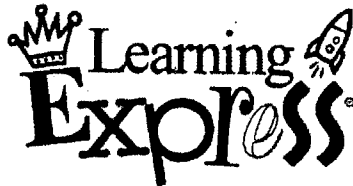


FRANCHISE DISCLOSURE DOCUMENT
FOR PROSPECTIVE FRANCHISEES



LEARNING EXPRESS, INC.
a Massachusetts Corporation
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Devens, Massachusetts 01434-5026
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DEPARTMENT OF CORPORATIONS
RECEIVED LOS ANGELES OFFICE

MAR 21 2012

The franchise offered is for the operation of a single retail toy and children's gift business (the "Local Store Franchise"). The estimated total investment necessary to begin the operation of a Local Store Franchise Business is \$209,500.00 to \$323,000.00, including the initial franchise fee of \$35,000.00. This is the total sum of all initial fees and payments for services or goods received from the franchisor and its affiliates before the business opens.

This Disclosure Document summarizes provisions of Your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in the document.**

You may wish to receive Your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Kim Schneiderbauer, Director of Administration and Corporate Events at 29 Buena Vista Street, Devens, Massachusetts 01434-5026, Telephone (800) 924-2296 x 1075.

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

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

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

Issuance date: April 1, 2012

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in Your state.

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

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

1. EXCEPT FOR CERTAIN CLAIMS, THE FRANCHISE AGREEMENT REQUIRES YOU TO INITIALLY RESOLVE DISPUTES WITH US BY MEDIATION ONLY IN MASSACHUSETTS. IT MAY COST MORE TO MEDIATE WITH US IN MASSACHUSETTS THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT PERMITS YOU TO SUE US 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 US IN MASSACHUSETTS THAN IN YOUR HOME STATE.
3. 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 WANT TO COMPARE THESE LAWS.
4. 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 DISCLOSURE DOCUMENT FOR DETAILS.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling Our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling Our franchise or referring you to us. You should be sure to do Your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

(FOR STATE ADDENDA AND AMENDMENTS, SEE EXHIBITS H AND I)

STATE COVER PAGE

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration or disclosure laws, with the following effective dates:

<u>State</u>	<u>Effective Date</u>
California	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

In all the other states, the effective date of this Franchise Disclosure Document is the issuance date of April 1, 2012.

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

To simplify the language in this Disclosure Document "Learning Express", "We", "Our" 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. We were incorporated in Massachusetts on October 28, 1987, and maintain a principal business address at 29 Buena Vista Street, Devens, Massachusetts 01434-5026. We conduct business under Our corporate name and the trade names "Learning Express" and "Learning Express Toys". We have no parent, predecessors or affiliates. We ran retail stores of the type being offered in this Disclosure Document from 1987 to 1993. We do not currently operate any Learning Express retail toy stores. Our agents for service of process are disclosed in Exhibit A to this Disclosure Document.

The Franchisor's Business. We have offered Local Store Franchises for sale since 1990. We do not operate any Local Store Franchises at this time. We have not offered franchises in any other line of business. We currently do not engage in any other business activities.

The Local Store Franchise. We franchise 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 Disclosure Document as Exhibit B. The typical shopper will be parents, grandparents or other family members of households with children ranging in age from newborn to young adult. The retail toy business is year round, with an emphasis on birthday related sales, seasonal events and November and December holiday sales. Under certain circumstances, We may allow a Local Store Franchisee to operate a separate retail outlet (a "Satellite Location"), a temporary retail location (a "Temporary Location"), or a holiday / seasonal retail location (a "Holiday Location") (See Item 5). You do not have the right to operate a Satellite, Temporary, or Holiday Location without Our prior written consent, which We can withhold at Our sole discretion.

Regional Franchise Owner. Beginning in 1995, We established a network of service providers to the Local Store Franchisees. The Regional Franchise Owner will be Our designee, responsible for developing new local store franchises, 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 Owners are set out in Exhibit C to this Disclosure Document. There are certain areas of the country where We are responsible for the obligations described herein.

Regulation. As a retailer of children's products, you must ensure that you comply with federal and state laws that apply to the sale of children's products. You will also be required to comply with all local, state and federal laws and regulations that apply to businesses generally. We recommend that you consult with your attorney as to your obligations.

Competition. Your competitors will include: local, regional and national retail toy, hobby and children's gift stores and e-commerce toy sites. The market for the type of specialty toy retail store being offered in this Disclosure Document is well established and developed.

**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 and has been our Chief Executive Officer since 1987 to the present date.

Louis DiMinico, Vice President, Treasurer and Director

Mr. DiMinico has been Our Director and the Vice President of Real Estate since Our inception in 1987.

Kathy Troknya, CFE, President and Chief Operating Officer

Ms. Troknya joined Learning Express as the Director of Franchise Operations in 1990, was promoted to Vice President in 1998, Senior Vice President in April 2000, Chief Operating Officer in January, 2010 and President in November, 2011. Ms. Troknya graduated from the International Franchise Association's Certified Franchise Executive program in 2011. 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.

Linda Peebles, Vice President, Training

Ms. Peebles joined Learning Express in March 2006 as Regional Support Manager and Training Program Coordinator. In January 2010 Ms. Peebles was promoted to Vice President, Training. In addition, Ms. Peebles other directly relevant experience includes District Manager and National Training Manager for Imaginarium January 1996 – February 2002. Imaginarium was located in Saddlebrook, New Jersey; Owner, operator of Zoom Kids Galaxy – a children's specialty toy and apparel store from September 2002 – December 2005. Zoom Kids Galaxy was located in Medina, Ohio.

Linda Moore, Director of Franchise Development

Ms. Moore joined Learning Express as Director of Franchise Development in January 2011. Prior to joining Learning Express, Ms. Moore was a Realtor with the Coldwell Banker Office located in Harvard, Massachusetts from January 2007 – December 2010. From April 1995 – December 2006, Ms. Moore was Vice President of Brenlin Corporation, an operator of a Regional Development and Support organization for certain areas of the country for Learning Express, Inc. Brenlin was located in Harvard, Massachusetts.

Kathryn Blanchflower, Communications Director and Marketing Manager

Ms. Blanchflower joined Learning Express as Communications Director and Marketing Manager in August 2011. Prior to joining Learning Express, Ms. Blanchflower worked as the Presidential Events Coordinator at Georgetown University from September 2009 – May 2011. From June 2008 – July 2009, Ms. Blanchflower worked as the Public Relations Assistant at The Tuck School of Business at Dartmouth College. From September 2007 – June 2008, Ms. Blanchflower was a Publicity Intern at Canongate Books, located in Edinburgh, Scotland.

Brian Cartier, Director of Store Design

Mr. Cartier joined Learning Express as Director of Store Design in July 2007. Prior to joining Learning Express, Mr. Cartier was the owner operator of Classic Building, a commercial building contractor from June 1994 – July 2007. Classic Building was located in Groton, Massachusetts.

**ITEM 3
LITIGATION**

Pending Matter: There is no pending litigation

Concluded Matter:

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, We were 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 Our regaining control of the territory, We 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.

