall be responsible for all attorneys' fees and costs incurred throughout the action by the other party as damages for failing to comply with the provisions of this Section 21(b).

(c) Arbitration - Except with respect to those matters set forth in Section 21(a) above, all disputes and claims relating to any provision hereof, to any specification, standard or operating procedure or other obligation of Franchisor or to the breach thereof (including, without limitation, any claim that this Agreement, any provision hereof, any specification, standard or operating procedure or any other obligation of Franchisee or Franchisor is illegal, unenforceable or voidable under any law, ordinance or ruling) or any aspect of the relationship between the parties (even if additional persons are named as parties to such action) shall be settled by arbitration at the office of the American Arbitration Association located in or nearest to Minneapolis, Minnesota in accordance with the United States Arbitration Act (9 U.S.C. § 1 et seq.), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise license agreements, if any, otherwise, the general rules of commercial arbitration).

- (i) Any arbitrator appointed to arbitrate a dispute under this Agreement shall have at least ten (10) years' experience in franchise matters and shall have the right to award or include in any award the specific performance of this Agreement. The arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers and limitations of this Agreement. The arbitrator shall have no authority to add, delete or modify in any manner, the terms and provisions of this Agreement and may not excuse performance of a material term of this Agreement. However, if an arbitrator determines that any contractual limitations period provided for in this Agreement is not applicable or enforceable, then the parties agree to be bound by the provision of any statute of limitations which would otherwise be applicable to the controversy, dispute or claim which is the subject of any arbitration proceeding initiated hereunder. The arbitrator is expressly prohibited from determining whether class, mass, collective or consolidated relief is permitted hereunder or from awarding the same. All findings, judgments,

decisions and awards of the arbitrator shall be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator shall issue a reasoned award.

- (ii) Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. The award shall be binding, final, and nonappealable except as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section 21(c). Unless this Agreement is terminated in accordance with the provisions of Section 20, during the pendency of the arbitration proceeding, Franchisee and Franchisor shall fully perform this Agreement.
- (iii) If, after Franchisor or Franchisee institutes an arbitration proceeding, one or the other asserts a claim, counterclaim or defense, the subject matter of which, under statute or current judicial decision is nonarbitrable for public policy reasons, the party against whom the claim, counterclaim or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims or defenses or to proceed to litigate all claims, counterclaims or defenses in a court having competent jurisdiction.

(d) Claims - If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for which either party seeks an injunction in accordance with the provisions of Section 21(a), the arbitrability of such claim shall be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim brought by either party against the other, the decision as to whether or not the claim is subject to arbitration shall be made by the arbitrator appointed in accordance with this Agreement.

(e) Continued Performance - Unless this Agreement is terminated in accordance with the provisions of Section 21, during the pendency of any litigation, Franchisee and Franchisor shall each perform their obligations under this Agreement.

(f) Waiver of Certain Damages - Franchisor and Franchisee (and Franchisee's owners and guarantors) hereby waive, to the fullest extent permitted by law, any right to, or claim for, any punitive, consequential, special or exemplary damages against the other and any affiliates, owners, employees or agents of the other and agree that in the event of a dispute between or among any of them, each shall be limited to the recovery of any actual damages sustained by it, and in the case of Franchisor, any liquidated damages, and any equitable relief to which it might be entitled.

(g) Venue - Franchisor and Franchisee (and Franchisee's owners and guarantors) each agree that if litigation is commenced, the sole forum for resolving disputes under this Agreement or any aspect of the relationship between the parties shall be the state and federal courts of Minnesota. Such actions shall be exclusively venued in the state or federal courts located in Hennepin County, Minnesota, and the parties waive any objections they may have to either the jurisdiction or the venue in such courts and hereby consent to personal jurisdiction and venue in such courts. The only exception to the

foregoing shall be: (1) if the courts of Minnesota would have no jurisdiction over a named party in the litigation, and such party's involvement in the litigation is integral to the underlying claims and not principally for the purpose of circumventing the intent of the parties to name Minnesota as the exclusive venue for any actions, then the action may be venued in any court having jurisdiction over all the parties and a significant nexus to the parties; and (2) to the extent that either party believes it is necessary to seek injunctive relief against the other, the party seeking relief may initiate that action in the county in which the other party has its principal office (which in the case of an action against Franchisee, shall be the county in which Franchisee is domiciled, or the county in which the Franchised Location is located).

