

EXHIBIT B

LOCAL STORE FRANCHISE AGREEMENT

LEARNING EXPRESS, INC.
FRANCHISE AGREEMENT

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**LEARNING EXPRESS, INC.
FRANCHISE AGREEMENT**

This AGREEMENT is made and entered into this ____ day of _____, _____
by and between

Learning Express, Inc.
a Massachusetts Corporation
29 Buena Vista Street
Devens, Massachusetts 01434-5026
("We" or "Learning Express")

and

("You" or "Franchisee")

This Franchise Agreement (the "Agreement") is between Learning Express as Franchisor and You, as Franchisee. It is intended to describe and establish our relationship during the term of this Agreement. Learning Express strongly encourages You to read this Agreement carefully and with the assistance of a professional advisor who is familiar with franchising and franchise agreements.

RECITALS CLAUSE

Learning Express, as a result of expending time, effort and money has developed and continues to develop and improve plans, methods, systems and procedures (collectively, the "System"), which are Our confidential and valuable trade secrets and has successfully established a uniform and recognizable marketing image and reputation for specialty toy stores (the "Store") and the sale of related products and services, whose features are: distinctive decor; signs; floor plan; display of specialized products and services; comprehensive sales and marketing procedures and methods; and specialized advertising and promotion; all under the name **LEARNING EXPRESS®**;

We have full rights, together with all goodwill connected with the use of the trade name, trademarks, service marks and logos (the "Marks") and any other Marks We continue to develop, use and control for the benefit and use of Learning Express and Our franchise owners, in order to create uniformity; uniformity being essential in creating public recognition, acceptance and patronage;

It is the purpose of this Agreement to set forth and ensure uniform standards of appearance, quality, and operations for all Stores, and to protect and enhance the name and Marks, and You understand and acknowledge this; and

You wish to obtain a license to use the System and the Marks to operate a franchised Learning Express business (the "Franchised Business"), and We wish to grant You this license in accordance with the terms and provisions of this Agreement and the Confidential Operations Manuals, at the location and for the term as set forth below.

THEREFORE, in consideration of the mutual agreements, covenants and promises contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, You and Learning Express agree to be bound legally as follows:

1. SIGNIFICANT AGREEMENT PROVISIONS

1.01 Date of Agreement: _____

1.02 Expiration Date: _____

1.03 Renewal Notification Date: _____

1.04 Location of Learning Express Store: _____

1.05 Protected Territory: _____

1.06 Initial Franchise Fee: Thirty thousand dollars (\$30,000.00)

1.07 Royalty Fee: 5%

1.08 Minimum Grand Opening Advertising: Ten thousand dollars (\$10,000.00)

2. GRANT OF LICENSE

2.01 Grant. Subject to the terms and conditions of this Agreement, We hereby grant You and You accept a license to operate a Franchised Business, as the same may be constituted from time to time. You are permitted to conduct and operate the Franchised Business only under the name "Learning Express". We grant You the right to use the System and You agree as a condition to this grant of a license to comply with the obligations, which You accept by signing this Agreement. This license does not grant You the right to sell any service or product to others for resale, through other channels of distribution, or via electronic commerce. You may not establish or maintain a Website for Your Franchised Business.

2.02 Protected Territory.

A. During the initial term (and any renewal) of this Agreement, and provided that You are not in default of this Agreement or any other agreement between You and Us, We will not own, operate, sell, grant, license or approve the transfer of, a Learning Express franchise to a location within the Protected Territory.

B. Except as otherwise provided, We retain the right, in Our sole discretion, directly or through intermediaries or affiliates, to: (i) establish Stores, and to grant others the right to establish Stores, at any location, without regard to the proximity thereof to other Store(s),

on such terms and conditions as We deem appropriate, provided, however, that We will not operate or grant or approve a franchise for a brick and mortar Store within the Protected Territory, (ii) operate and grant others the right to operate or franchise other non-competing business systems at any location(s) and on such conditions as We deem appropriate, without granting You any rights therein; and (iii) distribute, sell or license the distribution of any products, under or in connection with any trademarks, service marks, logos, and commercial symbols owned by Us, to any purchaser wherever located via the World Wide Web, the Internet, catalog, telephone or any other means.

2.03 Limited License. You do acknowledge that the license granted hereby is a limited grant of rights. Upon termination for any reason or upon expiration of this Agreement, Your rights to operate the Franchised Business will cease and this license will terminate.

3. FRANCHISED LOCATION

3.01 Approved Location. The franchise which We grant You by this Agreement is for the operation of one (1) Store, to be located at the address listed in Section 1.04 above within the Protected Territory defined in Section 1.05, that we have approved. You may not relocate your Local Store Franchise without our prior written permission and payment in full of all moneys due to us. We will apply the same criteria to a request to relocate as We apply to Your initial proposed location. In furnishing Our approval, We will consider such factors as general location and immediate surroundings, market demographic characteristics, traffic patterns, visibility, size, layout, rental and lease terms, competition and growth trends in the area and your proven operating skill and willingness to follow the Learning Express system. In all cases, You must furnish Us with a copy of Your proposed lease and an outline of the lease's key business terms. Once You have signed the lease, You must furnish Us with a fully executed copy. Our approval of any site does not constitute a representation or warranty that the location will be profitable or that Your sales will attain any predetermined levels. Our approval is intended only to indicate that the proposed site meets Our minimum criteria for identifying sites. You agree that Our approval or disapproval of any proposed site will not impose any liability or obligation on Us.

3.02 Expiration of Lease. If a lease for any actual Store location expires or is not renewed, You agree to secure another Store location within ninety (90) days after the expiration of the prior lease, subject to Our approval. Upon relocation of the Franchised Business, You must refurbish, redecorate and re-equip the Store in accordance with Our then current standards and specifications, and in accordance with the System.

4. TERM AND RENEWAL

4.01 Term. This Agreement will continue for a term of ten (10) years from the date of the signing of the Agreement, unless terminated sooner for any reason set forth in this Agreement.

4.02 Renewal. You will have the option to renew this Agreement for successive five (5) year terms on the basis of Our then current Franchise Agreement, subject to certain conditions which follow:

A. You have substantially complied with all the provisions of this Agreement during its term;

B. You agree to refurbish, replace or redecorate all leasehold improvements, furniture and fixtures, equipment, material, inventory, supplies, signs and the like, to the extent that it is reasonable and necessary to comply with specifications and standards applicable under the then current Franchise Agreement;

C. You notify Us of Your intention to exercise Your option to renew by sending Us written notice, no less than six (6) months prior to the expiration of this Agreement. Within thirty (30) days after Our receipt of timely notice, We will furnish You with Our recommendations and/or requirements relating to the furniture and fixtures, equipment, supplies, and inventory, image, appearance, and decoration of Your Franchised Business.

You must sign Our then current Franchise Agreement no later than three (3) months before the expiration date of this Agreement and You must agree to complete the changes proposed through Our recommendations or requirements. The new Franchise Agreement may contain different terms and obligations than the Agreement which You are signing today. You shall reimburse us for our actual administrative and legal expenses incurred in connection with a renewal of the Franchise Agreement. You will also be required to complete such improvements as are in our opinion necessary or desirable to maintain the Learning Express Mark and brand image. You do not have the right to exercise this option to renew unless all monies owed to Us are paid current and there are no defaults under the terms of this Agreement.

4.03 Notice Required By Law. If a state or federal law should require Learning Express to provide You with a longer notice period, then this Agreement will remain in effect on a month-to-month basis until We have given You the amount of notice which the law may require. You must, however, have a Store lease which is effective during this post-expiration period.

5. TRADEMARKS

5.01 Ownership of the Marks. You acknowledge that We are the sole owner of the Marks and domain names (whether containing Our Marks or not), used to identify the System and any and all other proprietary marks and characteristics relating to Our business which are licensed to You under this Agreement. Your right to use the Marks is derived solely from this Agreement and is limited to Your conduct of business pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures. Your unauthorized use of the Marks will constitute a material breach of the terms of this Agreement. It is expressly recognized that all goodwill associated with the Marks, including any goodwill which may arise through Your activities, belongs exclusively to Us.

5.02 Identification of the Business. You must use the Marks as the sole identification of the Franchised Business and must identify Yourself as the independent owner in the manner prescribed by Us. You must not use any of the Marks as part of a business entity or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than expressly licensed to You), or in any modified form, nor can you use any of the Marks in

connection with the sale of any unauthorized service or product or in any other manner not expressly authorized in writing by Us. You agree to prominently display the Marks on, or in connection with in-store displays, forms, stationery and packaging materials designated by Us. You also agree that You will not display the trademark, service mark, trade name or logo of any other person, firm or company in Your Store without Our express prior written consent.

5.03 Trademark Prosecution. You expressly agree that during the term of this Agreement, and after its expiration or termination, You cannot directly or indirectly contest or aid in contesting the validity or ownership of the Marks. You agree to promptly notify Us of any claim, demand, or suit based upon, or arising from, the use or attempted use by any other person, firm or corporation, of the trade name, service and/or trademarks licensed here, or any Mark, copyright, or colorable variation, in which We have a proprietary interest. In the event We, in our sole discretion and option, undertake the defense or prosecution of litigation, You agree to execute and convey any and all documents and do all acts and things as may, in the opinion of Our counsel, be necessary to carry out this defense or prosecution, either in Our name or in Your name, as We may elect, at Our expense.

