

Whole-Deal Memorandum

Sample deal: purchase of an operating Kiddie Academy franchise from its current owner

Prepared October 12, 2026 · 6 documents · 242 pages · built only from public documents

Legal information, not legal advice. This memo is a first pass for your lawyer's review. It is not a valuation and it does not promise that every risk was found. Your franchise lawyer should review the documents before you sign.

About this sample. The documents are the franchisor's public forms from its 2026 Franchise Disclosure Document, set up as a resale. A real deal adds the seller's signed agreement, the actual lease and the purchase agreement. Every page number refers to the public filing, so you can check each quote yourself.

1 Scope and assumptions

REF	DOCUMENT	SOURCE PAGES
D1	Franchise Disclosure Document, Items 1 to 23	1-99
D2	Franchise Agreement, with Personal Guaranty and Exhibit A-1 (Transfer/Renewal)	105-195
D3	Collateral Assignment of Lease (Exhibit H)	215-218
D4	Lease Option Agreement, with the required form Lease (Exhibit I)	219-253
D5	Addendum to Franchise Agreement (Transfers) (Exhibit J)	254-259
D6	General Release Agreement (Exhibit L)	266-272

- The deal is an asset purchase of an open Academy from an existing franchisee. You sign the franchisor's current Franchise Agreement plus the Transfer Addendum.
- These are unsigned forms. Where a form leaves a blank, we say so and list it as something to get in writing.
- The seller's signed agreement, the real lease, the purchase agreement and the Academy's own records were not provided. See section 6.

2 Top issues across the deal

1. Your exit cost is personal, and it stacks across three documents

If the franchise ends early after a default, Section 17.7 adds a lump sum of up to 156 weeks of royalty (7%) and Brand Building Fee (2%) on top of everything else owed. Every owner and every owner's spouse guarantees that debt personally, with no cap. If the franchisor takes over your lease and has not re-placed it within a year, it is released and you stay liable for the rent.

“promptly pay to Franchisor a lump sum payment (as damages and not as a penalty) for breaching”

D2 · Section 17.7 · p. 162

“If You are an individual and are married, your spouse must also personally guarantee the Franchise Agreement, even if your spouse has no ownership in the Franchised Business.”

D1 · Item 15 · p. 64

“however, Assignor shall continue to be liable under said lease.”

D3 · Paragraph 4(f) · p. 218

2. Closing cash is partly blank or set by the franchisor

The transfer form leaves the Administrative Fee blank. The disclosure document puts it at \$50,000 (\$25,000 if you already own a Kiddie Academy) and says it can vary. On top of the purchase price you also fund a \$10,000 to \$20,000 re-opening marketing plan within 60 days, a rebrand of signs and materials within 180 days, and the required software by the Transfer Date. Refurbishment is a condition of the franchisor's consent.

“On the Transfer Date, Franchisee shall pay to Franchisor an Administrative Fee”

D5 · New Section 7.1 · p. 256

“requires the payment of a \$50,000 Administrative Fee, which is payable by the transferee”

D1 · Item 5 · p. 20

“cost no less than \$10,000.00 up to a maximum of \$20,000.00, which shall be paid by the Franchisee.”

D5 · New Section 13.1.1 · p. 257

“refurbishment of Academy; no release of transferor”

D1 · Item 17(m) · p. 68

3. Your territory is redrawn at transfer, and the radius is blank

You do not inherit the seller's territory by default. Exhibit A-1 resets it as a circle whose radius is left blank, and Section 1.3 still points to Exhibit A, the original exhibit. Under Item 12 a site with 125,000 or more people within one mile gets no exclusive territory at all.

"The Exclusive Territory is defined as the following geographic area:"

D2 · Exhibit A-1, item 2 · p. 181

"within the geographic area defined in Exhibit A"

D2 · Section 1.3 · p. 110

"You will receive no Exclusive Territory if the population within a one-mile radius of your Academy is 125,000 or more people."

D1 · Item 12 · p. 58

4. You cannot yet tell how many years you are buying

The new term ends on a blank date that the franchisor fills in after the transfer. You must also hold a lease for the whole term, even if you own the building. Until both dates are written in, you cannot match the franchise term, the lease term and your loan term.