(h) WAIVER OF JURY TRIAL - TO THE EXTENT EITHER PARTY MAY PROCEED BY JUDICIAL PROCESS, EACH OF THE PARTIES WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, AND ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR OTHER CAUSES OF ACTION, IN CONNECTION WITH ANY LEGAL ACTION.

(i) Waiver of Collateral Estoppel - The parties agree they should each be able to settle, mediate, litigate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between Franchisor and Franchisee. Franchisor and Franchisee therefore each agree that a decision of an arbitrator or court of law in a dispute to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any subsequent action between Franchisor and Franchisee. The parties therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.

(j) Waiver of Class Action Rights - Franchisee waives its right to bring, join or participate in, and is barred from bringing, joining or participating in, any class action suit. The parties agree that any proceeding shall be conducted on an individual, not a class-wide, basis and that any proceeding between Franchisor and Franchisee (or any owner or guarantor of Franchisee) may not be consolidated with another proceeding between Franchisor and any other entity or person. Franchisee further agrees that the foregoing shall not limit the ability of Franchisee to obtain a remedy for any particular claim that it may assert against Franchisor.

## 22.) INDEPENDENT CONTRACTORS/INDEMNIFICATION

(a) Independent Contractor - Franchisee is a franchisee of Franchisor. Franchisee shall be conspicuously identified at the premises of the Franchised Business, and in all dealings with customers and others, as a franchisee. Franchisee shall not represent or imply to any person that this Agreement authorizes Franchisee to act as agent for Franchisor. Neither Franchisor nor Franchisee shall be obligated by any agreement, representation or warranty made by the other, nor shall Franchisor be obligated for



damages to any person or property directly or indirectly arising out of the operation of the Franchised Business, or caused by Franchisee's negligence, willful action or failure to act.

(b) Evidence of Relationship - Franchisee and its employees shall hold themselves out to the public as an independent contractor by, without limitation: (i) clearly identifying itself in all dealings with third parties as a franchised, independently owned and operated entity, including on all public records, checks, stationery, enrollment forms, receipts, marketing materials, envelopes, letterhead, business cards, employment applications or other employment documents, invoices and other communications, electronic or otherwise; (ii) displaying a sign in the reception area of any nonresidential Franchised Location so as to be clearly visible to the general public indicating that the Franchised Location is independently owned and operated as a franchised business; and (iii) maintaining a notice on the employee bulletin board clearly visible to employees at any nonresidential Franchised Location, identifying the correct name of their employer and clearly stating that neither Franchisor nor any of its affiliates is the employer and if required by Franchisor, obtaining from each of its employees an acknowledgment acknowledging that their employer is Franchisee and not Franchisor.

(c) Franchisee Indemnification - Franchisee agrees to indemnify Franchisor against, and to reimburse Franchisor for, all obligations and damages for which Franchisor is liable and for all costs reasonably incurred by Franchisor in the defense of any such claim brought against it, or in any such action in which it is named as a party, arising out of any act or omission of Franchisee, or as a result of any activities occurring at, by or through the Franchised Business, including the Franchised Location, or otherwise. Such indemnification shall include, reasonable attorneys' fees, costs of investigation or proof of facts, court costs, other litigation expenses and travel and living expenses (collectively, "Costs"). Franchisor shall have the right to defend any such claim against it.

(d) Franchisor Indemnification - Franchisor agrees to indemnify Franchisee against, and to reimburse Franchisee for, any obligation or liability for damages payable to persons other than Franchisee or its owners attributable to agreements, representations or warranties of Franchisor, or caused by the negligent or willful action of Franchisor, and for Costs reasonably incurred by Franchisee in the defense of any claim brought against it as a result of the foregoing or in any such action in which it is named as a party. Franchisor shall have the right to participate in and to control any litigation or proceeding which might result in liability of or expense to Franchisee subject to indemnification by Franchisor.

(e) Continuation - The indemnities and assumption of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the termination of this Agreement.

