



**FRANCHISE OFFERING CIRCULAR
INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION**

To protect you, we've required your franchisor to give you this information. We haven't checked it, and don't know if it's correct. It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

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

**FEDERAL TRADE COMMISSION
WASHINGTON, D.C.**

CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON AND WISCONSIN REQUIRE FRANCHISORS TO MAKE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. IF APPLICABLE THESE ADDITIONAL DISCLOSURES WILL BE FURNISHED TO YOU IN AN ADDENDUM TO THIS OFFERING CIRCULAR.

IN ACCORDANCE WITH THE REQUIREMENTS OF THE FEDERAL TRADE COMMISSION, THIS OFFERING CIRCULAR WAS ISSUED ON _____, 2003. IF THIS OFFERING IS REGISTERED IN A STATE LISTED ABOVE, THE EFFECTIVE DATE OF THIS OFFERING CIRCULAR WILL BE DISCLOSED IN THE ADDENDUM FOR THAT STATE.

Franchise Offering Circular

FRANCHISE OFFERING CIRCULAR
Gymboree Play Programs, Inc.
700 Airport Blvd., Suite 200
Burlingame, California 94010
650-579-0600



The franchisee will operate a nontherapeutic sensory-motor child-parent play and music program. Programs are presently for children from birth through four years.

The Initial Franchise is \$35,000 for the first franchise site and is discounted for subsequent sites purchased under the initial market plan and the payment plan selected by the franchisee as described in Item 5 of this circular. Additionally, you must pay Gymboree approximately \$5,5006,400 for purchases of Gymboree's product for resale and program aids for the Gymboree Program and approximately \$23,30025,700 for certain equipment. The franchisee's total initial investment is estimated at \$74,29276,692 to \$214,155 per site depending upon numerous factors.

Risk Factors:

1. THE FRANCHISE AGREEMENT ONLY PERMITS THE FRANCHISEE TO INSTITUTE ANY JUDICIAL PROCEEDING TO ENFORCE THIS AGREEMENT AGAINST GYMBOREE IN CALIFORNIA, EXCEPT AS DESCRIBED IN THE STATE ADDENDA. OUT-OF-STATE JUDICIAL PROCEEDINGS MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE WITH GYMBOREE IN CALIFORNIA THAN IN YOUR HOME STATE.

2. THE PURCHASE OF A GYMBOREE PLAY AND MUSIC CENTER FRANCHISE INVOLVES BUSINESS RISKS AND THE SUCCESS OF YOUR GYMBOREE PLAY AND MUSIC CENTER IS LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES AND SUCCESS CANNOT BE GUARANTEED.

3. THE POSSIBLE SUCCESS OF YOUR GYMBOREE PLAY AND MUSIC CENTER MAY BE DEPENDENT UPON THE LOCATION YOU CHOOSE FOR IT. THE MARKET PLAN YOU AGREE TO WITH GYMBOREE DOES NOT GUARANTY THE SUCCESS OR SUITABILITY OF YOUR FRANCHISE; IT IS YOUR OWN BUSINESS ABILITY IN DEVELOPING A MARKET PLAN, SELECTING LOCATION, YOUR FINANCIAL RESOURCES, AND IN OPERATING THE GYMBOREE PLAY AND MUSIC CENTER THAT IS INSTRUMENTAL TO YOUR SUCCESS.

4. THE FRANCHISE AGREEMENT PERMITS GYMBOREE TO OFFER PROGRAMS OTHER THAN THE GYMBOREE PROGRAM UNDER THE GYMBOREE MARKS. THERE IS A RISK THAT THESE OTHER PRODUCTS AND PROGRAMS MAY COMPETE WITH YOUR GYMBOREE PLAY AND MUSIC CENTER.

5. THE FRANCHISE AGREEMENT PROHIBITS YOU FROM BEING INVOLVED WITH A SIMILAR BUSINESS DURING THE FRANCHISE TERM AND FOR 2 YEARS AFTER EXPIRATION, TRANSFER, TERMINATION, OR REPURCHASE OF FRANCHISE.

6. UNDER THE FRANCHISE AGREEMENT, GYMBOREE AND YOU WAIVE ANY RIGHT TO TRIAL BY JURY AND, TO THE EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

7. WE RETAIN THE RIGHT, IN OUR SOLE AND ABSOLUTE DISCRETION, TO AWARD, OR NOT AWARD, A GYMBOREE PLAY AND MUSIC PROGRAM FRANCHISE TO ANY PROSPECTIVE FRANCHISEE, REGARDLESS OF THE STAGE OF THE FRANCHISE AWARD PROCESS, COSTS EXPENDED BY THE PROSPECTIVE FRANCHISEE OR OTHERWISE.

8. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information about comparisons of franchisors is available. Call the state administrators listed in Exhibit G or your public library for sources of information.

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in this offering circular is untrue, contact the Federal Trade Commission and the applicable state administrators listed in Exhibit G.

Issue Date: _____, 2003

DISCLOSURES REQUIRED BY MICHIGAN LAW

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 the 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.

Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than \$100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:

**Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
PO Box 30213
Lansing, MI 48909
(517) 373-7117**

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ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

Gymboree and Its Predecessors. Gymboree Play Programs, Inc., a California corporation ("Gymboree," "us," "we" or "our") does business under its name and the name "Gymboree," and it is a wholly-owned subsidiary of The Gymboree Corporation, a Delaware corporation (the "Parent"). The Parent and Gymboree's principal business address is 700 Airport Blvd., Suite 200, Burlingame, California 94010.

Joan Barnes, the founder of and a predecessor of Gymboree, began operating a sensory-motor play program for children in a partnership with TransGlobal Enterprises in September, 1976, until she became the sole proprietor in November, 1977. At that time she operated the business as Kindergym of California. Two other predecessors of Gymboree are: Barnston Partners, a partnership, now dissolved, of which Joan Barnes was a principal and which operated a business of the type here offered from January, 1979 until July, 1980, and Rabarnes Partners Kindergym, a partnership, now dissolved, of which Joan Barnes was a principal and which operated a business of the type here offered from March, 1979 until April, 1980. The addresses of Kindergym of California were: 151 Elm Avenue, Mill Valley, California 94941 and 1344 Vancouver Avenue, Burlingame, California 94010. On October 4, 1979, The Gymboree Corporation, a California corporation, was incorporated. That corporation's principal business addresses were 577 Airport Blvd., Suite 400, Burlingame, California 94010 and 700 Airport Blvd., Suite 200, Burlingame, California 94010. On June 3, 1992, the Parent's California predecessor corporation incorporated the Parent as a wholly owned subsidiary in Delaware. On or about December 31, 1992, the California predecessor merged into the Parent, with the Parent surviving. The Parent's common stock is listed on the National Market System of NASDAQ under the symbol GYMB. On July 6, 1994, the Parent incorporated Gymboree Play Programs, Inc. as a wholly owned subsidiary in California, and on March 31, 1995, the Parent assigned to Gymboree and Gymboree assumed all of the Parent's prospective rights and obligations under all of its current Franchise Agreements.

Gym-Mark, Inc. ("Gym-Mark") is a subsidiary of The Gymboree Corporation and the owner of certain trademarks and service marks which are used by The Gymboree Corporation and its subsidiaries, including Gymboree. Gym-Mark licenses Gymboree to franchise certain Gymboree service marks as described below in Item 13.

Gymboree's agent for service of process is disclosed in Exhibit G.

Gymboree's Business. For a number of years, Gymboree and its predecessors have sold franchises for the operation of a "play center" business involving nontherapeutic sensory motor child-parent play programs, birthday parties, theme parties, and story line parties, and in 1999, added an early childhood music program ("Gymboree Music") and an art program in 2002 for children in Gymboree specified age ranges, using specially designed equipment and program aids (the "Gymboree Program"). The Gymboree Program currently includes programs for infants and children from birth through 4 years old. Gymboree periodically test-markets other programs both for its franchisees and for its own exclusive use. Franchisees may be required to offer programs for children in any age range specified by Gymboree. Parent participation is mandatory in all of the play programs.

Gymboree has developed a mobile play program (the "Gymboree On The Go") which brings a play program, which includes components of the Gymboree Program, directly to certain institutions with children, like preschools and day care centers.

As of February 21, 2002~~2003~~, Gymboree's most recent fiscal year end, Gymboree operated a total of 25~~23~~ company-owned play centers in California in Santa Clara, San Mateo, Alameda, Contra Costa, Solano, San Diego, Los Angeles, Monterey, Orange, Riverside, San Joaquin, and San Francisco and Marin Counties.

The Gymboree Franchise. The Gymboree franchise consists of a license to use the name "Gymboree" for the operation of the Gymboree Program as described in this Offering Circular. Each franchisee must follow Gymboree's commercial site design guidelines which are available from Gymboree and may be modified at Gymboree's discretion. The Gymboree Program brings children and their parents together in sensory-motor play, and music and art activities. The objective is to provide social interaction, sensory motor and music activities in a positive play environment.

The Gymboree franchise also consists of a license to use the name "Gymboree" for the operation of Gymboree On The Go in accordance with the guidelines in the Operations Manual.

The franchise does not include the marketing of consumer or other products under the mark and name "Gymboree" or the other marks and names of Gymboree. You have no right or license to anything not specifically included in the Gymboree Program. Gymboree may operate or license others to operate, within or outside of your territory, under the Gymboree Marks or under other marks, other types of programs which may be similar to or contain elements of the Gymboree Program. The franchise does not include the marketing or offering of other services under the mark and name "Gymboree" or the other marks and names of Gymboree, such as programs for handicapped children, day-care programs, after-school children's programs, formal educational programs, exercise programs, programs for parents and children in age ranges other than offered in the Gymboree Program, programs for parents only or pre-natal care programs. While franchisees are currently required to carry certain consumer products (such as tee-shirts, puppets, etc.), Gymboree may discontinue marketing those items through its franchisees and may market those products and other products under the mark and name "Gymboree" or other marks of Gymboree itself and through other distributors and retailers. Gymboree and Gym-Mark also have all other rights to the mark and name "Gymboree" and the other marks and names of Gymboree, including the right to provide and license others to provide other services and products under the mark and name "Gymboree" or other marks and names of Gymboree within or outside a franchisee's territory, including programs for handicapped children, day-care programs, after-school children's programs, formal educational programs, exercise programs, programs for parents and children in age ranges other than those currently offered in the Gymboree Program, programs for parents only, pre-natal care programs, programs which are included components of the Gymboree Program and programs for children only. Gymboree also has the right to market the Gymboree Program and the other programs developed by Gymboree from time to time, through alternative channels of distribution within or outside of your territory.

A Gymboree franchise offers its products and services to the general public. You will have to compete with other individuals, corporations and other entities that may offer products and services similar to the Gymboree Program, including other franchise programs.

Gymboree is unaware of any laws or regulations specific to the play program business, although, franchisees must comply with general local business laws and regulations.

Prior Business Experience. As indicated above, Joan Barnes has been involved in the business of offering sensory-motor play programs for children since 1976. Previously, and partially during the same period, she was employed as Director of the Children's Department at the Marin County

Jewish Community Center in San Rafael, California. Among Gymboree's predecessors, only Joan Barnes, dba Kindergyms of California, the Parent's California corporate predecessor, and the Parent have offered franchises. Barnes did this from July, 1979 to March, 1980, the Parent's California corporate predecessor did this from January, 1980 to December, 1992 and the Parent did it from December, 1992 to March, 1995. Gymboree has offered franchises for play centers since May 1995. As noted above, the Parent's California corporate predecessor, which has offered franchises since January, 1980, merged into the Parent on or about December 31, 1992, with the Parent surviving, and on March 31, 1995, the Parent assigned its prospective rights and obligations under its Franchise Agreements to Gymboree. Gymboree continues to operate the business of its Parent and its Parent's California corporate predecessor. Neither Gymboree nor its predecessors have offered franchises in other lines of business. Ms. Barnes is no longer employed by Gymboree.

This Offering Circular sets forth the terms and conditions on which we currently offer franchises in this state. We may have in the past offered franchises under different economic and other terms and conditions and we reserve the right, now and/or in the future, to offer franchises in other states and/or countries on different economic and other terms and conditions.

This Offering Circular contains a summary of various provisions of the Franchise Agreement, Addendum and other documents, in relatively brief language, briefness being a legal requirement. We've summarized the main features of our program above and further information appears at appropriate points throughout this Offering Circular. Of course, the descriptions in this Offering Circular of various documents and their provisions are for general informational purposes only, in many cases (in the interests of brevity and understandability) only excerpts or summaries of documents are discussed, the actual provisions of the documents will control in any case and you should read the entire Franchise Agreement, Addendum and other documents for more complete information.

Naturally, a franchised Gymboree Program (like any other enterprise) involves business risks. Your volume, possible profit and success are primarily dependent on your ability and efforts as an independent business operator, and success can't be guaranteed. You'll be responsible for an aggressive, proactive local marketing effort using the techniques and methods of the Gymboree System.

Finally, we think it's important for you to understand the following business realities: You're entering into a particular business which is, incidentally, franchised and entry into any business venture (whether franchised or not) involves some unavoidable risk of loss or failure. While the purchase of a franchise may improve your chances for success, the purchase of a Gymboree (or any other) franchise is a speculative investment, significant investment beyond that outlined in this Offering Circular may be required to succeed, there's no guaranty against possible loss and the most important factors in the success of any Gymboree Franchise, including the ones operated by you, are your personal business, marketing, management, judgment and other skills, along with your willingness to work hard and follow the Gymboree System.

ITEM 2. BUSINESS EXPERIENCE

The following is a list of certain persons currently affiliated with Gymboree. There can be no assurance that these persons will remain affiliated with Gymboree indefinitely or for any period of time, or that the scope of their involvement will not change.