Other than this one action, no other litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

The initial franchise fee which You must pay to Learning Express under the Franchise Agreement is \$35,000.00. 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 Disclosure Document. Upon Our receipt of the signed Deposit Agreement and 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. You have 60 days from the date We approve Your site, to sign a lease. If a lease is not signed by the end of that 60 day period, Our approval for Your site expires. If You cannot locate a suitable site for Your Local Store Franchise, We will refund Your Deposit Fee in full. The Deposit Agreement will terminate and You will have no further rights to become a Local Store Franchisee.

The Franchise Agreement for the Local Store Franchise will be signed at the time, or immediately after You sign the lease for Your Local Store Franchise. You will pay Us the remaining \$30,000.00, in a lump sum upon signing 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 Disclosure Document.

We are a member of the International Franchise Association ("IFA") and participate 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 Franchise 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 Notice of Intent form, along with the necessary documentation described within, which is Addendum "A-1" to the Franchise Agreement.

We do not offer financing of the Initial Franchise Fee.

You pay Us or Our affiliates no other fees or payments for services or goods before Your business opens.

**ITEM 6
OTHER FEES**

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee ^{1,3}	5% of Gross Receipts 2, 3, 4	Monthly Sales Report due to Us by the 3 rd of the month. Royalties are payable monthly on the 15 th day of each subsequent month.	Gross Receipts includes all revenues received by You.
Advertising ^{1,4}	1% of Gross Receipts contribution when Learning Express National Advertising Fund is formed	Learning Express National Advertising Fund Contribution collected monthly with the Royalty	60 day notice before advertising fund begins.
Additional Assistance ^{1,5}	Reasonable travel and lodging expenses	When billed	Only if operational problems require a considerable level of additional support.
Initial Gift Card Program setup Fees ^{1, 7}	\$525.00	Within 30 days after store's Grand Opening	One Time Payment
Gift Cards and Gift Card Holders ^{1, 7}	\$200.00 and \$62.50, respectively	As incurred	Sold in 500 piece increments. We reserve the right to adjust this fee after the first 12 months based on a change in circumstance [EX: change in market rates for similar services, Or increase costs from the vendor or 3 rd party].
Learning Express e-mail address	\$150.00 annually	When billed	If we provide you with a Learning Express e-mail address
Audit ¹	If underpayment, cost of audit, plus 1% per month on underpayment of Royalty or Learning Express National Advertising Fund fee	Immediately after audit	Due if audit finds underreporting of Gross Receipts.
Transfer Fee ^{1,6}	\$10,000.00	On or before date of transfer	Payable from Buyer upon transfer. Non-refundable.
Renewal Fee	None	Not applicable	

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
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 ¹	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 ¹ (Interest)	1% per month on all amounts due Us not paid on time	Upon demand	Payable to Us
Point Of Sale (POS) System Service Fee ¹	\$110 per user access	Monthly	Payable to Us (3-user access recommended) We reserve the right to adjust this fee after the first 12 months based on a change in circumstance [EX: change in market rates for similar services, Or increase costs from the vendor or 3 rd party].

Notes:

- (1) All fees are imposed by and are payable to Us by automatic debit / electronic fund transfer ("EFT"). You must authorize Your bank to accept automatic withdrawals through EFT in an amount We specify from Your bank into Our bank account on the dates We designate. You must provide Us with all documents necessary to direct Your bank to honor these pre-authorized bank debits. (See Franchise Agreement, Addendum "E" - EFT Authorization). All fees are non-refundable.
- (2) Gross Receipts are defined to include all forms of revenue which You receive while conducting Your Franchised Business including all forms of revenue from Your main store location, Satellite Locations, Temporary Locations, Holiday Locations, fund raisers, local fairs, etc.. These revenues may take the form of cash, check, credit, charge account, merchandise exchange or barter. Gross Receipts includes money or credit which You receive from the sale of merchandise, from services which You or others may provide, or any other service or product for which You charge separately. Gross Receipts do not include the sale of merchandise for which refunds have been made in good faith to customers, approved discounts or from any tax imposed by a governmental authority, which is collected by You and actually paid to the 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 a Satellite Temporary or Holiday Location. Monthly Sales reporting is due to Us by the 3rd of every month.
- (4) In addition to the requirement that You expend at least 3% of Your Gross Receipts annually on advertising and promoting Your Local Store Franchise within Your local market area, the Franchise Agreement reserves the right for Us to require that You pay Us 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. We reserve the right, with at least 60 days' prior written notice, to begin collecting Your Learning Express National Advertising Fund contribution under the Franchise Agreement.

We will use the fees collected for the Learning Express National Advertising Fund for the design and production of advertisements, promotional materials, holiday catalogs, social networking, web development or television commercials and the payment to Us, Our affiliates or advertising agencies for administrative expenses. In collecting these fees, We will not allocate or expend contributions so as to benefit any particular franchisee or group of franchisees on a pro rata or proportional basis.

- (5) If We are required to provide a level of additional support because of recurrent operational problems, then We may at Our option, charge You reasonable travel and lodging expense 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 Us on or before the date of transfer.
- (7) You are required to participate in the Gift Card Program currently in place. The initial fees associated with the setup of this Gift Card Program are \$525.00, which includes program signage, 500 Gift Cards, 500 Gift Card Holders and the acrylic fixture, which will be invoiced within 30 days after store's Grand Opening. Additional Gift Cards and Gift Card Holders must be purchased through Us at the cost of \$200.00 for Gift Cards and \$62.50 for Gift Card Holders (500 pieces each). All fees are not refundable.
- (8) Participation in e-Commerce requires strict adherence to the e-Commerce Rules and Regulations included in our Operation's Manuals posted on Our Intranet. Our e-Commerce system is being modified and a moratorium exists on new sites until the new system is in place. It is expected that the new e-Commerce system will be implemented in 2013. The new system will be implemented with a single shopping cart and fulfillment activity will be accomplished from existing store inventories.
- (9) Currently We are in transition regarding Our POS system. As such Our plan is to start new stores on Our new system if available at an appropriate timeframe. Because We cannot guarantee when a new store will be coming on line and cannot at this time guarantee that the new system implementation will coincide with Our new store Grand Opening schedule, it may be possible that a new store may be started on Our current POS system and later migrated to the new system when available. This transition will not impact the costs associated with the POS system or the hardware and software required to run either. New stores will be outfitted with the equipment specified for the new system and that system will perform as required whether the new or existing system is implemented.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
INITIAL FRANCHISE FEE 1	\$35,000.00	\$5,000.00 Deposit, \$30,000.00 Balance	Deposit due with Deposit Agreement. Balance at signing of Franchise Agreement	Us
LEASE AND LEASEHOLD IMPROVEMENTS 2, 3	\$15,000.00 - \$80,000.00	As Incurred	Prior to Opening	Contractors, Suppliers, Landlord
POS EQUIPMENT, (HARDWARE / SOFTWARE LICENSING AND ACCESS FEES) 4	\$17,500.00	As Incurred	Prior to Opening	POS System Supplier, Us
SIGNAGE, EQUIPMENT, FURNITURE AND FIXTURES 5, 6	\$30,000.00 - \$62,000.00	As Incurred	Prior to Opening	Signage, Equipment, Fixtures, Suppliers, Us
ORGANIZATIONAL AND TRAINING COSTS 2, 3, 4, 7	\$3,500.00 - \$7,000.00	As Incurred	As Incurred	Legal and Accounting Professionals, Utility Companies, Hotel and Airline Companies
OPENING INVENTORY 8	\$90,000.00 - \$150,000.00	As Incurred	At Opening	Toy Vendors
GRAND OPENING ADVERTISING 9	\$7,500.00 Minimum Amount	As Incurred	As Incurred	Various Vendors
INSURANCE 10	\$1,000.00 - \$6,000.00	As Incurred	As Invoiced	Insurance Company
ADDITIONAL FUNDS (WORKING CAPITAL) (1 st 3 - 6 MONTHS) 11	\$10,000.00 - \$30,000.00	As Incurred	As Needed	Employees, Suppliers, Landlord
SUBTOTAL:	\$ 209,500.00 - \$ 395,000.00			
TENANT ALLOWANCE 3	(\$0) - (\$72,000.00)	Upon completion of build out		Provided by Landlord in some cases, (negotiated during lease review)
TOTAL 12	\$ 209,500.00 - \$ 323,000.00			