### 23.) FRANCHISEE REPRESENTATIONS

To induce Franchisor to accept Franchisee's application for a Franchise and to execute this Agreement, Franchisee hereby represents and warrants to Franchisor as follows:

- (a) Standards for Service - Franchisee recognizes and acknowledges the importance of maintaining Franchisor's standards for service, and further recognizes and acknowledges the importance of following the System of Operation;
- (b) Disclosure Document - Franchisee has received a copy of Franchisor's Franchise Disclosure Document, together with copies of all contracts relating to the sale of the Franchise, at least fourteen (14) days prior to the execution of this Agreement and at least fourteen (14) days prior to its payment of any money to Franchisor. Franchisee has read and understands all such documents;
- (c) Business Risks - Franchisee has the entire control and direction of the Franchised Business, subject only to the conditions and covenants established by this Agreement. Franchisee further acknowledges that the business to be operated under this Agreement involves business risks, and that Franchisee's success shall be largely determined by its own skill and efforts as an independent business person. Franchisee further acknowledges that if it fails at any tasks that are vital to the operation of the Franchised Business, the Franchised Business will fail and Franchisee shall be solely responsible for any such failure.
- (d) Franchisee Advisors - Franchisee has been advised to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, and that Franchisee has had the opportunity to consult with such advisors and also has had the opportunity to independently investigate the opportunity offered under this Agreement; and
- (e) Independent Investigation - Franchisee has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to profits which Franchisee might be expected to realize, nor has anyone made any other representation to induce Franchisee to accept the Franchise granted hereunder and to execute this Agreement, which is not expressly set forth herein.

### 24.) MISCELLANEOUS

- (a) Governing Law - Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, or the United States Arbitration Act (9 U.S.C. § 1 et seq.), this Agreement shall be governed by the laws of the State of Minnesota. The parties agree, however, that if the Franchisee is not a resident of Minnesota, or if the Franchised Location is not located in Minnesota, then they hereby waive the provisions of the Minnesota Franchise Act and the regulations promulgated thereunder. If the Minnesota Franchise Act does not apply to the Franchise relationship created hereby, but there is a statute in the state in which the Franchised Location is situated that specifically governs relationships between franchisees and franchisors and

that law would otherwise apply, then that particular law shall apply in lieu of the foregoing.

(b) Binding Effect - This Agreement is binding upon the parties hereto, their respective heirs, assigns and successors in interest.

(c) Entire Agreement - The introduction, recitals and Rider hereto are a part of this Agreement, which constitutes the entire agreement of the parties, and at the time of this Agreement, there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement, other than any Guarantees; provided, however, nothing in this or in any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee.

(d) Headings; Franchisee References; Liability - The Section headings are for convenience only and do not define, limit or construe the contents thereof. The term "Franchisee" as used herein is applicable to one (1) or more persons, a corporation, limited liability company, or a partnership, as the case may be, and the singular usage includes the plural and the masculine and feminine usages include the other. If there is more than one signatory as "Franchisee", all of Franchisee's obligations hereunder and under any other agreement with Franchisor or its affiliates shall be joint and several in each and every respect and fully enforceable against each signatory. References in this Agreement to the termination of this Agreement, or the termination of the "Term of the Franchise", shall be deemed to include the expiration of this Agreement without renewal.

(e) Construction - Franchisor and Franchisee agree that if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the provision shall have the meaning which renders it valid and enforceable. The language of each provision of this Agreement shall be construed simply according to its fair meaning and not strictly against Franchisor or Franchisee.

(f) Invalid Provisions - It is the desire and intent of Franchisor and Franchisee that the provisions of this Agreement be enforced to the fullest extent possible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement is adjudicated to be invalid or unenforceable, such adjudication is to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid and unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. Franchisor and Franchisee shall substitute a valid and enforceable provision for any specification, standard, operating procedure, rule or other obligation of Franchisee or Franchisor which is determined to be invalid or unenforceable and is not waived by the other.