Lisa Harper is the CEO and Vice-Chairman of the Board of the Parent. For the last five years she has been employed as follows:

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
1995 – 1996	Esprit, San Francisco, California	Director of Design
1996 – 1997	Baby Super Stores, Paramus, New Jersey	Director of Design and Merchandising
1997 – 1998	Limited Too, Columbus, Ohio	Vice President - Design
1998 – Present	Gymboree Corporation	CEO and Chairman of the Board of the Parent (6/02 – Present) CEO and Vice Chairman of the Board of the Parent (2/01 – Present) President (9/00 – 2/01) SVP and GMM (2/00 – 8/00) Vice President Design (12/98 – 2/00)

~~Stuart Moldaw is a Director of Gymboree Play Programs, Inc., and a Director and Chief Executive Officer of the Parent. For the last five years he has been employed as follows:~~

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
8/82 – Present	Ross Stores, Newark, California	Chairman of the Board and Director (8/82 – 3/93) and Chairman of the Board Emeritus since 3/93
1/90 – Present	The Gymboree Corporation (Parent)	Chairman of the Board (1/90 to 1/93), Acting Chief Executive Officer (2/90 – 6/90), Chairman of the Board from (1/94 Present) and Chief Executive Officer (2/00 to present)
1/95 – Present	Gymboree Play Programs, Inc.	Director

~~Mr. Moldaw also serves as director to several other companies.~~

Myles McCormick is Chief Financial Officer and Vice President of Finance. For the last five years, he has been employed as follows:

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
11/98 – 01/00	bebe stores, Inc., Brisbane, California	Director of Financial Planning and Analysis
01/00 – 09/00	Xuny.com, San Francisco, California	Vice President of Finance and Operations
09/00 – 05/01	Electronic Arts, Redwood City, California	Senior Manager, Global Publishing
5/01 – Present	The Gymboree Corporation	Vice President of Finance (5/01 – 2/02) Chief Financial Officer (2/02) - Present

~~Burt Yarkin is the Director of Franchise Development of Gymboree Play Programs, Inc.. For the last five years he has been employed as follows:~~

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
3/91 – 8/97	Speedmatic Stores Long Beach, California	Regional Director
9/97 – 4/98	1-800-Flowers, Westbury, New York	Manager of Franchise Development
4/98 – Present	Gymboree Play Programs, Inc.	Director of Franchise Development

Marina Armstrong is the Vice President Human Resources and Assistant Secretary of Gymboree Play Programs, Inc. For the last five years she has been employed as follows:

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
5/97-Present	Gymboree Play Programs, Inc.	District Manager (5/97-2/98), Human Resources Manager (2/98-6/98), Director, Recruiting and Staffing (6/98-2-99), Director, Organizational Development (2/99-6-99), Vice President Human Resources (6/99-3/02) Vice President of Human Resources and Assistant Secretary (3/02-Present)

Robert B. Campbell is the President of Gymboree Play Programs, Inc.- For the last five years he has been employed as follows:

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
9/86- 1/95	The Gymboree Corporation (Parent)	Director of Franchise Sales (9/86-3/89), Director of Franchise Sales and Corporate Legal Affairs (3/89-3/92), Vice President, Franchise Sales (3/92-10/94) and Director of Play Program Development and Operations (10/94-1/95)
1/95-Present	Gymboree Play Programs, Inc.	President (6/97-present), Director of Play Program Operations and Development (1/95-6/97)

Eva Crosland is the Manager of Franchise Development of Gymboree Play Programs, Inc.. For the last five years she has been employed as follows:

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
6/90 - 1/95	The Gymboree Corporation (Parent)	Administrative Assistant (6/90-6/91) and Franchise Sales Coordinator (6/91-1/95)
1/95 - Present	Gymboree Play Programs, Inc.	Coordinator, Operations and Development (1/95-6/96) and Assistant Manager, Franchise Sales and Development (6/96 - 12/00). Manager of Franchise Development (12/00 - Present).

Jill M. Johnston is the Director of Operations for Gymboree Play Programs, Inc.. For the last five years she has been employed as follows:

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
3/90 - 6/96	Sesame Street, Union City, California	Director of Stores (3/90-4/91), Director of Corporate Development (4/91-5/92), Product Manager, Children's Media and Accessories (5/92-6/96)
8/96 - 9/01	Gymboree Play Programs, Inc.	Director, Corporate Sites
9/01 - Present	Gymboree Play Programs, Inc.	Director of Operations

Karol Caballero is the Franchise Sales Coordinator for Gymboree Play Programs, Inc.. For the last five years she has been employed as follows:

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
6/95 - 8/95	Las Posas Emporium Video Ventura County, California	Sales Clerk
5/96 - 8/96	Cable Connection Santa Clara County, California	Accounts Payable
3/98-12/98 and 6/97-9/97	Camarillo Health Care District, Ventura County, California	Community Outreach and Education Assistant
4/99 - 11/00	Gymboree Play Programs, Inc.,	Administrative Assistant
11/00 - Present	Gymboree Play Programs, Inc.	Franchise Sales Coordinator

Michael G. Minihane is a Franchise Consultant for Gymboree Play Programs, Inc. for international franchise awards only. For the last five years he has been employed as follows:

<u>Dates</u>	<u>Employer</u>	<u>Occupation</u>
1987-Present	Maret Corporation, Inc. International Franchise Development Specialists	President

ITEM 3. LITIGATION

Pending Actions:

Completed Actions:

Doe I, et al. v. The Gap, et al. U.S. District Court, Central District of California [Case No. 99-00329 CAS (AJWx)] Filed January 13, 1999. This ~~is~~ **was** a class action filed on behalf of former and current garment workers in Saipan against a number of United States garment retailers (the "Retailer Defendants"), including (among many others) The Gymboree Corporation, our Parent. We are not a defendant in the lawsuit.

Our Parent has published its Terms of Engagement and is a signatory to the National Retail Federation Statement of Principles on Supplier Legal Compliance. Both the Terms of Engagement and the National Retail Federation Statement of Principles on Supplier Legal Compliance express our Parent's policy in support of good working and living conditions for all employees of companies which manufacture clothing for it.

The case ~~involves~~ **involved** employees who worked for companies (not owned by us or our Parent) in Saipan, an island in the Pacific thousands of miles from the mainland United States. These companies make clothing sold to various American companies, including our Parent. The case ~~alleges~~ **alleged** that certain employees of these companies in Saipan ~~are~~ **were** not working in sanitary and safe conditions, ~~are~~ **were** underpaid, ~~are~~ **were** not housed in sanitary conditions and their movements ~~are~~ **were** restricted during their non-working hours, among other things. The plaintiffs claimed that our Parent negligently disregarded, or was aware of, these conditions. It ~~is~~ **was** claimed that the combination of these conditions, the possible awareness, and the policy of our Parent that employees work and live in good conditions violate the Racketeer Influenced and Corrupt Organizations Act, federal indentured servitude and peonage statutes, related constitutional provisions, the Alien Tort Claims Act, state law, international law, various treaties and common law. It ~~is~~ **was** also claimed that the working and living conditions constituted false imprisonment. It ~~is~~ **was** also alleged that our Parent

aided and abetted, and conspired with, the Saipan companies, and that there was an agency relation. The plaintiffs have asked for an injunction against continuation of the alleged practices, a declaration of the parties' rights and liabilities, damages according to proof, treble damages, punitive damages, interest and attorney's fees and costs, all unspecified in amount. ~~The case is in the pre-trial stage.~~ The plaintiffs and The Gymboree Corporation, our Parent, agreed upon the material terms of a Settlement Agreement on August 9, 1999. ~~The terms of the Settlement Agreement, including the dollar amount to be paid by our Parent thereunder, require court approval.~~ **Our Parent agreed to a settlement payment of \$165,606 which was approved by the court in April 2003.** Our Parent did not admit any liability in the settlement.

It is our Parent's position that many of the allegations in the lawsuit ~~are were~~ untrue, that other allegations ~~are were~~ misleading and that many of the main legal theories of the case fail to meet required legal standards. The case ~~does did~~ not contain any reference, directly or indirectly, to franchise matters.

Completed Actions:

Gymboree Play Programs, Inc., et al. v. Dorothy Martin et al., Case No. C 00-9191 JCS in the U.S. District Court, Northern District of California. On April 5, 2000, Gymboree Play Programs, Inc. filed a complaint against Dorothy Martin and Pierre Martin, the owners of several Gymboree franchises located in Massachusetts (the "Defendants"). The complaint alleged that on or about September 1999, despite Gymboree's prior notices and demands to Defendants requiring that they cease the opening an operation of a Gymboree Play and Music site in Waltham, Massachusetts (the "Site"), the Defendants did in fact open and operate the Site using Gymboree's trademarks and programs. The complaint included causes of action for, among other things, trademark infringement, unfair competition and breach of contract. The complaint sought damages in an unspecified amount, an accounting and injunctive relief enjoining Defendants from identifying the Site as an authorized Gymboree Play and Music Center and requiring the Defendants to fully comply with all obligations contained in their franchise agreements.

On August 31, 2000, Gymboree and the Defendants entered into a settlement of the lawsuit pursuant to which: (i) the Defendants executed a promissory note agreeing to make 6 annual payments, with interest, to Gymboree, (ii) the parties entered into a new franchise agreement amending the Defendants' territory to include the city of Waltham, (iii) the Defendants agreed to pay Gymboree an amount equal to 8.25% of the gross receipts earned by the Site through June 30, 2000, as well as all fees due and owing under the new franchise agreement as of July 1, 2000, (iv) the parties entered into a mutual release, (v) the parties agreed that Defendants' franchise agreements will immediately terminate if the Defendants violate any agreements between Defendants and Gymboree beyond applicable cure periods, and (vi) Gymboree agreed to dismiss the lawsuit against the Defendants. The case was dismissed with prejudice on September 13, 2000.

Children's Play, Inc. et al. v. The Gymboree Corporation, Case No. 94-488420-CK (Michigan Cir., Oakland County). On December 9, 1994, a lawsuit was filed against the Parent which included allegations of statutory fraud, breach of the franchise agreement and breach of the implied duty of good faith and fair dealing. The Parent removed the case to federal court in the Eastern District of Michigan, Case No. 95-CV-70010-DT. The Parent filed an answer to the complaint denying the allegations and filed a counter-complaint against plaintiffs for service mark infringement, unfair competition, breach of contract, non-competition and violation of the Michigan Consumer Protection Act. On March 28, 1995, the parties entered into a settlement agreement in which, among other things, plaintiffs and cross-defendants agreed to pay \$3,300 over the full term of the franchise agreement to reimburse the Parent

for its legal fees and costs incurred, the Parent agreed to reinstate plaintiffs' franchises and both parties agreed to dismiss their lawsuits against the other.

Bennett B. Mann and Rhonda L. Mitchell-Mann, v. The Gymboree Corporation, et al., Action No. 693236, in the Superior Court of the State of California for the County of San Diego. On October 10, 1995, plaintiffs Bennett B. Mann and Rhonda L. Mitchell-Mann filed a complaint against Gymboree, Robert B. Campbell ("Campbell"), Richard and Lisa Percell (the "Percells"), Image-N-This, Inc. ("Image"), Gregson International Incorporated and VR Business Brokers (collectively, the "Broker") and Mark Gregson ("Gregson"). Percells are the owners and principals of Image. Image is a former Gymboree franchisee. Image's franchise consisted of two locations in San Diego County. The complaint alleged that the Broker was the Percells' and Image's "business broker."

The franchise agreement between Gymboree and Image granted Gymboree a right of first refusal to repurchase Image's franchise on the same terms and conditions that Image agreed to sell the franchise to a third party. Plaintiffs alleged that they entered into negotiations with Image and the Percells in February 1995 to purchase the franchise and that a purchase agreement between the parties was executed March 7, 1995, which was subsequently amended (the "Percell-Mann agreement"). Plaintiffs further allege that Gymboree was also a party to the Percell-Mann agreement through an "agency relationship" with Image and the Percells. In the complaint, the plaintiffs claim, among other things, that the defendants failed to inform them of the right of first refusal granted to Gymboree under the franchise agreement and that Gymboree improperly exercised that right of first refusal and wrongfully interfered with their right under the Percell-Mann agreement to purchase the Image franchise. Plaintiffs' complaint, as drafted, sought from all defendants collectively \$8,750 in restitution damages and "in excess of \$1,000,000" in other purported damages, including loss of future profits.

The specific causes of action asserted in the complaint against Gymboree are for "breach of written contract," "breach of implied contract," "intentional misrepresentation," negligent misrepresentation," "unfair business practices," "franchise investment law violations," "inducing breach of contract," "intentional interference with contractual relations," "intentional interference with prospective economic advantage," "negligent interference with contractual relationship," "conspiracy to defraud," "reliance damages based on promissory estoppel," "common count of unjust enrichment," and "breach of implied covenant of good faith and fair dealing."

Gymboree demurred to the complaint. Plaintiffs thereafter filed a First Amended Complaint on December 11, 1995. The Amended Complaint contained the same causes of action as the original complaint. On January 17, 1996, Gymboree answered the Amended Complaint denying all material allegations of the Amended Complaint. In its Answer, Gymboree alleged as an affirmative defense, *inter alia*, that plaintiffs failed to state a material cause of action against Gymboree. On January 17, 1996, Gymboree also filed a Cross-Complaint against plaintiffs and Donald Mitchell, Joanne Marie Gavino, and Donald Yee for declaratory relief and attorney's fees. In the Cross-Complaint, Gymboree sought a declaration of the court that Gymboree was not a party to, nor liable to plaintiffs under, the Percell-Mann agreement and that Gymboree should be awarded its attorney's fees and costs under that agreement against the plaintiffs as the prevailing party in this action. Cross-defendants Donald Mitchell, Joanne Marie Gavino and Donald Yee (collectively, the "Cross-Defendants") were added as additional parties to the Cross-Complaint along with the plaintiffs because the Cross-Defendants were, at various times, parties to the Percell-Mann agreement along with the plaintiffs. On March 25, 1996 plaintiffs and all defendants entered into a settlement of the lawsuit pursuant to which Gymboree paid to the Manns \$4,000 and the Percells paid to the Manns \$3,500 and all the parties released each other. The action was dismissed with prejudice on April 25, 1996.