Notes:

- (1) The Initial Franchise Fee for the first Local Store Franchise is \$35,000.00. \$5,000.00 is paid to Us at the time that You enter into a Deposit Agreement. Once You have secured a site which We have approved, You will sign the Franchise Agreement and pay the \$30,000.00 balance of the Initial Franchise Fee. We do not schedule Training until payment of Initial Franchise Fee is paid in full. (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 1,500 - 3,000 square feet of space. While We do not specify where You must locate the Local Store Franchise, We both must agree upon a suitable location, and We must provide Our consent. We anticipate that in most parts of the country You will pay a base rent of approximately \$20.00 to \$40.00 per square foot. Most leases will carry additional common area maintenance, insurance and tax expenses. You will generally be required to make a rent deposit (equal to 1 month of Your base rent plus a Security Deposit) and utility deposits.
- (3) We estimate that You will spend between \$15,000.00 and \$80,000.00 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. The total amount of your leasehold improvements will require our review. These costs are generally not refundable. Most landlords provide some and under certain circumstance all of the leasehold improvements as consideration for the lease.
- (4) We estimate that You will spend a minimum of \$17,500.00 for the hardware and software for Your Point of Sale system all based on a standard configuration of two (2) POS Registers, a backroom workstation and a database server. This includes license access fees, non-POS software (such as Microsoft Office, QuickBooks and anti-virus software) and Installation Services. The "standard" system may be purchased through one of Our third party dealers or You may purchase Your own equipment according to Our published specifications. If You choose to purchase Your own equipment, additional support and installation costs may be required in order to support "non-standard" equipment. Your POS software is provided under Our Corporate License. We do not grant licenses; We provide access to the Corporate License. As such, the POS software remains under Our ownership and cannot be transferred or re-assigned by the Franchisee. All estimates are subject to change as We work with third parties and market prices are not in Our control.

We require that You use the current POS software system as specified by Us. You have the option of including additional hardware in Your computer package, at an additional cost to You. We also require that QuickBooks software be used to manage Your accounts payable. There is more information about the computer equipment in Item 11 of this Disclosure Document.
- (5) 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.

- (6) We estimate that You will spend between \$30,000.00 and \$62,000.00 for the gift card program, fixtures, signage, flooring and furniture necessary to open Your Local Store Franchise. This estimate does not include sales tax, freight and installation, which will vary based on distance and local conditions, and will range between 15% - 25% of the total fixture purchase.
- (7) You should expect to spend between \$1,000.00 and \$2,500.00 on professional fees for an attorney and an accountant during the period before You open Your Local Store Franchise. You are responsible for all transportation, living costs and salaries of Your employees who attend training, which will be held at Our headquarters in Devens, Massachusetts.
- (8) You should anticipate spending between \$90,000.00 and \$150,000.00 on Your opening 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 You open. A pre-holiday opening, for example, will require that You purchase a more sizeable inventory. This does not reflect the discount or free goods We negotiate on Your behalf.
- (9) This figure includes print advertisements and promotions. The initial Grand Opening advertising budget will depend upon the location of Your Local Store Franchise and the cost of local media.
- (10) We require that You have the following minimum insurance coverage to protect your Franchised Learning Express Store; General Liability \$1,000,000 occurrence / \$2,000,000 Aggregate (including products liability, property damage liability and personal & advertising injury); Owned, Hired/Non-Owned Liability of \$1,000,000 Combined single limit liability; Property Insurance for 100% of the replacement cost value of all improvements & betterments, Furniture, Fixtures and Equipment and inventory; Business Income coverage for not less than 50% of your annual sales; Workers' Compensation as required by state of operation and Employer's Liability for \$500,000 / \$ 500,000 / \$500,000; Umbrella Liability of \$1,000,000. All policies of insurance shall be primary and non-contributory to any policies that We might carry and be provided by an insurance company with an A.M. Best rating of not less than A-VII.

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 \$1,000.00 - \$6,000.00 depending on the state where Your store is located. The insurance policy You purchase must name Learning Express, Inc. as additional insured and You must provide an updated Certificate of Insurance to Us for Our files upon the annual renewal.

- (11) 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 \$30,000.00 depending on time of year. This figure includes back-up capital for rent, suppliers and payroll expenses. This figure does not include Your personal living expenses, which You should provide for separately. We

cannot guarantee that this estimate will be sufficient. Additional working capital may be required if sales are low or fixed costs are high.

- (12) 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 only finance a maximum of \$125,000.00 of Your initial investment. Except as expressly indicated otherwise, these estimates cover Your initial cash investment up to the opening of Your Local Store Franchise. 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 varies and cannot be predicted by Us (and which may extend for longer than the three to six month "initial phase" described in Note 11). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which You may liquidate against or which You may borrow, to cover other expenses and any operating losses You may sustain, 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 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 Local Store Franchise, competition, and Your ability to operate efficiently and in conformance with Our recommended methods of doing business.

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. We do not finance, in whole or in part, any of Your initial investment, although We do guarantee payment of Your initial merchandise inventory to allow You time to establish credit with Our vendors. However, it is ultimately Your sole responsibility to pay the vendors within the negotiated vendor terms. Learning Express Terms (Dating, Freight & Discounts) apply only if invoices are paid by the due date.

In order to protect Our brand We have the right to communicate to Our vendors if You have past due invoices and/or are delinquent with any payments due to vendors or Us.

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 specifications may change periodically through updates in the Confidential Operations Manuals and through operating memoranda issued by Us, via e-mail or over the Learning Express Intranet. In determining which products to approve, We evaluate the quality and appropriateness of each product, the reputation of the manufacturer and the cost of the product as well as adherence to applicable current Consumer Product Safety Improvement Act standards. The criteria applied by Us for supplier approval will be made available to You as requested. You are required to use standard Learning Express item numbers in Your computer system for product identification.

Specifications and standards for products, services and suppliers are sent by e-mail or delivered over the Learning Express Intranet. We negotiate terms and prices for products purchased by Local Store Franchisees, but it is not Our practice to negotiate all terms and prices on behalf of the Local Store Franchisees. We do negotiate purchase arrangements with suppliers on behalf of franchisees and do provide material benefits to franchisees based on franchisee's use of designated or approved sources.