(g) Waivers - Franchisor and Franchisee, by written instrument signed by both parties, may unilaterally waive any obligation of or restriction upon the other under this Agreement. No acceptance by Franchisor of any payment by Franchisee and no failure, refusal or neglect of Franchisor or Franchisee to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder or with any specification, standard or operating procedure shall constitute a waiver of any provision of this Agreement or any specification, standard or operating procedure; provided, however, if a party fails to notify the other in writing of an alleged misrepresentation, violation of law, deficiency, or breach of this Agreement within one (1) year from the date such party has knowledge of, believes, determines or is of the opinion that there has been a misrepresentation, violation of law, deficiency or breach by the other party, then the alleged misrepresentation, violation of law, deficiency or breach will be considered waived, but such waiver of any prior deficiency or breach of any provision of this Agreement shall not affect the obligation of the party to comply with the obligation or provision in the future; provided, however, that: (i) this waiver will not apply to Franchisee's underreporting of Gross Revenues, or under payment of any fees Franchisee owes Franchisor that are tied to the amount of Gross Revenues; and (ii) the foregoing shall not otherwise extend or lengthen any statute of limitations provided by applicable law.

(h) Remedies Cumulative - All remedies provided to Franchisor under this Agreement are cumulative. No exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder or which Franchisor or Franchisee is entitled by law to enforce.

(i) Modifications - No modification of this Agreement shall be valid unless such modification is in writing and signed by Franchisee and Franchisor; provided, however, Franchisor may unilaterally modify or otherwise change the Confidential Manual(s).

(j) Notices - All written notices permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered: (i) when delivered by hand; (ii) three (3) days after placed in the United States mail by registered or certified mail, return receipt requested, postage prepaid; or (iii) one (1) business day after placed in the hands of an overnight courier, for next day delivery, and in the case of delivery under clauses (ii) or (iii), addressed to the party to be notified at its most current principal business address of which the notifying party has been notified.

(k) Patriot Act Representations - Franchisee represents and warrants that to its actual and constructive knowledge: (i) neither it (including its directors, officers and managers), nor any of its affiliates, or any funding source for the Franchised Business, are identified on the list at the United States Treasury's Office of Foreign Assets Control; (ii) neither it nor any of its affiliates is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither it nor any of its affiliates is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither it nor any of its affiliates are on the U.S. Department of

Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (v) neither it nor any of its affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither it nor any of its affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

(l) Variations - Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any franchise owner based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such franchise owner's business. Franchisee shall not complain on account of any variation from standard specifications and practices granted to any other franchise owner and shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation thereof.

(m) Exercise of Business Judgment - Except as otherwise expressly stated in this Agreement, any consent or approval required to be obtained from Franchisor, or decision to be made by Franchisor, may be granted or made by Franchisor in its sole and exclusive business judgment, which may take into account Franchisor's assessment of, among other things, the long-term interests of Franchisor, the System of Operation and the Names and Marks, without regard to its effect on any individual franchisee or location. Franchisor's judgment shall prevail even in cases where other alternatives may be reasonable, so long as Franchisor is intending to benefit or is acting in a way that could benefit the System of Operation, enhance the value of the Names and Marks, increase client satisfaction, or minimize possible consumer, brand or location confusion. If Franchisor's activities or decisions are supported by its business judgment, no court or judge or trier of fact, or any other person reviewing those activities or decisions may substitute his, her or its judgment for Franchisor's judgment, in recognition of the fact that the long-term goals of a franchise system, and the long-term interests of both Franchisor and its franchisees taken together, require that Franchisor have the latitude to exercise its business judgment in administering, managing and overseeing the System of Operation.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

FRANCHISEE:

FRANCHISOR:

YEL FRANCHISING, INC.

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

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

[THIS AGREEMENT CONTINUES WITH A RIDER, WHICH IS A PART OF  
THIS AGREEMENT.]

**RIDER TO {YEL!} FRANCHISE AGREEMENT**

THIS RIDER is a part of the Franchise Agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between YEL FRANCHISING, INC. (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

1.) The Designated Territory for the Franchised Business shall be: \_\_\_\_\_

2.) The address of the Franchised Location is: \_\_\_\_\_

IN WITNESS WHEREOF, the parties have executed this Rider as of the date indicated above.