"commence on the Transfer Date as set forth in Exhibit A-1 and expire on [DATE]"

D5 · New Section 2.1 · p. 255

"possess a leasehold interest in Franchise Location, even if Franchisee owns the"

D5 · New Section 2.2 · p. 256

5. Signing binds you before the deal closes

You sign the franchise documents before the purchase closes. If the purchase or your funding fails within 180 days, either side can end the agreement, but the non-compete and confidentiality terms survive. The franchisor owes nothing until closing. The two Effective Date definitions conflict, so the start of the 180 days is unclear.

"in such event this Agreement shall be of no force or effect but the confidentiality and non-compete provision of this Agreement shall survive"

D5 · New Section 28.6 · p. 257

"will become effective on the date when all parties have signed it."

D5 · Preamble · p. 255

"This Addendum shall become effective on the date"

D5 · Signature page · p. 259

6. If the building comes with the deal, the franchisor can lease it from you

Where the franchisee owns the premises, the franchisor holds an irrevocable option to take a 15-year lease of your building when the franchise ends. On exercise you deliver the customer lists and student rosters with the building, and the option states no payment for them.

“If the franchisee owns the Academy premises, the franchisee must grant us an option to lease the premises upon expiration and non-renewal or termination of the Franchise Agreement”

D1 · Item 8 · p. 40

“with all trade fixture, trademarks, signs, trade dress, materials, curricula, customer lists, and student rosters”

D4 · Section 2(a)(3) · p. 221

7. Do not price the business off Item 19

Item 19 'Gross Profit' leaves out supplies, food and insurance, and the investment estimate leaves out debt service. Ask for the Academy's own records instead. Item 19 says the franchisor may provide them to a buyer of an existing Academy.

“Other non-listed revenue (i.e., state and federal funds, grants, etc.) and expenses (i.e., supplies, food, insurance premiums, etc.) may impact an Academy’s net profit.”

D1 · Item 19 · p. 88

“does not include any financing charge, interest or debt service obligation.”

D1 · Item 7, Note 18 · p. 38

“If You are purchasing an existing Academy, however, we may provide You with actual records of that Academy.”

D1 · Item 19 · p. 88

3 Findings by document

D1. Franchise Disclosure Document, Items 1 to 23 pages 1-99

HIGH Liquidated damages of up to 156 weeks of fees on any early termination

"If the Franchise Agreement is terminated before the end of its term, You must pay us liquidated damages for our lost future Royalty and Brand Building fees, calculated as the average weekly amount of those fees over the prior 156 weeks multiplied by 156 weeks"

D1 · Item 6 · p. 27

Item 6 states the charge for any early termination; the agreement (Section 17.7) ties it to termination for your default. Ask which governs and get it limited to your uncured default.

HIGH No-cure termination for any employee plea, including a regulatory violation

"You (or anyone You employ) pleads guilty or nolo contendere to a felony, a fraud, a crime involving moral turpitude, or any other crime, offense, or regulatory violation"

D1 · Item 17(h) · p. 67

In child care, minor licensing citations are common. Ask to limit this to serious offenses by owners, with a cure period for staff matters.

HIGH Two-year non-compete measured from every Academy in the system

"No involvement for two years in competing business within 20 miles of Franchisee's Exclusive Territory or of any other Academy"

D1 · Item 17(q)-(r) · p. 68

Map the radius against where you and your spouse may want to work later.

MEDIUM The franchisor need not spend Brand Building money in your market

"we are not obligated to spend any amount on advertising"

D1 · Item 11 · p. 50

You pay 2% to the fund plus at least the greater of 2% or \$10,000 a year locally.

MEDIUM Transfer fee is the seller's agreement's fee, not this one's

"as determined by the Franchise Agreement governing the Franchised Business that You are acquiring"

D1 · Item 5 · p. 20

Get the seller's signed agreement to confirm the fee you will pay.

D2. Franchise Agreement, with Personal Guaranty and Exhibit A-1 (Transfer/Renewal) pages 105-195

HIGH Royalty on a revenue base the franchisor alone determines

“Gross Revenues generated by the Franchised Business shall be determined exclusively by the”

D2 · Sections 7.4 and 7.5 · p. 133

Ask for a right to dispute the calculation, and confirm how government child care funds are counted.

HIGH Personal guaranty waives notice of future amendments

“waive(s) notice of amendment of the Franchise Agreement and notice of demand for payment by”

D2 · Exhibit B, Personal Guaranty · p. 183

Ask for a cap, a sunset on sale, and no spouse signature where the spouse holds no ownership.