5.04 Change of the Trademarks. If, at any time, in Our sole discretion, We determine that it is advisable for Us and/or You to modify or discontinue the use of any Mark, or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols, You agree that after notice from Us, You will comply within a reasonable time. This may include changing signs, graphics, interior trade dress, interior decor, labels, products and supplies at Your sole expense.

5.05 Signs. You must prominently display, in places prescribed by Us, upon the structure at which the Franchised Business may be located, advertising signs of such nature, form, color, number, location and size, containing those legends of which We approve. You must use and maintain in good condition all interior and exterior signs for Your Franchised Business premises.

6. PROPRIETARY INFORMATION

6.01 Our Trade Secrets. We possess proprietary knowledge comprising methods, techniques, drawings, specifications, procedures, information (including that pertaining to customers of the System), systems, vendor lists and vendor terms, knowledge of and experience in the design and operation of the Franchised Business and the purchase and sale of authorized and approved products and services (collectively, the "Trade Secrets"). You acknowledge that You had no part in creating or developing, no prior knowledge of and no other rights or claims in or to, any element of the System, including Our Trade Secrets. We, or Your Regional Franchisor Manager, will disclose the Trade Secrets to You in furnishing information regarding equipment, supplies, inventory, layouts, vendor lists and specifications and guidance in the development of the Franchised Business, the training program, Our Confidential Operations Manuals and in guidance furnished to You during the term of the Agreement. You understand and acknowledge that You will not acquire any interest in the Trade Secrets, other than the right to utilize the Trade Secrets in the development and operation of the Franchised Business during the term of this Agreement. Information other than Trade Secrets, that belongs to Us or is licensed by Us, that is of a confidential or secret nature and not generally known to the public is deemed to be

“Confidential Information” and shall be treated by You as You are obligated to treat Trade Secrets.

6.02 Confidentiality of the Trade Secrets. You acknowledge that, except to the extent that the Trade Secrets are or become generally known in the industry, they are confidential and You agree to maintain this confidentiality during and after the term of this Agreement and any renewal term, and will adopt and implement all reasonable procedures prescribed by Us to prevent unauthorized use or disclosure. You also agree not to disclose or post the Trade Secrets on the Internet.

6.03 Confidential Operations Manuals. In order to protect the reputation and goodwill associated with the name and Marks, and to maintain the uniform standards of operation, You will conduct Your Franchised Business in strict accordance with the Learning Express Confidential Operations Manuals (also referred to as the “Manuals”). The Manuals remain Our property; We make them available to You on the Learning Express Intranet. We will amend and update the Manuals as conditions warrant, and make changes or completely revised Manuals available over the Learning Express Intranet. You agree:

A. To treat the Manuals, including superseded pages, as confidential and not disclose the contents to unauthorized persons;

B. To maintain and operate the Franchised Business in reasonable conformity with the Manuals; and

C. Upon Our demand or upon Your termination, Your access to the Manuals will cease.

7. FRANCHISE FEES

7.01 Initial Franchise Fee. You will pay Learning Express the initial franchise fee listed in Section 1.06. If this is Your first Learning Express franchise, the initial franchise fee for a single retail location, will be Thirty thousand dollars (\$30,000.00). You understand and acknowledge that Learning Express has earned this fee because of the grant of this franchise. The fee is fully earned upon Learning Express signing this Agreement, and will not be refunded or forgiven for any reason.

7.02 Additional Franchise Fees. For each additional franchise for which You qualify, the initial fee will be Ten thousand dollars (\$10,000.00). To obtain additional Learning Express franchises, You must satisfy Our criteria for new franchisees, demonstrate Your ability to provide adequate time and attention to each unit of a multi-unit endeavor, not be in default of any franchise or other agreement with Us and have opened all Stores for which You have signed Franchise Agreements. You must submit Our Notice of Intent, which is attached hereto as Addendum “A” and provide the information requested. You must execute Our then current form Franchise Agreement for each additional franchise.

7.03 Royalty Service Fee. As a royalty for the license of intellectual property and ongoing support, (the “Royalty”), You agree to pay Us without right of offset, credit or

deduction, five percent (5%) of Your monthly Gross Receipts (defined below) notwithstanding actual gross receipts, the minimum monthly Royalty payable to us hereunder shall be One thousand dollars (\$1,000.00) All Royalties must be received by Us, at Our offices or such other location as We may designate, before 5:00 p.m. eastern time, on the tenth (10th) calendar day (or the next business day, if the 10th day is a weekend or bank holiday) of the following month. You agree to participate in Our electronic funds transfer program which authorizes Us to utilize a pre-authorized bank draft system. You must sign and deliver to Us an irrevocable authorization in the form attached hereto as Addendum "B", to enable Our financial institution to debit Your account at Your bank in order to pay Us the Royalty and other amounts which You may owe Us under this Agreement or any other agreement between You and Us, in the event that We do not receive Your payment by the due date set forth above. In the event You fail to submit the Worksheet as required by Section 10.07.C., below and/or We do not receive Your Royalty on the due date set forth above, We shall have the right to debit Your bank account, in the amount of Two thousand five hundred dollars (\$2,500.00), which amount shall be credited toward the payment of post and future royalties.

7.04 Gross Receipts. You agree that "Gross Receipts" include all forms of revenue which You receive while conducting the Franchised Business. These revenues may take the form of cash, check, credit, charge account, merchandise exchange (the "new" sale portion only), or barter. Gross Receipts will include money or credit which You receive from the sale of merchandise, from services which You or others may provide from the Store, or for any other service or product for which You charge separately. Gross Receipts will not include the sale of merchandise for which refunds have been made in good faith to customers or from any form of tax imposed by a governmental authority, which is collected by You and actually paid to such governmental authority.

7.05 Security Interest. In order to secure the prompt performance of your obligations under this Agreement and to secure Us with respect to the proper use and display of the Proprietary Marks and Our proprietary property, including the Learning Express trade dress, You grant Us a security interest in the equipment, furniture, fixtures, and improvements at your Store. This Agreement shall constitute a security agreement, and, You agree to execute any additional instruments required to perfect this security interest including, without limitation, a standard Uniform Commercial Code ("UCC") financing statement. You authorize Learning Express:

A. To file a copy of this Agreement, a UCC financing statement and any other documents that may be necessary to perfect the security interest granted herein; and

B. To sign on Your behalf and to file in any jurisdiction with or without Your signature, financing statements with respect to this security interest and security agreement.

8. FRANCHISEE ADVERTISING AND PROMOTION.

8.01 Grand Opening Advertising. You acknowledge the value of initial advertising and promotion. Therefore, You agree to expend the minimum figure set forth in Section 1.08 of this Agreement for advertising and promotion before the opening of and during the first month of Your Store's operations, all in accordance with the Grand Opening Manual. We will assist You in developing the grand opening advertising campaign, and You agree to expend the full grand opening advertising budget, according to Our advice.

8.02 Local Market Advertising. In acknowledging that You must further the public image and recognition of Your Store, You agree to expend at least four percent (4%) of Your Gross Receipts on advertising and promoting the Store in Your local market area. All local advertising and promotion shall be subject to Our prior review and approval. You agree to adhere to Our standards and advice regarding Your advertising and promotion efforts and expenditures. You agree to submit to Us or Our designated agency, for Our approval, all sales promotion materials and advertising to be used by You, including without limitation, newspaper, radio and television advertising, specialty and novelty items, signs, promotional items and products, posters, boxes, bags and wrapping paper. Your local market advertising program shall be in strict conformity with the policies established and amended from time to time in the Manuals. You may not maintain an independent e-commerce Website for Your Store.

8.03 Learning Express Advertising Fund. We reserve the right to require You to contribute (and You agree to pay to Learning Express) up to one percent (1%) of Your Gross Receipts, in addition to those expenditures which You will be obligated to make under Section 8.02 above. The money collected will be placed in the Learning Express Advertising Fund, to be used for the design and placement of advertising programs. It is understood and agreed that Learning Express may use the Learning Express Advertising Fund to offset its in-house advertising and design costs. You will, upon sixty (60) days' prior written notice from Us, pay this contribution in the same manner specified in Section 7.03 above.

8.04 Use of Learning Express Advertising Fund. The Learning Express Advertising Fund will be used for the design and production of advertisements, promotional materials, newsletters and holiday catalogs, and the payment of administrative expenses to Learning Express or its advertising agencies. You acknowledge that Learning Express will use its good faith discretion in the administration of the Learning Express Advertising Fund and that Learning Express will not be required to allocate or spend money from the Learning Express Advertising Fund to benefit any particular franchisee or group of franchisees on a pro rata basis. There is no fiduciary duty owed to You by Learning Express by virtue of the Learning Express Advertising Fund nor is any trust created thereby. Within ninety (90) days of the end of each fiscal year, You may request a copy of the annual financial statement of the Learning Express Advertising Fund.

8.05 Community Service. You acknowledge the importance of participating in and servicing community organizations, and We encourage You to become a member of one or more civic organization(s) in the community in which Your Store is located. We may suggest certain organizations and may encourage Our franchisees to participate in specific programs, including civic fund raising programs.

8.06 Franchisee Development of Advertising Materials. You agree during the term

of this Agreement, to make available to Us for use by other parties, all advertising, marketing and other promotional materials that You develop. We require all other franchisees to share developed advertising, marketing and other promotional concepts in the same manner.