FRANCHISEE:

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

FRANCHISOR:

YEL FRANCHISING, INC.

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

## GUARANTY

IN CONSIDERATION of the consent by YEL Franchising, Inc. (“Franchisor”) to the assignment of the Franchise Agreement to which this Guaranty is attached (the “Franchise Agreement”), and for other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby jointly and severally guarantee to Franchisor and to Franchisor’s successors and assigns the payment of all fees required to be paid to Franchisor or its affiliates by the party named as Franchisee in the Franchise Agreement (“Franchisee”), whether such fees are provided for in the Franchise Agreement or under any other agreement between Franchisee and Franchisor or an affiliate of Franchisor and the performance by Franchisee of all its obligations under all such agreements, and under all manuals and operating procedures of Franchisor’s business system. The undersigned further specifically agree to remain individually bound by all covenants, obligations and commitments of Franchisee contained in the Franchise Agreement and such other agreements to the same extent as if each of the undersigned had individually been named as Franchisee in the Franchise Agreement and such other agreements, and the undersigned had individually executed the Franchise Agreement and such other agreements.

The undersigned understand and agree that any modification of the Franchise Agreement or any other agreement, including any addendum or addenda thereto, or waiver by Franchisor of the performance by Franchisee of its obligations thereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of Franchisee thereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Franchise Agreement or any other agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of Franchisee is so released, terminated, affected or diminished. Notice to the undersigned of any such modification, waiver, extension or forbearance under the terms thereof being hereby waived. The undersigned further understand and agree that no bankruptcy or reorganization of Franchisee shall release or otherwise affect the obligations of the undersigned to pay all fees provided for in all agreements between Franchisee and Franchisor or its affiliates, or otherwise owing to Franchisor or its affiliates, and to perform all the provisions of such agreements, as well as all manuals and operating procedures of Franchisor’s business system, nor does the same release the undersigned from being individually bound to perform all covenants, obligations, and commitments of Franchisee contained in the Franchise Agreement or any other agreement to the same extent as if each of the undersigned had individually executed the Franchise Agreement and such other agreements.

This Guaranty shall be enforceable upon ten (10) days’ written notice by Franchisor to any of the undersigned of any default by Franchisee of any of its covenants under the terms of the Franchise Agreement and addendum or addenda thereto.

The undersigned hereby waive any and all notice of default on the part of Franchisee; waive exhausting of recourse against Franchisee; and consent to any assignment of the Franchise Agreement and any other agreement, in whole or in part, that Franchisor or its assignees may make.



This Guaranty shall be a continuing Guaranty and may not be revoked without the prior written consent of Franchisor. This Guaranty shall apply to all agreements referenced in this Guaranty, to the renewal of all such agreements, and to any successor agreements thereto.

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

**FRANCHISE ASSIGNMENT, SALE AND TRANSFER  
TO ENTITY OWNED BY ORIGINAL FRANCHISEE**

A. Assignment and Sale

Pursuant to Section 17(c)(i) of the YEL Franchise Agreement dated \_\_\_\_\_, by and between the undersigned and YEL Franchising, Inc. (the "Agreement"), I/we hereby transfer, subject to approval by YEL Franchising, Inc. (the "Company"), all my/our rights, in the Agreement, effective \_\_\_\_\_, to the transferee named below. I/we understand that this transfer does not relieve me/us of my/our obligations under the Agreement. To induce the Company to approve this assignment:

(01) I/we agree to subordinate any payment due to me/us from the Transferee (as defined below) to any other obligation the Transferee may have to the Company. If the Company notifies me/us of our default by the Transferee of its obligations to the Company under the Agreement, I/we will not accept any further amounts that may be owed to me/us by the Transferee until the Company has confirmed, in writing, that such defaults have been cured.

(02) I/we release the Company and its officers, directors, and agents, from all actions and claims I/we may have against them arising out of their sale to me/us of the Franchise, or in connection with my/our operation of the Franchise, including, but not limited to, any claims arising under the Agreement.

(03) I/we will remain bound to all the obligations of the Franchisee contained in the Agreement to the same extent as if I/we remain the Franchisee under that Agreement.

