



BASIC DISCLOSURE DOCUMENT

Required by the

FEDERAL TRADE COMMISSION

for

LEARNING EXPRESS, INC.

**INFORMATION FOR PROSPECTIVE FRANCHISEE
REQUIRED BY THE FEDERAL TRADE COMMISSION**

April 1, 2006
Information Date

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

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

Federal Trade Commission
Washington, D.C. 20580

FRANCHISE OFFERING CIRCULAR FOR PROSPECTIVE FRANCHISEES



LEARNING EXPRESS, INC.
a Massachusetts Corporation
29 Buena Vista Street
Devens, Massachusetts 01434-5026
978/889-1000
www.learningexpress.com

The franchise offered is for the operation of a single retail toy and gift business (the "Local Store Franchise"). The initial franchise fee is \$30,000.00. The estimated initial investment required is \$197,000.00 to \$332,000.00, including the initial franchise fee, inventory and working capital for the first 3 to 6 months of operation, but excluding rent for the location of the Local Store Franchise.

Risk Factors:

1. THE FRANCHISE AGREEMENT PERMITS THE LOCAL STORE FRANCHISEE TO SUE THE FRANCHISOR ONLY IN MASSACHUSETTS. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE LEARNING EXPRESS IN MASSACHUSETTS THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT MASSACHUSETTS LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT MASSACHUSETTS LAW APPLIES, LOCAL LAW MAY SUPERCEDE IT IN YOUR STATE. PLEASE REFER TO ANY STATE-SPECIFIC ADDENDUM THAT MAY BE ATTACHED TO THE OFFERING CIRCULAR FOR DETAILS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in the Offering Circular is untrue, contact the Federal Trade Commission or the appropriate state authority listed in Exhibit "A".

Information Date: April 1, 2006

(FOR STATE SPECIFIC EFFECTIVE DATE, SEE EXHIBIT "A")
(SEE EXHIBITS "I" AND "J" FOR STATE SPECIFIC ADDENDA AND RIDERS)

TABLE OF CONTENTS

ITEM		PAGE
1.	The Franchisor, Its Predecessors and Affiliates	1
2.	Business Experience	2
3.	Litigation	3
4.	Bankruptcy	6
5.	Initial Franchise Fee	6
6.	Other Fees	7
7.	Initial Investment	9
8.	Restrictions on Sources of Products and Services	12
9.	Franchisee's Obligations	13
10.	Financing	15
11.	Franchisor's Obligations	15
12.	Territory	19
13.	Trademarks	19
14.	Patents, Copyrights and Proprietary Information	20
15.	Obligation to Participate in the Actual Operation of the Franchise Business	22
16.	Restrictions on What the Franchisee May Sell	22
17.	Renewal, Termination, Transfer and Dispute Resolution	22
18.	Public Figures	24
19.	Earnings Claims	25
20.	List of Outlets	25
21.	Financial Statements	27
22.	Contracts	28
23.	Receipt	28
	<u>Exhibit A</u>	List of Administrators/Agents for Service of Process
	<u>Exhibit B</u>	Local Store Franchise Agreement
	<u>Exhibit C</u>	Regional Franchise Manager Backgrounds
	<u>Exhibit D</u>	Deposit Agreement
	<u>Exhibit E</u>	Local Store Training Schedule
	<u>Exhibit F</u>	Local Store Confidential Operations Manual Table of Contents
	<u>Exhibit G</u>	Roster of Franchisees
	<u>Exhibit H</u>	Financial Statements
	<u>Exhibit I</u>	State Specific Addenda to the Offering Circular
	<u>Exhibit J</u>	State Specific Riders to the Franchise Agreement

ITEM 1
THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this Offering Circular “Learning Express”, “We” or the “Franchisor” means Learning Express, Inc. “You” means the person acquiring the Local Store Franchise. If You are a business entity, “You” also means Your owners.

The Franchisor, Its Predecessor and Its Affiliates. Learning Express was incorporated in Massachusetts on October 28, 1987, and maintains a principal business address at 29 Buena Vista Street, Devens, Massachusetts 01434-5026. We conduct business under Our corporate name and the trade name “Learning Express”. We have no predecessors or affiliates. Learning Express does not operate any Learning Express retail toy stores of the type being offered by this Offering Circular. Learning Express’ agents for service of process are disclosed in Exhibit “A”.

Sharon DiMinico, the Founder and Chief Executive Officer of Learning Express, is a shareholder of Toy Chest, Inc., a Connecticut corporation and retail entity, conducting a business similar to the Local Store Franchise offered by this Offering Circular. Learning Express, Inc. operated a company owned store in Needham, Massachusetts from 1987 until June 1993, when it was granted as a Learning Express local store franchise.

The Franchisor’s Business. Learning Express has offered Local Store Franchises for sale since 1987. Learning Express does not operate any Local Store Franchises itself. Learning Express has not offered franchises in any other line of business. Learning Express does not engage in any other business activities.

The Local Store Franchise. Learning Express franchises the right to operate a retail specialty toy store (the “Store”), featuring toys, books, games and children’s gifts under a Local Store Franchise Agreement (the “Franchise Agreement”), a copy of which is attached to this Offering Circular as Exhibit “B”. The typical shopper will be parents or other family members, of households with children ranging in age from newborn to young adults. The retail toy business is year round, with an emphasis on birthday related sales and November and December holiday sales. Under certain, very limited circumstances, Learning Express may allow a Local Store Franchisee to operate a separate retail outlet (a “Satellite Location”). You do not have the right to operate a Satellite Location without Learning Express’ prior written consent, which Learning Express can withhold in its sole discretion.

Regional Franchise Managers. Beginning in 1995, Learning Express established a network of service providers to the Local Store Franchisees. The Regional Franchise Manager will be our designee, responsible for developing new local store franchises, for making proper disclosures under state and federal franchise laws, assisting in site selection and lease negotiations, assisting in pre-opening operations and training, and furnishing on-going support. The backgrounds of Our Regional Franchise Managers are set out in Addendum “C”.

Regulation. There are no specific industry regulations which govern the operation of the Local Store Franchises, although you will be required to comply with all local, state and federal laws and regulations that apply to businesses generally. You will be required to conduct background and criminal checks on employees.

Competition. Your competitors will include: local, regional and national retail toy, hobby, and children's gift stores and e-commerce toy sites.

ITEM 2 BUSINESS EXPERIENCE

Sharon DiMinico, Founder, Chief Executive Officer, and Director

Ms. DiMinico has been actively involved in the conceptualization and development of the Learning Express System since 1987. She served as President, Treasurer and as a Director since the Franchisor's inception in 1987 and became Chief Executive Officer in January 1998. From 1987 to 1993, Ms. DiMinico opened and operated 2 retail Learning Express stores, along with 2 partners. She opened Learning Express of Needham with her partners in 1987 and sold it as a franchise in July 1993. She also purchased Toy Chest, Inc. with her partners, as detailed above in Item 1, a business in which she retains an ownership interest.

Louis DiMinico, Vice President, Treasurer and Director

Mr. DiMinico has been a Director and the Vice President of Real Estate for Learning Express since its inception. From 1971 through the present, Mr. DiMinico has been President of the Groton Corporation, a real estate development company in Groton, Massachusetts.

Joseph T. Diaz, General Counsel and Director

Mr. Diaz joined Learning Express as President in June 2002. In December 2005 Mr. Diaz assumed the position of General Counsel. From March 1992 until April 2001, he was Counsel, Vice President, Deputy General Counsel, and then Group President, Sesame Workshop, New York, New York.