8.07 Advertising Campaigns. From time to time during the term hereof, We have the right to establish and conduct promotional campaigns on a national or regional basis, which may, by way of illustration and not limitation, promote particular products or marketing themes. You agree to participate in such promotional campaigns upon such terms and conditions as We may establish. You acknowledge and agree that such participation may require You to incur mailing and other costs and to purchase point of sale advertising material, posters, flyers, product displays and other promotional material. Nothing herein shall be construed to require You to charge any prices for the goods and services offered at other than those determined by You in Your sole and absolute discretion.

9. TRAINING AND ASSISTANCE

9.01 Initial Training and Assistance. We, or our designee, will make available to You and those of Your staff who are approved by Us, initial orientation and training courses, before You open for business. The initial orientation and training course will be held at Our Corporate Headquarters and the second training course will be held at one of Our Learning Express training centers, each of these training sessions are approximately one (1) week in length. Additionally, We provide up to a three (3) week training program as part of Your Grand Opening, to be conducted at Your Store. During the first week of Your Store's operation, We or our designee will furnish additional training and assistance. We, or our designee, will bear the cost of the initial orientation and training course, except that You and Your employees must be responsible for all travel, salary and other expenses paid to or incurred by or on behalf of You or Your employee(s) in connection with this training. You will hire all initial and subsequent employees for the Franchised Business and be exclusively responsible for the terms of their employment, their compensation and for their required training. You will be required to attend advanced training, held at the Corporate Headquarters one (1) year following your Grand Opening. You will be responsible for all travel, salary and other expenses paid to or incurred by or on behalf of You or Your employee(s) in connection with this advanced training. In addition, You and persons designated from Your management staff may be required in our sole discretion to attend supplemental training, held at our Corporate Headquarters. If so required, You will be responsible for all travel, salary and other expenses paid to or incurred by or on behalf of You or Your employee(s) in connection with this supplemental training.

9.02 Extra Assistance. If You request additional assistance for operational problems of additional support after You have operated Your Franchised Business for ninety (90) days, which, based on our experience, we reasonably determine to be extraordinary, We, or Your Regional Franchisor Manager, will provide a qualified representative at times and places as may be reasonably necessary and mutually convenient. You must pay all reasonable travel and living expenses, as well as the then-current per diem for the representative.

9.03 Additional Services. So long as You are not in default under this Agreement, We, or our designee, will provide You with the following additional services:

A. Confidential Operations Manuals. We will provide You electronic access via Our Intranet, a copy of the Manuals, as more fully described in Section 6.03;

B. Advisory Services. We, or our designee, will provide you with assistance in site selection and lease negotiations, supplier lists for equipment, furniture and fixtures, and a layout for placement of your Store fixtures. After the initial store design, You will pay for the cost of any further professional design work. We, or our designee, will place Your initial inventory order of products and Your order for fixtures.

9.04 On-Going Training and Assistance. We, or our designee, will advise You periodically and will furnish You with on-going guidance in the operation of Your Franchised Business. This guidance will be furnished through the Manuals, bulletins, email messages or over Our Intranet, other written materials, telephone consultations and/or consultations at Our offices, or at Your Store.

We will provide you with the following:

A. Information concerning developments regarding additional training programs and materials;

B. A newsletter or other bulletins detailing activities of other franchisees, as well as other matters of mutual interest;

C. Media coverage, which may or may not affect Your market area;

D. Continuing advisory assistance, including but not limited to, consultation concerning the promotion and operation of the Franchised Business;

E. Information concerning the toy industry, and related products and services, and other related matters concerning the System;

F. Telephone assistance concerning the selling of any product or service and other matters pertaining to the operation of the Franchised Business;

G. Information and assessment of new products, services, product lines and other items;

H. Inventory control and general operating procedures; and

I. Advertising, marketing and other promotional materials that We may create and develop for use by Learning Express franchisees.

9.05 Limitation of Liability. While Learning Express agrees that it will apply, and will require Your Regional Franchisor Manager to apply, its skill and judgment to training and assisting You in the operation of Your Franchised Business, You agree that neither Learning Express, its advisors, consultants, contractors, employees nor Your Regional Franchisor Manager will be liable to You or to any third party for your performance or failure to perform.

10. OPERATION OF BUSINESS

10.01 Compliance With the Manuals. You agree to conduct Your Franchised Business by strictly following the Manuals, as they are changed or modified from time to time. You acknowledge that this is necessary to protect the reputation and goodwill of the Marks and to maintain the uniform standards of operation throughout the Learning Express System. Adherence to the Manuals is vitally important to You, to Learning Express and to the collective success of all Learning Express franchisees.

10.02 Initial Construction of The Franchised Business. Upon delivery to You of the Store premises from Your landlord, You agree to begin construction within thirty (30) days thereafter. In connection therewith, you are responsible for the following:

A. You must obtain all required permits and licenses necessary to commence construction;

B. You must purchase all necessary equipment, furniture and fixtures, signs, supplies, opening inventory (You may not finance any part of Your initial investment, except for Your initial merchandise inventory), and other items that We require You to have in order to commence doing business;

C. You must construct, or cause to be constructed, all required leasehold improvements within the Store premises, and decorate the Franchised Business in compliance with the layouts and specifications approved by Us;

D. You must install all fixtures, signs and equipment required for the Franchised Business including, without limitation, the then-current point-of-sale (POS) and accounting software provided, and

E. You must establish a high-speed Internet connection and E-mail account with an Internet Service Provider (ISP) designated by Learning Express, to provide frequent access to the Learning Express Intranet Web Site, to access "Best Seller" data, approved buying information, Manual updates and routine correspondence and use Our designated method for the electronic transmission of data.

10.03 Approval of Products and Services. We have developed and refined specific Trade Secrets for the sale of toys and related products and services, and We enjoy a wide public acceptance. You recognize that the image, reputation and goodwill that We have established is based upon the sale of those products and services, and as such can only be maintained and enhanced by Your sale of those quality. Satisfied customers of Stores rely upon the uniformly high quality of those products and services. You agree that You will offer for sale only those additional products and services which We approve, which products or services have acceptable standards, performance, appearance and other characteristics determined by Us to be relevant. You must purchase products and services only from suppliers approved by Us, in Our sole discretion, as meeting Our criteria for durability, value, company consistency, appearance, quality and service, financial capacity and reliability. We may be one of such suppliers. We will

provide You with a list of approved vendors and suppliers prior to the opening and during the operation of the Franchised Business. You agree to maintain at all times an inventory of authorized and approved products, in sufficient supply to satisfy reasonable customer demand.

The Learning Express system works best when franchisees carry a core of best selling products recommended by us and rounds out the product assortment with local best sellers and other recommended products. Accordingly, you agree to use reasonable efforts to review our suggested inventory mix and carry a substantial percentage of such products.

If You wish to buy products, services, equipment or inventory of a brand or from any supplier that is not approved by Us, You must notify Us in writing of Your intent, and submit specifications and other information that We may request. We will within a reasonable time, determine whether these brands and/or suppliers are substantially equal in composition, quality, performance, appearance, reliability and other relevant characteristics. In order for us to provide accurate sales information to You and other franchisees, You agree to conform to the Learning Express product identification numbers and category designations.

10.04 Management of Business. You understand and agree that active full-time participation of the franchisee is a critical element of the system. You will devote a minimum of thirty (30) hours per week to the “on-premises” managing, operating and developing of the Franchised Business. During the term of this Agreement, You agree not to engage in any other business or investment requiring Your active participation during normal business hours that would interfere with Your managing the operations of the Franchised Business in the unlikely event that we approve an arrangement in which the Franchised Business is managed by a qualified, full-time employee who has successfully completed the corporate training program, You agree to devote a sufficient number of hours per week to oversight of the Franchised Business.

10.05 Insurance. We will furnish You with minimum standards and limits for certain types of insurance coverage which You must secure and maintain at Your own expense. These minimum standards and limits may change from time to time. We will advise You of these changes through the Manuals or other advisory memoranda, and You agree to secure immediately the changed level of coverage. All insurance which You purchase will name Learning Express and Your Regional Franchisor Manager as additional insured. Your insurance policy will also provide that We will be given at least ten (10) days of prior written notice of any termination, amendment, cancellation or modification of Your policy.

10.06 Entry and Inspection. We and our designees have the right at any time during business hours, to inspect the Franchised Business and your business records and files, bookkeeping records, sales checks, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, and any other records and documents, so long as inspection does not unreasonably interfere with the conduct of Your business. If We find that You have underreported Your Gross Receipts, You agree to pay immediately all monies owing to Us, along with accrued interest, as set forth in Section 10.08 below, as well as the costs of the inspection(s). In order to preserve the validity and integrity of the Marks and to assure that You are properly employing their use in the operation of the Franchised Business, We, or Your Regional Franchisor Manager, will at all times have the right to observe the manner in which

You are offering for sale products and services to the public and to confer with Your employees and customers.

10.07 Records and Reports.

A. You agree to record all Gross Receipts of the Franchised Business in a manner and on forms prescribed by us. You must keep and preserve during the term of the Agreement, full and complete books of account that accurately reflect the day-to-day operations of the Franchised Business. You must submit to Us periodic reports, forms and records, as We may specify. Any intentionally false statements in these or any other reports which You provide to Us shall be grounds for immediate termination of this Agreement. All profit and loss statements and balance sheets must be prepared in accordance with generally accepted accounting principles, applied on a consistent basis, and must be submitted to Us for Our examination at Our option. You must also submit to Us other periodic reports, copies of purchase orders, forms, information and records (including, without limitation, federal tax returns, monthly sales tax reports and monthly reports on advertising). You agree to maintain all records of the Franchised Business for five (5) years.