We have arranged a music subscription service through PlayNetwork to enhance the in store shopping experience and will satisfy ASCAP and other licensing requirements as specified in the Operations Manual. Through PlayNetwork, stores can play appropriate children's music which will be interspersed with Learning Express commercials appropriate to Our Brand.

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 of this Disclosure Document 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. We restrict You from all e-commerce activities including advertising, marketing, social networking on any non-sanctioned web page, e-mail marketing correspondence, digital content, electronic communications, or other internet available media without Our prior written consent.

We 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, gift-wrap, posters, signage, and various printed items bearing the Trademarks (see Item 13), e.g., business cards, postcards, stationery and brochures. 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.

Other than the items listed above, there are currently no other items or services for which We or Our affiliates are approved suppliers or the only approved suppliers.

There are no other approved suppliers in which any of Our officers owns an interest.

We negotiate discounted fees on many of Your initial New Store Orders of up to 10% from certain approved vendors for Your benefit. Other than free goods and discounts which we have negotiated on Your behalf, there is no practice in effect by which We provide material benefits to You, such as a right of renewal or the awarding of additional franchises, based upon Your use of approved suppliers.

We receive payments from some vendors whose products are chosen to be included in Our catalogs. 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 DISCLOSURE DOCUMENT.

OBLIGATION	SECTION IN AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	Sections 1.04, 3.01, 3.02 and 9.03 of Franchise Agreement	Items 5, 7 and 11
b. Pre-opening purchases/leases	Sections 8.01, 9.03, 10.02 and 10.03 of Franchise Agreement	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 1.08, 10.02 and 10.05 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, 8.01, 8.02, 8.03, 8.04 and 8.09 of Franchise Agreement	Items 5, 6 and 7
g. Compliance with standards and policies Operations Manuals	Sections 6.03, 6.04, 8.01, 8.02, 8.08, 9.04, 10.01, 10.02, 10.03, 10.07 and 10.10 of Franchise Agreement	Items 6 and 11
h. Trademarks and proprietary information	Sections 5 and 6 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 10.03 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	None	

OBLIGATION	SECTION IN AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
k. Territorial development and sales quotas	None	
l. Ongoing product/service purchases	Sections 8.08, 8.09, 10.02 and 10.03 of Franchise Agreement	Items 11 and 16
m. Maintenance, appearance and remodeling requirement	Sections 3.01 and 4.02 of Franchise Agreement	Items 11 and 17
n. Insurance	Section 10.05 of Franchise Agreement	Item 7
o. Advertising	Section 8 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 10.20 of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Sections 9.01, 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	Items 6 and 17
v. Post-termination obligations	Section 14 and 15 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

We guarantee Your initial inventory purchase to Your suppliers only if Learning Express Home Office places the New Store Order with Our approved vendors.

However, it is ultimately Your sole responsibility to pay the vendors within the negotiated vendor terms. Learning Express Terms (Dating, Freight & Discounts) apply only if invoices are paid by the due date.

We do not offer any direct or indirect financing to the Local Store Franchisee. Except as provided, We do not guarantee any note, lease or obligation for any Local Store Franchisee. You may only finance a maximum of \$ 125,000.00 of Your initial investment. If You do secure a note for the business, You will be required to provide Us with a copy of the loan documentation.

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, inventory and improvements at the Franchised Business. Upon execution of Your Franchise Agreement, we will file a UCC-1 Financing Statement.

In order to protect Our brand, We have the right to communicate to Our vendors if You have past due invoices and/or are delinquent with any payments due to vendors or Us.

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

Except as listed below, We are not required to provide You with any assistance.

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, demographic studies, lease review and negotiations (Franchise Agreement - Sections 1.04, 1.05 and 2.02; Disclosure Document - Deposit Agreement, Exhibit D). Our 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, although we are available to consult with You and Your contractors during the entire process.

2. Create a store drawing with fixture layout for Your store location, provide You with a Grand Opening Manual, and a Grand Opening advertising and marketing plan.

3. Provide a New Store Owner 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, Your manager must attend the New Store Owner or Manager Training. The training will take place at Our headquarters in Devens, Massachusetts. New Store Owner Training at Our headquarters is conducted in January, March, April, June, July, August and September. Manager Training is conducted in August. The training program is mandatory and You and/or Your designated manager must attend and complete the training to Our satisfaction, before You open Your Local Store Franchise. The New Store Owner Training Program is outlined below. The New Store Owner Training Program consists of approximately 5 days and 38 hours. In addition, You will be required to attend Advanced Store Owner Training during the year following Your Opening at Our Annual Convention and during the annual Toy Fair event held in New York City or such other location determined by the Toy Industry Association (TIA). Prior to opening a second franchise location, You will be required to attend a two-day Multiple Store Owner Training. Multiple Store Owner Training will take place at Our headquarters in Devens, Massachusetts during the months of June, July, August and September. You and designees from Your management staff, at Our discretion, may also be required by Us to attend additional training at Our headquarters. You will be responsible for all costs and expenses associated with attending any of these advanced training sessions (Franchise Agreement – Section 9.01).

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Initial Classroom Training	38	0	Devens, Massachusetts
Pre Opening and Set Up*	0	192	Franchisee's location
Post Opening Training and Follow-Up	0	64	Franchisee's location
Advanced Store Owner Training	16	40	Annual Convention or during the annual Toy Fair event held in New York City or such other location determined by the Toy Industry Association
Multiple Store Owner Training	16	40	Devens, Massachusetts

*It is the nature of this business that all aspects of training are integrated that is, there are no definitive starting and stopping times. Time and content are subject to change without notice.

Although the individuals instructing the training may vary, all of Our instructors have 6 to 17 years of relevant work experience in their designated subject area.

Lisa Visco

Worked for Learning Express 13 years and has been involved in the formal training since the inception of the program. She has been involved in region meetings since her first year with the company.

At Jordan Marsh (4 years) she was involved with the formal executive training program (i.e. new hires who were being trained to become Sales Managers – with the ultimate goal of eventually becoming Buyers). She was one of the “instructors” called on to teach some of the classes. At TJ Maxx (4 years) she was involved with the creation and roll out of a training program for Assistant Buyers – to help train them to become Buyers – this involved working with them one on one as well as some classroom instruction. At Learningsmith (3 years) she did one on one training with her assistant buyer and planner to teach them more about the business and help them move on to the next level.

Linda Peebles

Worked for Learning Express for 6 years as training coordinator and developed an 5-day New Store Owner Training, First Anniversary Training, Multiple Store Owner Training, Manager Training, and Regional Training programs. At Imaginarium (10 years) as the National Training Manager was responsible for store training at both the manager and employee level. She was also responsible for new store training.

Anthony Amand

Worked for Learning Express for 6 years and has participated and helped organize New Store Owner Training, First Anniversary Training, Multiple Store Owner Training, Manager Training, New Store Setup, Regional Meetings, and Webinars. Worked for 7 years in Learning Express locations as either a manager or in a store support role training staff on all aspects of the business.