HIGH You indemnify the franchisor even for its own negligence

“(including claims of Franchisor negligence)”

D2 · Section 21.2 · p. 170

Ask for a carve-out for the franchisor's own negligence and for systems it requires you to use.

HIGH Claims against the franchisor expire after one year

“WITHIN ONE YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH”

D2 · Section 27.8 · p. 174

Diligence findings about the seller's period may be time-barred quickly. Calendar the date.

HIGH After you leave, a two-year non-compete covers 20 miles around every Academy

“any location within 20 miles of any other Kiddie Academy location”

D2 · Section 18.3 · p. 165

During the term the bar covers any child care business, including as a landlord. Check it against any other child care or real estate interests you hold.

HIGH The territory ends if the lease ends

“if the lease or purchase agreement in connection with the Franchised Business is terminated, or the Franchised Business permanently ceases operations, then Franchisee’s rights with respect to the Exclusive Territory will immediately terminate”

D2 · Section 1.3 · p. 111

Tie your lease renewal dates to the franchise term before closing.

MEDIUM \$1,000 per failure to comply, collectable by bank debit

“of \$1,000 for each and every such failure and/or refusal to comply”

D2 · Section 7.7 · p. 134

Ask for notice and a cure period first.

MEDIUM Audit penalty of at least \$10,000 on a 3% understatement

"Franchisee shall pay to Franchisor a fee equal to \$10,000 or the actual cost of the audit, whichever"

D2 · Section 12.11 · p. 143

Confirm the seller's reporting is clean; a past understatement can follow the business.

MEDIUM Refurbishment on demand, with no dollar cap

"Franchisor reserves the right to require Franchisee to generally refurbish the"

D2 · Section 6.17.2 · p. 128

Ask for the date of the last refurbishment and a cap for the remaining term.

D3. Collateral Assignment of Lease (Exhibit H) pages 215-218

HIGH The franchisor can take over your premises on any franchise default

"If the Assignor defaults under the Lease, Franchise Agreement, or upon expiration of the Franchise Agreement fails or refuses for any reason to continue to operate as a franchisee of the Assignee, the Assignee, or its designee, will have the right and is empowered to take possession of the Leased Premises subject to the Lease, expel the Assignor from those premises"

D3 · Paragraph 2 · p. 216

Ask that takeover follow the cure period in both the lease and the franchise agreement.

HIGH You repay the franchisor's takeover costs, including back rent, with no cap

"The Assignor will reimburse the Assignee or its designee for the costs and expenses incurred in connection with any such retaking, including but not limited to, the payment of any back rent and other payments due under the Lease"

D3 · Paragraph 2 · p. 216

Ask for a reasonableness standard and documented costs.

HIGH The franchisor is released after a year; you are not

"the Assignee will have no further liability or obligation under the Lease as of the end of that one year period (the "Period"); however, Assignor shall continue to be liable under said lease."

D3 · Paragraph 4(f) · p. 218

Ask the landlord for a matching release when the franchisor or a new franchisee takes over.

MEDIUM You cannot change or end your own lease without the franchisor's consent

"amendment or modification of the Lease without the prior written consent of the Assignee."

D3 · Paragraph 3 · p. 217

Ask for a not-unreasonably-withheld standard and a response deadline.

MEDIUM The franchisor holds first refusal on a new lease of your site

"Assignee shall have a right of first refusal to enter into a new lease with Landlord for the Leased"

D3 · Paragraph 4(d) · p. 217

Negotiate renewal options in the lease so this never triggers.

D4. Lease Option Agreement, with the required form Lease (Exhibit I) pages 219-253

HIGH Irrevocable option on the building you own

"irrevocable Option to lease the Academy Premises from Franchisee"

D4 · Section 1 · p. 220

Applies only if you buy the real estate. Price the building with this option attached.

HIGH Rent set once by one broker, with no stated increases

"the rent shall be equal to the fair market rent for the Academy Premises ("FMR")."

D4 · Section 4(a) · p. 222

The rent schedule in the attached lease is blank. Ask for annual increases and a reset at renewal.

HIGH The franchisor can walk away after one year on 90 days' notice

"Franchisor shall have the right, but not the obligation to"

D4 · Section 2(a)(4)(D) · p. 221

Ask for a termination fee or a minimum term.