B. You will compile and provide to Us, in the manner specified by Us, any statistical or financial information regarding the operation of Your Local Store Franchise, the products and services sold by it, or data of a similar nature including, without limitation, any financial data that We believe that We need to compile or disclose in connection with the sale of franchises or that We may elect to disclose in connection with the sale of franchises. All data provided to Us under this Paragraph will belong to Us and may be used and published by Us in connection with the Learning Express System.

C. On or before the third (3rd) business day of each month, You agree to send electronically or via facsimile to Our offices, or such other location as We may designate, Our then current version of the Royalty Worksheet (the "Worksheet"), containing all the information and detail supporting reports from Your point of sale system, as we may specify from time to time. In addition, on or before the third (3rd) business day of each month, You agree to transmit, by email, to an electronic mailbox that We designate, Your "Item Sales Year to Date" file or other electronic file that We may designate. The information so provided each month, may be included in the "Best Sellers" information presented on the Intranet.

10.08 Late Payments. All Royalty Fees, advertising fees, amounts due for Your purchases from Us and other amounts which You owe Us, will, at our option, bear interest after the due date at the rate of one percent (1%) per month. You acknowledge that the foregoing does not constitute Our agreement to accept payments after they are due or Our commitment to extend credit to, or otherwise finance Your Franchised Business. Further, You acknowledge that Your failure to pay all amounts when due will constitute grounds for termination of this Agreement. In Our sole discretion, We can apply any of Your payments to any of Your past due indebtedness to Us.

10.09 Your Bank Account. You agree to open and maintain a bank account and to follow banking and administrative procedures which We may require of You. You also agree to

maintain an account (with sufficient available funds) in a bank which can administer wire transfers or electronic funds transfers for the purpose of paying Your Royalty Fees and other amounts due Us and agree to do so or as set forth in Section 7.03, as We may otherwise direct from time to time.

10.10 Specifications, Standards and Operating Procedures. You recognize the importance of maintaining the highest standards of quality for performance, appearance, and service of the Stores. Therefore, You agree to maintain these high standards by complying with specifications, standards and operating procedures relating to the operation of the Franchised Business which We have established including, without limitation, the safety, cleanliness and appearance of the Franchised Business premises, fixtures, equipment, supplies and products; the quality of products and services sold by You in Your Store; the use of Our Marks and the use and protection of Our Trade Secrets; the display of advertising materials; the use and display of signs, posters, merchandising and promotional materials, standard formats and similar items; the training and appearance of employees; the preparation and retention of records and reports; the use and retention of standard forms; the materials and supplies used in operation of the Franchised Business; the establishment of daily business hours; the establishment of a corporate toy service program, with employee incentives; and Your identification as the independent owner of the Franchised Business in the manner We direct.

10.11 Compliance With Law. You agree to operate the Franchised Business in strict compliance with applicable laws, rules and regulations of all governmental authorities. You agree to be responsible for knowledge of, and compliance with, all applicable laws and regulations of the federal, state or local governments. You also agree to prepare and file all appropriate tax returns when due and to pay promptly all taxes imposed on You and upon Your Franchised Business.

10.12 Suggested Retail Prices. Although We may provide You with suggested retail prices, You acknowledge and agree that any list or schedule of prices which We furnish to You is by way of recommendation and is not binding on You or mandatory.

10.13 Your Employees. You agree to employ and properly train a sufficient number of competent employees and, where appropriate, managers, of good character and of neat appearance to service the customers of Your Store in keeping with Our service-oriented philosophy. You agree to conduct background and criminal checks on all prospective employees prior to employment.

10.14 Taxes. You agree to pay any tax imposed by the state in which Your local store is located if such tax is imposed on Royalties or other payments made to Us hereunder.

10.15 Incurring Debt. You agree that you have not, and will not, borrow for any purpose other than for the initial inventory purchase without our prior written consent.

10.16 Financials. You agree to provide complete financials including Profit and Loss, Balance Sheet and payables report to Us or our designee, annually.

10.17 Hours of Operation. You agree to be open for business on the days and during the hours recommended by Us or required by your landlord. Depending upon Your location, You may be obligated to maintain longer hours of operation.

10.18 New York Toy Fair. You agree that You will attend the annual Toy Fair in New York City, or such other location determined by the Toy Industry Association.

10.19 Annual Convention. You agree that You will attend, in addition to the New York Toy Fair, the annual convention scheduled by Learning Express for all franchisees and Regional Franchisor Managers.

10.20 Independent Contractor and Indemnification.

A. You understand and agree that this Agreement does not create an agency relationship between Us, that You are an independent contractor and that nothing in this Agreement is intended to make either You or Learning Express a general or special agent, legal representative, subsidiary, joint venture partner, or other partner, or employee of the other. Neither You nor Learning Express will make any express or implied agreements, warranties or representations, or incur any debt, in the name of or on behalf of the other or represent that our relationship is other than Franchisor and Franchisee. Neither You nor Learning Express will be obligated by, or have any liability under, any agreements or representations made by the other that are not expressly authorized, nor will Learning Express be obligated for any damages to person or property directly or indirectly arising out of the operation of the Franchised Business authorized by or conducted pursuant to the license granted hereby.

B. You agree to indemnify and hold Us, Our subsidiaries, affiliates, stockholders, directors, officers, employees, agents, assignees and Your Regional Franchisor Manager harmless against, and to reimburse them for, all obligations, actual and consequential damages and taxes for which any of them is held liable and for all costs, reasonably incurred by any of them in the defense of any claim brought against any of them or in any action in which any of them is named as a party, which arise out of the operation of Your Franchised Business. We have the right to defend any colorable claim at Your sole expense. The indemnities and assumptions of liabilities and obligations will continue in full force and effect following the expiration or termination of this Agreement.

C. We will not take responsibility for the actions of Your employees, nor will We take any control over Your employees' employment, discharge, pay or working conditions.

10.21 Renovations to Premises. After Your Store has been in operation for five (5) years, Learning Express may direct You to complete renovations which are part of an individual or system-wide updating program. You agree to complete such renovations at Your own expense at such time as reasonably directed by Learning Express.

10.22 Trade Accounts. You agree to promptly pay all accounts and indebtedness of every kind incurred by You in the conduct of the Franchised Business and to inform us if any trade vendor account is more than 30 days past due. You further agree that upon termination of

this Agreement we may collect amounts due to trade vendors from You under the Guaranty of Performance, Addendum "C" to this Agreement.

11. ASSIGNMENT AND RIGHT OF FIRST REFUSAL

11.01 Assignment by Learning Express. We may freely transfer or assign Our rights and obligations under this Agreement to any person, corporation or other entity. The transfer or assignment will be binding upon and will inure to the benefit of the successors and assigns of Learning Express.

A. You agree that Learning Express has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities under the Trademarks or any other marks following Learning Express' purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which You acknowledge may be within Your Protected Territory, proximate thereto, or proximate to any of Your locations). In the event of any territorial conflict or overlap, Learning Express shall use its best efforts to resolve same within nine (9) months of any such purchase, merger, acquisition or affiliation.

B. You agree and affirm that Learning Express may: sell itself; its assets; the Trademarks and/or the System to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other business entities, or be acquired by another business entity; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, You expressly and specifically waive any claims, demands or damages arising from or related to the loss of Learning Express' name, Marks (or any variation thereof) and System and/or the loss of association with or identification of Learning Express as the franchisor under this Agreement.

11.02 Assignment by You. You understand and acknowledge that the rights and duties created by this Agreement are personal to You (and Your owners, if You are a business organization, as defined hereinafter), and that We have granted this license in reliance on many factors, including without limitation, the individual or collective character, skill, aptitude and business and financial capacity, of You and any person owning an interest in You. Accordingly, neither You nor any person owning any direct or indirect equity interest in You, shall without Our prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest: (a) in this Agreement or any portion or aspect thereof; (b) the Franchised Business; (c) in the assets (excluding this Agreement) of the Franchised Business, or (d) any equity or voting interest in You nor permit the Franchised Business to be operated, managed, directed or controlled directly or indirectly, by any person other than You (any such act or event is referred to as a "Transfer"), without Our prior written approval. Any such purported Transfer occurring by operation of law or otherwise, including any Transfer by a trustee in bankruptcy, without Our prior written consent, shall be a mutual default of this Agreement, but the transferor shall remain obligated under this Agreement until released by Us, or until this Agreement is terminated and all post-term obligations pursuant to Article 14 are fulfilled.

A. Right of First Refusal. If You desire to engage in a Transfer, You shall deliver to Us written notice setting forth all the terms of the proposed Transfer and all information that We request concerning the proposed assignee. We shall have the option, during ten (10) days after receipt of the notice or ten (10) days after receipt of all additional information We request, to purchase the Franchised Business and accept assignment of this Agreement on the terms contained in the notice, provided that We shall have the right to substitute cash for any non-cash consideration described in such notice. If We exercise this option, the purchase of the Franchised Business by Us must be completed no later than thirty (30) days after Our notice to You of Our purchase election.