Canha v. Gymboree Corp. et al. (No. 95-5110, Middlesex Superior Court, Mass., Filed August 31, 1995) Canha, a Franchisee, filed a complaint against us, another Franchisee and that other Franchisee's sister-in-law, based on the operation by the sister-in-law of a competing non-Gymboree play center (which closed in mid-1996) in Canha's territory. Gymboree was sued for breach of contract, breach of the implied covenant of good faith and fair dealing and violation of the Massachusetts unfair practices act, the plaintiff requesting damages in unspecified amounts, treble damages, expenses, costs and attorney's fees. The court dismissed the plaintiff's claims against Gymboree for breach of contract and interference with contractual relations. On January 7, 1997, Gymboree gave the Franchisee a notice of termination of her franchise. The case against Gymboree was concluded by means of a settlement agreement (and related stipulation for judgment for Gymboree) in which the Franchisee agreed to pay \$666.67 to the Gymboree Regional Co-operative, pay Gymboree all royalties and National Advertising Cooperative fees due as of December 31, 1996, pay Gymboree all royalties due from January 1, 1997, to the date of the settlement agreement, the Franchisee dismissed her lawsuit against Gymboree, the parties executed mutual releases, the Franchisee's franchise was reinstated, and the Franchisee was given the right to purchase an additional franchise for the standard initial franchise fee, subject to satisfying various conditions, Gymboree agreeing to not sell the franchise to anyone else for a specified period.

Charles Thacker, et al. v. The Gymboree Corp., et al. (Los Angeles County Superior Court Case No. BC-166-563). On February 26, 1997, Charles Thacker, Diana Thacker and GalleriaGymGym, Inc., a California corporation, filed a complaint against the Parent, Gymboree and Gym-Mark. Charles and Diana Thacker are the principals of GalleriaGymGym, Inc., which was a Gymboree franchisee. The complaint contained causes of action for, among other things, breach of contract, breach of the covenant of good faith and fair dealing, negligence and violations of the Uniform Franchise Relations Act stemming from Gymboree's delivery of a notice of termination to the Thackers and GalleriaGymGym, Inc. Gymboree terminated plaintiffs' Franchise Agreement based upon excessive customer complaints and the offering of unapproved services. Plaintiffs sought, among other things, damages in an undisclosed amount and to enjoin the termination of the Franchise Agreement. On April 16, 1997, Gymboree and Gym-Mark, the owner of the Gymboree Marks, filed a cross-complaint against plaintiffs for unfair competition and trademark infringement, unfair business practices and breach of contract and sought damages in an unspecified amount, an accounting and injunctive relief declaring that the franchise relationship had been terminated. On September 23, 1998, the court issued a ruling in favor of the Parent, Gymboree and Gym-Mark with respect to the claims against them, stating that Gymboree was justified in terminating the plaintiffs' franchise as a result of: the plaintiffs offering unauthorized programs, an excessive number of customer complaints and conduct which reflected materially and unfavorably on the operation of the franchised business. The court also stated that the franchise provisions were clear, material and reasonably related to legitimate business purposes and granted a permanent injunction prohibiting the plaintiffs from using the Gymboree Marks in the future, among other things. The court did not award Gymboree or Gym-Mark any damages on their cross-complaint. Subsequent to the ruling, the plaintiffs filed a Notice of Appeal. The parties thereafter reached a settlement, pursuant to (1) plaintiffs paid a sum of money to Gymboree; (2) the Parent, Gymboree and Gym-Mark waived their rights to seek recovery in excess of the agreed-on sum (3) plaintiffs dropped their appeal; and (4) the parties entered into mutual general releases.

Tess Rivera-Becker et al. v. Gymboree Corporation, Robert Campbell, et al. (Supreme Court of the State of New York, County of Nassau Index No. 27015/97). This action, dated September 17, 1997, is by a Franchisee (Ms. Becker) and claimed that Gymboree and Campbell acted in concert with another Gymboree Franchisee to attempt to force Becker to sell her franchise to that other Franchisee at a price below market value, allegedly including Gymboree improperly terminating Becker's franchise, in breach

of the Franchise Agreement and other obligations to Becker. Becker claimed that Gymboree and Campbell damaged her in the amount of \$2,500,000. The complaint did not claim that Becker sold her franchise to the other Franchisee and stated that it was still in operation. Gymboree Corporation did answer the complaint denying the material allegations, raised certain affirmative defenses (including that Becker breached her franchise agreements and that her rights were lawfully terminated) and filed claims against Becker for failure to pay royalties and other sums and for indemnification. On March 10, 1998, Gymboree filed a First Amended Complaint (Gymboree Play Programs, Inc. et al. v. Tess Rivera-Becker et al., U.S. District Court - Northern District of California No. C 97-4367 CW) against Becker to remove the matter to Federal Court in California. Gymboree's Complaint noted that Gymboree had issued 8 notices of termination, for failure to submit financial and other information and failure to pay royalties and co-operative advertising fees, between May 1995 and February 1997, as well as additional notices of default or termination for failure to maintain public liability insurance, and that since the termination Becker had violated her obligations by operating a competitive business, using the Gymboree Marks and holding herself out as an authorized Gymboree Franchisee. Gymboree sued Becker for unfair competition, trademark infringement, unfair business practices, breach of the Franchise Agreement, and an accounting and asked for: a declaration that the franchise had been validly terminated, an injunction against the Franchisee operating a competitive business, an accounting, damages and other relief. Becker filed an answer to Gymboree's complaint denying jurisdiction and denying other portions of Gymboree's complaint and claiming various affirmative defenses including breach of the covenant of good faith and fair dealing by Gymboree. The lawsuit against Gymboree was dismissed by the Court on its own motion on August 19, 1999, Gymboree was awarded costs of \$500.00, and plaintiff's counsel was sanctioned. The lawsuit against Franchisee was dismissed without prejudice by Stipulation of the Parties and Order of the Court on December 21, 1999

Union of Needletrades Industrial and Textile Employees, AFL-CIO et al. v. The Gap, Inc. et al. California Superior Court, San Francisco (Case No. 300474) Filed January 13, 1999. This is a case which was brought by a labor union and several other organizations alleging unlawful business practices and acts and unfair competition under Sections 17200 *et seq.* of the California Business and Professions Code, as well as mislabeling in violation of Sections 17500 *et seq.* of the same code. The case was filed against a number of United States garment retailers, including (among many others) The Gymboree Corporation, our Parent. We were not a defendant in the lawsuit.

The factual allegations of this case are similar to those of the Doe I, et al. v. The Gap, et al. federal case discussed above. The plaintiffs alleged that: clothes made in Saipan were misleadingly labeled as to origin, even though labeled in accordance with the law. The plaintiffs claim that such labeling, combined with the defendant's alleged aiding and abetting of the alleged working conditions, the sale of goods manufactured under such alleged conditions, and the defendant's policy that employees of suppliers work and live in good conditions and to have in place compliance programs to ensure that such alleged conditions do not exist, have a tendency to mislead the public, are unfair and violate California law. The plaintiffs asked for an injunction against the alleged practices, payment of restitution, disgorgement of profits, interest and reasonable attorney's fees and costs, all unspecified in amount. The plaintiffs and The Gymboree Corporation, our Parent, settled the case on August 9, 1999, pursuant to an agreement reached in the Doe I, et al. v. The Gap federal case discussed above. Our Parent did not admit any liability in the Settlement. The Court dismissed the lawsuit with prejudice on February 15, 2000. The case did not contain any reference, directly or indirectly, to franchise matters.

Other than the 9 actions above, no litigation is required to be disclosed in this Offering Circular.

ITEM 4. BANKRUPTCY

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5. INITIAL FRANCHISE FEE

Gymboree determines the initial franchise fee by the minimum number of sites in the market plan at which you will be offering the Gymboree Program. Before entering into the franchise agreement, you and Gymboree will together devise a market development plan appropriate to the territory for which you are granted a license (the "Territory"). Gymboree may offer you certain demographic information within its possession; alternatively, a third party may provide information to you for a fee. Based on demographic information and other factors, your market development plan will determine the number of sites which Gymboree and you agree can feasibly operate in your Territory and the dates for opening these locations. The initial franchise fee is then set according to the fee schedule. Except as described in this Offering Circular, this fee schedule will be uniform as to all United States franchisees currently purchasing a franchise.

The execution of the Franchise Agreement will constitute, and you (and each affiliate of yours) will, as a condition to the granting of this and any future or other Franchise execute, in a form prescribed by us, a general release, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Entities, excepting only (where so required by applicable law) those claims solely related to the offer and sale of the new Franchise, you agreeing that it would be inappropriate from a business standpoint to enter into further franchise relationships with us while there might be a possibility of claims based on a prior relationship. For example, if you own Franchises Nos. 1 and 2 and are being granted Franchise No. 3, the release by you would cover all matters other than (where so required by applicable law) those solely related to the offer and sale of Franchise No. 3. We can make no assurance as to whether additional or future franchises may be granted to you or the prices, terms or conditions relating thereto. If we should, through inadvertence or otherwise, fail to require such separate release at any time, the execution of the Franchise Agreement, and each subsequent Franchise Agreement after this one, will be regarded as the equivalent of the granting of such releases.

When devising a market development plan for your Territory, Gymboree uses demographic information to determine the number of children through the age of four years in the Territory, currently not counting any children in census tracts where the median household income is below \$35,000 per annum. Gymboree also takes into account geographic, socioeconomic and psychographic factors which are specific to the Territory and which are usually communicated by you. Demographic studies are not an exact method of predicting business success. In addition, the ability to successfully open and operate an agreed-upon number of sites within a territory includes a number of other variables, such as your performance level and competition within the Territory. Accordingly, Gymboree can give no assurance that any site will be successful and you should make your own determination of the number of sites that should be included within the market development plan before signing the Franchise Agreement.

Gymboree's fee schedule is as follows:

<u>Order of Sites in Initial Market Plan</u>	<u>Fee for Site</u>	<u>Total Initial Franchise Fee Based on the Number of Sites in the Initial Market Plan</u>			
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
1st	\$35,000	\$35,000			
2nd	\$27,000		\$62,000		
3rd	\$23,000			\$85,000	
4th and Each Additional	\$20,000				\$105,000

The fees per site referred to above apply only to sites agreed upon in the initial market development plan. If in the future you want to open, and obtain Gymboree's approval to open, an additional site or sites within or outside your Territory, you must pay to Gymboree additional franchise fees in the amount specified in the then-current or most recent franchise offering circular. The current fee for an additional site (within your existing Territory but not included in the initial market development plan) is \$15,000. If you change your Territory or market plan, Gymboree may require you to enter into the form of Franchise Agreement or agreements then offered by Gymboree to new franchisees. These new Franchise Agreement(s) would cover your entire Territory and market plan and replace any old Franchise Agreement.

The franchise fee is payable on signing of the Franchise Agreement, and it is not refundable.

Once Gymboree and you have agreed upon the Territory, the number of sites to be included in the Territory, and the market plans for opening the sites, then Gymboree will furnish to you a completed Franchise Agreement and other franchise related documents for your approval. You will have at least 5 business days to review the proposed agreements before signing them and returning them to Gymboree.

You must also purchase from Gymboree consumer products for resale and certain equipment and program aids and computer software, as described in Items 8 and 11. The approximate cost of the consumer products is \$2,350,300, the approximate cost of the program aids is \$3,150,100, and the approximate cost of the equipment is \$23,300,25,700. These amounts are not refundable.

If we, in our sole and absolute discretion, determine that you (or a managing partner or shareholder consented to by us) have not successfully completed (or are not making satisfactory progress in) your initial training, we may cancel all of your rights (and all of our obligations) under the Agreement and/or any other agreements with you and return the Initial Franchise Fee (less \$10,000) to cover our sales, training and other expenses, among other things) to you, and you will return all manuals and you (and each affiliate of yours) execute documentation providing for a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Entities and we will provide you with a similar release, except that your indemnity, non-competition, confidentiality obligations, and the dispute avoidance and resolution provisions of the Agreement, including those of Article 11, together with the provisions of Article 13, will be preserved. Since the possibility of termination exists, you understand that if you make any investments or sign any documents prior to completion of training, you are at risk. Alternatively, we can (in our sole and absolute discretion) require you to hire a substitute manager and arrange for him/her to complete the training program to our satisfaction. (Franchise Agreement, Section 2.3 [b]).

In our sole and absolute discretion, we may reduce, or defer payment of a portion of, the Initial Franchise Fee, where an additional franchise is awarded to an existing Gymboree® Franchisee. Initial Franchise Fees charged by us for franchises outside the United States may be, and may have been, significantly different.

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ITEM 6. OTHER FEES

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Continuing Franchise Fee	6% of gross receipts for each calendar year quarter (ending March 31, June 30, September 30 and December 31)	Payable quarterly 30 days after end of each calendar quarter, but at its option Gymboree may change to monthly payment schedule	Gross receipts includes all revenue from the use of the Gymboree mark and your franchise business, excluding sales tax and the receipts from the sale of Gymboree consumer products.
Regional Advertising Fee	Proportionate share of advertising and public relations costs incurred by regional cooperative (estimated at \$100 to \$500 per site per session)	Start of each calendar quarter (January, April, July, and October)	Budget must be approved by majority of regional cooperative
Cooperative Marketing and Public Relations Program Fee	Up to 5% of gross receipts	Same as Continuing Franchise Fee	
PlayWeb License Fee	\$95 month (\$285 per quarter) per site	Payable quarterly 30 days after end of each calendar quarter, but at its option Gymboree may change to monthly payment schedule	For license and on-going IT support.
Insurance	All insurance payments incurred by you and paid by Gymboree when you fail to do so plus late fees and interest	Payable on demand	Gymboree, at its option, may obtain required insurance coverage on your behalf if you fail to do so. If you fail to reimburse Gymboree for such insurance coverage within 10 days of receipt of notice, Gymboree may terminate the Franchise Agreement.
Mandatory Initial Training	No charge, but if operations manager needs training after mandatory initial training, then \$350 fee	Before commencement	You must pay for all travel, food and lodging charges in connection with training

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Regional and Remedial Training	Approximately \$20 to \$45 per attendee for regional training; no charge currently for remedial training, but Gymboree reserves right to set fee in future	Before commencement	You must pay for all travel, food and lodging charges in connection with training; Gymboree may develop training tapes and devices for which you agree to pay Gymboree for actual costs of supplying such tapes or devices, plus postage and handling
Transfer	30% (10% if transferee is existing franchisee) of then-current per-site franchise fee for a Territory the size of yours for the 1st site plus 10% (5% if transferee existing franchisee) of the then-current per-site fee for each additional site in your market plan or in operation, whichever is greater.	Upon transfer	Includes transfer of any part or all of franchise (or beneficial ownership interests in it)
Catalogs and Consumer Products	Varies (see Item 7)	Upon purchase	Gymboree may require you to purchase and inventory certain approved consumer products and to purchase, display and distribute Gymboree's then-current product catalog
Equipment, Program Aids and Promotional Material	Varies (see Item 7)	Upon purchase	These required items as summarized in Item 8 may be purchased from Gymboree or third parties, but most franchisees buy program aids and some promotional and advertising materials from Gymboree; required equipment is only available through Gymboree
Audit	Cost of audit, including attorneys' and accountants' fees and travel expenses, room and board and applicable per diem charges for Gymboree's employees.	Within 15 days after receipt of inspection or audit report	Payable only if audit shows an understatement of at least 2% of gross receipts for the audit period or if you fail to furnish reports, supporting records, or other required information.