Robert Wittman, Chief Operating Officer

Mr. Wittman joined Learning Express as Chief Operating Officer in October 2005. Previously, Mr. Wittman was President of the EXPO Design Centers Division of The Home Depot from 2001-2003. He also held positions of Senior Vice President Business Development, Villager's Hardware and Senior Vice President Merchandising for The Home Depot from 1997-2001.

Kathy Troknya, Senior Vice President, Operations

Ms. Troknya joined Learning Express as the Director of Franchise Operations in 1990 and was promoted to Vice President in 1998 and Senior Vice President, in April 2000. Ms. Troknya oversees all franchise operations.

William A. Doyno, Vice President, Information Technology

Mr. Doyno joined Learning Express as Director of Information Technology in October 1998 and was promoted to Vice President of Information Technology in April 2000.

George Russell, Vice President, New Store Development

Mr. Russell joined Learning Express in August 1997, as Director of Operations and was promoted to Vice President, New Store Development in April 2000.

Lisa Gray Visco, Vice President, Merchandising

Ms. Visco joined Learning Express as General Merchandise Manager in January 1999 and was promoted to Vice President, Merchandising in April 2000.

ITEM 3 LITIGATION

CEE Toys, Inc. v. Learning Express, Inc. (Judicial Arbitration and Mediation Services, Boston, MA, Reference #: 1400008592). On January 26, 2004, we terminated the franchise agreement between Learning Express, Inc. and our Regional Franchise Owner, CEE Toys, Inc. ("CTI") due to CTI's breach of the Regional Franchise Agreement. Specifically, CTI failed to achieve minimum levels of development in the Southern California territory. On June 10, 2004, CTI filed a complaint for damages for breach of written agreement/contract, breach of the implied covenant of good faith and fair dealing, violation of franchise relations Act, and unfair competition. CTI's claims all rely on the supposition that the lack of development in Southern California was not its fault and that therefore, LEI was not entitled to enforce the minimum development provision contained in the Regional Franchise Agreement. The parties settled their dispute by executing an Agreement of Terms effective August 8, 2005. The Agreement of Terms are as follows: In return for LEI regaining control of the territory, LEI agreed to pay CTI \$140,000.00, royalties on existing Local Stores within CTI former territory for the remaining term of the original agreement and hire CTI for a 3 year consulting contract, to be performed upon request. .

Mark Cohen, vs. Learning Express, Inc., Preston Eugene Thistle, Pamela Thistle, Paragon Retail Services, Inc., et al, Case No. 01AS07899, Superior Court, Sacramento, California. On December 28, 2001, plaintiff, the former owner of a terminated franchisee that filed for bankruptcy, filed a complaint against Us and Our Regional Franchise Managers, alleging violation of the California Franchise Investment Law and negligence. Plaintiff sought the amount of the franchise fee plus damages. On December 19, 2002, we agreed to pay plaintiff (\$30,000.00) in order to avoid the time and expense of litigation and the action was dismissed with prejudice.

Learning Express, Inc., vs. NE Toy Company, Hassan Derazi and Farzin Darabi, United States District Court, District of Massachusetts, Civil Action No. 01-CV-10626-DPW. On April 13, 2001, Learning Express filed its Complaint against a franchisee that continued to operate after termination. On or about June 7, 2001, the defendants denied their liability to Learning Express and filed Counterclaims alleging that Learning Express among other things: (A) breached the Franchise Agreements; (B) intentionally misrepresented the identity and physical location of the Regional Franchise Manager for defendants' Protected Territory; (C) engaged in unfair and deceptive practices; and (D) fraudulently induced defendants to enter into the Franchise Agreements. Defendants sought damages of \$800,000, plus statutory treble damages. The parties entered into an Acknowledgment of Termination of Franchise Agreements and

Mutual Release Agreement (the "Agreement"). Under the Agreement: (1) the defendants acknowledged and agreed that their Learning Express Franchise Agreements were terminated as of September 7, 2000; (2) the defendants agreed to cease and desist from operating any of their formerly authorized Learning Express Stores; (3) Learning Express agreed to purchase certain fixtures, furniture, and equipment for \$15,000; and (4) Learning Express and the defendants agreed to dismiss with prejudice, their respective claims and counterclaims, with each party bearing its own fees and costs.

Learning Express, Inc., vs. Ray-Matt Enterprises, Inc., d/b/a Learning Express, Matthew Hanratty and Judith A. Hanratty, United States District Court, District of Massachusetts, Civil Action No. 99-CV-11372 (WGY). Matthew Hanratty and Judith A. Hanratty, his wife vs. Learning Express, Inc., Sharon DiMinico, William Moore, Linda Moore, Fran-Net, Inc. and Jack Armstrong, Superior Court of New Jersey, Middlesex County, Dkt. No. L-7025-99. On July 15, 1999, the owners of Our franchisee, Ray-Matt Enterprises, Inc., filed their complaint (amended on July 29, 1999), against Us, Our founder, Our Regional Franchise Managers and an independent franchise broker, setting forth the same allegations set out in the counterclaim asserted in the United States District Court action described above. Learning Express answered the complaint, denied the allegations and filed affirmative defenses. On February 27, 2001, the parties to both the U.S. District Court action and the New Jersey action entered into an agreement under which: (1) the franchisee acknowledged the termination of the Franchise Agreement and all parties exchanged mutual releases.

Other than these four actions, no other litigation is required to be disclosed in this Offering Circular.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FRANCHISE FEE

The initial franchise fee which You must pay to Learning Express under the Franchise Agreement is \$30,000.00. You will pay \$5,000.00 (the "Deposit Fee") and sign Our Deposit Agreement. A copy of the Deposit Agreement appears as Exhibit "D" to this Offering Circular. Upon Our receipt of the Deposit Fee, We or our designee, will assist You with local evaluation and site selection. It is Your sole responsibility, however, to secure the premises for Your Local Store Franchise. If You cannot locate a suitable site for Your Local Store Franchise, We will refund Your Deposit Fee, less all of Our reasonable travel expenses, including transportation, lodging and food, or our designee, incurred in connection with the site selection assistance provided to You, the Deposit Agreement will terminate and You will have no further rights to become a Local Store Franchisee. The estimated range for the expenses which will not be refunded is between \$250.00 and \$1,000.00, depending upon the distance traveled and the actual travel costs incurred. You have 120 days from the date We approve Your site, to sign a lease. If a lease is not signed by the end of that 120 day period, Our approval for Your site expires.

The Franchise Agreement for the Local Store Franchise will be executed at the time, or immediately after You sign the lease for Your Local Store Franchise. You will pay Us the remaining \$25,000.00, in a lump sum upon execution of the Franchise Agreement. Once You have paid the initial franchise fee in full, it is not refundable for any reason. This fee is uniform for all franchisees acquiring their first franchise under this Offering Circular.

Learning Express is a member of the International Franchise Association and participates in IFA's VetFran Program, which provides special financial incentives to qualified veterans. The financial incentive is a \$5,000.00 discount on the Initial License Fee.

If You purchase additional Local Store Franchises, then the initial franchise fee is \$10,000.00, for each additional Local Store Franchise. Additional Local Store Franchises require the submission of Our form Notice of Intent, which is Addendum "A" to the Franchise Agreement.

There will be a \$ 3,000.00 franchise fee paid in connection with the operation of a Satellite Location. A Satellite Location is an additional, smaller and permanent location within the protected territory of the primary location. The operation of a Satellite Location requires the submission of Our form Notice of Intent, which is Addendum "A" to the Franchise Agreement. You are not entitled, however, to operate a Satellite Location absent Learning Express' prior written consent, which Learning Express can withhold in its sole discretion.