Kim Schneiderbauer

Kim Schneiderbauer has 17 years experience with Learning Express in the field of providing store owners with ongoing store operations support and new store owners with Grand Opening support; responsible for development and implementation of the New Store Owner Training Program at the headquarters office in Devens in 2000.

Regional Franchise Owners (in certain parts of the country)

Our Regional Franchise Owners will assist You during the entire Opening Process. Their contact and background information can be found in Exhibit C to this Disclosure Document.

4. 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 E to this Disclosure Document. The Learning Express Confidential Operations Manual contains 682 pages.

5. 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, We 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 support as We deem appropriate. This on-going assistance and support could include telephone calls, site visits, inventory control training, assessment of new products, merchandising and marketing services, evaluation of sales and profitability of Your Local Store Franchise's operations, recommendations for operational improvements (Franchise Agreement - Section 9.04), and review of Your books and records (Franchise Agreement - Section 10.06);

3. Establish and expend monies under the Learning Express National Advertising Fund. We will notify You at least 60 days in advance before We begin collecting Your contribution to the Learning Express National Advertising Fund. (Franchise Agreement - Section 8.03)

4. Maintain the Learning Express Internet Website which will contain contact information for Your Local Store Franchise, as well as provide You with access to administer those sections only pertaining to Your Franchised Business. (Franchise Agreement - Section 9.04)

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, brochures, catalogs and print 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 3% of Your Gross Receipts on advertising and promoting the Store in Your local market area. You may use Your own advertising and promotional materials, but all local advertising and promotion is subject to Our prior review and approval. You must adhere to Our standards regarding Your advertising and promotion efforts and expenditures. As a proportion of the required 3% of Your Gross Receipts spent on advertising and promotion, You are required to participate in each printed corporate sponsored marketing event that is listed on the yearly Corporate Publication Schedule at a minimum level of 1,000 pieces per event.

Currently, We provide certain public relations services to You, including social media management software and a database of local media contacts. The social media management service will allow You to manage all your social media accounts in one location, including Facebook, Twitter, YouTube, FourSquare, BlogSpot, and others which may be developed. From Your account You will be able to monitor customer interaction, pre-schedule posts, and evaluate progress through reporting. We will frequently provide libraries of preloaded content and suggested posts. Through our PR service the Communications Director will create custom press releases upon request and send them to Your local media outlets. You must adhere to Our standards of professional content in all interactions with the public. We may alter or discontinue these services at any time.

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. No portion of the Learning Express National Advertising Fund will be used to sell franchises. We will notify You 60 days in advance, before We begin to collect the money for the Learning Express National Advertising Fund. Sections 8.03 and 8.04 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 Our fiscal year end, You 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 catalogs, postcards and announcements of special promotions. We do 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 areas and 10 members. The by-laws of the FAC limit the number of members to a maximum of 12. We do not have the power to change or dissolve the FAC, although We initiated its formation.

The Learning Express Marketing Advisory Committee ("MAC") was formed in 2002. The MAC is a committee of store owners appointed to represent the marketing interests of all Local Store Franchisees. The MAC serves in an advisory capacity only.

The Learning Express Catalog Committee was formed in 2006. It serves in an advisory capacity only. Its purpose is to include franchisee input into the product selection for our holiday catalog and other print marketing pieces. Every year we invite a new group of owners to participate who represent the diversity of Learning Express demographics - stores of different size, location, sales volume, and geographic area of the country.

You must attend annually, at Your expense, the TIA Toy Fair and the Annual Convention scheduled by Learning Express for all franchisees and Regional Franchise Owners.

Computers.

1. Learning Express requires the franchisee to use the current sanctioned computer system. The minimum configuration contains two POS stations and one "back office" computer. The computer system software is licensed to Learning Express and is located on a central server accessible via the Internet. The computer software will support the following functions:
 - a. Purchasing and receiving
 - b. Inventory management and control
 - c. Customer management
 - d. Point of Sale (POS) transactions
 - e. Financial system integration
 - f. Standard and custom reporting to support the above functions
2. The minimum POS configuration consists of 2 point of sale registers each including:
 - a. Computer to support the POS software (CPU, Keyboard, Monitor, Mouse)
 - b. Cash drawer
 - c. Receipt printer
 - d. Bar code scanner
 - e. Pole display (if required by state)
 - f. Credit Card swipe
 - g. Anti-Virus software

- h. Battery back-up
- 3. The minimum back office system contains the following minimum requirements:
 - a. Computer to support "back office" operations (CPU, Keyboard, Monitor, Mouse)
 - b. Bar code scanner (to support receiving operations)
 - c. Laser printer for generating reports
 - d. Label printer for pricing labels
 - e. Microsoft Office software
 - f. Quickbooks financial software
 - g. Anti-Virus software
 - h. Battery backup
- 4. Other computer equipment
 - a. Hardware firewall/router
 - b. Database Server
 - c. Miscellaneous cabling to construct local area network (LAN)
- 5. The cost to You for the minimum configured system (described above) is \$17,500 and includes all of the hardware and software required by Us including all POS system license fees.
- 6. You will pay a hosting services support fee of \$110/user which covers system support services, hosting services, maintenance services and all required POS system software updates.
- 7. It is Your sole responsibility to keep your computer system operational and up to date, including maintenance, repairs, upgrades or updates. The warranty on computer equipment 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. Initial warranty for computers (only) is included in the initial cost of this system.
- 8. Our Data Center Management Team is responsible for the maintenance, repair, upgrades, and updates to the central server(s) in order to provide a 99.9% uptime of the hosted system and in order to supply the latest versions of hosted software.
- 9. From time to time, as new functionality or technology is introduced, You may be required to add additional hardware and/or software, or share in the cost to augment the hardware/software that is centrally located, whenever We, in Our reasonable judgment, determine that upgrading will improve Your store's operations or Your ability to efficiently transfer data from Your system, or to improve the brand, or to gain a competitive advantage in Our retail space. It is anticipated that Your POS software will need to be upgraded annually to be compliant with Learning Express operational procedures.
- 10. We and Your Regional Franchise Owner have the right to access Your information stored on the central server without limitation or notice to You (Franchise Agreement - Section 10.02). Access may be for analysis, support, service or auditing purposes. Each store will provide and keep current a specific number of corporate accounts that will allow access to Your stored information. We may require You to use a designated ISP and prescribed method for transmitting electronic data.

Note: Since computer hardware/software is constantly changing, detailed specifications of the current system will be provided with the associated costs upon request.

All Learning Express stores are required to meet the requirements of PCI Compliance. It is the responsibility of the store owner to make sure that their systems used in the store are PCI Compliant.

You may be required to upgrade or replace Your hardware and/or software periodically, whenever We, in Our reasonable judgment, determine that upgrading will improve Your store's operations or Your ability to efficiently transfer data from Your system.

Selection of the Location of Your Local Store Franchise:

Either We or Our designee will assist You in finding a site for Your Local Store Franchise. While We and Our designee need to consent to Your chosen location, You are solely responsible for the selection of 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. Consent by Us or Our designee for a specific location does not warrant the suitability of the site or the likelihood of success of Your Local Store Franchise. We or Our designee will notify You within 30 days if We consent to Your selection of a site. Our Site Selection Consent form appears as Addendum "A-1" to the Deposit Agreement. Once We have given Our consent, You will have 60 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 120 days from the date of the Deposit Agreement (see Item 5), We will refund Your Deposit Fee in full. We will refund the Deposit Fee in the event that We have a prospect interested and You have not actively pursued a location in the market area defined on the Deposit Agreement.