If We do not exercise this option during such ten (10) day period, then You may, during the following one hundred twenty (120) days, transfer the Franchised Business and assign this Agreement to the proposed assignee on the terms in the notice, provided that the assignment shall be made, without limitation, in compliance with Section 11.02B. Any proposed Transfer not completed within such one hundred twenty (120) day period and any material change in the terms of the proposed transaction prior to closing, shall constitute a new offer and shall require compliance with this Section 11.02A.

B. Permitted Transfers. If We elect not to exercise Our right of first refusal, Our approval to a proposed Transferee shall not be unreasonably withheld. However, without limitation of the foregoing, imposition of any or all of the following conditions precedent to Our approval shall be deemed to be reasonable:

(i) that the proposed assignee or, if the proposed assignee is a business organization, its principal officers, stockholders, directors, partners, members or managers, attend a personal interview at Our offices, demonstrate skills, qualifications and economic resources necessary in Our reasonable judgment, to operate the franchise that this Agreement contemplates, and, in any event, shall at least be equal to Your skills, qualifications and financial resources;

(ii) that the proposed assignee expressly assume in writing, for Our benefit, all Your obligations under this Agreement including, without limitation, payables to landlord, vendors and other Learning Express franchisees;

(iii) that the proposed assignee shall have completed Our training program to Our sole, subjective satisfaction, at the assignee's sole cost and expense;

(iv) that as of the date of any such Transfer, You shall have fully complied with all of Your monetary and non-monetary obligations to Us under this Agreement and any other agreement, arrangement or understanding;

(v) that the proposed assignee executes Our Franchise Agreement then being offered to prospective franchisees, except that no initial franchise fee shall be required from the proposed assignee and the term of the Agreement shall be modified to equal the remaining term under this Agreement. Under no circumstances may you transfer any assets including, without limitation, inventory, fixtures, or lease to an entity intending to operate a retail

toy store at the franchise location without first ensuring that the proposed transferee has executed a Learning Express franchise agreement.

(vi) that the proposed assignee pay Us a transfer fee equal to Ten thousand dollars (\$10,000.00) to cover Our expenses relating to such Transfer and the training required under this Agreement;

(vii) You must execute a general release, in the form which We provide, of all claims against Learning Express, its affiliates, stockholders, directors, officers, employees agent and Your Regional Franchisor Manager;

(viii) if We procure the assignee, then You will pay us a fee equal to ten percent (10%) of the purchase price, in addition to all other amounts You owe Us; and

(ix) if We request, assignee, at its expense, shall upgrade the Store to conform to the then-current standards and specifications of Stores then being established in the System, and shall complete the upgrading and other requirements within the time specified by Us.

You agree that You will not retain a security interest in the Franchised Business or its assets without Our express prior consent.

If you are a Business Organization, any owner whose ownership is the subject of a Transfer and any third party who acquires the ownership interest, shall be subject to the provisions of the covenants set forth in Section 15 of this Agreement after the Transfer has been completed.

C. **Transfer Upon Death or Permanent Incapacity.** Immediately following Your death or permanent incapacity (or if You are a corporation, immediately following the death or permanent incapacity of the major stockholder, or if You are a limited liability company, immediately following the death or permanent incapacity of the manager or a majority member), Learning Express or Our representative may assume operation of the Franchised Business, if there are no qualified members of Your immediate family available to do so. We will allow Your estate to assign the Franchised Business to a member of Your immediate family, provided that he/she/they meet Our reasonable qualifications to operate the Store. Immediate family members shall mean Your parents, Your children or Your spouse. Your heirs shall also have the right to sell the Franchised Business, provided that they follow the requirements of Section 11.02B. In lieu of the right of first refusal as set out in Section 11.02A, Learning Express will have the right to purchase the Franchised Business at a price representing the average appraisal of the Franchised Business made by three (3) independent business appraisers (the "Buy-Out Price"). We will choose one (1) appraiser, Your estate will choose one (1) appraiser and the two (2) appraisers so chosen will choose the third appraiser. This right of first refusal in Learning Express shall extend for a period of ninety (90) days following Your death or permanent incapacity. You agree that Your heirs, beneficiaries and successors will sign all documents which Learning Express may require to show that the franchise and the Franchised Business were acquired by Learning Express, upon the payment of the Buy-Out Price.

You agree that permanent incapacity will mean that You are unable to operate the Franchised Business on a full-time basis for six (6) consecutive months. Once You are considered to be permanently incapacitated, You or Your legal representative must transfer the Franchised Business as provided for above.

11.03 Transfer to Business Organization. You may transfer this Agreement and the assets and liabilities of Your Franchised Business to a business organization or entity (i.e., a corporation, partnership, limited liability company or other similar entity) (a "Business Organization"), if all the following conditions are met:

A. The Business Organization must conduct no business other than the Franchised Business.

B. You must actively manage the Business Organization and own, control and direct its operations, either through binding written agreements, governing documents or voting power.

C. You must personally guarantee performance of all of the Business Organization's obligations under this Agreement, by signing Learning Express' standard form of Personal Guaranty (Addendum "C") and execute Learning Express' form Confidentiality Agreement and Covenants Not to Compete (Addendum "D").

D. You must provide Learning Express with copies of all governing documents (articles of incorporation or organization, bylaws, agreements among owners, etc.)

E. The governing documents of the Business Organization must recite that the issuance and assignment of any ownership interest (i.e., corporate stock, or partnership or membership interests) are restricted by the terms of this Agreement.

F. All issued and outstanding ownership interests must bear a legend reciting or referring to the restrictions of this Agreement on the issuance and transfer of ownership interests in the Business Organization.

G. As a condition of Learning Express' approval of the issuance or transfer of ownership interests to any person other than You, subject to the provisions of Sections 11.02 A and B of this Agreement, Learning Express may require (in addition to the other requirements Learning Express has the right to impose) that the proposed owner sign Our standard form of personal guaranty.

H. You must promptly notify Learning Express of any proposed changes in the principal owners and the governing documents.

12. STEP-IN RIGHTS.

12.01 Cause for Step-In. If a material default under this Agreement occurs and remains uncured, or is not subject to cure, or if Your actions jeopardize the integrity of Our Marks or Our System, then You authorize Us to operate the Franchised Business for as long as in our

reasonable judgment, We believe that it is necessary or practical. You acknowledge that this right to step-in is necessary to preserve the value and integrity of the System. Even if We exercise this right to step-in, You agree that We do not lose or waive a right to exercise any other rights or remedies which We may have legally or under this Agreement. Among the reasons We may act under these step-in rights are:

A. We reasonably determine that You are unable to operate the Franchised Business because You are absent or incapacitated because of illness, accident, injury or death; or

B. You have not paid Your monetary obligations to Us or others when they are due; or

C. You have not removed non-consensual liens or encumbrances which have been placed against Your Franchised Business; or

D. We determine that material operational problems require that We operate Your Franchised Business for a period of time.

12.02 Duties of the Parties. During a step-in period, Learning Express will maintain in a separate account, all Gross Receipts of the Franchised Business. From that account We will pay all expenses of the Franchised Business, which will include the Royalty Fee, all advertising contributions or payments, and reasonable compensation and expenses for the representatives of Learning Express. If We exercise these step-in rights, then You agree to hold harmless Learning Express and its representatives for all actions or omissions which occur during the course of the temporary operation. You agree to pay Us Our reasonable attorneys' fees and costs which might arise from the exercise of these step-in rights. Nothing in this Section 12 will prevent Us from exercising any other rights which We may have under this Agreement, including the right to terminate the Agreement.

13. DEFAULT AND TERMINATION

13.01 Immediate Termination. If any of the following defaults occur, then We can terminate this Agreement immediately upon written notice to You without providing You with an opportunity to cure the default:

A. If You become bankrupt or insolvent or enter into any insolvency arrangement, unless You:

(i) promptly undertake to reaffirm the obligations under this Agreement;

(ii) promptly comply with all conditions as legally may be imposed by Learning Express upon such an undertaking to reaffirm this Agreement; and

(iii) promptly comply with such other conditions and provide such assurances as may be required in relevant provisions of the appropriate bankruptcy rules and regulations;

provided, however, that the parties acknowledge that this Agreement constitutes a personal service contract and that We have relied to a degree and in a manner material to this Agreement upon Your personal promises and/or Your directors, officers, shareholders partners, members or managers, as the case may be, to participate personally on a full-time basis in the management and operation of the Franchised Business, and, consequently, the parties agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Franchise Agreement, shall be void.

B. You attempt to transfer some or all of the assets of the Franchised Business without first seeking and receiving the prior approval of Learning Express;

C. You abandon the Franchised Business or cease to operate it Yourself or with full-time management or You fail to operate for five (5) consecutive business days within any twelve (12) month period without Our consent or You fail to open Your Franchised Business within one (1) year of the date of this Agreement;

D. You are convicted or plead no contest to: 1) a felony or misdemeanor which relates to the operation of Your business; or 2) a felony or misdemeanor which involves moral turpitude;

E. You commit an act or conduct Yourself so as to impair substantially or jeopardize, the goodwill associated with the Marks, the System or other affiliated or franchised Learning Express businesses;

F. You violate the provisions of Article 15;

G. You, or Your employees with Your knowledge, do not report or record all sales;

H. You do not complete Our initial training program and do not receive Our certification to operate the Franchised Business;

I. You provide Learning Express with false information or You omit material information in Your initial application, whether written or oral; or

J. Your lease expires, as set forth in Section 3.02.

K. You fail to perform the required background and criminal checks on employees.

In the event that we issue a Notice of Default hereunder, we will simultaneously notify Your trade vendors that you are no longer in good standing with us.