HIGH The franchisor is released when it sublets or assigns

"Franchisor shall have no liability or obligation of any kind or nature, whether arising before or after"

D4 · Section 3 · p. 222

Ask that the franchisor stay liable for its own period of tenancy.

HIGH Three-mile exclusive binds your other properties

"or in any real estate project owned, managed or controlled by the Landlord that is within a three-mile radius of the Leased Premises"

D4 · Lease Section 39 · p. 247

Check any other real estate you or your affiliates own nearby.

MEDIUM Environmental warranty and indemnity from you, uncapped

"Landlord agrees to indemnify and defend Tenant (with legal counsel reasonably acceptable to Tenant) from and against any costs, fees or expenses"

D4 · Lease Section 17 · p. 241

Order a Phase I environmental report before you buy the building.

D5. Addendum to Franchise Agreement (Transfers) (Exhibit J) pages 254-259

MEDIUM Lease for the full term even if you own the site

“the lease term must be for the entirety of the Term.”

D5 · New Section 2.2 · p. 256

Line this up with the term end date once it is filled in.

MEDIUM Rebrand at your cost within 180 days

“shall replace all signs and materials at the Academy, including forms, shirts, and stationery”

D5 · New text in Section 4.4 · p. 256

Get the franchisor's list of non-compliant items before closing and price it.

MEDIUM Required software purchase by the Transfer Date

“On or before the Transfer Date, Franchisee will purchase a designated package of”

D5 · New Section 12.1 · p. 257

Ask whether the seller's licenses transfer, and the cost.

MEDIUM No express exit if diligence or licensing fails

“Franchisee’s completion of a due diligence review, and obtaining a child care license”

D5 · New Section 28.6 · p. 257

The termination right covers only a failed purchase or funding. Ask to add failed diligence and licensing.

MEDIUM Disclosing the addendum is a material breach

“Any disclosure in violation of this section shall be deemed a material breach of the Franchise Agreement.”

D5 · Paragraph C · p. 258

Ask for a carve-out for your lender, lawyer, accountant and the seller.

D6. General Release Agreement (Exhibit L) pages 266-272

HIGH One-way release of all claims, known or unknown

“known or unknown, vested or contingent”

D6 · Sections 3 and 4 · p. 268

The franchisor releases nothing in return. Ask for a mutual release.

HIGH Covenant not to sue reaches agency proceedings

“including, but not limited to, lawsuits or proceedings before any federal or state agency(ies)”

D6 · Section 3 · p. 268

Ask for a carve-out for claims that cannot lawfully be waived.

HIGH

Your obligations survive while the franchisor is released

“indemnity obligations, shall survive termination of the Franchise Agreement and”

D6 · Section 5 · p. 268

Ask for a defined list of surviving obligations and release of the guaranty.

MEDIUM

Exclusive forum in Harford County, Maryland

“a court of competent jurisdiction for Harford County, Maryland”

D6 · Section 10 · p. 269

Budget for out-of-state litigation.

4 How the Transfer Addendum changes the Franchise Agreement

Read the Franchise Agreement (D2) through the Transfer Addendum (D5). Sections not listed stay as written, and the Addendum wins where they conflict.

FRANCHISE AGREEMENT SECTION	CHANGE	WHAT IT MEANS FOR YOU
1.1 Designated Search Area p. 110	Deleted	No site search; you take an existing location.
1.2 Franchised Business p. 110	Replaced	Grant runs to the location in Exhibit A-1.
2.1 Franchise Term p. 111	Replaced	Term starts on the Transfer Date and ends on a blank date. Extends to 25 years from the Transfer Date if you later own the site.
2.2 Lease or Purchase Agreement p. 112	Replaced	You must hold a lease for the whole term, even if you own the property.
2.3 Expiration p. 112	Deleted	
4.2 Pre-Occupancy Inspections p. 115	Deleted	
4.4 Signs p. 115	Added to	Replace non-compliant signs and materials within 180 days, at your cost.
4.9 Lease or Purchase Agreement Termination p. 118	Deleted	
5.1 Site Selection, 5.2 Plans and Specifications, 5.3 Construction, 5.6 Opening/On-Site Consultations p. 118	Deleted	Development duties fall away for an open Academy.
7.1 Initial Fee p. 131	Replaced	No \$150,000 Initial Fee. An Administrative Fee is due on the Transfer Date; the amount is blank.
7.2 Initial Fee Partially Refundable, 7.3 Termination Prior To Lease p. 131	Deleted	The Initial Fee refund rights go with them.
8.1 (third sentence)	Replaced	All owners complete training within the time the franchisor sets.
12.1 Information Systems (first sentence) p. 141	Replaced	Required software bought by the Transfer Date.
13.1.1 Marketing p. 145	Replaced	Re-opening marketing plan within 60 days, \$10,000 to \$20,000, paid by you.
28.6 Conditional Effectiveness	New	Effective only on closing, diligence and licensing; 180-day exit for failed purchase or funding; non-compete survives.