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Interest	Interest at a rate equal to lesser of 18% or the highest amount allowed by law, as provided in Section 4.3 of the Franchise Agreement	Payable on demand	Payable on amounts not paid when due, including when audit reveals understatement of gross receipts. Subject to inflation adjustment.
Late and Dishonored Check Fees	\$300 late fee plus \$50 per day \$200 for each dishonored check	Payable on demand	Payable on amounts not paid when due, including when audit reveals understatement of gross receipts. Subject to inflation adjustment.
Ancillary Services Fees	Will vary	When billed	Gymboree in the future may provide various optional ancillary services, such as preparation of income tax reports or other business support related services for which Gymboree will charge a fee
Reimbursements	Amount disbursed	On demand	If Gymboree in its discretion elects to pay certain expenses, such as for insurance premiums and customer disputes if Gymboree determines the customer is correct (Gymboree's policy is that the customer is almost always right), when you fail to do so, you must immediately reimburse Gymboree, plus any late fees and interest
Product Testing	Gymboree's actual direct out of pocket costs estimated to be from \$1,000 to \$5,000	When billed	Payable when you seek Gymboree's approval of program aids not purchased from Gymboree as further described in Item 8
Annual Seminar	Registration Fee \$175 - \$225	Before commencement	You must pay for all travel, food and lodging charges in connection with attending the seminar

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ITEM 7. INITIAL INVESTMENT

SUMMARY OF APPROXIMATE EXPENSES AND CASH OUTLAYS
YOU WILL INCUR PER SITE

		LOW ESTIMATE	HIGH ESTIMATE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE	REFUND- ABILITY
1.	Initial Franchise Fee	\$35,000	\$35,000	Cash	Signing	Franchisor	No
2.	Lease Rental and Deposits (3 mos. rent)	\$600	\$15,000	Cash	Lease Term	Landlord	Deposits are refundable
3.	Commissions, Key Money, etc.	\$0	\$2,000	Cash	Lease Term	Landlord/ Broker	No
4.	Construction, Architectural Fees, Related Expenses	\$0	\$75,000	Cash	Negotiated	Architects, Contractors, Landlord	No
5.	Furniture, Fixtures, Equipment & Decor	\$2527,250	\$38,135	Cash	Negotiated	Franchisor, Vendors, Contractors	Unknown
6.	Signage	\$500	\$8,000	Cash	Negotiated	Vendors	Unknown
7.	Opening Inventory	\$6,000400	\$11,000	Cash	On order	Gymboree or Vendor	If defective
8.	Pre-opening salaries and training (travel and living expenses)	\$0	\$4,000	Cash/ Credit	As incurred	Employees, Hotels, Airlines, etc.	Unknown
9.	Office Equipment and Supplies	\$1,600	\$6,715	Cash	As billed	Vendors	Unknown
10.	Additional Funds Unknown (for initial phase) - 3 months	\$4,000	\$15,000	Cash/ Security	As incurred	Gymboree, Landlord, Vendors, Employees, etc.	Unknown
11.	Insurance	\$900	\$1,500	Cash/ Credit	As billed	Insurers	If canceled
12.	Utility Deposits	\$0	\$250	Cash/ Credit	Negotiated	Lessor, Utility Companies	Deposits are refundable

		LOW ESTIMATE	HIGH ESTIMATE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE	REFUND-ABILITY
13.	Professional Fees	\$0	\$2,000	Cash/ Credit	Negotiated	Professionals	No
14.	Music Rights	\$442	\$555	Cash	As incurred	BMI and ASCAP	No
15.	TOTAL	\$74,2927 6 ,692	\$214,155				

The following comments relate by number to the items in the preceding summary of approximate expenses:

1. The initial franchise fee for each franchise can vary from \$20,000 to \$35,000 per site, depending on the number of sites agreed upon in the initial market development plan, and the total amount of the Initial Franchise fees paid will depend on the total number of sites covered by the initial market development plan, as outlined in Item 5. As noted in Item 5, when more than one site is covered by the initial market development plan, the initial franchise fee per site decreases (in stages) from \$35,000 to \$20,000 per site. As noted in Item 5, we may reduce, or defer payment of a portion of, the Initial Franchise Fee, where an additional franchise is awarded to an existing Gymboree® Franchisee. Initial Franchise Fees charged by us for franchises outside the United States may be, and may have been, significantly different.

2. You are responsible for locating, negotiating and obtaining your own lease. The estimates are based upon Gymboree's own experience and that of its franchisees.

3. You may be required by the landlord of the premises to pay "key money" in an indeterminable amount to secure a lease in certain special desirable locations. It is extremely difficult to quantify the amount of this key money, and Gymboree thinks it unlikely that any key money will be required to be paid.

4. It is anticipated that the costs of leasehold improvements will be approximately \$0 - \$75,000, depending upon local conditions and the nature of the required tenant improvements.

5. Actual costs depend on shipping charges and optional equipment. You must purchase certain equipment from Gymboree at an approximate cost of ~~\$23,300~~25,700.

6. You must purchase and install indoor and outdoor signage as further described in the Franchise Agreement and Operations Manual.

7. The required opening inventory includes print, audio/visual, toy, music, apparel and other consumer products, including Program Aid items for all mandatory programs.

8. You will incur salary, travel and lodging expenses. You will also incur expenses associated with Gymboree's initial training program. You will need to arrange for transportation, lodging and food for yourself and any additional employees and for any wages for the employees. The costs will depend on the distance you must travel and the type of accommodations you choose.

9. Gymboree estimates that you will incur expenses between approximately \$100 and \$600 purchasing office supplies, including stationery. You will also incur expenses between approximately \$1,600 and \$6,715 for the installation and purchase or lease of telephones and answering equipment, fax machine, computer, printer and software.

10. You will need working capital to support ongoing expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow at the beginning. Gymboree estimates that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the franchise business, which Gymboree calculates to be 3 months. This is only an estimate, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. This amount does not include your living expenses.

Additional Funds is an estimate of the funds needed to cover business (not personal) expenses during the first 3 months of operation of the franchised business. You will need capital to support ongoing costs of your business, such as payroll, utilities, taxes, loan payments and other expenses, to the extent that revenues do not cover business costs. New businesses (franchised or not) often have larger expenses than revenues. As with most businesses, your costs will depend on factors such as how much you follow our recommended systems and procedures, your technical, management and marketing skills, experience and general business skills, local economic conditions, the local market for your business including disposable income and number of children in the area, competition, local cost factors and the sales levels achieved by you. This is only an estimate, however, and there is no guarantee that the amounts specified will be adequate or that additional investment by you will not be necessary during the three months of initial operation or afterwards. We do not furnish or authorize our salespersons or any other persons or entities to furnish estimates or otherwise as to the capital or other reserve funds necessary to reach "break-even" or any other financial position nor should you rely on any such estimates. The three-month period from beginning business covers the time by which most Franchisees are fully in operation but does not necessarily mean that you will have reached "break-even," "positive cash flow," or any other financial position by that time. In addition, the estimates presented relate only to costs associated with the franchised business and do not cover any personal, "living" or other expenses you may have.

All of the above figures are estimates and we cannot guarantee you will not have additional expenses in starting your Gymboree Program.

Although your business may be through its "initial phase" by 3 months, you should not expect it to have reached "break-even" or any other financial level by that time and you may need additional capital. There's no assurance that further funds will not be needed, and the actual needs of the business are highly variable and subject to factors beyond our control, such as location. We've based this estimate of "additional funds" on reports by our Franchisees and operating results of units owned by us or affiliated companies.

11. You will need to obtain the necessary insurance required by the Franchise Agreement before opening your Gymboree Program site. The cost of insurance may increase in future years depending on the number of enrollees and/or revenues at your Gymboree Program site.

12. Gymboree estimates that you may need to provide deposits for utilities. The amount of such deposits will vary depending upon the practices of the utility companies and your landlord.

13. You should employ an attorney, accountant or other professional consultants to assist you in connection with your purchase of this franchise.

14. You must pay an annual fee for rights to play the music on our compact discs used in class.

15. These figures are estimates and we cannot guarantee that you will not have additional expenses. No provision has been made for capital or other reserve funds necessary for you to reach "break-even" or any other financial position nor do any of these estimates include any finance charges, interest or debt service obligations. Total costs to begin operations and other financial requirements may be more or less than the figures specified above, depending on the size of business (number of employees, anticipated volume of business, etc.) which you intend to operate and other factors such as: how well you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales levels you achieve. Since most, if not all, of these factors are outside our control, we can't make a reliable estimate as to what your costs or financial results may be. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise. The figures shown in Item 7 are on a per site basis and will increase if your market plan includes more than one site.

Since costs can vary with each Franchise, it is strongly recommended that you (1) obtain, before purchasing a franchise or making any other expenditures or commitments, independent estimates from third-party vendors and your accountant of the costs which would apply to your proposed establishment and continued operation of a Gymboree Franchise, (2) discuss with current Gymboree Franchisees their economic experiences (including initial costs) in opening and operating a Gymboree Franchise and (3) carefully evaluate the adequacy of your total financial reserves.

Gymboree relied upon its own and its predecessors' collective experience of over 23 years in the industry when preparing these figures.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases From Gymboree

You must purchase or lease from Gymboree the catalogs, training tapes, training devices, Gymboree designed and manufactured equipment and any software which Gymboree has developed. Gymboree currently sells to you the catalogs, training tapes and training devices at (or below, at Gymboree's option) Gymboree's actual cost (plus shipping and handling). Gymboree does not directly derive income from the sale of these catalogs and training devices, although it does derive income from the sale of products ultimately purchased from the catalogs. Gymboree sells equipment designed and manufactured by Gymboree, as well as any software which Gymboree may develop in the future, at above cost to pay for the research and development required to make the equipment and software. You must also purchase consumer products for resale from Gymboree. As a matter of practice, most franchisees purchase program aids and promotional materials from Gymboree, although it is not required under the Franchise Agreement. Gymboree charges its then-current wholesale list price for those items and derives income as a result of their sale. You must purchase advertising materials from the Advertising Fund and Gymboree derives no net income from it (other than reimbursement of administrative expenses).

Gymboree negotiates purchase arrangements with some of the suppliers to franchisees.

Location for Gymboree Program

You will be responsible for obtaining your own commercial sites for operating the Gymboree Program within your Territory. Franchisees are required to follow Gymboree's current commercial site design guidelines.

Computer Software

Before opening you will need to buy computer equipment. Your computer equipment must have Internet access and an E-mail system through which Gymboree is able to contact you at all times during the term of the Franchise Agreement. Gymboree may also require you to purchase a license to use software for use in the operation of your Franchise business, which software may be made available through Gymboree or another entity approved by Gymboree. Currently, franchisees are not authorized to use the Internet directly or indirectly in connection with the operation or promotion of the franchise business. Gymboree may require participation in an internet based system in the future. Gymboree may issue or change its requirements for computer hardware and software in writing to you, and you must promptly purchase and/or upgrade your equipment to comply with such requirements.

Purchases for Establishment and Operation of Gymboree Program

You must purchase certain specified types of play equipment and program aids to conform with the Gymboree Program, to carry an inventory of catalogs, merchandise display systems and certain approved consumer products, to purchase training tapes, training devices and certain promotional and advertising materials. The play equipment includes a variety of climbing, sliding and other exercise structures in a variety of materials. The program aids include a variety of items designed to assist children and their parents in participating in the Gymboree Program and to continue some of the experiences of the Gymboree Program at home. Consumer products include puppets, music compact discs, songbooks, bubbles, T-shirts and similar items.

In addition, you must purchase certain computer hardware and software, dedicated telephone and power lines, modem(s), printer(s) and other computer related accessories or peripheral equipment as Gymboree specifies in its Operations Manual.

You must purchase from Gymboree all play and music equipment.

You may purchase program aids from Gymboree. If you want to purchase program aids from a supplier other than Gymboree, you must notify Gymboree and give it the name of the supplier, the price of the program aids and any other information Gymboree may require. You must also submit to Gymboree 3 samples of any proposed item along with drawings, brochures, packaging, tags and related items describing the item proposed for use. Gymboree will notify you of its approval or disapproval of any proposed item within 90 days of its receipt. Gymboree will only approve items that meet the specifications or samples and manufacturers that meet its standards and requirements, as described in the Franchise Agreement. Gymboree may disapprove proposed items that meet these requirements as described in the Franchise Agreement and the Operations Manual. You must reimburse Gymboree for all of its out of pocket costs in connection with testing and reviewing the proposed items. Gymboree estimates these costs at \$1,000-\$5,000, depending on the level and sophistication of testing required.

Gymboree has an agreement with Crayola for supplying product to our franchisees. Gymboree will receive revenues from this agreement in the 2003 fiscal year. Franchisees may (but are not required to) order the product from Gymboree and Crayola ships the product to the franchisees. Gymboree did not receive any revenues from this agreement during the last fiscal year.

Proprietary consumer products and training products must be purchased from Gymboree or an authorized licensee. Gymboree may at times sponsor merchandising events designed to promote the consumer products. You will be required to participate in these merchandising events. Gymboree also has the right to withdraw all or any portion of the consumer products from distribution through its franchisees. In that event, you will not be authorized to sell the withdrawn consumer products (except for inventories remaining at the time of withdrawal).

You are required to maintain certain insurance policies as specified in the Franchise Agreement with insurance carriers having a financial rating of A- or better according to the most recent addition of Best's Insurance Reports.