13.02 Termination With Notice to Cure. If You should be in default as set forth below and You do not cure that default within ten (10) calendar days of written notice by Us to

You, then We can deny You access to the Learning Express Intranet and/or We can terminate this Agreement upon delivery to You of a subsequent written notice of termination:

- A. If You do not or refuse to pay promptly to Us any money due Us under this Agreement;
- B. If You do not or refuse to pay a material debt or liability, a trade debt or a bank debt without reasonable cause, to a landlord, a lending institution or to a supplier;
- C. If You do not submit in a timely manner the reports or financial information which We require of You under this Agreement; or
- D. If You do not comply any other provisions in this Agreement, the Manuals or other operating directives issued by Learning Express.

13.03 Conformity With Law. If there is a valid law or regulation which limits the right to terminate or which requires Learning Express to provide You with longer notice periods, then this Agreement will be deemed amended to conform to the minimum notice periods which the law or regulations may require.

14. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

14.01 Your Obligations. Upon the expiration or termination of this Agreement (collectively, "termination"), You agree to leave peacefully the Store premises to the possession of Learning Express, without any formal demand or notice to You, unless We notify You expressly that We will not assume the operation of Your Store. In addition, upon termination, You will:

- A. Pay all Royalty Fees and all other charges or amounts which are owed to Us; including, without limitation, the minimum monthly royalty service fees as set forth in paragraph 7.03 for each month remaining from the date of termination of this Agreement through the initial term of the Agreement.
- B. Pay all rents due to Your landlord through the date of termination of this Agreement;
- C. Pay all amounts due Your trade vendors through the date of termination of this Agreement;
- D. Cease to hold Yourself out as a Learning Express franchisee, cease to use the Marks, System and materials, and promptly take such action as may be specified by Us in the Manual or otherwise in writing to de-identity the location of the former Franchised Business, so as to distinguish and disassociate that location from the System, Marks and Learning Express and not directly or indirectly, represent to the public that the former Franchised Business is or was operated or in any way connected with Learning Express or hold Yourself out as a present or former Learning Express franchisee at or with respect to location of the former Franchised Business;

E. Return to all Trade Secrets and other confidential materials, equipment and other property owned by Us, and all copies thereof, You shall retain no copy or record of any of the foregoing; provided You may retain Your copy of this Agreement, any correspondence between the parties, and any other document which You reasonably need for compliance with any applicable provision of law;

F. Cease to use in advertising, or in any manner whatsoever, any methods, procedures or techniques associated with the System in which We have a proprietary right, title or interest, and remove all physical characteristics, color combinations and other indications of operation under the System from the location of the former Franchised Business. You will cease all forms of advertising, including without limitation, all signs, advertising and promotional materials, displays, stationery, forms, and any other articles which display the Marks. Without limiting the generality of the foregoing, You agree that in the event of any termination, non-renewal or expiration of this Agreement, You will remove any items which are characteristic of the System "trade dress" (including fixtures), from the location of the former Franchised Business. In addition, You agree to return to Us, at Your sole cost and expense, all unused material containing our Marks, including but not limited to, Gift Cards and Certificates, VIP Cards, Professional Discount Cards, sales books, bags, stationery, gift wrap and business cards. You also agree to provide to Us or cause to be provided to Us, at Your sole cost and expense, Your customer mailing list, in paper or electronic form. Furthermore, You shall not use, in any manner, or for any purpose, directly or indirectly, any of Our Trade Secrets, trade dress, Confidential Information, procedures, techniques, or materials acquired by You by virtue of the relationship established by this Agreement, including, without limiting the generality of the foregoing: (i) all bulletins, instruction sheets, and supplements thereto; and (ii) all product, vendor, supplier and customer lists, specifications or standards, item files, vendor files and sales history files, regardless of the method and/or media in or on which same is contained set forth or recorded. Moreover, You shall cause the item files, vendor files and sales history files to be permanently deleted or destroyed from all computer based or paper based files;

G. At Our option:

1. Remove all signage and inventory from the Store premises or should you fail or refuse to do so, then our agents, servants, or employees may at any time enter the premises of the formerly Franchised Business and remove any and all signs from the premises, without paying for them, and without being guilty of trespass or other tort.

2. Sell the equipment, fixtures, and usable inventory to Us at the fair market value, as We reasonably determine. You also agree to transfer all transferable licenses and permits. We will not be liable for payment to You for licenses, permits, customer information or goodwill. We will have the right to offset against the purchase price all amounts which You owe to Us;

H. At Our request, You will transfer to us or Our designee at Your cost, all telephone, facsimile or Internet numbers (together with any domain names(s)), in use by You on the date of termination, and inform the Yellow Pages and any other directory of the same. Where no such request is made, You shall promptly cancel and discontinue use of the telephone, facsimile and/or Internet number(s) which served the Franchised Business at the time of

termination and delete Your Learning Express listing in the Yellow Pages for the service area of the Franchised Business and in any other directory, including any domain name(s);

I. You hereby constitute and irrevocably appoint Learning Express, pursuant to the terms of this Agreement, with full power of substitution and revocation by Learning Express, as Your true and lawful attorney-in-fact, to the full extent permitted by law to cancel, terminate, assign, discontinue or take any and all lawful action with respect to all telephone, facsimile or Internet numbers, including any domain name(s), which serve the Franchised Business, including, without limitation, the power to take such steps as in the opinion of Learning Express may be necessary to delete the Learning Express listing or advertising in the Yellow Pages and any other directories and to terminate any other listing which indicates that You are or were affiliated with Learning Express. You shall indemnify and hold harmless each such telephone company, directory publisher, Internet provider and other person or entity against all costs, damages, attorneys' fees, expenses and liabilities which may be incurred or sustained in connection with or as a result of any action taken in reliance on the foregoing power of attorney, which shall be coupled with an interest;

J. Provide Us or our designee with all records of the Franchised Business, including, without limitations, customer mailing lists and any other pertinent information of the Franchised Business;

K. Sign all documents which Learning Express may reasonably require, to evidence the termination of the franchise and Your rights to use the Marks. You agree to appoint Us as Your attorney-in-fact, with full power and authority, to sign the documents on Your behalf;

L. Not reference Learning Express or the Learning Express System in any meta tags, links or frames; and

M. If You fail or refuse to perform any of the above obligations, then Our agents, representatives or employees may, at any time, enter the premises of the formerly Franchised Business and perform or cause to be performed all of the above obligations on Your part to be performed, and without being guilty of trespass or other tort.

N. In the event of termination pursuant to Section 13 of this Agreement, we shall be entitled to the minimum monthly royalty set forth in Section 7.03 hereof for each month remaining in the term at the time of termination.

15. NON-COMPETITION AND NON-DISCLOSURE COVENANTS

15.01 Non-Competition. You cannot, either directly or indirectly (e.g. through a parent, spouse, child or Business Organization), as a proprietor, partner, investor, lender, shareholder, director, officer, member, manager, employee, principal, agent, representative, advisor, franchisor, franchisee, consultant or otherwise, for Yourself or on behalf of or in conjunction with any other person, persons, partnership, corporation, or other business entity own, maintain, engage in, participate or have any interest in the operation of any retail or wholesale toy business selling the same or substantially similar goods or services of the System, during the term of this Agreement or for a two (2) year period following its termination or expiration, regardless of the

cause thereof, at Your Store, or within a ten (10) mile radius of Your Store or a then existing franchised or affiliated Store. This prohibition against competition will apply to Your participation in, ownership of, or interest in, any method of distribution, including without limitation, mail order sales, and e-commerce. This prohibition against competition also includes the participation, ownership or interest in a competitive business, as defined above, by a member of Your immediate family, as defined in Section 11.02C above. You cannot divert or attempt to divert any business or customers of any Stores to any other competitive business by direct or indirect means. You further agree that from this date until one (1) year following the termination or expiration of this Agreement, You may not solicit for employment or employ any person who is an employee of Learning Express or any other franchisee of Learning Express, or convince any person to leave his or her such employment. The amounts of time and distance set forth above may be divisible into units of one (1) month and one (1) mile and may be reduced, should a court find them to be unreasonable. If You are an individual, then You expressly acknowledge that You possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive You of Your personal goodwill, or ability to earn a living. Additionally, We shall have the right to seek injunctive relief to enforce Our rights and You agree to pay the attorneys' fees We incur and Our costs in connection with enforcement of this provision. In the event that You violate this non-competition covenant and without limiting any other remedies which may be available to Us, You agree to pay to Us through the expiration date hereof and, for a period of two (2) years thereafter, on a monthly basis, a fee equal to five percent (5%) of the gross receipts generated by the business conducted in violation of this Section. If You violate this provision during the term of this Agreement, then We can terminate this Agreement pursuant to Section 13.01. In no event will this non-competition covenant apply to any interest in additional Stores licensed under Franchise Agreements with Us.