There will be a \$ 1,000.00 franchise fee paid in connection with the operation of a Temporary Location. A Temporary Location is an additional location for a limited time on a temporary basis. The operation of a Temporary Location requires the submission of Our form Notice of Intent, which is Addendum "A" to the Franchise Agreement. You are not entitled, however, to operate a Temporary Location absent Learning Express' prior written consent, which Learning Express can withhold in its sole discretion.

Learning Express does not offer financing of the initial franchise fee.

ITEM 6 OTHER FEES

The following is a breakdown of the various fees which You will be required to pay as a Local Store Franchisee. You should read the explanatory footnotes carefully.

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee ^{1,3}	5% of Gross Receipts ² Minimum monthly royalty is \$ 1,000.00	Payable monthly on the 10th day of each subsequent month, by Electronic Funds Transfer, if required.	Gross Receipts includes all revenues received by You.
Advertising ^{1,4}	1% of Gross Sales contribution when Learning Express Advertising Fund formed	Learning Express Advertising Fund Contribution collected monthly with the Royalty	60 day notice before advertising begins.

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Additional Assistance ^{1,5}	\$250.00 per diem, plus reasonable travel and lodging expenses	When billed	Only if operational problems require a considerable level of additional support.
Inspection ¹	If underpayment, cost of inspection, plus 1% per month on underpayment of Royalty or Learning Express advertising fund fee	Immediately after inspection	Due if inspection funds underreporting of Gross Receipts.
Transfer Fee ^{1,6}	\$10,000.00 Also, 10% of purchase price if We procure buyer for you.	On or before date of transfer	Payable from Buyer upon transfer. Non-refundable.
Renewal Fee ¹	Will vary under circumstances	Upon renewal	For a Franchise Agreement you must reimburse us for our administrative and legal expenses associated with your renewal which must be paid in conjunction with signing of new Franchise Agreement (then current version).
Costs and Attorney's Fees	Will vary under circumstances	As incurred	You are responsible for Our costs and attorney's fees if We incur them in a lawsuit We win or if We get an injunction against You.
Indemnification	Will vary under circumstances	As incurred	You have to reimburse Us if We are held liable for claims arising from Your operation of Your Local Store Franchise.
Late Payment (Interest)	1% per month on all amounts due Us not paid on time	Upon demand	

Notes:

- (1) All fees are imposed by and are payable to Learning Express. All fees are non-refundable.
- (2) Gross Receipts are defined to include all revenues which You receive while conducting business. Gross Receipts may take the form of cash, check, credit, charge account or exchange. Gross Receipts includes money or credit which You receive from the sale of merchandise, from other services which You or others may provide, or any other service or product for which You charge separately. Gross Receipts does 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 actually paid to such governmental authority.
- (3) You will pay 5% of Your monthly Gross Receipts as a Royalty. You will pay the same Royalty based upon Your Gross Receipts from the operation of either a Satellite or Temporary Location, if Learning Express grants its permission.
- (4) In addition to the requirement that you expend annually at least 4% of Your Gross Receipts on advertising and promoting Your Local Store Franchise within Your local marketing area. The Franchise Agreement reserves for Learning Express the right to require that You pay Learning Express on a monthly basis (in the same manner that the Royalty is paid), a contribution of 1% of Your Gross Receipts for a Learning Express National Advertising Fund. This contribution will be in addition to the local advertising requirement discussed above. Learning Express reserves the right, on at least 60 days' prior written notice, to begin collecting Your Learning Express National Advertising Fund contribution under the Franchise Agreement.

Learning Express will use the fees collected for the Learning Express Advertising Fund for the design and production of advertisements, promotional materials, newsletters, holiday catalogs, and the payment to Learning Express, its affiliates or advertising agencies for administrative expenses. In collecting these fees, Learning Express will not allocate or expend contributions so as to benefit any particular franchisee or group of franchisees on a pro rata or proportional basis or otherwise.

- (5) If Learning Express is required to provide a level of additional support because of recurrent operational problems, then Learning Express may at its option, charge You \$250.00 per day for each Learning Express representative who provides these additional support services.
- (6) If You sell Your Local Store Franchise, then Your Buyer must pay a \$10,000.00 transfer fee to Learning Express. If We assist You in procuring a buyer for Your Local Store Franchise, You agree that You will pay Us an additional 10% of the total purchase price.

**ITEM 7
INITIAL INVESTMENT**

ESTIMATED INITIAL INVESTMENT FOR THE LOCAL STORE FRANCHISE

The following represents the approximate expenditures which You will have to make relative to opening Your Local Store Franchise:

	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
INITIAL FRANCHISE FEE 1	\$30,000.00	\$5,000.00 Deposit, \$25,000.00 Balance	Deposit due with Deposit Agreement. Balance at signing of Franchise Agreement	Learning Express
LEASEHOLD IMPROVEMENTS 2,3	\$10,000.00 - \$30,000.00	As Incurred	Prior to Opening	Contractors, Suppliers
SIGNAGE, EQUIPMENT, FURNITURE AND FIXTURES 4,5	\$40,000.00 - \$55,000.00	As Incurred	Prior to Opening	Sign Supplier, Equipment Suppliers, Fixture Supplier
ORGANIZATIONAL AND TRAINING COSTS 6	\$5,000.00- \$15,000.00	As Incurred	As Incurred	Legal, Accounting, Landlord Deposit, Utility Companies Travel and Living During Training
OPENING INVENTORY 7	\$90,000.00 - \$150,000.00	As Incurred	At Opening	Learning Express Suppliers
GRAND OPENING ADVERTISING 8	\$10,000.00 Minimum Amount	As Incurred	As Incurred	Various Vendors
INSURANCE 9	\$2,000.00	As Incurred	As Invoiced	Insurance Company
ADDITIONAL FUNDS (1ST 3 - 6 MONTHS) 10	\$10,000.00 - \$40,000.00	As Incurred	As Needed	Employees, Suppliers
TOTAL: 11	\$197,000.00-\$332,000.00			

Notes:

- (1) The initial franchise fee for the first Local Store Franchise is \$30,000.00. \$5,000.00 is paid to Learning Express at the time that You enter into a Deposit Agreement. Once you have secured a site which Learning Express has approved, You will sign the Franchise Agreement and pay the \$25,000.00 balance of the initial franchise fee. See Item 5.

- (2) It is not expected that You will purchase real estate to operate the Local Store Franchise. Therefore, there is no initial investment included in the summary above for real estate. Nevertheless, You should be aware of the rents You likely will pay for the premises for Your Local Store Franchise. You should anticipate leasing approximately 2,000 - 3,000 square feet of space. While Learning Express does not specify where You must locate the Local Store Franchise, You and Learning Express must agree upon a suitable location. Learning Express anticipates that in most parts of the country You will pay rent of approximately \$20.00 to \$40.00 per square foot. Certain leases will carry additional common area, insurance and tax expenses. You will generally be required to make a rent deposit (equal to 1 to 2 months of Your base rent) and utility deposits.
- (3) We estimate that You will spend between \$10,000.00 and \$30,000.00 for leasehold improvements. This figure will vary depending upon the size and condition of the premises. The interior and exterior must be renovated to conform to Our image requirements. These costs are generally not refundable. Most landlords provide some or all of the leasehold improvements as consideration for the lease.
- (4) Signage will include exterior and interior signage. Prices will vary depending upon the size and style of signage. Local ordinances and landlord requirements will govern the style of the exterior signage.
- (5) We estimate that You will spend between \$40,000.00 and \$55,000.00 for the signage, equipment, fixtures, carpet and furniture necessary to open Your Local Store Franchise, including the cost of the required computer system (See Item 11.) This estimate does not include freight and installation, which will vary based on distance and local conditions.