All of the above-described items must meet Gymboree's then-current standards and specifications, as described in the Operations Manual or otherwise in writing. Gymboree estimates that the purchase of play and music equipment, program aids, catalogs, consumer products, training tapes, training devices, certain promotional and advertisement materials, insurance, computer hardware and software, modem(s), printer(s) and other computer related accessories or peripheral equipment by you will represent approximately 40% - 60% of the cost to establish your Gymboree Program business and 5% - 20% of the cost to operate it.

Maintenance of Standards

Mandatory specifications, standards and operating procedures given by Gymboree in its Operations Manual, or otherwise communicated by Gymboree in writing, will be considered provisions of the Franchise Agreement as if fully set forth in it.

Gymboree may within its sole discretion modify the specified equipment and program aids. The Franchise Agreement also requires you to maintain the condition and appearance of the Play Center, its equipment and signs in accordance with the specifications and standards of Gymboree and consistent with the image of a Gymboree Play and Music Center as a safe and innovative business offering high quality services and observing the highest standards of ethics. You must maintain the condition and appearance of your Gymboree Play and Music Center, its equipment, furniture, fixtures, signs and Premises in accordance with our then-current specifications and standards and consistent with the approved image of a Gymboree Play and Music Center and as provided under the Manuals. You must perform ongoing repair, maintenance and upgrading, with respect to the decor, equipment, furniture, fixtures, signs and otherwise of your Gymboree Play and Music Center.

To ensure full operational efficiency and communication capability between Gymboree's computers and those of all franchised play centers, you must keep the computer system, which you will be required to purchase, in good maintenance and repair, and install any additions, changes, modifications, substitutions and/or replacements to your computer hardware, software, telephone and power lines and other computer-related facilities as Gymboree requests, and on those dates and within those times specified by Gymboree in its Operations Manual or otherwise.

During the 2001—2002 fiscal year, Gymboree had total revenues of \$13,777,126 ~~_____~~ 14,753,631. ~~\$3,388,510 _____~~ 3,269,406 of this amount (approximately 25 ~~_____~~ 22%) consisted of revenues from the sale of program aids, catalogs, consumer products, training tapes and certain promotional and advertisement materials. This information is derived from Gymboree's general ledger.

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 THE AGREEMENTS AND IN OTHER ITEMS OF THE OFFERING CIRCULAR.

	OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN THIS OFFERING CIRCULAR
a.	Site selection and acquisition/lease	Section 2.2 of Franchise Agreement	Items 8 and 11
b.	Pre-opening purchases/leases	Section 2.2 of Franchise Agreement	Items 5, 6, 7 and 8
c.	Site development and other pre-opening requirements	Section 2.2 of Franchise Agreement	Items 5, 6, 7 and 8
d.	Initial and ongoing training	Section 2.3 of Franchise Agreement	Items 6 and 11
e.	Opening	Sections 2.1 and 2.2 of Franchise Agreement	Item 11
f.	Fees	Sections 3.3, 4.1, 4.2, 4.3 and 6.3 of Franchise Agreement	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	Sections 5.2 and 5.3 of Franchise Agreement	Items 8 and 11
h.	Trademarks and proprietary information	Sections 2.1, 5.6 and 5.7 of Franchise Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Sections 2.1, 2.2 and 5.1 of Franchise Agreement	Item 16
j.	Warranty and customer service requirements	Section 5.1 of Franchise Agreement	Item 6
k.	Territorial development and sales quotas	Sections 2.1 and 7.3 of Franchise Agreement	Item 12
l.	Ongoing product/service purchases	Section 2.2 of Franchise Agreement	Item 8
m.	Maintenance appearance and remodeling requirements	Sections 2.2 and 5.1 of Franchise Agreement	Item 8
n.	Insurance	Section 5.5 of Franchise Agreement	Items 6 and 7
o.	Advertising	Sections 6.1 - 6.5 of Franchise Agreement	Items 6, 7 and 11
p.	Indemnification	Section 5.5 of Franchise Agreement	Item 6

	OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN THIS OFFERING CIRCULAR
q.	Owner's Participation/Management staffing	Sections 5.3 and 5.4 of Franchise Agreement	Item 15
r.	Records/reports	Sections 4.2 and 5.1 of Franchise Agreement	Items 6 and 11
s.	Inspections/audits	Section 5.3 of Franchise Agreement	Items 6 and 11
t.	Transfer	Sections 9.2-9.7 of Franchise Agreement	Items 6 and 17
u.	Renewal	Section 3.2 of Franchise Agreement	Items 6 and 17
v.	Post-termination obligations	Sections 5.8 and 8.1-8.5 of Franchise Agreement	Item 17
w.	Non-competition covenants	Sections 5.8 and 8.4 of Franchise Agreement	Item 17
x.	Dispute resolution	Section 11 of Franchise Agreement	Item 17

ITEM 10. FINANCING

Except as noted below, Gymboree will not offer, directly or indirectly, any arrangements for financing your initial investment or the operation of your play center business. Gymboree is unable to estimate whether you will be able to obtain financing for all or any part of your investment and, if you are able to obtain financing, Gymboree cannot predict the terms of such financing. Gymboree does not receive payment from anyone for obtaining or placing financing. As noted in Item 5, we may reduce, or defer payment of a portion of, the Initial Franchise Fee, where an additional franchise is awarded to an existing Gymboree® Franchisee. In general, we could require payment in full (but without interest) of the amount deferred on termination or transfer of the franchise or at any other time. If payment is deferred, the deferral would relate to the Initial Franchise Fee, Gymboree would be the "lender," the amount deferred would be subject to negotiation, no interest would be charged, the note may require monthly payments or a balloon payment, we might require a security interest in the franchise and/or the franchised business and its assets, a personal guarantee may be required, the amount deferred could be prepaid at any time without penalty and failure to pay on demand could result in termination of the franchise, and we could require immediate payment of the outstanding balance and recover our costs of collection. Copies of Gymboree's promissory notes are attached as Exhibit K to this Offering Circular. Neither note requires you to waive notice, confess judgment or waive a defense against Gymboree.

We do not, have not or intend to sell, assign or discount to a third party all or part of the financing arrangement, although we reserve the right to do so in the future. Gymboree does not guarantee your note, lease or obligation.

ITEM 11. FRANCHISOR'S OBLIGATIONS

Except as listed below, Gymboree need not provide any assistance to you.

A. Pre-Opening Obligations. The Franchise Agreement provides that Gymboree will provide to you all of the following services before the opening of your franchise business:

1) Gymboree will provide you or your principal operating officer and your operations manager with a training program as described below. (Section 2.3(a) of Franchise Agreement.)

2) Gymboree will loan you a copy of the Operations Manual. (Section 5.4 of Franchise Agreement.) A copy of the table of contents to the current Operations Manual is attached as Exhibit D to this Offering Circular.

3) Gymboree will provide you with initial advertising materials (artwork for class schedules, newspaper ads, and the like) and will assist you in implementation of your initial advertising and public relations programs. (Section 6.1(a) of Franchise Agreement.)

4) A list of play equipment and supplies which are only available through Gymboree are attached as Exhibit B to the Franchise Agreement. Gymboree will furnish you with a list of approved suppliers of the play equipment or specifications sufficient to enable you to purchase other approved supplies from approved suppliers. (Section 2.2(j) of Franchise Agreement.)

Gymboree is not obligated by the Franchise Agreement or any other agreement to provide any other assistance, supervision, or services before the opening of your franchise business.

B. Continuing Obligations. The Franchise Agreement provides, at the sections indicated below, that Gymboree will provide to you all of the following services during the operation of your franchise business:

1) Gymboree offers certain advertising assistance and requires participation in certain advertising programs, as described below. (Article 6 of Franchise Agreement.)

Gymboree is not obligated by the Franchise Agreement or any other agreement to provide any other supervision, assistance, or services in connection with the ongoing operation of the franchise business.

Any duty or obligation imposed on Gymboree by the Franchise Agreement may be performed by any of Gymboree's designees, employees, or agents, as Gymboree may direct.

C. Training Programs. (Section 2.3 of Franchise Agreement.)

1) You (or your principal operating officer if you are a corporation or partnership) and your operations manager must attend an initial training program before the opening of your franchise business (or before you begin to operate in the case of a transfer).

2) The mandatory initial training program takes place in Burlingame, California and at company-owned sites within the vicinity of Burlingame. The training sessions generally last 7 days and average approximately 9 hours per day. The instruction materials for the initial training program include the Operations Manual, Program Manual and Lesson Manual. Gymboree currently offers the initial training program in January, April, July and October, but this schedule is subject to change.

3) You will pay nothing for the initial training program, except costs of transportation to and from the training site, lodging, meals and other personal expenses.

4) If, at any time after the opening of your first site, your average on-site attendance for two consecutive quarterly sessions is in the bottom ten percent of that of all of Gymboree's franchisees, or at any other time considered necessary by Gymboree, your principal operating officer and your operations manager at your expense may be required to attend a remedial training session at Gymboree's headquarters and must confer with Gymboree for the purpose of analyzing your operations. Gymboree currently does not charge a fee for this remedial training, but has the right to charge a fee in the future. If your operations manager attends an initial training program after the mandatory initial training, Gymboree currently charges a fee in the amount of \$350.00. Gymboree has the right to change this fee at any time. You agree to promptly take remedial action as recommended by Gymboree to improve your operations and all costs incurred in such action shall be borne by you. As a continuing condition of the franchise, the gross receipts of your franchise business in the Territory must increase by 5% each calendar year commencing in January following the first full calendar year of operation of the franchise (the "Minimum Performance Standard"). If you fail to satisfy the Minimum Performance Standard in any year during the term of the Franchise Agreement, Gymboree's personnel may provide remedial training to you at one of your sites and at your expense. If you fail to meet the Minimum Performance Standard for 2 consecutive calendar years and Gymboree has provided to you such remedial training as it deems appropriate, Gymboree shall have the right to terminate the Franchise Agreement and enforce all post-termination covenants. (Sections 7, 8.3 of Franchise Agreement.)

5) All other training is your responsibility, except that Gymboree may require your principal operating officer and your supervisory personnel and teachers to attend local, regional and/or national training sessions, teacher certification programs and/or an annual seminar, if held.

The subjects covered in the initial training program are described below:

SUBJECTS	CLASSROOM HOURS	ON-THE-JOB TRAINING	INSTRUCTOR
Overview of Core Program	4.0		Helene Freda
Developmental Theory	1.5		Helene Freda
Parent Facilitation Techniques	1.0		Helene Freda
Movement Exploration Time	3.0		Helene Freda
Introductory Components	2.0		Helene Freda
Skill Session	1.5	3.0	Katherine Erle
Parachute/Circle Time	2.0		Katherine Erle
Real Estate	1.0		Burt Yarkin Jill Johnston
Business Operations	2.0		Jill Johnston
Marketing	4.0		Debbie Carter Susannah Stanford
Special Events	1.0		Katherine Erle
Equipment Introduction	1.0		Katherine Erle
Sales Approach/Store Relations	1.5		Katherine Erle
Product, How to	1.0		Julie Fraser

SUBJECTS	CLASSROOM HOURS	ON-THE-JOB TRAINING	INSTRUCTOR
Gymboree Welcome	1.0		Robert Campbell
Class Observation	1.0		Kathy Erle
Gymboree Music	4.0		Helene Freda
Gymboree Art	2.0		Kathy Erle

The experience of those instructors not listed under Item 2 is as follows:

<u>Name</u>	<u>Experience with Gymboree and The Gymboree Corporation</u>
Katherine Erle	Play Program Trainer (5/96 - Present); Teacher, Corporate Play Programs (1/92-6/92), Teacher and Office Assistant, Corporate Play Programs (6/92-2/93), Assistant Manager and Teacher, Corporate Play Programs (2/93-8/94), Corporate Play Programs Manager and Teacher (8/94-Present)
Helene Freda	Teacher, Corporate Play Programs (4/91-6/94), Program Developer and Trainer (6/94-11/00), Senior Program Developer (11/00 - Present)
Julie Fraser	Manager, Products and Development Equipment (68/98-Present)
Jill Johnston	See Item 2 for biography.
Debbie Carter Susannah Stanford	Manager, Marketing (4/007/02 - Present)

D. Advertising and Promotion. (Article 6 of Franchise Agreement.)

1) Regional Cooperatives: The Franchise Agreement provides that Gymboree may, in its sole and absolute discretion, establish one or more regional/local cooperative marketing associations ("Regional Co-ops") covering territories that include your Gymboree Play and Music Center. You must join and actively participate in these Regional Co-ops and must contribute to them the amounts, and pay all assessments (including your proportionate share of the cost of all marketing programs, including fairs and other events, approved by the Regional Co-ops), as are determined from time-to-time by majority vote of the members of the Regional Co-ops.

In determining contribution levels, assessments and the specifics of marketing programs, each franchisee of Play and Music Centers within the area covered by such Regional Co-op(s) shall have one vote for each Play and Music Center in such territory scheduled to be in operation during the session which the marketing program(s) are designed to promote ("Total Operational Play and Music Centers.") Franchisees who are not in good standing will not have any votes, but will be required to make all contributions and pay all assessments approved by the Regional Co-ops.

Your share of any assessments for expenses for public relations and electronic media marketing shall be the ratio of the number of Franchisee's Operational Play and Music Centers to the Total Operational Play and Music Centers in the relevant area covered by the Regional Co-op, and your share

of assessments for expenses for print media marketing shall be the ratio of the circulation of the publication in your Territory to the circulation of that publication in all the franchisees' territories in the area covered by the Regional Co-op, but such proportions shall not, in any case, reduce the requirement that you make any periodic and/or other contributions approved by your Regional Co-op(s).

Each Regional Co-op may adopt its own rules, regulations and procedures, which you must follow, but the rules, regulations and procedures of each Regional Co-op are subject to consent by Gymboree in its sole and absolute discretion. Your failure to timely contribute the amounts required by, pay any amounts assessed by, or comply with the rules, regulations and procedures of, any Regional Co-op, constitutes a material breach of the provisions of the Franchise Agreement. Gymboree may offset against amounts Gymboree owes to you the amount of your unpaid Regional Co-op contributions, assessments or any other obligations of yours.

Regional Co-op contributions are not refundable. Regional Co-op contributions are currently estimated to cost between \$100 and \$500 per site per quarter and will generally be payable at the start of each quarter (January, April, July and October).

Gymboree does not have the power to require a Regional Co-op to be changed, dissolved or merged.