15.02 Non-Disclosure. You acknowledge that disclosure of any aspect of the Trade Secrets, Confidential Information, System, or duplication or disclosure of the Manuals could harm Us, You and other Learning Express franchisees. You agree that at no time during or after the term of this Agreement will You disclose or duplicate in any way, or make available the contents of the Manuals, Trade Secrets, Confidential Information, or other aspects of the System to any person, corporation, other business entity or professional advisor. Such persons may have access to the materials only to the extent necessary for the transaction of business by You. You agree that no one shall be permitted to have possession of any materials or retain copies of or notes concerning any of these materials. All of the above shall be returned to Us immediately upon termination or expiration of this Agreement. We shall have the right to injunctive relief to enforce the provisions of this Section and You agree to pay Our attorneys' fees and costs in connection with such injunctive relief.

16. GENERAL CONDITIONS AND PROVISIONS

16.01 Titles for Convenience. The titles of the sections and paragraphs are for convenience only and are not a part of this Agreement.

16.02 Entire Agreement. This Agreement, including any incorporated documents, reflects the entire agreement of the parties. All negotiations, commitments, representations and understandings of the parties (including representations made or understandings communicated

via Our Offering Circular) which have taken place are merged into this Agreement. There are no other oral or written understandings or agreements which relate to this Agreement.

16.03 Amendment in Writing. The parties agree that no modification of this Agreement will be valid unless both parties execute such modification in writing.

16.04 No Waiver. We will not be liable if We waive any breach or default in performance by You or other Learning Express franchisees. We may require strict compliance with this Agreement even if We have waived a breach or breaches during an earlier period under this Agreement, except changes to the Manuals.

16.05 Severability. The provisions of this Agreement are severable, and in the event that any portion of this Agreement is declared illegal or unenforceable, the remainder of this Agreement shall be in effect and binding on Us.

16.06 Mediation. In order to reduce instances of possible dispute and to make the resolution of any disputes which do arise less expensive, quicker, less subject to public notoriety and to attempt to resolve disputes in a less formal and adversarial manner, as well as to increase the opportunities for Learning Express and You to maintain a mutually beneficial business relationship, We and You agree as follows:

- A. ANY LITIGATION, CLAIM, DISPUTE, SUIT, ACTION, CONTROVERSY, PROCEEDING OR OTHERWISE ("CLAIM"), BETWEEN OR INVOLVING YOU (AND/OR AN OWNER OR GUARANTOR OF A BUSINESS ORGANIZATION FRANCHISEE OR WHICH COULD BE BROUGHT BY OR ON ANY SUCH PERSON'S BEHALF) AND US, EXCEPT AS EXPRESSLY PROVIDED BELOW, WHETHER ARISING OUT OF OR RELATING IN ANY WAY TO THIS AND/OR ANY OTHER AGREEMENT AND/OR ANY OTHER DOCUMENT, ANY ALLEGED BREACH OF ANY DUTY OR OTHERWISE (INCLUDING, BUT NOT LIMITED TO, THE UNDERLYING LEGALITY OF THE OFFER AND/OR SALE OF THE LEARNING EXPRESS FRANCHISE, ANY ACTION FOR RESCISSION OR OTHER SETTING ASIDE OF SUCH SALE OR ANY TRANSACTION, AGREEMENT OR DOCUMENT AND ANY CLAIM THAT THIS AGREEMENT OR ANY PORTION THEREOF IS INVALID, ILLEGAL, VOID, VOIDABLE OR OTHERWISE AND ANY CLAIM OF FRAUD) AND ON WHATEVER THEORY AND/OR FACTS BASED, WILL PRIOR TO SUCH CLAIM BEING BROUGHT IN A COURT, BE SUBMITTED TO NON-BINDING MEDIATION. THE MEDIATION SHALL BE CONDUCTED THROUGH EITHER AN INDIVIDUAL MEDIATOR OR A MEDIATOR APPOINTED BY A MEDIATION SERVICES ORGANIZATION OR BODY, EXPERIENCED IN THE MEDIATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES, AGREED UPON BY THE PARTIES AND, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION OF ANY CLAIM (NOT TO EXCEED 15 DAYS), BY THE AMERICAN ARBITRATION ASSOCIATION (OR ANY SUCCESSOR ORGANIZATION) IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM WITHIN NINETY (90) DAYS AFTER THE MEDIATOR

HAS BEEN CHOSEN, THEN EITHER PARTY MAY BRING AN ACTION IN A COURT HAVING JURISDICTION IN ACCORDANCE WITH SECTION 16.07 BELOW.

- B. ANY MEDIATION WILL BE CONDUCTED AT OUR HEADQUARTERS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING COMPENSATION AND EXPENSES OF THE MEDIATOR (EXCEPT THAT THE PARTIES WILL BEAR THEIR OWN COSTS, INCLUDING ATTORNEYS' FEES) SHALL BE BORNE BY THE PARTIES EQUALLY. ANY CLAIM, AND ANY MEDIATION, WILL BE CONDUCTED AND RESOLVED ON AN INDIVIDUAL BASIS ONLY AND NOT ON A CLASSWIDE, MULTIPLE PLAINTIFF OR SIMILAR BASIS.
- C. THE OBLIGATION HEREIN TO MEDIATE WILL NOT BE BINDING UPON LEARNING EXPRESS WITH RESPECT TO CLAIMS OR ISSUES RELATING PRIMARILY TO (i) THE VALIDITY OF ANY MARKS OWNED BY US, (ii) MONIES OWED BY YOU TO US, AND/OR (iii) OUR RIGHTS TO RECEIVE AND ENFORCE A TEMPORARY RESTRAINING ORDER, PRELIMINARY INJUNCTION, PERMANENT INJUNCTION OR OTHER EQUITABLE RELIEF.

16.07 Governing Law. This Agreement will be governed by and interpreted by the laws of the Commonwealth of Massachusetts. You agree that any cause of action between the parties will be brought in either the state or federal courts of Massachusetts. You also agree to bring a cause of action against Learning Express within one (1) year of the occurrence of the facts which give rise to the claim. If any provision of this Agreement, or the Manuals are found to be invalid, the remaining provisions of this Agreement or the Manuals will be considered valid and enforceable.

16.08 Notices. You agree that all written notices which are required by this Agreement or the Manuals will be considered delivered three (3) days after being placed in the U.S. Mail, by certified mail, return receipt requested or one (1) day after being sent by Federal Express or other receipted overnight courier service, if they are sent to the address for each party cited at the beginning of this Agreement or to another address, as long as the party with the changed address has notified the other party in writing.

16.09 Force Majeure. Except for Your obligation to pay any Royalty Fee, Learning Express Advertising Fund contributions or other payments under this Agreement, neither of us will be liable to the other for failure to perform under this Agreement, in whole or in part, when such failure is due to governmental restrictions, failure of utilities, strikes, labor troubles, riots, storms, fires, explosions, floods, wars, embargoes, blockades, legal restrictions, insurrections, acts of God or any other cause similar thereto which is beyond the reasonable control of the parties. In the event of such delay, the time for performance will be extended by a period of time equal to such delay if such extension is reasonably needed.

16.10 Specific Performance/Injunctive Relief. Nothing contained in this Agreement shall prohibit Us from obtaining specific performance of the provisions of this Agreement and injunctive relief against existing or threatened conduct that will cause Us loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and

preliminary injunctions. You agree that We may have such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and that Your sole remedy, in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon a proper hearing (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby by You). Should legal proceedings have to be brought by Us against You to enforce any Non-Competition Covenant or for Your failure to maintain Confidentiality and Protect against Infringement, the period of restriction shall be deemed to begin running on the date of entry of an order granting Us injunctive relief and shall continue uninterrupted for the entire period of restriction.

16.11 Attorney's Fees. In any action or proceeding brought for the purpose of enforcing, or preventing the breach of, any provision of this Agreement, whether by judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorney's fees for the services rendered to such prevailing party at all trial and appellate levels. All sums, which are due but unpaid to either party, shall bear interest from the date due at the highest rate permissible by applicable law.

17. ACKNOWLEDGEMENT

This Section is a confirmation that You have had an opportunity to review this Agreement, as well as the Uniform Franchise Offering Circular and that You have had the chance to consult with an attorney or other professional advisor.

You also confirm Your understanding that the success of the Franchised Business licensed by this Agreement is speculative and depends to a large extent on Your ability as an independent business person as well as other factors. You also recognize and acknowledge that You may incur expenses or obligations which this Agreement may not address.

You acknowledge and agree that neither Learning Express, nor its Regional Franchisor Managers or agents have made any representation or warranty as to the potential success of the Franchised Business licensed by this Agreement. You further acknowledge that You have entered into this Agreement after making an independent investigation of the Franchised Business and of Learning Express.

IN WITNESS WHEREOF, the parties intending to be bound legally, have fully executed, sealed and delivered this Agreement as of the day and year first above written.

LEARNING EXPRESS, INC.

Witness

By: _____
Officer

Date: _____

Witness

By: _____
Franchisee

Date: _____

Witness

By: _____
Franchisee

Date: _____

learningexpressfranchiseagreementApril2006

ADDENDUM "A"
NOTICE OF INTENT
FOR ADDITIONAL
LEARNING EXPRESS LOCATION

Date: _____

Store Owner: _____

Estimated Grand Opening Date: _____

Location:

A site selection package must be completed and consent given by the Learning Express Corporate Office prior to any commitment to a landlord or a lease is signed.

Included with this Notice of Intent is a complete Bank Certified personal financial profile, a vendor aging report, Income Statement and Balance Sheet on the current Store and a Breakeven Analysis and Business Plan, as well as a completed Financial Statement and Projections form on the new location. It is understood that I must meet certain minimum financial requirements. Learning Express retains the right to request additional information to support my application.