The actual cost of the computer equipment will depend on the computer(s) and point of sale software program options you select. We require that you use CounterPoint software by the Retail Division of Radiant Systems, Inc. You have the option of including scanners, additional memory and printers in Your computer package. We also require that Quick Books software be used to manage Your accounts payable. There is more information about the computer equipment in Item 11 of this Offering Circular.

- (6) You should expect to spend between \$1,000.00 and \$5,000.00 on professional fees for a lawyer and an accountant during the period before You open Your Local Store Franchise.
- (7) You should anticipate spending between \$90,000.00 and \$150,000.00 on inventory. The wide range in initial inventory will depend upon the size of the premises for Your Local Store Franchise and the time of year during which You open Your Local Store Franchise for business. A pre-holiday opening, for example, will require that You purchase a more sizeable inventory of toys and games.
- (8) This figure includes print advertisements and promotions. The initial advertising budget, is a twelve week Grand Opening Program and will depend upon the location of Your Local Store Franchise and the cost of local media.
- (9) We require that You have the following insurance coverage: a) Comprehensive public, product, professional, service and liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the Local Store Franchise, in a minimum amount of \$1 Million per occurrence; b)

Workers' compensation and employer's liability insurance, as required by statute or practice in the state in which You operate Your Local Store Franchise; c) Business interruption insurance, on an actual loss substantiated basis; and d) Hired and non-owned auto liability insurance, of \$1 Million for bodily injury and property damage.

Upon 30 days prior notice to You, We may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional kinds of insurance to reflect inflation, identification of special risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances.

The estimated cost of insurance for the first year of operation, which is paid directly to the insurance company, is \$2,000.00.

- (10) The amount of additional funds which You should anticipate having available during the first three to six months of operation is between \$10,000.00 and \$40,000.00 depending on time of year. This figure includes back-up capital for rent and payroll expenses. This figure does not include Your personal living expenses, which You should provide for separately. Learning Express cannot guarantee that this estimate will be sufficient. Additional working capital may be required if sales are low or fixed costs are high.
- (11) The estimated initial investment figures do not contain a category for expenses for real estate acquisition or lease expenses.

The estimates are based on Our experience and the experience of Our franchisees. You may not finance any portion of your initial investment, other than Your initial inventory purchases (which range between \$90,000 and \$150,000). Except as expressly indicated otherwise, these estimates cover Your initial cash investment up to the opening of Your Local Store Franchise for business. They do not provide for Your cash needs to cover any financing incurred by You or Your other expenses. You should not plan to draw income from the operation during the start-up and development stage of Your business, the actual duration of which varies materially and cannot be predicted by Us for Your Local Store Franchise (and which may extend for longer than the three to six month "initial phase" described in Note 10). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which You may liquidate or against which You may borrow, to cover other expenses and any operating losses You may sustain, whether during Your start-up and development stage, or beyond. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of Your business, which in turn will depend upon factors such as the demographics and economic conditions in the area in which Your Local Store Franchise is located, the public awareness of Our business and Trademarks (See Item 13) within the general vicinity of Your proposed Local Store Franchise, Your ability to operate efficiently and in conformance with Our recommended methods of doing business, and competition.

Because the exact amount of reserves will vary from operation to operation and cannot be meaningfully estimated by Us, We urge You to retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for Your particular operation.

Generally, the foregoing costs, expenses and purchases are non-refundable. Learning Express does not finance, in whole or in part, any of Your initial investment, although We do guaranty payment of Your initial merchandise inventory.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

A substantial part of the goodwill associated with Learning Express comes from the quality and the educational and developmental orientation of the products which are sold by Local Store Franchisees. You will offer for sale only those products which are deemed to be appropriate for sale under and identified with the Trademarks. (See Item 13).

Learning Express standards and specification may change from time to time through updates in the Confidential Operations Manuals and through operating memoranda issued by Learning Express, via e-mail or over the Learning Express Intranet. In determining which products to approve, Learning Express evaluates the quality and appropriateness of each product, the reputation of the manufacturer and the cost of the product. The criteria applied by Learning Express for supplier approval will be made available to You as requested.

Specifications and standards for products, services and suppliers are made as amendments to the Confidential Operations Manuals and operating memoranda which are mailed or faxed to You, sent by e-mail or delivered over the Learning Express Intranet. Learning Express may, from time to time, negotiate terms and prices for products purchased by Local Store Franchisees, based upon the growing number of Local Store Franchises, but it is not Our practice to negotiate all terms and prices on behalf of the Local Store Franchisees.

If you wish to sell a product which has not been previously authorized by Learning Express, then You must furnish information about the product and the supplier. We will notify You only if the product is not approved. If, Learning Express advises You in writing that the product is not approved, you agree to use up your unused inventory or immediately dispose of such inventory at Our option. Similarly, in the event of revocation, of any previous supplier approval, You agree to use up Your unused inventory and refrain from ordering disapproved inventory.

You will be required to use computer hardware and software for use in the operation of Your Local Store Franchise. You should consult Item 11 under the heading "Computers", for further information. You must establish a high speed Internet connection with an Internet Service Provider ("ISP"), recommended and approved by Us in connection with the operation of Your Franchised Business. You are not permitted to use an Internet Service Provider ("ISP") that offers its service for free. We restrict all of Your e-commerce activities.

Learning Express will be a source (and in some instances, the only source) for all of your advertising materials (See Item 11) and of certain supplies, e.g., Web services, catalogs, bags, gift cards, packaging material, giftwrap, posters, signage, and various printed items bearing the Trademarks (see Item 13), e.g., business cards, postcards, stationery, brochures. We do not anticipate deriving a profit from supplying any items to You; any payments received from you are intended to cover Our costs incurred in supplying the items. We serve as a source of supply to maintain quality control over Our Trademarks and to provide these items to You at a competitive cost.

There is no practice in effect by which Learning Express provides material benefits to You, such as a right of renewal or the granting of additional franchises, based upon Your use of approved suppliers. However, failure to use approved suppliers is a basis for termination of Your Local Store Franchise Agreement.

We receive payments from vendors whose products are chosen to be included in Our catalogs. A portion of these amounts are used to reduce the cost of the catalogs You purchase from Us.

There are currently no formal purchasing or distribution cooperatives.

