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FRANCHISE DISCLOSURE DOCUMENT

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KIDDIE ACADEMY.
EDUCATIONAL CHILD CARE**Kiddie Academy Domestic Franchising, LLC**

A Delaware Limited Liability Company

3415 Box Hill Corporate Center Drive

Abingdon, Maryland 21009-1201

1-800-5-KIDDIE

franchisedevelopment@kiddieacademy.comwww.kiddieacademy.comDEPARTMENT OF
BUSINESS OVERSIGHT
SAN FRANCISCO

The franchisee will operate a specially designed early childhood learning and child care facility offering programs for children between six weeks and twelve years of age under the name **Kiddie Academy**[®]

The total investment necessary to begin the operation of a **Kiddie Academy**[®] Franchise is \$422,000 - \$737,500 for a leased Kiddie Academy Franchised location, and \$2,516,000 - \$3,737,500 for a purchased Kiddie Academy Franchised location. This includes \$120,000 in Initial Fees that must be paid to the franchisor or an affiliate.

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 or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information 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 the Kiddie Academy Corporate Offices at the above address and telephone number.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "Buying a Franchise: A Consumer's Guide," 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-FTCHELPHelp or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or 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 March 31, 2016

STATE COVER PAGE

Your state may have a franchise law that requires us, the franchisor, to register or file with a state franchise administrator our Franchise Disclosure Document before offering or selling franchises in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed on Exhibit A for information about us, the franchisor, about other franchisors and about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

- 1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN MARYLAND. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE WITH US IN MARYLAND THAN IN YOUR OWN STATE.
- 2 THE FRANCHISE AGREEMENT STATES THAT MARYLAND LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
- 3 THE FRANCHISEE'S SPOUSE MUST SIGN A PERSONAL GUARANTY MAKING SUCH SPOUSE JOINTLY AND SEVERALLY LIABLE FOR THE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT WHICH ALSO PLACES THE SPOUSE'S PERSONAL ASSETS AT RISK. YOU MAY WANT TO CONSIDER THIS WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE OPPORTUNITY.
- 4 YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL.
- 5 IN ADDITION TO GUARANTEEING THE FRANCHISOR'S OBLIGATIONS, FRANCHISOR'S PARENT COMPANY, ESSENTIAL BRANDS, INC. ALSO GUARANTEES A BANK LOAN FOR A RELATED COMPANY FOR APPROXIMATELY ONE HUNDRED SIXTY THOUSAND DOLLARS.

- 6 PRIOR TO SIGNING A FRANCHISE AGREEMENT, A FRANCHISE APPLICANT IS REQUIRED TO SIGN A PRELIMINARY AGREEMENT AND PAY A FEE IN THE AMOUNT OF \$20,000 00 IN THE EVENT THAT THE APPLICANT TERMINATES THE PRELIMINARY AGREEMENT PRIOR TO SIGNING A FRANCHISE AGREEMENT, OR IF THE PRELIMINARY AGREEMENT EXPIRES WITHOUT BEING RENEWED BY THE APPLICANT AND FRANCHISOR, THE APPLICANT WILL RECEIVE A PARTIAL REFUND OF THIS FEE IN THE AMOUNT OF \$10,000, MINUS EXPENSES INCURRED BY FRANCHISOR IF FRANCHISOR TERMINATES THE PRELIMINARY AGREEMENT WITHIN ONE YEAR OF SIGNING IT, THE APPLICANT WILL RECEIVE A FULL REFUND OF THIS FEE
- 7 THE FRANCHISE AGREEMENT CONTAINS A PROVISION WHICH STATES THAT ALL IMPROVEMENTS AND ENHANCEMENTS THAT FRANCHISEES DEVELOP TO THE KIDDIE ACADEMY SYSTEM WILL BE KIDDIE ACADEMY'S EXCLUSIVE PROPERTY, WITHOUT COMPENSATION TO THE FRANCHISEE
- 8 THE PRELIMINARY AGREEMENT AND FRANCHISE AGREEMENT CONTAIN PROVISIONS THAT YOU WAIVE YOUR RIGHT TO SEEK AND RECOVER PUNITIVE DAMAGES AGAINST THE FRANCHISOR
- 9 THE PRELIMINARY AGREEMENT AND FRANCHISE AGREEMENT CONTAIN PROVISIONS THAT YOU WAIVE YOUR RIGHT TO A JURY TRIAL FOR ANY DISPUTES WITH THE FRANCHISOR
- 10 THE FRANCHISE AGREEMENT CONTAINS A PROVISION WHICH STATES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THE FRANCHISE AGREEMENT, THE RELATIONSHIP OF THE FRANCHISEE AND FRANCHISOR, OR THE FRANCHISEE'S OPERATIONS OF THE FRANCHISED BUSINESS MUST BE COMMENCED WITHIN ONE (1) YEAR THIS PROVISION MAY OR MAY NOT BE ENFORCEABLE
- 11 THE FRANCHISE AGREEMENT CONTAINS A PROVISION THAT WAIVES THE FRANCHISEE'S RIGHT TO BE A PART OF A CLASS ACTION LAWSUIT AGAINST THE FRANCHISOR
- 12 THE LAWS IN YOUR STATE MAY REQUIRE THAT THE DIRECTOR OF YOUR FRANCHISED BUSINESS HAVE A DEGREE IN CHILDHOOD EDUCATION OR CHILDHOOD DEVELOPMENT
- 13 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

Effective Date (See State Effective Dates on the following page)

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