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 60 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.

Internet/e-commerce:

We restrict, designate, and have the right to approve, or control all of Your electronic media, including Internet activities, and e-mail marketing correspondence, digital content, and electronic communications if any. This includes any websites and Social Networking and Marketing activities, including Twitter, Facebook Foursquare, LinkedIn, Pinterest or any Social media outlets. This also includes any group or social buying platforms, promotions or campaigns. You must follow the most recent rules and regulations published in our Operations Manuals or other manuals we have created regarding the upkeep and communications sent out via these channels.

You shall not establish a web site on the Internet using any domain name containing the words Learning Express .com, .net, .biz, .org or any variation thereof. We maintain the Learning Express Internet Website and provide You with access to Our website and a Store page contained with Our website for Your Local Store Franchise. We may require that you utilize e-commerce products or services designated by us.

Any digital or electronic content published must be within brand communication standards and is subject to approval by Us. All digital imagery bearing any Learning Express mark is subject to approval by Us.

Due to the speed of electronic communication, all instructions by Us which are deemed to

restrict, designate or control e-commerce activities must be responded to within 24 hours.

We also reserve the right to restrict, designate and have the right to approve or control any existing or future (not yet developed) Fan Page or other advertising or social networking services of the Franchised Business, including the sending of bulk e-mail or facsimiles, other than in accordance with the guidelines in the Confidential Operations Manual or otherwise as We specify in writing.

Telephone Listings:

You may have as many local telephone and facsimile numbers and telephone directory listings for Your Franchised Business as you choose. However, You must transfer them to Us on the expiration, termination, repurchase or transfer of Your franchise, at Your expense. You must sign an authorization that grants Us the right to change, transfer, or terminate Your telephone listings, Your e-mail addresses, domain names and comparable electronic identities, on Your behalf upon expiration, termination, repurchase or transfer of Your franchise. This Transfer Service Agreement appears in Exhibit J in this Disclosure Document.

**ITEM 12
TERRITORY**

Your Local Learning Express Store Franchise will be within a specific geographic area defined by zip codes, streets, city, town, drive times, and 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 Learning Express Store Franchise or operate a brick and mortar Learning Express Store within Your Protected Territory. You have no other rights derived from the definition of the Protected Territory. There are no restrictions on where your customers come from and how You market to customers residing within or outside of Your Protected Territory unless specifically set forth in the Learning Express Operation's Manual.

You may operate from one location only and must receive written permission before relocating. We may grant or withhold Our permission for relocation if We deem it unacceptable. However, with Our permission You may open a Satellite Location, Temporary Location or Holiday Location.

A Satellite Location is an additional permanent location within the protected territory of the primary location. The operation of a Satellite Location requires the submission of Our Notice of Intent form (NOI), along with a personal financial statement, Vendor Aging Report, Income Statement and Balance Sheet on existing store location, along with a written statement describing how You intend to manage and fund Your additional store location, which is Addendum "A-1" to the Franchise Agreement. You are not entitled, however, to operate a Satellite Location absent Our prior written consent, which We can withhold in Our sole discretion. We do not charge You an additional initial franchise fee if You open a Satellite 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 NOI form (along with a personal financial statement, Vendor Aging Report, Income Statement and Balance Sheet on existing store location, along with a written statement describing how You intend to manage and fund your additional store location), which is Addendum "A-2" to the Franchise Agreement. You are not entitled,

however, to operate a Temporary Location absent Our prior written consent, which We can withhold in Our sole discretion. We do not charge You an additional initial franchise fee if You open a Temporary Location.

A Holiday Location is an additional location for a limited time during the Holiday Season. The operation of a Holiday Location requires the submission of Our Notice of Intent form, other required information and reports, along with a written statement describing how You intend to manage and fund your additional store location), which is Addendum "A-2" to the Franchise Agreement. You are not entitled, however, to operate a Holiday Location absent Our prior written consent, which We can withhold in Our sole discretion. We do not charge You an additional initial franchise fee if You open a Holiday Location.

We have not established and will not establish brick and mortar franchises or company-owned outlets selling similar products under different trademarks, service marks or logos in Your Protected Territory without Your permission.

We have the right to use other channels of distribution, such as the Internet, or other electronic direct marketing, for the sale of products inside Your territory under any trademarks, service marks, logos, and commercial symbols owned by Us.

We have the right to use other channels of distribution, such as the Internet, retail stores, catalogue, telephone or any other direct marketing, for the sale of any products outside Your territory under any trademarks, service marks, logos and commercial symbols owned by Us.

You will receive no compensation for Our sales through alternative distribution channels. 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

We grant 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", We mean 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.

We have registered the Trademarks listed below on the United States Patent and Trademark Office Principal Register (USPTO). We have filed all required affidavits with the USPTO.

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

"ExpressCodes"

(Words Only)
Registration Date: April 17, 2007
Registration No.: 3,229,853

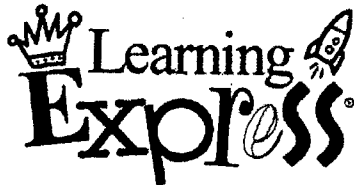
Learning Express 
...Always the perfect toy

(Logo)
Registration Date: October 9, 2007
Registration No.: 3,307,111

"Bunny Buffet":
(Words Only)
Registration Date: December 18, 2007
Registration No: 3,355,842

Learning Express 

(Logo)
Registration Date: March 8, 2011
Registration No.: 3,927,496


Learning Express

(Logo)
Registration Date: February 21, 2012
Registration No.: 4,101,382

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 may only use these Trademarks in the manner we authorize. You cannot use the Trademarks as part of a business entity name or with modifying words, designs or symbols except for those which We license 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 Us.

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

You must notify Us immediately when You learn about an infringement of, or challenge to Your use of Our Trademarks. We have no affirmative obligation to preserve and protect the ownership and validity of Our trademarks. However, We will take the action We think is appropriate

and have the right to control any administrative proceedings or litigation involving a trademark licensed by Us to You. While We are not required to defend You against a claim against Your use of Our Trademarks, We will reimburse You for Your liability and reasonable costs in connection with defending the Trademarks. To receive a reimbursement, You must have notified Us immediately when You learned about the infringement or challenge.

You must modify or discontinue the use of a Trademark if We modify or discontinue it. If this happens, We 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.

We do 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. We claim 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 Our right to use or license the copyrighted materials. There are no infringing uses actually known to Us which could materially affect Your use of the copyrighted materials in any state. We are 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 make them available to any unauthorized person. The Manuals will remain Our sole property. Currently, We make the Manuals available to You through the Learning Express Intranet, but that method may change as technology evolves.

We may revise the contents of the Manuals, and You must comply with each new or changed standard. In the event of any disputes as to the contents of the Manuals, the terms of the master copy maintained by Us at Our home office will be controlling. The Manuals were most recently updated in 2011.