\_\_\_\_\_  
Name of New Franchisee ("Transferee")

\_\_\_\_\_  
Address of Transferee

\_\_\_\_\_  
City, State and Zip Code

\_\_\_\_\_  
Signature of Original Franchisee ("Transferor")

\_\_\_\_\_  
Date

B. Acceptance of Transfer by New Franchisee

The undersigned entity hereby accepts transfer of the Agreement and agrees to be bound by all of the provisions of the Agreement and to assume all of the obligations required of Franchisee named herein.

\_\_\_\_\_ (name of new Franchisee)

By: \_\_\_\_\_ Dated: \_\_\_\_\_  
Signature, Title

C. Approval of Transfer

It is hereby agreed that the transferee named above is approved and accepted as Franchisee for the Franchised Business described in the Agreement and is authorized to exercise all rights and obligations of Franchisee named in the Agreement including the right to renew the Agreement upon expiration thereof, pursuant to the terms of the Agreement.

YEL FRANCHISING, INC.

Dated: \_\_\_\_\_ By: \_\_\_\_\_  
Its: \_\_\_\_\_

GENERAL RELEASE  
[USED IN EVENT OF TRANSFER]

In consideration of the agreement of YEL Franchising, Inc. (“Franchisor”) to consent to the assignment by \_\_\_\_\_ (“Franchisee”) of its Franchise Agreement dated \_\_\_\_\_ between Franchisee and Franchisor (the “Agreement”), Franchisee hereby releases and forever discharges Franchisor, and all affiliates of Franchisor, and their respective directors, officers, shareholders, employees and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors and assigns, from any and all claims Franchisee may have against such parties, from the beginning of time to the date hereof, known or unknown, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the Agreement.

NOTWITHSTANDING THE FOREGOING, THIS RELEASE DOES NOT RELEASE ANY CLAIMS THE UNDERSIGNED MAY HAVE THAT MAY NOT BE RELEASED PURSUANT TO THE FRANCHISE LAWS WHERE THE UNDERSIGNED IS A RESIDENT OR WHERE THE FRANCHISED BUSINESS IS LOCATED, TO THE EXTENT REQUIRED BY APPLICABLE LAW.

Date \_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the {YEL!} Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to {YEL!} franchises offered and sold in the state of Illinois:

Illinois law governs the franchise agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration of any claims pursuant to the provisions of Title IX of the United States Code.

In conformance with Section 15 of the Illinois Franchise Disclosure Act, notwithstanding anything in the Franchise Agreement to the contrary, Franchisee's payment of Initial Franchise Fees will be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business.

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

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of the Franchise Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern. Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth below.

Franchisor:  
YEL FRANCHISING, INC.

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

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

Notwithstanding anything to the contrary set forth in the {YEL!} Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all {YEL!} franchises offered and sold in the state of Minnesota.

1. Notwithstanding anything in the Franchise Agreement to the contrary, the Initial Franchise Fee shall not be due and payable to the Franchisor until the Franchised Business is open.
2. Minnesota Statutes, Section 80C.21, and Minnesota Rules 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Franchise Agreement can abrogate or reduce (a) any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C; or (b) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
3. With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statutes, Section 80C.14, subd. 3-5, which require (except in certain specified cases) (a) that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and (b) that consent to the transfer of the franchise will not be unreasonably withheld.
4. To the extent required by the Minnesota Franchise Act, Franchisor will protect Franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols related to the trademarks or indemnify Franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the trademarks, provided Franchisee is using the names in marks in accordance with the Franchise Agreement.
5. Minnesota Rules 2860.4400(D) prohibits Franchisor from requiring Franchisee to assent to a general release.
6. Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief.
7. Franchise Agreement, Section 24(b), is revised to comply with Minnesota Statutes, Section 80C.17, subd. 5.
8. No statement, questionnaire, or acknowledgment signed or agreed to by Franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by Franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
9. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Statutes, Chapter 80C, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth below.

Franchisor:  
YEL FRANCHISING, INC.

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

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

Notwithstanding anything to the contrary set forth in the {YEL!} Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all {YEL!} franchises offered and sold in the state of North Dakota.