ITEM 9 FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE LOCAL STORE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

OBLIGATION	SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site selection and acquisition/lease	Sections 1.04, 3.01, 3.02 of Franchise Agreement	Items 11
b. Pre-opening purchases/leases	Sections 8.01, 9.03 and 10.03 of Franchise Agreement	Item 7 and 8
c. Site development and other pre-opening requirements	Sections 1.08 and 10.02 of Franchise Agreement	Items 6, 7 and 11
d. Initial and ongoing training	Sections 9.01, 9.02 and 9.04 of Franchise Agreement	Items 7 and 11
e. Opening	Section 9.01 of Franchise Agreement	Items 7 and 11
f. Fees	Sections 7.01, 7.02, 7.03, 8.03 and 8.04 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies Operations Manuals	Sections 6.03, 10.01, 10.03 and 10.10 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Sections 5 and 6 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services	Sections 9.01 and 10.03 of Franchise Agreement	Items 8 and 16

OBLIGATION	SECTION IN AGREEMENT	ITEM IN OFFERING CIRCULAR
offered		
j. Warranty and customer service requirements	None	
k. Territorial development and sales quotas	None	
l. Ongoing product/service purchases	Sections 10.03 of Franchise Agreement	Item 11
m. Maintenance, appearance and remodeling requirement	Section 4.02B of Franchise Agreement	Item 11
n. Insurance	Section 10.05 of Franchise Agreement	Items 7 and 11
o. Advertising	Section 8 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 10.17 of Franchise Agreement	None
q. Owner's participation/management/staffing	Sections 10.04 and 10.13 of Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 10.07 of Franchise Agreement	Items 6 and 11
s. Inspections/audits	Section 10.06 of Franchise Agreement	Items 6 and 11
t. Transfer	Section 11 of Franchise Agreement	Item 17
u. Renewal	Section 4.02 of Franchise Agreement	Item 6 and 17
v. Post-termination obligations	Section 15.01 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 15.01 of Franchise Agreement	Item 17
x. Dispute resolution	Section 16.06 and 16.07 of Franchise Agreement	Item 17

ITEM 10 FINANCING

Learning Express guarantees Your initial inventory purchase to Your suppliers. Learning Express does not offer any other direct or indirect financing to the Local Store Franchisee. Learning Express does not guarantee any note, lease or obligation for any Local Store Franchisee. You may not finance any part of Your initial investment, except for Your initial inventory purchases.

In order to secure the prompt performance of Your obligations under the Franchise Agreement and to protect the Trademarks (see Item 13) and Our proprietary information (see Item 14), You grant Us a security interest in the royalties, equipment, fixtures, furniture and improvements at the Franchised Business. At Our request, You will execute a UCC-1 Financing Statement.

ITEM 11 FRANCHISOR'S OBLIGATION

Except as listed below, We need not provide any assistance to You.

Pre-Opening Obligations:

Before You open Your Local Store Franchise for business, We, or Our designee will:

1. Define a territory within which You will open a single Local Store Franchise at a site selected by You, although We will assist you with the site selection and lease negotiations (Franchise Agreement - Sections 1.04, 1.05 and 2.02; Deposit Agreement, Exhibit "D"). Learning Express' approval of a site does not constitute a representation or warranty that the location will be profitable or that Your sales will attain any predetermined levels. Approval is intended only to indicate that the proposed site meets the minimum criteria for identifying sites. You will generally lease the premises for Your Local Store Franchise from an independent third party. You are responsible for all aspects of construction of Your Local Store Franchise, including permits, construction, and installation of fixtures, equipment, signs and all other improvements.

2. Provide a training program for You and Your designated management staff in the operation of Your Local Store Franchise. There will be no charge for training, but You will be responsible for all transportation, living costs and salaries of Your employees who attend training. If You employ a manager or You own more than 1 Store, Your managers must attend both training programs. The training will take place at the Learning Express headquarters in Devens, Massachusetts and at one of Our designated training centers. Learning Express currently has 5 training centers: Dallas, Texas; Sunnysvale, California; Alpharetta, Georgia, Broomall, Pennsylvania and Sylvania, Ohio. Training at Our headquarters is typically scheduled once a month and at the training centers, as required. The training program is mandatory and You and/or Your designated manager must attend and complete the training to the satisfaction of Learning Express, before You may open Your Local Store Franchise. The initial training schedule appears as Exhibit "E" to this Offering Circular. You and designees from Your management staff, at our discretion, may also be required by Us to attend advanced training at Our headquarters. In addition, you will be required to attend additional training one year

following your Grand Opening at our offices in Devens, Massachusetts. You will be responsible for all costs and expenses associated with attending any of these advanced training sessions (Franchise Agreement – Section 9.01).

3. Make available to You the Learning Express Confidential Operations Manuals (the “Manuals”), which are and remain Our property. The Manuals contain the standard specifications and procedures for the operation of Your Local Store Franchise, for the business as a whole and will be updated via Our Intranet as changes are made in the Learning Express franchise system (Franchise Agreement - Section 10.01).

The Table of Contents of the Manuals appears as Exhibit “F” to this Offering Circular.

4. Order Your initial inventory of products and fixtures (Franchise Agreement - Section 9.03B).

Assistance During Operation of Your Local Store Franchise:

During the operation of Your Local Store Franchise, Learning Express or Our designee will:

1. Provide updates, revisions and amendments to the Manuals via Our Intranet or through e-mail (Franchise Agreement - Section 6.03);

2. Furnish on-going assistance and supervision, as Learning Express deems appropriate. This on-going assistance and supervision might include telephone calls, site visits, inventory control training, assessment of new products, services, and product lines, evaluation of the sales and profitability of Your Local Store Franchise’s operations and recommendations for operational improvements (Franchise Agreement Sec. 9.04), and review of Your books and records (Franchise Agreement, Section 10.06); and

3. Establish and expend monies under the Learning Express Advertising Fund. Learning Express will notify You at least 60 days in advance, before it begins collecting Your contribution to the Learning Express Advertising Fund. (Franchise Agreement - Sections 8.04)

Advertising Assistance:

We will provide certain advertising services to You, either in-house or through an outside advertising agency, including assistance in the development of a grand opening campaign, newsletters, brochures, catalogs and camera ready artwork. You alone are responsible for the placement and payment for the grand opening advertising campaign and the local market advertising program. You must spend a minimum of 4% of Your Gross Receipts on advertising and promoting the Store in Your local market area. You may use Your own advertising and promotion materials, but all local advertising and promotion, is subject to Learning Express’ prior review and approval. You must adhere to Learning Express standards regarding Your advertising and promotion efforts and expenditures. You may not maintain a toy e-commerce Website for Your Local Store Franchise.

We reserve the right to require that You contribute up to an additional 1% of Your Gross Receipts for the Learning Express National Advertising Fund, in addition to the local marketing programs discussed above. The money collected will be placed in the Learning Express National Advertising Fund, to be used for the design, administration and placement of national advertising

programs. Learning Express will notify You 60 days in advance, before it begins to collect the money for the Learning Express National Advertising Fund. Sections 8.03, 8.04 and 8.05 of the Franchise Agreement contain further information about the Learning Express National Advertising Fund. No fiduciary relationship will be created by the existence of the Learning Express National Advertising Fund. Within 90 days following Learning Express' fiscal year end, each franchisee may request a copy of the Learning Express National Advertising Fund's financial statement.

There are currently no formal advertising cooperatives in place. Most advertisements are placed directly by the individual Local Store Franchisee in print media. Local Store Franchisees also engage in direct mailing to their customers, in the form of reminder cards, newsletters and announcements of special promotions. Learning Express does not have the power to require cooperatives to be formed, changed, dissolved or merged. The Learning Express Franchise Advisory Council ("FAC"), was formed in 2000. The FAC serves in an advisory capacity only. The members of the FAC represent specific geographic areas and there are presently 10 such areas and 10 members. The by-laws of the FAC limit the number of members to a maximum of 13. Learning Express does not have the power to change or dissolve the FAC, although Learning Express initiated formation of the FAC.

Computers.

Learning Express requires the use of the CounterPoint Point of Sale application suite as a standard component of store system software. Learning Express, Inc. maintains a standard minimum configuration of hardware and software required to run a retail operation.

The programs included in the minimum configuration have been in continuous use by Learning Express and Our Local Store Franchisees for more than 11 years.

CounterPoint's Point of Sale Software is the product of:
Radiant Systems, Retail Division
1727 Kirby Parkway
Memphis, TN 38120

The purchase of CounterPoint POS is through a network of dealers. Learning Express, Inc. maintains a list of dealers with which a preferred relationship has been established.