We 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 We approve, 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, 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 We designate as secret or confidential will be deemed secret and confidential for purposes of the Franchise Agreement. The Learning Express Intranet is a confidential resource and usernames and passwords provided must be kept protected at all times.

You must also promptly tell Us when You learn about an unauthorized use of Our proprietary information. We are not obligated to take any action, but will respond as We deem appropriate. We 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.

We require Your managers, agents, independent contractors, officers, directors and owners, or any entity having an interest in the Franchise to sign Our then current form of Confidentiality Agreement and Covenants Not to Compete, a sample of which is attached as Addendum "C" to the Franchise Agreement. We require Your employees to sign Our then current form of Confidentiality Agreement, a sample of which is attached as Addendum "D" to the Franchise Agreement.

You may compile and maintain customer lists for Your Franchised Business, however, all customer lists are Our property and may only be used for the normal conduct of the Franchised Business during the term of the Franchise Agreement. You must transfer them to Us on the expiration, termination, repurchase or transfer of Your franchise, at Your expense. You must sign an authorization that grants Us the right to acquire all customer lists upon expiration, termination, repurchase or transfer of Your franchise. This Transfer of Customer List Agreement appears in Exhibit K in this Disclosure Document.

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

We require that You directly oversee the operation of Your Local Store Franchise(s) and commit a minimum of 30 hours per week managing, operating and developing the Franchised Business(es).

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 attended either the Learning Express New Store Owner Training or Manager Training program. Each manager will be required to sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform to the covenants not to compete described in Section 15.01 of the Franchise Agreement. Minimum standard store hours are Monday through Saturday 10:00am – 6:00pm and Sunday 11:00am – 5:00pm or as defined by municipal guidelines. Depending on Your location, You may be obligated to maintain longer hours of operation during the holidays.

The manager need not have an ownership interest in the Local Store Franchise or its owner. You are responsible for ongoing training of 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 "B" 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 "C" to the Franchise Agreement.

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

We require You to offer and sell those products and merchandise that are specifically approved by Us (see Item 8). We have the right to add, delete or change, without limitation, the authorized products and services that You will offer. You will be notified of changes in approved suppliers and inventory through electronic mail or the Learning Express Intranet. You do have the right to add products to Your inventory mix off the recommended Buying Program, but We may restrict Your right to sell those products which do not meet Our standards for quality, safety, and value or which We deem to not be appropriate for a Local Store Franchise. If You do elect to purchase items off the recommended Buying Program, You are required to obtain item identification codes from Us prior to selling the product in Your store location. You are required to use standard Learning Express item numbers in Your computer system for product identification. As an independent store owner, You must require all vendors not previously approved by Us comply with all state and federal toy safety mandated regulations.

**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 Disclosure Document.

THE FRANCHISE RELATIONSHIP

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 4.01	10 years, unless terminated earlier
b. Renewal or extension of the term	Section 4.02	Two successive 10 year terms
c. Requirements for franchisee to renew or	Section 4.02	Notice, store upgraded to current standards and

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
extend		specifications, sign then-current franchise agreement which may contain material changes; different terms and conditions than Your original Agreement including territory and royalties.
d. Termination by franchisee	None	
e. Termination by franchisor without cause	None	
f. Termination by franchisor with cause	Sections 13.01, 13.02	See g. and h. below
g. "Cause" defined – curable defaults	Section 13.02	Include failure to pay, file reports, or comply operationally
h. "Cause" defined – non-curable defaults	Section 13.01	Include insolvency, abandonment, maintaining false books, repeated defaults, and felony conviction.
i. Franchisee's obligations on termination/or non-renewal	Section 14.01	Pay royalties through termination, vendor payments, store transfer merchandise, outstanding gift card liabilities, rents, cease use of trademarks, proprietary information
j. Assignment of contract by franchisor	Section 11.01	Freely assignable
k. "Transfer" by franchisee – definition	Section 11.02	Sale, assignment, transfer, mortgage, pledge
l. Franchisor's approval of transfer by franchisee	Section 11.02	Transferee has financial resources, background, etc.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
m. Conditions for franchisor approval of transfer	Section 11.02	Pay the Transfer Fee if applicable and upgrade the store to convert to current standards and specifications. Under no circumstances may You transfer any assets including, 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 signed a Learning Express franchise agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 11.02	10 days on same terms as bona fide offer.
o. Franchisor's option to purchase franchisee's business	Section 11.02A	At Our option, sell Us equipment, fixtures, usable inventory at fair market value as determined by Us.
p. Death or disability of franchisee	Section 11.02C	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 Us. Your heirs shall also have the right to sell the Franchised Business, provided that We 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 toy business

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	Section 15.01	2 years in retail toy business located within 20 miles of any Learning Express store.
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. Nothing in the Agreement or any related agreements is intended to disclaim representations made in the franchise disclosure document.
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) See the various State Addenda to the Disclosure Document and Riders to the Franchise Agreement to see how Your local laws may affect forum, choice of law and other provisions of the Franchise Agreement.

The provision in the franchise agreement that provides for termination upon Your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote Our Local Store Franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a

reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet that You are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

A. Based upon the performance of Local Store Franchises which were in operation for three (3) full years or more, 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 Sales for the Past Three Years for stores open 3 full years or more are as Follows:

	2009	2010	2011
Top Performer	1,830,042	1,967,813	1,643,014
Average Sales	835,263	835,760	741,136
# of Stores	84	92	96
Average GPD⁴	383,275	419,363	356,063

B. Based upon the performance of Local Store Franchises for which 2011 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 Sales for Stores Open Their First Full Year ². Are as Follows:

	2009	2010	2011
Top Performer	1,787,877	978,789	1,224,097
Average Sales	703,984	684,463	615,461
# of Stores	15	16	15
Average GPD⁴	359,850	347,605	308,026

1. In 2011, these Store Sales included Satellite and Holiday Locations.

2. We define First Full Year as a store open at the same location for all of 2011, but not all of 2010, including Temporary Stores meeting the criteria for a First Full Year stores.

3. It is the nature of the toy industry where some year's sales fluctuate dramatically year over year due to the availability of certain products that are in high demand by the consumer (fads, hot toys).

4. Calculation of GPD (Gross Profit Dollars) as reported by stores. GPD is calculated by subtracting Cost of Goods from Gross Sales. Discounts provided by Our vendors and freight charges are not necessarily reflected in these figures.

Of the 151 Stores operating on December 31, 2011, we had 37 multiple Store Owners operating 89 Stores in Our system.

The above figures were calculated based upon information reported to Us by franchisees in their monthly sales reports. Accordingly, the above figures have not been audited.

The above figures do not reflect the costs of sales, operating expenses or other costs and expenses that must be deducted from the gross revenue or gross receipt figures to obtain Your net income or profit. You should conduct an independent investigation of the costs and expenses You will incur in operating Your Learning Express Store.