2) Cooperative Marketing and Public Relations Program: (Section 6.3 of Franchise Agreement.) We've instituted an advertising, publicity and marketing fund (the "Marketing Fund") for advertising, advertising-related, marketing and/or public relations programs, services and/or materials as we, in our sole and absolute discretion, may deem necessary or appropriate to promote Gymboree Play and Music Centers. The Marketing Fund may be combined with any marketing fund otherwise established for Gymboree Play and Music Centers and the funds merged for use in accordance with the Franchise Agreement. You'll contribute to the Marketing Fund up to 5% of Gross Receipts and your contributions will be calculated and payable at the same time and in the same manner as royalties. All Gymboree Play and Music Centers owned by us will make contributions to the Marketing Fund as if they were subject to our then-current form of Franchise Agreement. Due to differing forms of Franchise Agreements or otherwise, some Gymboree Franchisees may have different Marketing Fund and/or other obligations than in your Agreement.

We'll have sole and absolute discretion over all matters relating to the Marketing Fund in any way (consistent with its purposes and the provisions of the Franchise Agreement), including its management, all financial matters, expenditures, receipts and/or investments by the Marketing Fund, timing of expenditures, creative concepts, content, materials and endorsements for any marketing programs, together with the geographic, market, and media placement and allocation thereof. The Marketing Fund may be used to (among other things) pay costs of marketing programs (including public relations), "brand/image advertising" and other marketing programs, new product development, signage, preparing, producing, distributing and using marketing, advertising and other materials and programs; administering national, regional and other marketing programs, purchasing media, employing advertising, public relations and other agencies and firms; pay membership dues of the International Gymboree Franchise Association ("IGFA"); and supporting public relations, market research and other advertising and marketing activities, as well as any expenses associated with any Franchisee Advisory Council(s), if those Councils, and such expenses, are approved by us in our sole and absolute discretion. A brief statement regarding the availability of information regarding the purchase of Gymboree franchises may be included in advertising and other items produced and/or distributed using

the Marketing Fund.

We can, in our sole and absolute discretion, arrange for services, goods and otherwise, including (but not limited to) creative concepts, production, placement, purchase of media, legal, accounting and other services, related to the purposes and activities of the Marketing Fund, to be provided to the Marketing Fund by ourselves, any affiliated persons/companies and our and/or their employees or agents, including persons/entities who may be owned, operated, controlled by, and/or affiliated with, us (such as an "in-house advertising agency") and we may use the Marketing Fund to compensate and reimburse any of such persons/entities (including ourselves) for goods, services, materials, etc. (including administrative services) rendered to the Marketing Fund, provided that any compensation to us and/or any persons/entities owned, controlled and/or operated by us must not be unreasonable in amount. While we are not required to submit any proposed or other expenditures by (or any other matters relating to) the Marketing Fund for approval by any Franchisee Advisory Council, if we do submit any matters for approval and approval is granted by a majority of such Franchisee Advisory Council, such approval will be final and binding on you. The Marketing Fund will be accounted for separately from our other funds and may be used to pay all administrative and/or other costs of the Marketing Fund related to its activities and purposes and/or as authorized by the relevant Franchise Agreements.

You must participate in all marketing programs instituted by the Marketing Fund or us but will retain full freedom to set your own prices, except that we may, to the greatest degree permitted by applicable law, specify maximum prices above which you will not sell or otherwise provide any goods or services and you must comply with all such maximum prices. You must fully honor all coupons, price reduction and other promotions/programs as issued/designated by us. The Marketing Fund will, as available, furnish you with marketing, advertising and promotional formats and sample materials and may charge the direct cost of producing them plus shipping and handling. We may, in our sole and absolute discretion, use the Marketing Fund to pay the costs of advertising, advertising-related, marketing and/or public relations programs, services and/or materials with respect to locations, programs or concepts where products and/or services offered under the Marks are to be offered in conjunction with products and/or services offered under other marks, including (but not limited to) any co-branding, dual franchising or other programs, and any other franchised or non-franchised alternative channel of distribution, whether controlled by us or not.

The Marketing Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such salaries, administrative costs, overhead and other expenses as we may reasonably incur in activities related to the Marketing Fund and its programs (including, without limitation, conducting market research, preparing advertising and marketing materials, insurance, legal costs and collecting and accounting for the Marketing Fund; provided that the Marketing Fund will not be charged any legal expense which is unrelated to the activities and purposes of the Marketing Fund.) All taxes (including gross receipts, income, value added and/or sales taxes) incurred in connection with or related to the Marketing Fund, its activities, contributions to the Marketing Fund and/or otherwise, whether imposed on us, the Marketing Fund or otherwise, will be the sole responsibility of the Marketing Fund. In any event, we may charge the Marketing Fund for attorney's fees and other costs related in any way to our defense of any claims against us and/or any of the Franchisor-Related Persons/Entities regarding the Marketing Fund or with respect to collecting amounts due and/or expenditures by or from the Marketing Fund. We may, in our sole and absolute discretion, spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year and the Marketing Fund may borrow from us or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the

Marketing Fund. In making expenditures, the Marketing Fund will first spend any contributions made by any supplier; second, any earnings on assets held by the Marketing Fund; third, any contributions made by us; and finally any contributions made by Franchisees. We can collect for remission to the Marketing Fund any advertising or promotional monies or credits offered by any supplier based upon purchases by you or otherwise. All interest, etc. earned on monies contributed to, or held in, the Marketing Fund will be remitted to the Marketing Fund and will be subject to the restrictions of the relevant Franchise Agreement(s.) We'll prepare an annual statement of monies collected and costs incurred by the Marketing Fund which we'll provide to you upon written request. We may (but are not required to) have financial statements of the Marketing Fund audited and any related costs will be paid by the Marketing Fund. We'll have the right to cause the Marketing Fund to be incorporated or operated through an entity separate from us as we deem appropriate, and such successor entity will have all rights and duties of ours relating to the Marketing Fund.

We may (but are not required to) revise marketing and other programs, and/or make separate expenditures from the Marketing Fund, to take account of cultural or other differences (and/or we may delegate management of a portion of the Marketing Fund in connection therewith), and we can defer, and/or compromise claims for contributions to, and/or claims against or with respect to, the Marketing Fund, and/or waive future contributions, in our sole and absolute discretion, using the Marketing Fund to pay any such claims. We'll have sole and absolute discretion as to whether or not we take legal or other action against any Franchisee who is in default of his or her obligations with respect to the Marketing Fund (including obligations to make contributions) or otherwise and whether a Franchisee may be allowed to make direct advertising expenditures in place of contributions to the Marketing Fund.

We will have no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are or will be proportionate or equivalent to the contributions to the Marketing Fund by Gymboree Play and Music Centers operating in that geographic area or that any Gymboree Program will benefit directly, indirectly and/or in proportion to its contributions to the Marketing Fund or from the development of advertising and marketing materials and/or programs, the placement of advertising or otherwise. We have no obligation to cause other Gymboree Play and Music Centers, licensees or outlets (some of which may be under different arrangements) to contribute to the Marketing Fund, any cooperative or engage in local marketing.

During the 2001-2002 fiscal year, 20—5% of the monies in the Marketing Fund were spent on production, 53.5—67% on media placement, 9—10% on administrative expenses and 17.5—18% on other expenses. These "other expenses" were for public relations, market research and related items. No Marketing Funds were used for advertising that is principally a solicitation for the sale of franchises.

3) Local Marketing: (Section 6.4 of Franchise Agreement.) You must implement a local marketing program as directed by Gymboree's marketing department and in accordance with Gymboree's current Operations Manual. As part of this obligation, you must maintain an advertisement of a minimum number column inches in the local Yellow Page directory as described in Gymboree's Operations Manual or Gymboree's most current offering circular. The minimum number of column inches currently is set at one column inch. You may not utilize your own advertising unless you receive prior approval as described in the Operations Manual.

Advertising by the Marketing Fund and the Regional Co-ops may be distributed in several different types of media, including direct mail, newspaper, print and cable television. Advertising by the Marketing Fund is prepared in-house and by selected agencies at the direction of Gymboree's marketing department. Advertising by the Regional Co-ops is prepared by agencies selected by the cooperatives. For both the Marketing Fund and the Regional Co-ops, fees not spent in the fiscal year are carried

forward and spent in the next fiscal year. Neither the Marketing Fund nor the Regional Co-ops uses any funds for advertising that is principally a solicitation for the sale of franchises. The Marketing Fund does not operate from written governing documents and Regional Co-ops are not obligated to operate from written governing documents.

In addition to the contributions to the Marketing Fund required under the Franchise Agreement, you agree to spend not less than \$1,000 per calendar quarter for local advertising and promotion of the Gymboree Program using direct mail and other materials approved by Gymboree (excluding discount programs). You must submit to Gymboree on a quarterly basis, in a form prescribed by Gymboree, verification of your expenditures for local advertising and promotion. You will also display in your site, such materials, signs and brochures as designated by Gymboree from time to time, including, but not limited to, customer service and/or franchise collateral information and inquiry cards or materials which shall be supplied to you by Gymboree.

E. Location and Opening.

The ultimate responsibility for site location selection shall rest with you. Generally, locations are found in shopping malls or retail strip center locations. Criteria used in selecting a site include size of the space (generally ~~1,800~~2,200 to ~~2,400~~2,600 square feet including an equipment storage area), atmosphere (bright and cheerful), and cost. Franchisees are required to follow Gymboree's current commercial site design guidelines.

Any lease for the premises of the site must be in a form satisfactory to Gymboree: (1) provide that Gymboree has the option, upon notice to the lessor, to assume all of your rights under the lease terms, including the right to assign or sublease; (2) authorize and require the lessor to disclose to Gymboree, upon Gymboree's request, sales and other information furnished to the lessor by you; (3) include the lessor's express consent to your use of the Marks and initial signage as prescribed by Gymboree for the site; (4) provide that the premises for the site may be used solely for the operation of the Gymboree Program pursuant to a Franchise Agreement in good standing; (5) prohibit you from subleasing, assigning or hypothecating, pledging or otherwise all or any part of your occupancy rights, extending the term, or renewing the lease without Gymboree's prior written approval; (6) provide that Gymboree has the right to enter the premises of the site to make modifications necessary to protect the Marks or the System; (7) provide that the lessor expressly approves and accepts your standard interior and exterior premises design; (8) require the lessor/sublessor to concurrently provide Gymboree with a copy of any written notice of default under the lease/sublease and granting us the right (but without any obligation on our part) to cure any default under the lease and providing that if you fail to effect such cure during the time period permitted under the lease/sublease, then within thirty (30) days after the expiration of the period in which you can cure the default, Gymboree may (at its option) receive an assignment of your leasehold interest but without any liability for past defaults or other obligations other than those solely related to Gymboree's period of occupancy; and (9) provide that no sale, assignment or transfer of your leasehold interest will be approved or otherwise consented to, or any change, addition, or other modification to the lease or other instruments be made, without obtaining our prior written consent, which we may grant, condition or withhold in our sole and absolute discretion. You must deliver a copy of the signed lease or sublease to Gymboree within 10 days of its execution.

The typical length of time between signing of the contract by you and opening of business is 90 to 180 days. Factors affecting this length of time typically include obtaining a satisfactory site, the timing of training sessions, the delivery and installation of equipment, program aids and consumer products, and the timing of the commencement of class sessions. Your failure to open and operate all sites

according to the schedule set out in the market plan may result in the termination of the Franchise Agreement by Gymboree.

F. Computer Systems.

You must use certain computer software, equipment and telephone and answering equipment, facsimile machine printer as specified in the Operations Manual as described above in Item 8. You must use software, which, with your compatible hardware, is used to record enrollment transactions, generate daily summaries of transactions, maintain membership and prospect databases, generate mailings, access the Internet, calendar and provide reminders for recurring jobs, and send reports to Gymboree by electronic mail. The software license must be purchased from Gymboree or any entity approved by Gymboree.

The minimum computer hardware requirements are a PC or compatible computer, 586 133Mhz processor, 24MB RAM, 56K modem, and 20 MB free disk space. Gymboree will have independent access to the information and data. Additionally, Gymboree may develop specifications for the computer system, and you will be required to upgrade or update the system as described above in Item 8. There is no limitation on the frequency and cost of your obligation to upgrade the computer equipment or software.

ITEM 12. TERRITORY

Each franchisee will be granted a Territory within which its sites must be located. The precise geographical description of each Territory will be incorporated into the Franchise Agreement by inserting a description in an exhibit to the Franchise Agreement. The Territory may be described by reference to county lines, city lines, borders of state parks and recreation areas, and other municipal boundaries, as well as natural boundaries such as rivers and man-made boundaries such as railroad tracks and highways lines. (See third paragraph of Item 5 above, for a discussion of how the Territory is determined).

In order to maintain your Territory, your franchise must remain in effect, and you must open and operate all sites according to the schedule set out in the market plan, described in Item 5, above. Gymboree will terminate your Franchise Agreement if you fail to open and operate all sites according to the schedule set out in your market plan. Alternatively, (1) if you fail to open a site in accordance with the schedule set out in the market plan, or (2) if you abandon or close a site without Gymboree's consent, or (3) if you fail to reopen or relocate a site within the Territory in accordance with Gymboree's consent, then Gymboree may delete the site from your Territory without refund of the initial franchise fee. If Gymboree determines before signing the Franchise Agreement, or upon renewal, transfer or the acquisition of additional rights that location of sites by you in certain portions of your territory would not maximize the overall system-wide performance of the Gymboree Program, then "buffer zones" ~~will be implemented, altered or deleted~~ ~~be included~~ in the description of your territory and you will not be permitted to open a site or relocate within the described buffer zones. Except as described above, there are no other circumstances under which your Territory may be altered without your consent. You may change the locations of your sites without approval from Gymboree as long as the new location is within your Territory, not within a buffer zone and you notify Gymboree.

As a continuing condition of the franchise, the gross receipts of your franchise must increase by 5% each calendar year commencing in January following the first full calendar year of operation. If you fail to meet the minimum performance standards in any year during the term of the Franchise

Agreement, Gymboree personnel may provide to you remedial training as it believes appropriate. If you fail to meet Gymboree's performance standards for 2 consecutive calendar years, and Gymboree has provided remedial training to you, Gymboree may terminate the Franchise Agreement and enforce all post-termination covenants.