1. **INITIAL FRANCHISE FEE.** Section 5 is amended by the addition of the following language:

Based upon the franchisor's financial condition, the North Dakota Securities Commissioner has required a financial assurance. Therefore, all initial fees shall be deferred until the franchisor completes its initial obligations under the Franchise Agreement and the franchisee has commenced doing business pursuant to the Franchise Agreement.

2. **RESTRICTIVE COVENANTS.** Section 16 is amended by the addition of the following language at the end of such section:

The enforceability of the foregoing shall be subject to Section 9-08-06 of Chapter 9-08 of the North Dakota Century Code.

3. **GOVERNING LAW AND JURISDICTION.** Sections 21(G) and 24(A) are amended by the addition of the following language at the end of each section:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, as amended, this Agreement shall be enforced against either Franchisee or Franchisor in courts located in North Dakota and interpreted in accordance with the laws of the State of North Dakota.

4. **RELEASE.** Sections 2(C)(ii), 5 and 17(C)(ii)(f) are amended by the addition of the following language at the end of each section:

Notwithstanding the foregoing, the release shall not apply to the extent prohibited by the North Dakota Franchise Investment Law, as amended.

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

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth below.

Franchisor:  
YEL FRANCHISING, INC.

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

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**ADDENDUM TO FRANCHISE AGREEMENT  
FOR THE STATE OF SOUTH DAKOTA**

Notwithstanding anything to the contrary set forth in the {YEL!} Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all {YEL!} franchises offered and sold in the state of South Dakota.

1. Section 5 of the Franchise Agreement is deleted in its entirety and replaced with the following:

5.) INITIAL FRANCHISE FEE

In consideration for the grant of the Franchise to Franchisee, Franchisee shall pay to Franchisor an initial franchise fee of \$\_\_\_\_\_ (the "Initial Franchise Fee"). The Initial Franchise Fee shall be due and payable upon: (i) the Franchisor's completion of all of its pre-opening obligations set forth herein; and (ii) the Franchised Business is operational. The Initial Franchise Fee shall be deemed to have been earned by Franchisor upon execution of this Agreement, and shall not be refundable.

2. Pursuant to SDCL 37-5B, any condition, stipulation, or provision purporting to waive compliance with any provision of Chapter 37 or any rule or order thereunder is void. Any acknowledgement provision, disclaimer, or integration clause or provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation, or action that would violate Chapter 37 or a rule or order under it.
3. This Addendum shall be effective only to the extent that the jurisdictional requirements of the South Dakota franchise law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth below.

Franchisor:  
YEL FRANCHISING, INC.

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

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

Notwithstanding anything to the contrary set forth in the {YEL!} Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to {YEL!} franchises offered and sold in the state of Wisconsin:

If this Agreement is governed by the laws of the State of Wisconsin, then the provisions of the Wisconsin Fair Dealership Law, Wis. Stat. Chapter 135, will supersede any conflicting terms of this Agreement.

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of the Franchise Agreement or Exhibits or Attachments thereto, the terms of this Addendum shall govern. Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth below.

Franchisor:  
YEL FRANCHISING, INC.

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

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT G**

**ELECTRONIC TRANSFER OF FUNDS  
AUTHORIZATION**

**ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION**

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

Location: \_\_\_\_\_

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

Attention: Accounting

The undersigned hereby has entered into a Franchise Agreement with YEL Franchising, Inc. (the “Franchise Agreement”), and authorizes YEL Franchising, Inc. (“YEL”) or any of its affiliated entities, to initiate one-time, weekly and/or monthly ACH debit and credit entries against the account of the undersigned with you in payment of amount for ongoing royalty fees, brand fund contributions, and other amounts that become due and payable by the undersigned to YEL or any affiliate pursuant to the Franchise Agreement or any other agreement between the undersigned and YEL or any affiliate. The dollar amount to be debited per payment and credited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit and credit entry initiated by YEL.

This authorization is binding, and will remain in full force and effect until ninety (90) days prior written notice has been given to you by the undersigned, subject to applicable law. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit and credit entries pursuant to this letter of authorization.

Please honor ACH debit and credit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned’s account to cover such ACH debit and credit entries.