Actual results vary from store to store, and We cannot estimate the results of any particular Store. Although some stores have achieved the above Gross Receipts, the Gross Receipts and financial results of Your Store are likely to differ from the figures stated above, and there is no assurance that You will do as well. If You rely upon the above figures, You must accept the risk of not doing as well. The average unit included in the above calculations for same store sales is a mature unit; accordingly, a new franchisee's individual Gross Receipts and financial results are likely to differ from the results stated above. Further, Your Gross Receipts and Your financial results will depend upon, among other things, factors including Your location, local and national economic conditions; how much You follow Our methods and procedures; Your management skill, experience and business acumen; whether You personally manage Your Store or hire a manager; the region in which Your Store is located; whether the premises is in a new or existing center; the physical size and location of Your Store; the condition of the premises and the amount and nature of tenant improvements required; the competition in Your local market; the prevailing wage rate; and the sales level reached during the initial period.

Written substantiation of the data used in preparing the earnings claim will be made available to You upon reasonable request.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

Table 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2009 to 2011

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlet at the Start Of the Year	Outlets at the End Of The Year *	Net Change
Franchised	2009	140	146	+6
	2010	146	160	+14
	2011	160	151	-9
Company-Owned	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Total Outlets	2009	140	146	+6

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlet at the Start Of the Year	Outlets at the End Of The Year *	Net Change
	2010	146	160	+14
	2011	160	151	-9

* All numbers are as of December 31 for each year.

Table 2

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2009 to 2011**

Column 1	Column 2	Column 3
State	Year	Number of Transfers *
Florida	2009	2
	2010	4
	2011	1
Illinois	2009	0
	2010	2
	2011	0
Massachusetts	2009	1
	2010	0
	2011	0
Mississippi	2009	0
	2010	0
	2011	1
North Carolina	2009	0
	2010	1
	2011	0
Pennsylvania	2009	0
	2010	2
	2011	0
Texas	2009	0
	2010	0
	2011	3
Totals	2009	3
	2010	9
	2011	5

* All numbers are as of December 31 for each year.

Table 3

**STATUS OF FRANCHISED OUTLETS
FOR YEARS 2009 to 2011**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at the End of the Year *
Alabama	2009	3	0	0	0	0	0	3
	2010	3	2	0	0	0	0	5
	2011	5	0	0	0	0	1	4
Arizona	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Arkansas	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
California	2009	4	0	0	0	0	0	4
	2010	4	1	0	0	0	1	4
	2011	4	1	0	0	0	0	5
Colorado	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Connecticut	2009	3	0	0	0	0	0	3
	2010	3	0	0	0	0	0	3
	2011	3	0	0	0	0	0	3
Delaware	2009	0	1	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Florida	2009	21	2	0	0	0	1	22
	2010	22	3	0	0	0	1	24
	2011	24	2	1	0	0	5	20
Georgia	2009	9	0	0	0	0	0	9

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at the End of the Year *
	2010	9	0	0	0	0	0	9
	2011	9	1	0	0	0	0	10
Illinois	2009	7	1	0	0	0	0	8
	2010	8	2*	0	0	0	0	10
	2011	10	0	0	0	0	1	9
Kentucky	2009	2	0	0	0	0	1	1
	2010	1	1	0	0	0	1	1
	2011	1	0	0	0	0	0	1
Louisiana	2009	2	0	0	0	0	0	2
	2010	2	1	0	0	0	0	3
	2011	3	0	0	0	0	0	3
Massachusetts	2009	10	0	0	0	0	0	10
	2010	10	3*	0	0	0	0	13
	2011	13	1*	0	0	0	2	12
Michigan	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	1	1
	2011	1	0	0	0	0	0	1
Mississippi	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Nebraska	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	0	0	0	0	0	2
Nevada	2009	1	0	0	0	0	0	1
	2010	1	1	0	0	0	0	2
	2011	2	0	0	0	0	0	2
New Hampshire	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	0	0	0	0	1	1
New Jersey	2009	16	1	0	0	0	1	16

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at the End of the Year *
	2010	16	1	0	0	0	1	16
	2011	16	2	0	0	0	1	17
New York	2009	4	1	0	0	0	0	5
	2010	5	1	0	0	0	0	6
	2011	6	0	0	0	0	1	5
North Carolina	2009	7	1	0	0	0	0	8
	2010	8	0	0	0	0	0	8
	2011	8	0	0	0	0	0	8
Ohio	2009	6	1	0	0	0	0	7
	2010	7	0	0	0	0	1	6
	2011	6	1	0	0	0	0	7
Pennsylvania	2009	10	1	0	0	0	1	10
	2010	10	2	0	0	0	0	12
	2011	12	2	1	0	0	0	13
South Carolina	2009	2	1	0	0	0	0	3
	2010	3	0	0	0	0	0	3
	2011	3	0	0	0	0	0	3
Tennessee	2009	1	2	0	0	0	0	3
	2010	3	0	0	0	0	0	3
	2011	3	0	0	0	0	0	3
Texas	2009	21	1	0	0	0	4	18
	2010	18	3	0	0	0	3	18
	2011	18	1	1	0	0	5	13
Utah	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
Vermont	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Wisconsin	2009	1	1	0	0	0	0	2

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at the End of the Year *
	2010	2	1	0	0	0	0	3
	2011	3	0	0	0	0	1	2
Totals	2009	140	14	0	0	0	8	146
	2010	146	23	0	0	0	9	160
	2011	160	12	3	0	0	18	151

*Four (4) of these are Holiday stores open seasonally October through January each year.

- All numbers are as of December 31 for each year.

Table 4

**STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2009 to 2011**

Col.1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisees	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at End of the Year *
All	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Totals	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0

We do not own or operate company-owned outlets.

*All numbers are as of December 31 for each year.

Table 5

PROJECTED NEW FRANCHISED OUTLETS AS OF DECEMBER 31, 2011

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Florida	0	2	0
Georgia	0	1	0
Illinois	0	1	0
Louisiana	0	1	0
Maryland	0	0	0
Massachusetts	0	1	1
Minnesota	0	1	0
New Jersey	0	1	0
New York	0	2	0
North Carolina	0	1	0
Pennsylvania	0	1	0
Rhode Island	0	0	0
South Carolina	0	0	0
Tennessee	0	1	0
Texas	0	0	0
Virginia	0	1	0
Wisconsin	0	1	0
Total	0	16	1

A list of Our Local Store franchisees as appears as Exhibit F.

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 issuance of this Disclosure Document appears in Exhibit F.

If You buy this franchise, Your contact information may be disclosed to other buyers when You leave the franchise system.

Our franchise agreements have confidentiality clauses which prevent current and former franchisees from disclosing proprietary information regarding Our system. However, during the last three fiscal years, We have not signed any other agreements that contain confidentiality clauses with current or former franchisees.

You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

Other than the Learning Express Franchise Advisory Council and the Learning Express Marketing Advisory Committee located at 29 Buena Vista Street, Devens, Massachusetts, 01434 (no web or e-mail address), we have not created, sponsored or endorsed any other trademark specific franchisee organization nor have any independent franchisee organizations asked to be included in this Disclosure Document.

**ITEM 21
FINANCIAL STATEMENTS**

The audited financial statements for the fiscal years ended December 31, 2011, 2010 and 2009 are attached as Exhibit G. 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 Disclosure Document is a receipt in duplicate for this Disclosure Document (and certain other documents) to be signed by You as a prospective franchisee.