If your Gross Receipts fail to meet the Applicable Standard described in Section 7.3 of the Franchise Agreement, we can terminate the Franchise Agreement, reduce, or adjust your Territory.

The Franchise Agreement does not give you any options, rights of first refusal, or similar rights to acquire additional franchises within your Territory or areas contiguous to it.

During the term of the Agreement, Gymboree shall not award a franchise licensing a Gymboree Program Site, or open a Gymboree Program Site to be owned and operated by Gymboree, to be located inside the Territory; provided if you (and/or any affiliate) commits any default under any of your obligations to, and/or agreements under this Agreement (or otherwise) with, Gymboree, and/or any affiliate, Gymboree may modify and/or cancel any territorial or similar rights of yours. In any event and notwithstanding anything to the contrary in this Agreement and/or otherwise, Gymboree (and/or those it appoints) may (1) operate and/or license others to operate programs within the Territory or elsewhere in which are included any or all components of the Gymboree Program and/or (2) offer any services or products other than the Gymboree Program, whether or not using the Marks and/or the System, in each case from locations and/or to customers located anywhere, including within the Territory, and regardless of the distance from, impact on, or vicinity of, your Gymboree Play and Music Center or the number of Gymboree Play and Music Centers or other outlets in an area or market. Of course, Gymboree retains any and all other rights in and to the Gymboree Marks and the Gymboree Program and except as expressly set forth in the Franchise Agreement, Gymboree retains the right, in its sole and absolute discretion, to operate and/or award to others the right to operate a Gymboree businesses on such terms and conditions and at such locations as it deems appropriate in its sole and absolute discretion.

In any case, we (and each and all of the Franchisor-Related Persons/Entities) can acquire, merge, affiliate with or engage in any other transaction with, other businesses (competitive or not), with companies and/or units located anywhere, including in proximity to your Gymboree Play and Music Center. Each Gymboree Play and Music Center owned by you and/or any affiliate of yours will fully participate in any such conversion, all at your sole expense.

In spite of any restrictions in the Franchise Agreement or otherwise, we can develop or become associated with other concepts (including dual branding and/or other franchise systems) for the same, similar, related, competitive or different products and/or services, whether or not using the Gymboree System and/or the Marks, and may award franchises or other rights for locations anywhere.

If you become in default of any of your obligations to us or any affiliate, or have failed to meet the performance standards set forth in the Franchise Agreement, Section 7.3, we may, in our sole and absolute discretion, reduce, eliminate or otherwise modify your territorial rights.

ITEM 13. TRADEMARKS

During the term of the Franchise Agreement, you will have a license and be entitled to use the name and mark Gymboree and certain associated logos and designs (the "Gymboree Marks") only for the operation of the Gymboree Program to the extent necessary to carry out the terms of the Franchise

Agreement in strict accordance with the Franchise Agreement. You must not make any other use of the Gymboree Marks or any other marks owned by Gymboree or Gym-Mark.

Gym-Mark licenses Gymboree to franchise the Gymboree Marks. Gym-Mark is the owner of the following U.S. registrations for GYMBOREE:

United States Patent and Trademark Office - Principal Register

<u>Mark</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Class(es)</u>
GYMBOREE	1,698,109	6/30/92	41
GYMBOREE	1,181,447	12/8/81	35
GYMBOREE	1,436,305	4/14/87	9, 16, 25, 28
GYMBOREE	1,955,988	2/13/96	25, 28, 35, 41, 42
Gymboree On The Go	2,322,435	2/22/00	41

All affidavits of use and required renewals have been timely filed.

Gym-Mark also has certain U.S. registered trademarks and service marks not applicable to the franchise. You may not use these trademarks and service marks. In addition to the U.S. registrations, both Gym-Mark and the Parent also have certain of their trademarks and service marks registered in certain foreign countries.

Gymboree is not required by the Franchise Agreement to protect the rights which you have to use any service marks, trade names or trademarks, except that if any action in connection with a Gymboree Mark is brought against you, Gymboree will defend, indemnify and hold you harmless for any judgment or award in favor of a third party for this action, unless it is due to your misuse of a Gymboree Mark. If it becomes necessary or Gymboree considers it advisable to discontinue use of any service marks, trade names or trademarks, you must immediately comply with Gymboree's instructions at your sole expense. You will not be entitled to receive any damages from Gymboree because of this modification and/or discontinuance.

Gymboree does not know of any presently effective determinations of the Patent and Trademark Office, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any trademarks, service marks, trade names, logotypes or other commercial symbols which is relevant to their use in this state or in the state in which the franchise is to be located.

There are no agreements currently in effect which significantly limit the rights of Gym-Mark or of Gymboree to use or license the use of its trademarks, service marks, logotypes or commercial symbols in any manner material to the franchise (except the license agreement described above between Gymboree and Gym-Mark).

Gymboree does not know of any infringing uses which could materially affect your use in strict accordance with the Franchise Agreement of these trademarks, service marks, trade names, logotypes or other commercial symbols in this state or in the state in which the franchise is to be located. You must acknowledge and represent to Gymboree that you have investigated the region in which you want to open your Gymboree franchise and have found no use by an unauthorized person or company of the name "Gymboree," or any similar trade name, or other commercial identification.

Your right to use the Gymboree Marks is only from the Franchise Agreement and is limited to the operation of the franchise business by you in compliance with the Franchise Agreement during the term of the franchise. All provisions of the Franchise Agreement applicable to the Gymboree Marks will apply to any other trademarks, service marks and commercial symbols authorized for use by and licensed to you by Gymboree.

You must use the Gymboree Mark "Gymboree" as the sole trade identification of each franchised site, as long as you identify yourself as the independent owner of the franchise as required by Gymboree. You must not use any other trademark, service mark or trade name owned by Gym-Mark or the Parent as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos and additional trade and service marks licensed to you under the Franchise Agreement), or in any modified form. You must prominently display the Gymboree Marks as required by Gymboree at each franchised site and in advertising and marketing materials. You must identify yourself as the independent owner of the franchise and the sites as independent franchisee-owned as required by Gymboree. You must also give the notices of trade and service mark registrations as Gymboree specifies in the Franchise Agreement and the Operations Manual.

You must modify or discontinue use of your fictitious business name, trade name and any other identifying marks and symbols, at your own expense, within a reasonable time after notice by Gymboree.

Gymboree may modify or discontinue use of any Gymboree Mark and/or use one or more additional or substitute trade or service marks, and you will be required to comply with Gymboree's directions to modify or otherwise discontinue the use of any Gymboree Mark, and/or to use one or more additional or substitute trade or service marks, immediately after receiving notice from Gymboree. These changes must be made at your own expense unless they are the result of a dispute regarding the validity of the Gymboree Marks as described in the Franchise Agreement.

You must immediately notify Gymboree of any apparent infringement of or challenge to your use of any Gymboree Mark. Gymboree will have discretion to take action it considers appropriate at its expense and it may control any settlement, litigation or Patent and Trademark Office or other proceeding in any infringement, challenge or claim to any Gymboree Mark. You must execute any instruments and documents, give assistance, and do these acts and things which may be necessary to protect the interests of Gymboree in any litigation or other proceeding or to otherwise protect the interests of Gymboree in the Gymboree Marks.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Gymboree is the owner of copyright in various literary, artistic and commercial works developed by Gymboree and used in the franchise activities. You are given a license and right to use this copyrighted material subject to the terms of and for the sole purpose of exercising your rights under the Franchise Agreement.

The above described copyrighted material is not registered with the United States Copyright Office or any state agency. Gymboree is not required by the Franchise Agreement to protect the rights with which you have to use any of this copyrighted material. Gymboree is not aware of any infringing uses of the copyrighted material that could materially affect your use of the material. Gymboree is not

aware of any presently effective determinations of the United States Copyright Office or of any state or of any court involving this copyrighted material. There are no agreements which limit the right of Gymboree to use or license the use of its copyrighted material in any manner material to the franchise.

Joan Barnes, founder of Gymboree, and two other individuals have written and published a book entitled "Gymboree" (Doubleday-Dolphin Books, 1981), which describes child movement education and motor development in lay language for parents. The book draws upon the experience Ms. Barnes has acquired in her participation in the Gymboree (formerly Kindergym) Program and discusses the uses of equipment and home use ideas for parents. You will not acquire any interest in the copyright of the book acquired by Ms. Barnes and her co-authors, but you will be entitled to use the concepts, material and selected excerpts in accordance with the terms of the Franchise Agreement, only for the franchise.

Gymboree may develop additional books, articles and pamphlets about the Gymboree Program. You may use these materials in accordance with the Franchise Agreement and as may be further described in the Operations Manual or otherwise.

Gymboree has certain confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, procedures and knowledge developed by Gymboree and/or its franchisees (the "Confidential Information"): (1) the methods of implementing the Gymboree Program; (2) contents of Gymboree video training tapes, trainings, lesson plans, teacher music compact disks, seminars and workshops conducted by Gymboree; (3) methods, techniques, specifications, procedures, information, lesson plans, systems and knowledge of and experience in the development, operation, and franchising of Gymboree sites; (4) marketing programs and promotion aids; (5) knowledge of test, research and development programs for the development and introduction of products and services to be sold at Gymboree sites; (6) business forms; (7) accounting procedures; (8) information bulletins; and (9) Gymboree proprietary software.

Gymboree will disclose certain of the Confidential Information to you during training, in its Operations Manual, and in guidance and assistance during the term of the franchise, and you may learn additional Confidential Information and trade secrets of Gymboree during the term of the Franchise Agreement. You will not acquire any interest in the Confidential Information, other than the right to use it in the operation of your play center. If you use or duplicate the Confidential Information in any other business, it will be considered an unfair method of competition with Gymboree and other Gymboree franchisees.

The Confidential Information is a valuable asset of Gymboree, includes trade secrets of Gymboree, and will be disclosed to you solely on the condition that you agree that you: (1) will not use the Confidential Information in any business or capacity other than the operation of the Gymboree Program in accordance with a valid and existing Franchise Agreement; (2) will maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of the Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and (4) will adopt and implement all reasonable procedures required by Gymboree to prevent unauthorized use or disclosure of the Confidential Information.

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

You or your principal operating officer must live near the Territory and participate personally in the direct day-to-day operation of the franchise business. You may not engage in other outside activities which will interfere with your ability to participate fully in the business. Your principal operating officer must own at least a one-third ownership interest in the franchise business.

If you want to designate a person other than your principal operating officer as the operations manager for the business or change this designation, this designation or change will require Gymboree's written approval, which will be given if the proposed person (i) has a personal interview at Gymboree's principal office without cost to Gymboree, if requested by Gymboree, (ii) except for monetary requirements, satisfies Gymboree's then-current standards for new franchisees, and (iii) attends (and pays a reasonable fee for attending) the next initial training program and all regional training sessions and annual seminars, if requested by Gymboree. The operations manager and other employees may also be required to enter into an agreement not to compete with or be employed by competitors of the Gymboree Program while employed by you and an agreement not to reveal Confidential Information obtained in the course of their employment with you.

You are required to open the minimum number of sites in accordance with the agreed-upon market plan and to operate each site at least 45 weeks per year at a level of operation consistent with Gymboree's then-current policies. Gymboree's current policy requires franchisees to offer at least 25 classes per calendar quarter and to conduct at least 20 classes per calendar quarter.

Gymboree does not allow you or your employees to bring their own children to the franchise site while they are conducting a Gymboree class

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The catalogs, consumer products, training tapes and devices, software and Gymboree designed and manufactured equipment described in Item 8, above, shall be purchased by Franchisee from Gymboree. You may purchase other equipment and goods from entities other than Gymboree, provided Gymboree approves in writing any equipment and goods to be purchased. Gymboree also has the right to approve any products you sell and any services you offer other than sensory-motor development and music classes for healthy, normal infants and children from birth through four years old and any other classes included afterwards in the Gymboree Program. Gymboree has the right to change the types of authorized goods and services, and there are no limits on its right to make changes.