Sincerely yours,

\_\_\_\_\_

\_\_\_\_\_  
Account Name

\_\_\_\_\_  
Bank Name

\_\_\_\_\_  
Customer Street Address

\_\_\_\_\_  
Branch

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

\_\_\_\_\_  
Bank Street Address

\_\_\_\_\_  
Customer Telephone Number

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

\_\_\_\_\_  
Customer’s Account Number

\_\_\_\_\_  
Bank Telephone Number

\_\_\_\_\_  
Bank’s Account Number

\_\_\_\_\_  
Bank Routing/ABA Number

**EXHIBIT H**

**FRANCHISEE QUESTIONNAIRE**

## FORM OF FRANCHISE QUESTIONNAIRE

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement and any attachments to it?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
2. Have you received and personally reviewed our Franchise Disclosure Document (“FDD”)?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
3. Did you sign a receipt for the FDD indicating the date you received it?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
4. Have you discussed the benefits and risks of purchasing a {YEL!} franchise with an attorney, accountant or other professional advisor?  
Yes \_\_\_\_\_ No \_\_\_\_\_  
  
If not, do you wish to have more time to do so?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
5. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from others and other economic and business factors?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
6. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a {YEL!} franchise other than as provided in the FDD?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
7. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a {YEL!} franchise other than as provided in the FDD?  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
8. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a {YEL!} franchise?  
Yes \_\_\_\_\_ No \_\_\_\_\_

9. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the training or support service or other assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Have you paid any money to us concerning the purchase of your {YEL!} franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. If you have answered "Yes" to any one of questions 6-10, please provide a full explanation of each "Yes" or "No" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

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12. I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 20\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by us.

Your responses to these questions are important to us and we will rely on them.

By signing below, you are representing that you have responded truthfully to the above questions.

FRANCHISEE APPLICANT:

---

Dated: \_\_\_\_\_

### State Effective Dates

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

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

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| Illinois     | [Pending]             |
| Indiana      | [Pending]             |
| Michigan     | April 27, 2023        |
| Minnesota    | [Pending]             |
| North Dakota | [Pending]             |
| South Dakota | [Pending]             |
| Wisconsin    | April 27, 2023        |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



**RECEIPT**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If YEL Franchising, 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 YEL Franchising, 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, DC 20580, and the appropriate state agency identified on Exhibit B.

The franchisor is YEL Franchising, Inc., 343 Bluff Road, Carver, Minnesota 55315. Its telephone number is (800) 959-9261.

The name, principal business address and telephone number of each franchise seller offering the franchise is \_\_\_\_\_;

ISSUANCE DATE: April 27, 2023

YEL Franchising, Inc. authorizes the respective parties identified on Exhibit B to receive service of process for us in the particular state.

I have received a Disclosure Document with an Issuance Date of April 27, 2023 that included the following Exhibits:

- EXHIBIT A: STATE SPECIFIC ADDENDA TO DISCLOSURE DOCUMENT
- EXHIBIT B: LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS
- EXHIBIT C: TABLE OF CONTENTS OF OPERATIONS MANUAL
- EXHIBIT D: LIST OF OUTLETS
- EXHIBIT E: FINANCIAL STATEMENTS
- EXHIBIT F: FRANCHISE AGREEMENT, GUARANTY, GENERAL RELEASE, TRANSFER FORM AND STATE SPECIFIC ADDENDA
- EXHIBIT G: ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION
- EXHIBIT H: FRANCHISEE QUESTIONNAIRE

Please indicate the date on which you received this Disclosure Document, and then sign and print your name below, indicate the date you sign this receipt, and promptly return one completed copy of the Receipt to YEL Franchising, Inc., at 343 Bluff Road, Carver, Minnesota 55315. The second copy of the Receipt is for your records.

Date Disclosure Document Received:

\_\_\_\_\_

\_\_\_\_\_  
Prospective Franchisee's Signature

Date Receipt Signed:

\_\_\_\_\_

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

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

\_\_\_\_\_

**RECEIPT**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If YEL Franchising, 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.

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Date Disclosure Document Received:

\_\_\_\_\_

\_\_\_\_\_  
Prospective Franchisee's Signature

Date Receipt Signed:

\_\_\_\_\_

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

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