I acknowledge and agree that in order to be approved as a multiple Store owner, the performance of my existing Learning Express location(s) will be considered. Additionally, I must satisfy the standards established for multiple Store owners and be in good standing as a Learning Express franchisee.

Store Owner Signature: _____ Date: _____

Regional Franchisor Manager Signature: _____ Date: _____

Approved: _____ Date: _____

ADDENDUM "B"
LEARNING EXPRESS, INC.
ELECTRONIC FUNDS TRANSFER AUTHORIZATION

The undersigned Franchisee hereby authorizes Learning Express, Inc., a Massachusetts corporation, with principal offices at 29 Buena Vista Street, Devens, MA 01434-5026, to initiate electronic transfer of funds out of Franchisee's business bank account into Learning Express, Inc.'s bank account for payment of Royalties or other amounts which Franchisee may owe Learning Express, Inc., in the event Learning Express, Inc. does not receive Franchisee's payment on or before the due date of the respective amount. All costs and expenses, including any resulting from the dishonor by Your bank of any electronic funds transfer, shall be Your sole responsibility. This authorization is irrevocable and shall remain in effect until the termination or expiration of the underlying Learning Express Franchise Agreement.

Executed this _____ day of _____, 20____

Franchisee: _____

Address: _____

Name of Bank: _____

Bank Address: _____

ABA Routing and Transit Number: _____

Account Number: _____

Authorized By: _____

print name

Its: _____

ADDENDUM "C"
GUARANTY OF PERFORMANCE OF
LEARNING EXPRESS LOCAL STORE FRANCHISE AGREEMENT

In consideration of the grant of this Learning Express franchise to _____
_____ (the "Franchisee") and for other good and valuable consideration, the receipt
and sufficiency of which is hereby acknowledged by the undersigned, the undersigned agrees to
guarantee throughout the term of the Franchise Agreement and thereafter, if applicable, each and
every obligation contained in this Agreement and to be bound individually by the restrictive
covenants contained in Article 15 of the Franchise Agreement. The undersigned further agrees to
allow Learning Express to pursue the undersigned with respect to any obligation without first
pursuing a claim against the Franchisee or any other guarantor of the Franchisee. This guaranty
of performance shall survive the expiration or termination of the Franchise Agreement.

Guarantor, Jointly and Severally

Date

Guarantor, Jointly and Severally

Date

STATE OF _____

_____, ss.

Then personally appeared the above-named _____ and
_____ and acknowledged the foregoing instrument to be
his/her/their free act and deed, before me.

_____, Notary Public

My Commission Expires:

ADDENDUM "D"
CONFIDENTIALITY AGREEMENT
AND COVENANTS NOT TO COMPETE

This Agreement is made and entered into this _____ day of _____, 20____, between Learning Express, Inc., a Massachusetts corporation ("Franchisor"), _____ ("Franchisee"), and _____ ("Covenantor").

RECITALS

WHEREAS, Franchisor and Franchisee entered into a Learning Express Local Store Franchise Agreement on _____, 20____ ("Franchise Agreement"); and

WHEREAS, under that Franchise Agreement, Franchisee was granted the right to operate a Franchised Business and use the System, Trade Secrets and Confidential Information of Franchisor, all as defined in said Franchise Agreement; and

WHEREAS, it will be necessary for certain employees, agents, independent contractors, officers, directors, managers and owners of Franchisee, or any entity having an interest in Franchisee (collectively "Covenantor") to have access to and to use some of all of the Trade Secrets and Confidential Information in the management and operation of the Franchised Business using the System; and

WHEREAS, Franchisee has agreed to obtain from those Covenantors, written agreements protecting the Trade Secrets, Confidential Information and the System against unfair competition; and

WHEREAS, Covenantor is, wishes to remain, or wishes to become associated with or employed by Franchisee; and

WHEREAS, Covenantor wishes and needs to receive and use the Trade Secrets and Confidential Information and have access to the System in the course of his employment or association with Franchisee in order to effectively perform services for Franchisee; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Trade Secrets and Confidential Information have access to the System constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein;

NOW, THEREFORE, in consideration of the mutual covenant and obligations contained herein, the parties agree as follows:

Confidentiality Agreement

1. Franchisor and/or Franchisee shall disclose to Covenantor some or all of the Trade Secrets and Confidential Information relating to the System. All information and materials,

including, without limitation, manuals, drawings, marketing techniques, specifications, techniques and compilations of data which Franchisor provides to Franchisee and/or Covenantor, shall be deemed confidential Trade Secrets for the purposes of this Agreement.

2. Covenantor shall receive the Trade Secrets and Confidential Information in confidence and shall, at all times, maintain them in confidence, and use them only in the course of his employment or association with Franchisee and then only in connection with the development and/or operation by Franchisee of the Franchised Business for so long as Franchisee is licensed by Franchisor to use the System.

3. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets and Confidential Information without Franchisor's express written permission.

4. Covenantor shall not at any time disclose or permit the disclosure of the Trade Secrets or Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the development or operation of the Franchised Business.

5. Covenantor shall surrender any material containing some or all of the Trade Secrets or Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee, or upon conclusion of the use for which such information or material may have been furnished to Covenantor.

6. Covenantor shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets, Confidential Information and the System.

Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Trade Secrets and Confidential Information, and in consideration for the disclosure to Covenantor of the Trade Secrets and Confidential Information, Covenantor further agrees and covenants during the period of Covenantor's association with or employment by Franchisee, as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Franchised Business to any competitor; and

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding one (1) year, employed by Franchisor, any of its affiliates or any franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment, except as may occur in connection with Franchisee's employment of such person if permitted under the Franchise Agreement.

2. In further consideration for the disclosure to Covenantor of the Trade Secrets and Confidential Information and to protect the uniqueness of the System, Covenantor agrees and

covenants that for two (2) years following the earlier of the expiration, termination, non-renewal or transfer of all Franchisee's interest in the Franchise Agreement or the termination of his association with or employment by Franchisee, Covenantor will not, without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Franchised Business to any competitor;

b. Employ, or seek to employ, any person who is at the time or was within the preceding one (1) year, employed by Franchisor, any of its affiliates or any franchisee of Franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment; and

c. Except with respect to the Franchised Business not, either directly or indirectly, as a proprietor, partner, investor, lender, shareholder, owner, director, officer, member, manager, employee, principal, agent, representative, advisor, franchisor, franchisee, consultant or otherwise, for himself/herself or on behalf of or in conjunction with any other person, persons, partnership, corporation, or other business entity own, maintain, engage in, participate or have any interest in any business that is of a character and concept similar to the Franchised Business (the "Competitive Business"). As used in this Agreement, the term "similar", means a business which in any substantial way looks like, copies, imitates, or operates in a manner similar to the Franchised Business and which is at, or is within a ten (10) mile radius of the location of the Franchised Business or a then existing franchised or affiliated Store. This prohibition against competition will apply to Covenantor's participation in, ownership of, or interest in, any method of distribution, including without limitation, mail order sales, and Internet access and sales. This prohibition against competition also includes the participation, ownership or interest in a Competitive Business, by a member of Covenantor's immediate family, as defined in Section 11.02B of the Franchise Agreement. The amounts of time and distance set forth above may be divisible into units of one (1) month and one (1) mile and may be reduced, should a court find them to be unreasonable. The running of any period of time specified herein will be tolled and suspended for any period of time in which Covenantor is found by a court of competent jurisdiction to have been in violation of any of the restrictive covenants set forth herein. Covenantor expressly acknowledges that Covenantor possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made herein will not deprive Covenantor, of Covenantor's personal goodwill or ability to earn a living.

Miscellaneous

1. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies are made available to it at law or in equity, including the right to terminate the

Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor and/or Franchisee to object to or take action with respect to any breach of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. AS TO ANY ACTION IN WHICH FRANCHISOR IS A PARTY, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MASSACHUSETTS. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF MIDDLESEX COUNTY, MASSACHUSETTS AND THE FEDERAL DISTRICT COURT FOR THE EASTERN DISTRICT OF MASSACHUSETTS. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY MASSACHUSETTS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE MIDDLESEX COUNTY, MASSACHUSETTS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of the activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

7. In the event that Covenantor violates the non-competition covenant and without limiting any other remedies which may be available to Franchisor and/or Franchisee, Covenantor agrees to pay monthly to Franchisor or Franchisee (as the case may be), for a period of two (2) years following such violation, an amount equal to five percent (5%) of the gross receipts generated by the business or activity conducted in violation of that covenant.

8. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

9. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, telegram or telex provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Learning Express, Inc.
29 Buena Vista Street
Devens, Massachusetts 01434-5026
Attention: Sharon DiMinico
Facsimile: (978) 889-1010

If directed to Franchisee, the notice shall be addressed to:

Attention: _____
Facsimile: _____

If directed to Covenantor, the notice shall be addressed to:

Attention: _____
Facsimile: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by telex or facsimile shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given 3 business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving 15 days written notice of such change to the other parties.

10. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successor and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:
LEARNING EXPRESS, INC.
a Massachusetts corporation

FRANCHISEE:
Name of Corporation

By: _____

By: _____

Title: _____

Title: _____

COVENANTOR:

(If Franchisee is a corporation, each owner must sign individually

By: _____

Printed Name: _____

Owner