Notes:

1. Since computer hardware/software is constantly changing, detailed specifications of the then recommended system will be provided with the associated costs upon request.
2. The warranty on the computer equipment is generally 1 year, but may vary by manufacturer. It is up to You to determine the necessity and warranty extension period of a hardware service contract. Warranty contracts on hardware will vary depending on coverage desired, manufacturer and equipment covered.
3. Additional equipment can be added at the franchisees option. Additional equipment may consist of workstations, printers, scanners, registers or other peripheral computer devices deemed necessary to support the expanded configuration of the CounterPoint POS system.

We may require You to use a designated ISP and prescribed methods for transmitting electronic data to the Learning Express, Inc. Home Office. This data relates to the operation of

your franchise including (but not limited to) sales transactions, customer address and email lists, purchase order transactions and inventory transaction data.

You may be required to upgrade Your hardware and/or software from time to time, whenever Learning Express, in its reasonable judgment, determines that upgrading will improve Your store's operations, record keeping ability or to remain compliant with Learning Express' operational procedures. It is anticipated that your CounterPoint software will need to be upgraded annually unless stated otherwise. In some cases, upgrading the POS software may result in the need to upgrade portions of your hardware. Quotes for these upgrades may be obtained at the time they are required.

The computer equipment which You are required to use will collect sales data and maintain inventory information. Its primary use will be to record sales transactions at the point of purchase counter as well as assist with Purchasing and Inventory management functions.

Selection of the Location of Your Local Store Franchise:

Either Learning Express or its designee will assist You in finding a site for Your Local Store Franchise. While Learning Express and its designee need to consent to Your chosen location, You are solely responsible for selecting Your site. Among the factors which We or Our designee will consider are: the population and income level of the trading area; pedestrian and vehicular traffic patterns; the number of compatible businesses in the immediate area and their sales volumes; competition; parking and accessibility; visibility; and lease and rental terms. Of course, consent by Learning Express or its designee for a specific location does not warrant the suitability of the site or the likelihood of success of Your Local Store Franchise. Learning Express or its designee will notify You within 30 days if Learning Express consents to Your selection of a site. Our Site Selection Consent form appears as Addendum "A" to the Deposit Agreement. Once We have given Our approval, You will have 120 days to sign the lease for Your Local Store Franchise or Our approval of the site expires. If You cannot locate a suitable site for Your Local Store Franchise within 90 days from the date of the Deposit Agreement (See Item 5), We will refund Your Deposit Fee, less all of Our and Our designee's reasonable travel expenses, including transportation, lodging and food, incurred in connection with the site selection assistance provided to You.

While it is difficult to estimate the typical length of time between the signing of the Franchise Agreement and the opening of Your Local Store Franchise for business, We anticipate that the period will run approximately 90 to 180 days. Among the factors affecting the time period will be: the availability of an appropriate site; financing arrangements; meeting the requirements of local and state ordinances; and the delivery and installation of equipment, inventory, signage, and fixtures.

ITEM 12 TERRITORY

Your Local Store Franchise will be within a specific geographic area defined by zip codes, streets, city, town, drive times, natural boundaries or by a distance radius (the "Protected Territory"). A map or description of the Protected Territory will be included in Your Franchise Agreement. As long as You are not in default under the Franchise Agreement, We will not place another Local Store Franchise or operate a Learning Express Store within Your Protected Territory. You have no other rights derived from the definition of the Protected Territory and

there will be no restrictions on marketing to customers residing within Your Protected Territory unless specifically set forth in the Learning Express Operation's Manual. You have no right to independently market products of Your Local Store Franchise on the Internet or through any method other than through Your brick and mortar retail store.

You may operate from one location only and must receive the written permission of Learning Express before relocating. Learning Express may grant or withhold its permission for relocation in its sole discretion. You do not receive the right to acquire additional franchises within Your Protected Territory, except as described in Item 5.

Learning Express has not established and will not establish franchises or company-owned outlets or other channels of distribution selling similar products under different trademarks, service marks or logos in Your Protected Territory.

There is no minimum sales quota. You maintain rights to Your Protected Territory even though the population increases. There are no other circumstances by which We may modify Your Protected Territory without Your consent.

ITEM 13 TRADEMARKS

Learning Express grants You the right to use the Learning Express trademarks. You may only use the Learning Express trademarks to operate a Local Store Franchise. By "Trademark", Learning Express means trade names, trademarks, service marks, logos and domain names (whether consisting of any of the previously mentioned or not) which are a part of the Learning Express System.

Learning Express has registered the Trademarks listed below on the United States Patent and Trademark Office Principal Register.

"Learning Express"
(Words Only)
Registration Date: July 16, 1991
Registration No.: 1,651,110



(Logo)
Registration Date: November 12, 1996
Registration No.: 2,015,571

We also consider Our trade dress, i.e., elements of the Learning Express store fixtures, signage, and style inherently and uniquely distinctive and protectable under applicable law.

You must follow Our rules when You use these Trademarks. You cannot use the Trademarks as part of a business entity name or with modifying words, designs or symbols

except for those which Learning Express licenses to You. You may not use the Trademarks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by Learning Express.

No third party agreements limit Our right to use or license the use of the Trademarks.

You must notify Learning Express immediately when You learn about an infringement of, or challenge to Your use of Our Trademarks. Learning Express will take the action We think is appropriate. While Learning Express is not required to defend You against a claim against Your use of Our Trademarks, Learning Express will reimburse You for Your liability and reasonable costs in connection with defending the Trademarks. To receive a reimbursement, You must have notified Learning Express immediately when You learn about the infringement or challenge.

You must modify or discontinue the use of a Trademark if Learning Express modifies or discontinues it. If this happens, Learning Express will not reimburse You for Your costs of compliance, including for example, the changing of signage and other trademarked materials. You must not directly or indirectly contest Our right to the Trademarks, trade secrets or business techniques that are part of Our business.

There are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, any state trademark administrator or any court involving a pending infringement, opposition or cancellation proceeding nor is there any pending material litigation involving the principal Trademarks.

Learning Express does not know of any infringing uses that could materially affect Your use of the Trademarks.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to Your Local Store Franchise. Learning Express claims copyright protection in the Manuals and related materials, and advertisement and promotional materials, although these materials have not been registered with the United States Registrar of Copyrights. These materials are considered proprietary and confidential and are considered Our property and may be used by You only as provided in the Franchise Agreement.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit Learning Express' right to use or license the copyrighted materials. There are no infringing uses actually known to Learning Express which could materially affect Your use of the copyrighted materials in any state. Learning Express is not required by any agreement to protect or defend copyrights.

You must treat the Manuals, any other manuals created for or approved for use in the operation of Your Local Store Franchise, and the information contained in them, as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, or otherwise make them available to any unauthorized person. The Manuals will remain Learning Express' sole property and must be kept in a secure place at Your Local Store Franchise.

Learning Express may revise the contents of the Manuals, and You must comply with each new or changed standard. You must ensure that the Manuals are kept current at all times. In the event of any disputes as to the contents of the Manuals, the terms of the master copy maintained by Learning Express at Learning Express' home office will be controlling.