5 Consents and notices the deal triggers

CONSENT OR NOTICE	SOURCE	NOTE
Franchisor consent to the transfer	Item 17(m), page 68	Not to be unreasonably withheld. Conditions: you sign the current agreement, meet licensing, refurbish, pay training and transfer fees; the seller is not released.
Seller's general release in the franchisor's favor	Item 17(m), page 68; release form, pages 266-272	A condition of the transfer. Confirm the seller will sign it before you spend on diligence.
Landlord consent to assign the lease	Lease Section 14(a), page 238	Under the franchisor's lease form, consent may not be unreasonably withheld and the outgoing tenant is released. Your actual lease may differ.
New Collateral Assignment of Lease, signed by you and the landlord	Item 8, page 40; form, pages 215-218	Required for a leased site.
Child care license in your name	New Section 28.6, page 257	A condition of the agreement taking effect. Start the application early.
Personal guaranties from all owners and spouses	Item 15, page 64; form, page 183	Signed at closing.
SBA lender approval, if financed	Item 10, page 44	The documents give no lender notice or consent steps. Your lender will set them.

6 Documents to request from the seller

1. The seller's signed Franchise Agreement and every amendment. Your transfer fee and some terms come from it (Item 5, page 20).
2. Completed Exhibit A-1: the territory radius and map, the Transfer Date and the Expiration Date (page 181).
3. The Administrative Fee amount in writing (blank at page 256).
4. The actual lease, all amendments, and the landlord's consent and estoppel letter.
5. The seller's signed Collateral Assignment of Lease, if any.
6. The asset purchase agreement.
7. The Academy's own financial records: monthly revenue, payroll, rent, supplies, food and insurance (Item 19 offers them, page 88).
8. A franchisor good-standing letter: no open defaults, fees paid, no pending audit.
9. The child care license, the last 3 years of inspection reports and any citations.
10. Refurbishment history and the franchisor's list of items to bring to current standards.
11. The state addendum for the Academy's state (Exhibit Q, not reviewed here).

7 Action list

1. Before you sign anything: get Exhibit A-1 completed with a territory radius at least as large as the seller's, a Transfer Date and an Expiration Date.
2. Get the Administrative Fee written into new Section 7.1, and confirm it against the seller's agreement.
3. Ask for a right to end the deal if diligence or the child care license fails (new Section 28.6), and for the non-compete to fall away if the deal never closes.
4. Fix the Effective Date conflict (pages 255 and 259) so the 180 days has one start date.
5. Ask for a carve-out from the confidentiality clause for your lender, lawyer and accountant (Paragraph C, page 258).
6. Negotiate the guaranty: a cap, a sunset on sale, and no spouse signature without ownership.
7. Ask the landlord for a release that matches the franchisor's in the Collateral Assignment (Paragraph 4(f), page 218).
8. If the building is part of the deal: price the lease option into the real estate value, and order a Phase I environmental report.
9. Build your cash model from the Academy's own records, not Item 19, and add the \$10,000 to \$20,000 marketing plan, the rebrand and the software.
10. Calendar the one-year claim deadline (Section 27.8) from closing.
11. Take this memo to your franchise lawyer with the missing documents above.

8 Pages we did not read

PAGES	WHAT AND WHY
Pages 82 and 87	Item 19 tables of individual Academy results. These pages are images; we could not read them, so their figures are not reflected here.
Pages 100-104	Exhibit A, state agencies. Not part of the deal documents.
Pages 196-214	Multi-unit, royalty reduction, Vet*Fran, renewal and target market addenda. Do not apply to a single resale.
Pages 260-265	Conversion addendum. Does not apply.
Pages 273-375	Manual contents, franchisee lists, franchisor financial statements, state addenda, effective dates and receipts. Not reviewed.