You are not restricted as to customers to whom you may sell goods and services (except for the ages of the children in the programs and the types of goods and services to be sold), although all of your sites must be located within your Territory. If you operate a Gymboree On The Go program, it may only be operated within your Territory and you may not operate it outside of your Territory. Additionally, you may not market (except in accordance with the Operations Manual and the local, regional and cooperative advertising programs required by the Franchise Agreement), offer or sell goods or services outside your Territory.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Offering Circular.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a.	Term of the Franchise	Section 3.1	Term is 10 years
b.	Renewal or extension of the term	Section 3.2	If you are in good standing you may renew the franchise for one additional 10-year term on the terms of the then-current franchise agreement.
c.	Requirements for you to renew or extend	Section 3.3	Includes notice, compliance with franchise agreement, maintain possession of Premises, satisfy all monetary obligations, execute then-current form of franchise agreement and general releases, compliance with then-current training and qualification requirements, redecorate, re-equip and refurbish the play center and other requirements
d.	Termination by you	None	
e.	Termination by Gymboree without cause	None	
f.	Termination by Gymboree without cause	Sections 2.2, 7.1 and 7.3	Gymboree may terminate for breach of franchise agreement and other grounds.
g.	"Cause" defined - defaults which can be cured	Sections 2.3, 5.3(e), 7.2, 7.3, 8.8	Curable defaults include the following, you: pay any sums due; default under the lease or sublease; fail to remain current to taxing authorities, landlords, equipment lessors, suppliers or others; fail to comply with any portion of the franchise agreement, any other agreement between Gymboree (and/or any affiliate) and you or the operations manuals; fail to meet performance standards; fail to meet minimum performance requirements; failure to maintain required insurance . Failures must be corrected within applicable cure periods.
h.	"Cause" defined - defaults which cannot be cured	Sections 2.2, 7.1, 7.4, and 7.5	Non-curable defaults include failure to complete (or not make satisfactory progress in) initial training; failure to report or intentional underreporting of gross receipts; failure to locate a site and open your franchise; abandonment or failure to operate; material misrepresentations; bankruptcy, failure to pay debts; conviction of felony or engaging in misconduct that adversely affects franchise and/or System; unauthorized transfer; disclosure of Confidential Information; loss of right to premises and failure to relocate; misrepresentation of Gross Receipts and/or any other amounts due us or any affiliate; engaging in any legal action against Gymboree or its Franchisor-Related Entities and not receiving a final judgment or award in your favor; receive 5 customer complaints within 12 consecutive months; fail to comply with Terms of Use and/or Privacy Policies regarding computer and other systems failure to maintain required records; repeated defaults; defaults under this Agreement may be considered a default under any other agreement.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
i.	Your obligations on termination/ non-renewal	Sections 2.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7	Obligations include assignment of lease; de-identification, payment of amounts due, transfer phone numbers and client lists, return Operations Manual, cease use of Confidential Information, sale of assets at fair market value, surrender territorial rights to Gymboree, execution of release on default, covenant not to compete and others.
j.	Assignment of contract by Gymboree	Section 9.1	No restrictions on Gymboree's right to assign.
k.	"Transfer" by you - defined	Section 9.2	Includes transfer of any interest in the Franchise Agreement or business or controlled corporation.
l.	Gymboree's approval of transfer by you	Section 9.3	Gymboree has the right to approve all transfers and will not unreasonably withhold approval, but you may not use the franchise agreement or the franchise as collateral.
m.	Conditions for Gymboree approval of transfer	Sections 9.3, 9.4	Transferee must have sufficient business experience; obligations to us must be assumed by transferee; payment of money owed; Play Center must be brought into compliance with then-current standards; comply with all provisions of the Franchise Agreement and all other agreements; consent of lessor; transferee must complete training program; payment of transfer fee; compliance with laws and regulations; obtain permits and licenses; assume all duties and obligations to us; execute a general release; execute a non-competition agreement; additional conditions for transfer by wholly-owned corporation; payment of transfer fee and execution of Continuing Personal Guaranty attached as Exhibit E to Offering Circular if transfer is to a company, execute Subordination Agreement if sale price is financed.
n.	Gymboree's right of first refusal to acquire your business	Section 9.7	Gymboree may match any offer within 30 days of notice.
o.	Gymboree's option to purchase your business	Section 8.6	Upon written notice purchase at fair market value any or all of the assets.
p.	Your death or disability	Section 9.5	Franchise must be assigned by estate to approved buyer within 6 months.
q.	Non-competition covenants during the term of the franchise	Section 5.8	No involvement in competing business.
r.	Non-competition covenants after the franchise is terminated or expired	Sections 5.5, 8.4 and 9.3	No competing business for 2 years anywhere; we may require a fee if non-competition covenants are unenforceable.
s.	Modification of the agreement	Sections 5.1, 5.3 and 11.9	No modifications of franchise agreement except in writing, but Operations Manual subject to change in Gymboree's discretion.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
t.	Integration/merger clause	Sections 11.10, and 13	Only the terms of the franchise agreement are binding (subject to state law). Any other promises are not enforceable.
u.	Dispute resolution by arbitration or mediation	Section 11	Except for certain claims, all disputes resolved through mediation/arbitration in California; waiver of jury trial and punitive damages.
v.	Choice of forum	Section 11.14	Litigation in court encompassing our headquarters in California, but Federal Arbitration Act pre-empts state law.
w.	Choice of law	Section 11.14	Law of State of Franchised Premises applies, but Federal Arbitration Act pre-empts state law.

The provision in the Franchise Agreement, Section 7.1 (4), which provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Various states, including but not limited to the following, have statutes which may supersede the Franchise Agreement in your relationship with the franchisor including areas of termination and renewal of your franchise: ARKANSAS [Code Sections 4-72-201-4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-200043], CONNECTICUT [42-133e et seq.], DELAWARE [Code, Title 6, Chapter 25, Sections 2551-2556], HAWAII [Rev. Stat. 482E-6], ILLINOIS [815 ILCS 705/19 and 705/20], INDIANA [Code Sections 23-2-2.7 (1) - (7)], IOWA [Sections 523H.1-523H.17], MICHIGAN [19.854 (27)], MISSISSIPPI [Code Sections 75-24-51-75-24-63], MISSOURI [Stat. Sections 407.400-407.410] NEBRASKA [Re. Stat. Sections 87-401 - 87-410], NEW JERSEY [Rev Stat. Sections 56:10-1-56:10-12], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code Section 13.1-517 through 13.1-574], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03], DISTRICT OF COLUMBIA [Code Sections 29-1201-29-1208], PUERTO RICO [Annotated Laws Sections 278 - 278d], VIRGIN ISLANDS [Annotated Code Sections 130 - 139]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

ITEM 18. PUBLIC FIGURES

Gymboree does not have arrangements with any public figures in connection with the use of a public figure in the name or symbol of the Gymboree Program or from the endorsement or recommendation of the franchise to prospective franchisees.

ITEM 19. EARNINGS CLAIMS

Gymboree does not give and does not authorize its salespersons, agents or employees to give any oral or written information concerning the actual or potential sales, costs, income or profits of its franchises. However, Gymboree may disclose information regarding the franchise sales, profits or earnings of a Gymboree-owned franchise being sold by Gymboree. Any claim will be limited to the actual operating results of the specific franchise for sale and shall be given solely to potential purchasers of the franchise and will be accompanied by the name and last known address of each owner of the

franchise during the last 3 years. Actual results vary from unit to unit and Gymboree cannot estimate the results of any particular franchise.

We make no representations, express or implied, regarding potential earnings of your business. Gymboree has not suggested, guaranteed or warranted that you will succeed in the operation of a Gymboree Franchise or provided any sales or income projections of any kind to you. We're unable to reliably predict the results of operation of units owned by us and we certainly can't reliably predict what results you might achieve.

We have specifically instructed our salespersons, agents, employees, and officers (and all other personnel) that they are not permitted to make any claims or statements regarding prospects or chances of success, actual or potential sales, costs, earnings, income or profits of, or other financial matters regarding, any Gymboree Franchise nor are they authorized to provide this information. We have not suggested or guaranteed that you will succeed in the operation of a Gymboree Franchise. We make no representations regarding any activities, items, matters or services to be engaged in or provided by us or with regard to any other matters, except as expressly provided in the Franchise Agreement. If you believe that any promises, representations or agreements are or have been, at any time, made to you that are not expressly set forth in the Franchise Agreement or this Offering Circular, you must provide a written statement regarding these next to your signature on the Franchise Agreement. If any information or representations of this sort have been provided to you, they cannot be relied on, we will not be bound by them, and, if you do rely on this information, you do so at your own risk. Please notify us in writing before you buy a franchise if any information or representations of this sort have been provided to you.

Before signing any binding documents or making any investment, you should make your own independent investigation regarding the possible purchase of a Gymboree Franchise, including speaking with a significant number of current and past Gymboree Franchisees regarding their experiences and with independent advisors, such as an attorney and/or accountant, to assist your determination of the suitability of your possible investment in an Gymboree Franchise. See Item 20 and related exhibits regarding the names, addresses and phone numbers of current and past Gymboree Franchisees.

ITEM 20.

LIST OF OUTLETS

Franchised Play and Music Programs Site Status Summary for Years 2002 / 2001/2000/1999¹

STATE	TRANSFER	CANCELED OR TERMINATED	NOT RENEWED	REACQUIRED BY FRANCHISOR	OTHERWISE LEFT THE SYSTEM	TOTAL FROM LEFT COLUMNS	FRANCHISES OPERATING AT YEAR END
Alabama	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Arizona	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	6/6/6
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
California	2/0/3	0/0/0	0/0/0	0/0/0	0/0/0	2/0/3	26/25/26
Colorado	1/0/1	0/0/0	0/0/0	0/0/0	0/0/0	1/0/1	7/6/5
Connecticut	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	10/9/10
Delaware	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0	4/4/2
District of Columbia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/4/1
Florida	1/3/1	0/0/0	0/0/0	0/0/0	0/0/0	1/3/1	17/17/15
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	7/8/8
Hawaii	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	1/1/0
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Illinois	5/1/1	0/0/0	0/0/0	0/0/0	0/0/0	5/1/1	12/11/11
Indiana	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	5/5/5
Iowa	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/2
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3
Kentucky	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Louisiana	0/0/0	0/3/0	0/0/0	0/0/0	0/0/0	0/3/0	0/0/1
Maine	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Maryland	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	9/8/8

¹ All numbers are as of February 2, 2002, February 3, 2001, and January 29, 2000, for the years described above as 2001, 2000, and 1999, respectively. The information provided includes master franchisees but not subfranchisees.

STATE	TRANSFER	CANCELED OR TERMINATED	NOT RENEWED	REACQUIRED BY FRANCHISOR	OTHERWISE LEFT THE SYSTEM	TOTAL FROM LEFT COLUMNS	FRANCHISES OPERATING AT YEAR END
Massachusetts	0/1/0	0/1/0	0/0/0	0/0/0	0/0/0	0/2/0	19/18/16
Michigan	7/2/3	0/1/2	0/0/0	0/0/0	0/0/0	7/3/5	15/15/13
Minnesota	0/0/0	0/0/4	0/0/0	0/0/0	0/0/0	0/0/0	3/1/0
Missouri	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/1/1
Montana	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	0/0/1
Nebraska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Nevada	4/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/0/0	4/4/4
New Hampshire	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3
New Jersey	0/6/1	0/0/0	0/0/0	0/0/0	0/0/0	0/6/1	30/27/29
New Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
New York	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	32/32/30
North Carolina	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	6/6/5
Ohio	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0	10/10/9
Oklahoma	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	3/3/2
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/2
Pennsylvania	1/2/2	0/0/0	0/0/0	0/0/0	0/0/0	1/2/2	20/18/17
Rhode Island	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/4/5
South Dakota	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	1/1/1
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/1
Texas	3/0/5	0/0/0	0/0/0	0/0/0	0/0/0	3/0/5	24/23/18
Utah	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Vermont	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/1/1
Virginia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	12/10/10
Washington	3/1/0	0/0/0	0/0/0	0/0/0	0/0/0	3/1/0	7/5/8
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3
Alberta	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3
Ontario	1/2/10	0/0/1	0/0/0	0/0/0	0/0/0	1/2/11	14/13/13
Manitoba	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Quebec	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0

STATE	TRANSFER	CANCELED OR TERMINATED	NOT RENEWED	REACQUIRED BY FRANCHISOR	OTHERWISE LEFT THE SYSTEM	TOTAL FROM LEFT COLUMNS	FRANCHISES OPERATING AT YEAR END
British Columbia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/4/4
Australia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Columbia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/2/2
El Salvador	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
France	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/2/2
Hong Kong	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Indonesia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	8/1/1
Ireland	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Israel	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Korea	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	62/54/35
Malaysia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	59/50/42
Puerto Rico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Singapore	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Taiwan	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	7/7/7
Thailand	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/1/1
United Kingdom	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	5/4/2
Brazil	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Dominican Republic	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
UAE	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Norway	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Panama	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Philippines	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Switzerland	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
TOTAL	36/20/31	0/6/7	0/0/0	0/0/0	0/0/0	36/26/38	512/459/410

**Status of Company Owned Play and Music Programs Sites
For Years 2002 / 2001/2000 /1999⁽¹⁾**

STATE	SITES CLOSED DURING YEAR	SITES OPENED DURING YEAR	TOTAL SITES OPERATING AT YEAR END
California	1/1/2	0/0/6	23/25/26

1. All numbers are as of February 1, 2003, February 2, 2002, and February 3, 2001, and January 29, 2000, respectively.

Projected Openings as of February 21, 2002-2003

STATE	FRANCHISE AGREEMENTS SIGNED BUT SITE NOT OPEN	PROJECTED FRANCHISED NEW SITES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED SITE OPENINGS IN NEXT FISCAL YEAR
Alabama	0	0	0
Alaska	0	0	0
Arkansas	0	0	0
California	0	1	0
Colorado	0	1	0
Delaware	0	0	0
Florida	2	1	0
Illinois	3	1	0
Indiana	0	0	0
Kansas	0	0	0
Kentucky	0	2	0
Louisiana	0	1	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	1	0	0
Missouri	0	1	0
Montana	1	0	0
Nevada	1	0	0
New Jersey	0	1	0
New Mexico	1	0	0
New York	0	1	0
North Carolina	0	0	0
Ohio	1	1	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	0	1	0

STATE	FRANCHISE AGREEMENTS SIGNED BUT SITE NOT OPEN	PROJECTED FRANCHISED NEW SITES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED SITE OPENINGS IN NEXT FISCAL YEAR
Texas	0	2	0
Utah	0	0	0
Virginia	0	0	0
Wisconsin	0	1	0
Ontario	0	1	0
TOTAL	10	16	0

Attached as Exhibit A-1 is a list of names, addresses and telephone numbers of all of the franchisees of Gymboree (including master franchisees but excluding subfranchisees) as of February 21, 2002-2003.

The name and last known home address and telephone number of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or has not communicated with Gymboree within ten weeks of the date registration applications were filed in California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, Rhode Island, South Dakota, Virginia, Washington and Wisconsin are listed on Exhibit A-2 of this Offering Circular.

ITEM 21. FINANCIAL STATEMENTS

See attached Exhibit "B" for audited financial statements of The Gymboree Corporation covering the fiscal years ended ~~January 29, 2000, February 3, 2001, and February 2, 2002,~~ and **February 1, 2003**. An absolute and unconditional guaranty by The Gymboree Corporation of the performance of Gymboree Play Programs, Inc. under the Franchise Agreement is incorporated as part of Exhibit B.

ITEM 22. CONTRACTS

Attached as Exhibit C is the Franchise Agreement with the Non-Disclosure/Non-Competition Agreement (Exhibit E). The Continuing Personal Guaranty is attached to this Offering Circular as Exhibit E. The Subordination Agreement is attached to this Offering Circular as Exhibit F. The Statement of Prospective Franchisee is attached to this Offering Circular as Exhibit H. The Site Selection Acknowledgement Agreement is attached to the Offering Circular as Exhibit J. The Promissory Notes are attached to the Offering Circular as Exhibit K. The Extranet Agreement is attached to the Offering Circular as Exhibit L.

ITEM 23. RECEIPT

The very last page of this Offering Circular is a detachable receipt (Exhibit ~~NM~~) for your records. You should sign both copies. Keep the copy for your records and return the receipt to us. If these pages or any other pages or exhibits are missing from your copy, please contact us at the address and phone number on the cover page of this Offering Circular. A Statement of Prospective Franchisee,

attached as Exhibit H, should also be completed and returned to us before signing any Franchise Agreement or paying any sums.