Learning Express will disclose to You certain confidential or proprietary information and trade secrets. Except as is necessary for the operation of the Local Store Franchise and as Learning Express approves, You may not, during the term or at any time after the expiration or termination of the Franchise Agreement, regardless of the cause of termination, directly or indirectly, use for Your own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, vendor lists and negotiated terms, confidential information, knowledge or know-how concerning the services, advertising, marketing, designs, plans, or methods of operation of Learning Express. You may disclose to Your employees only that confidential, proprietary or trade secret information as is necessary to operate the business and then only while the Franchise Agreement is in effect. Any and all information, knowledge, or know-how, including, materials, equipment, marketing, and other data, which Learning Express designates as secret or confidential will be deemed secret and confidential for purposes of the Franchise Agreement.

You must also promptly tell Us when You learn about an unauthorized use of Our proprietary information. Learning Express is not obligated to take any action, but will respond as We deem appropriate. Learning Express will indemnify You for any losses You incur as the result of the actions of a third party concerning Your use of any of this information.

At Learning Express' request, You must require any personnel having access to any of our confidential information to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by You. The covenants must be in a form satisfactory to Learning Express, including, specific identification of Learning Express as a third party beneficiary of the covenants, with the independent right to enforce them.

The Manuals were most recently updated in 2005.

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

Learning Express requires that You directly oversee the operation of Your Local Store Franchise and commit a minimum of 30 hours per week on an "on-premises" basis. If You are a business entity, the direct oversight must be done by an owner. If You own more than one Local Store Franchise, You will be expected to oversee all of the Local Store Franchises, each of which must be managed by a full-time manager who has successfully completed the Learning Express training program. Each manager will be required to execute a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17. Minimum standard store hours are Monday through Saturday 10:00am – 6:00pm.

The manager need not have an ownership interest in the Local Store Franchise or its owner. You may train Your manager(s). There are no limitations on who You can hire as a manager.

Each individual who has a 5% or greater ownership interest in the entity that owns the Local Store Franchise must sign Our Guaranty of Performance, which is Addendum “C” to the Franchise Agreement, assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement and Our Confidentiality Agreement and Covenants Not to Compete, which is Addendum “D” to the Franchise Agreement.

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

Learning Express requires You to offer and sell those products and merchandise that are specifically approved by Learning Express (See Item 8). Learning Express has the right to add or change the authorized products and merchandise that You will offer; and there are no limits on Our ability to change the authorized products and services. You will be notified of changes in approved suppliers and inventory through electronic mail or the Learning Express Intranet. We may restrict Your right to sell products which do not meet Our standards for quality, safety, and value or which We deem to be not appropriate for a Local Store Franchise.

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

This table lists certain important provisions of the Local Store Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Offering Circular.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Term of franchise	Section 4.0	10 years, unless terminated earlier
b. Renewal or extension of the term	Section 4.02	Multiple additional terms of 5 years
c. Requirements for You to renew or extend	Section 4.02	Notice, payment of our administrative and legal expenses, store upgraded to current standards and specifications
d. Termination by You	None	
e. Termination by Learning Express without cause	None	
f. Termination by Learning Express	Sections 13.01, 13.02	See g. and h. below

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
with cause		
g. "Cause" defined - defaults which can be cured	Section 13.02	Include failure to pay, file report, or comply operationally
h. "Cause" defined - defaults which cannot be cured	Section 13.01	Include insolvency, abandonment, maintaining false books, repeated defaults, felony conviction.
i. Your obligations on termination/ non- renewal	Section 14.01	Pay the minimum royalty fee for the remainder of the franchise term, vendor payments, rents, cease use of trademarks, proprietary information
j. Assignment of contract by Learning Express	Section 11.01	Freely assignable
k. "Transfer" by You – definition	Section 11.02	Sale, assignment, transfer, mortgage, pledge
l. Learning Express approval of transfer by franchisee	Section 11.02	Transferee has financial resources, background, etc.
m. Conditions for Learning Express approval of transfer	Section 11.02	"Pay the Transfer Fee including sales assistance percentage, if applicable and upgrade the store to convert standards and specifications. 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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		that the proposed transferee has executed a Learning Express franchise agreement.
n. Learning Express right of first refusal to acquire Your business	Section 11.02	10 days on same terms as bona fide offer
o. Learning Express option to purchase Your business	Section 11.02A	At Our option, sell Us equipment, fixtures, usable inventory at fair market value as determined by Us.
p. Your death or disability	Section 11.02	Timely transfer - immediately following your death or permanent incapacity you or your estate may assign the Franchised Business to a member of your immediate family approved by Franchisor. Your heirs shall also have the right to sell the Franchised Business, provided that Learning Express will have the right to purchase at a "Buy-Out Price" determined by third party appraisers.
q. Non-competition covenants during the term of the franchise	Section 15.01	In retail or wholesale toy business
r. Non-competition covenants after the franchise is terminated or expires	Section 15.01	2 years in retail or wholesale toy business located within 10 miles of any Learning Express store including mail order sales and e-commerce.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
s. Modification of the agreement	Section 16.03	Only by agreement by both parties
t. Integration/merger clause	Section 16.02	Covers Agreement, including attachments
u. Dispute resolution by arbitration or mediation	Section 16.06	Non-binding mediation for most disputes
v. Choice of forum	Section 16.07	State or federal court in Massachusetts (1)
w. Choice of law	Section 16.07	Massachusetts law (1)

- (1) In California, see the California Appendix to this Offering Circular.
In Illinois, see the Illinois Addendum to this Offering Circular.

“These states have statutes which may supersede the Franchise Agreement in your relationship with Company, including the areas of termination and renewal or non-renewal of your franchise. ARKANSAS [Stat. Section 4-72-201-4-72-210], CALIFORNIA [Bus. and Prof. Code Sections 20000 - 20043], CONNECTICUT [Gen. Statute Section 42-133e *et seq.*], DELAWARE [Code 2551-2556], HAWAII [Rev. Stat. Section 482E-6], ILLINOIS [815ILCS Sections 705/4 and 705/17- 705/20], INDIANA [Stat. Section 23-2-2.7-1 - 23-2-2.7-7], IOWA [Code sections 523H.1 - 523H.17], MARYLAND (COMAR 02.02.08.16L), MICHIGAN [Stat. Section 19.854 (27)], MINNESOTA [Stat. Section 80C.14 and 80C.21], MISSISSIPPI [Code Section 75-24-51-75-24-63], MISSOURI [Stat. Section 407.400-407.413 and 407.420], NEBRASKA [Rev. Stat. Section 87-401 - 87410], NEW JERSEY [Stat. Section 56:10-1], RHODE ISLAND [Stat. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim enforceable under this Act.”] SOUTH DAKOTA [Codified Laws Section 37-5A-51 and 37-5A-51.1], VIRGINIA [Code 13.1-557-574], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.01-135.07]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us including the areas of termination or renewal of your franchise.

These states have statutes which limit our ability to restrict your activity after the Franchise Agreement has ended: CALIFORNIA [Bus. & Prof. Code Section 16,600], FLORIDA [Statutes Section 543.33], MICHIGAN [Compiled Laws Section 445.771 *et seq.*], MONTANA [Code Section 30-14-201], NORTH DAKOTA [Century Code Section 9-08-06], OKLAHOMA [Statutes Section 15-217-19], WASHINGTON [Code Section 19.86.030]. Other states have court decisions limiting our ability to restrict your activity after the Franchise Agreement has ended.”

**ITEM 18
PUBLIC FIGURES**

Learning Express does not use any public figure to promote its Local Store Franchise.

**ITEM 19
EARNINGS CLAIMS**

We make no actual or projected claims of sales, profits or earnings of Local Store Franchisees, except as set forth below. No officer, director or employee or Regional Franchise Manager is authorized to make any earnings claim other than as expressly stated in this Item 19.

A. Based upon the performance of Local Store Franchises which were in operation for the entire calendar year reported below, as well as the entire calendar year prior, we are providing a disclosure of the actual Gross Revenues reported to us by those stores. These revenue figures are of specific operations and should not be considered as the actual or potential sales or earnings figures which any other franchisee could realize. We do not represent that any Local Store Franchise can expect to attain these figures.

The Average Same Store Sales* for the Past Three Years Are as Follows:

2005 (76 stores)	\$767,893 **
2004 (77 stores)	\$746,925
2003 (76 stores)	\$743,624

*We define Same Store sales as a store open with the same owner and location for the entire year and all of the previous year as well.

** In 2005, these Same Store Sales included Satellite and Temporary Locations.

B. Based upon the performance of Local Store Franchises for which 2005 was their First Full Year of operation, we are providing a disclosure of the actual Gross Revenues reported to us by those stores. These revenue figures are of specific operations and should not be considered as the actual or potential sales or earnings figures which any other franchisee could realize. We do not represent that any Local Store Franchise can expect to attain these figures in its First Full Year.

The Average 2005 Sales for Stores Open Their First Full Year** in 2005 (13 stores) is \$ 579,974.

**We define First Full Year as a store open with the same owner and location for all of 2005 but not all of 2004.

**ITEM 20
LIST OF OUTLETS**

**FRANCHISED STORE STATUS SUMMARY
FOR THE PERIODS ENDING DECEMBER 31, 2005 2004 2003,**

State	Transfers	Cancel or Terminated	Not Renewed	Reacquired by Franchisor	Left the System Other	Total from Left Columns	Franchises Operating at Year End
Alabama	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Arizona	0/0/1	0/2/0	0/0/0	0/0/0	0/0/0	0/2/1	5/4/5
California	2/1/1	0/1/5	0/0/0	0/0/0	1/0/0	3/2/6	8/9/8
Colorado	0/0/0	0/0/1	0/0/0	0/0/0	1/0/0	1/0/1	2/3/3
Connecticut	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	3/3/4
Florida	1/0/0	0/1/0	0/0/0	0/0/0	1/0/0	2/1/0	13/11/10
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/1
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Illinois	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	6/4/4
Indiana	0/0/0	0/2/0	0/0/0	0/0/0	2/0/0	2/2/0	1/2/4
Iowa	0/0/0	0/0/1	0/0/0	0/0/0	0/0/0	0/0/1	0/0/0
Kansas	0/0/0	0/0/1	0/0/0	0/0/0	0/0/0	0/0/1	0/0/0
Kentucky	0/0/0	0/0/1	0/0/0	0/0/0	0/0/0	0/0/1	2/1/0
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/1
Maryland	0/0/0	0/0/1	0/0/0	0/0/0	0/0/0	0/0/1	0/0/0
Massachusetts	2/0/0	0/1/5	0/0/0	0/0/0	1/0/0	3/1/5	11/11/12
Michigan	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Minnesota	0/0/0	0/0/1	0/0/0	0/0/0	0/0/0	0/0/1	0/0/0
Missouri	0/0/0	0/0/2	0/0/0	0/0/0	0/0/0	0/0/2	0/0/0
Montana	0/0/0	0/0/1	0/0/0	0/0/0	0/0/0	0/0/1	1/1/1
Nebraska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Nevada	0/1/0	0/0/0	0/0/0	0/0/0	1/0/0	1/1/0	0/1/1
New Hampshire	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
New Jersey	2/0/0	0/0/1	0/0/0	0/0/0	1/0/0	3/0/1	12/13/11
New York	0/0/0	0/1/1	0/0/0	0/0/0	0/0/0	0/1/1	1/1/2
North Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	6/5/5
Ohio	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/4/4
Pennsylvania	0/0/0	0/0/1	0/0/0	0/0/0	1/0/0	1/0/1	8/9/8
Rhode Island	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/2
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/1
South Dakota	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/1/1
Tennessee	0/0/0	0/0/1	0/0/0	0/0/0	0/0/0	0/0/1	0/0/0
Texas	0/0/0	0/1/2	0/0/0	0/0/0	0/0/0	0/1/2	12/9/8
Utah	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Vermont	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Virginia	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	1/1/1
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Totals	7/2/4	0/10/25	0/0/0	0/0/0	10/0/0	17/12/29	115/111/107

Notes:

- (1) All numbers are as of December 31 for each year.
- (2) A list of Our Local Store franchisees as appears as Exhibit "G".
- (3) The numbers in the "Total" Column may exceed the number of Stores because several events may have affected multiple owners.

The name, last known address and telephone number of those Local Store Franchisees who have been terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Local Store Franchise Agreement during the most recently completed fiscal year or has not communicated with us within 10 weeks of the date of the application are as follows:

Former Franchisees

Felicity Arcangeli
11371 Lugano Drive
Alta Loma, CA 31701
909-989-9655

Lance and Fran Clevenger
9021 Laurel Hurst Place
Ft. Wayne, IN 46835
219-485-1062

Daniel and Joy Cobb
8752 N Port Circle
Indianapolis, IN 46236-9204
317-826-4503

Kenneth and Angelia Genova
113 Creek Hollow Lane
Middleburg, FL 32068
904-291-9235

Stuart and Shelly Hengsteller
6981 Hampton Court
Castle Rock, CO 80108
303-660-2232

Sarah Kim
3605 Birdwatcher Ave.
N. Las Vegas, NV 89084
702-254-8697

Roger and Cindi Nikodym
908 E. Justin Drive
Sioux Falls, SD 57108
605-978-0118

John Sallaway
213 W. Spruce Street
Titusville, PA 16354
814-827-0327

James Sheridan
4 Vista Street
Phillipsburg, NJ 08865
908-454-1231

Transfers:

Charles and Tammy Lloyd
1752 Shoshone
Bishop, CA 93514
760-873-4301

John and Roberta Wilson
2543-11 Costmary Lane
Wilmington, NC 28412-2461
910-798-5351

Frank and Barbara Porro
398 Snapdragon Loop
Bradenton, FL 34212
941-932-6128

Groton Community School
110 Boston Road
Groton, MA 01450
978-448-6179

Eric and Marcie Israelian
 4661 Johnson Road
 Coconut Creek, FL 33073
 954-428-1700

Matthew Sahagian
 53 Chestnut Street
 Needham, MA 02492
 781-444-8650

**PROJECTED OPENINGS
 THROUGH DECEMBER 31, 2006**

STATE	FRANCHISE AGREEMENTS SIGNED BUT STORE NOT OPEN	PROJECTED FRANCHISED NEW STORES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED OPENINGS IN NEXT FISCAL YEAR
California	0	1	0
Massachusetts	0	1	0
Florida	0	3	0
Georgia	0	1	0
Illinois	0	1	0
Nevada	0	0	0
New Jersey	0	1	0
North Carolina	0	1	0
Ohio	0	2	0
Texas	1	3	0
Totals	1	14	0

**ITEM 21
 FINANCIAL STATEMENTS**

The audited financial statements for the fiscal years ended December 31, 2005, 2004, and 2003 are attached as Exhibit "H". These financial statements are prepared in accordance with generally accepted accounting principles by an independent auditor. Our fiscal year end is December 31st.

**ITEM 22
 CONTRACTS**

Attached, as Exhibit "B", You will find a copy of the Learning Express Local Store Franchise Agreement, together with all Exhibits.

ITEM 23
RECEIPT

The last page of this Offering Circular is a detachable receipt in duplicate for this Offering Circular (and certain other documents) to be signed by You as a prospective franchisee.