

## FRANCHISE DISCLOSURE DOCUMENT

Tumbles LLC  
A Delaware limited liability company  
1302 Waugh Drive, Suite 192  
Houston, Texas 77019  
Telephone: (833) GYM-STEM  
franchise@tumbles.net  
[www.tumbles.net](http://www.tumbles.net)



We offer franchises for children’s fitness gym and STEAM centers for children aged 4 months to 10 years to be operated under the mark Tumbles™ that feature basic gymnastics, sports preparation skills, STEAM classes, tumbling, children’s’ games, and activities.

The total investment necessary to begin operation of a Tumbles franchise without the Tumble Zone indoor playground is \$226,500 to \$338,500, and the total investment necessary to begin operation of a Tumbles franchise with the Tumble Zone indoor playground is \$373,500 to \$603,000; each includes \$69,000 to \$74,000 that must be paid to the franchisor or affiliate. If you sign a Multi-Unit Development Agreement, the initial investment necessary to begin operations under a two- to five-unit Multi-Unit Development Agreement (including the costs of the first unit) are \$257,000 to \$728,000, including \$99,000 to \$194,000 that must be paid to franchisor or affiliate.

This disclosure document summarizes certain 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 governmental agency has verified the information contained in this 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, please contact Mr. Manish Vakil at 1302 Waugh Drive, #192, Houston, Texas 77019, telephone (833) GYM-STEM. The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an 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’s 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, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://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 11, 2024.

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit I.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit J includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Tumbles business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Tumbles franchisee?</b>	Item 20 or Exhibit I lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Texas. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Texas than in your own state.
2. **Franchisor's Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's ability to provide services and support to you.
3. **Minimum Royalty.** You must make minimum royalty, advertising, and other payments regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.
4. **Minimum Sales Performance Levels.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment
5. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices that franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profits of your franchised business.
6. **Unopened Franchises.** The franchisor has a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchises are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from

exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 373-7117

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## **EXHIBITS**

- A. State Administrators and Agents for Service of Process
  - B. Franchise Agreement (with Guaranty and Non-Compete Agreement and Software License)
  - C. Multi-Unit Development Agreement
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  - E. Form of General Release
  - F. Brand Standards Manual Table of Contents
  - G. State Addenda to Disclosure Document
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  - I. Current and Former Franchisees
  - J. Financial Statements
  - K. EFT Authorization Form
  - L. Confidentiality and Noncompete Agreement
- State Effective Dates  
Receipt (2 copies)

**Item 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

In this disclosure document, “we”, “us,” or “our” refers to Tumbles LLC (but not to our officers, directors, agents, employees, affiliates, parents, or subsidiaries). “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement (Attachment 4 to the Franchise Agreement), which means that all of the Franchise Agreement’s provisions also will apply to your owners.

Us, Any Parents, Certain Affiliates, and Our Predecessors

Our name is Tumbles LLC. Our principal business address is 1302 Waugh Drive, Suite 192 Houston, Texas 77019.

Our predecessors include:

(1) Cambridge Franchise Enterprises Private Ltd., a Singapore entity (“**Cambridge Enterprises**”), with its principal business address at 81 Clemenceau Ave. #02-12 Singapore 239917. Cambridge owned the assets and the Marks relating to the Tumbles franchise system from October 2014 to December 2015, when we purchased substantially all of Cambridge Enterprises’ assets. Cambridge Enterprises is also our affiliate and purchased the Tumbles brand from Kidville JWT in October 2014. Cambridge Enterprises’ sole business was acting as a holding company for the Tumbles brand. Cambridge Enterprises does not engage in other business activities and does not offer franchises in other lines of business.

(2) Kidville JWT, LLC, a New York limited liability company (“**Kidville JWT**”), with its principal address at 163 East 84<sup>th</sup> Street, New York, New York 10028. Kidville JWT owned the Tumbles brand from approximately December 2008 to October 2014. Kidville JWT’s sole business was supporting Tumbles franchisees. Kidville JWT did not engage in other business activities and did not offer or sell franchises in any line of business.

(3) JWT Kids, Inc., a California corporation (“**JWT Kids**”) and JWT IP, Inc., a California corporation (“**JWT IP**”). JWT Kids and JWT IP’s principal business address is 312 Cedros Avenue, Suite 317, Solana Beach, California 92075. JWT Kids’ sole business was offering, selling, and supporting Tumbles franchisees. JWT IP’s sole business was acting as a holding company for the Tumbles brand. JWT Kids offered and sold Tumbles franchises from June 2007 to the end of 2008, when Kidville JWT purchased the Tumbles brand from JWT Kids and JWT IP. These entities did not engage in other business activities and did not offer franchises in other lines of business.

(4) J.W. Tumbles Licensing Corporation, a California corporation (“**JWT Licensing**”), with its principal business at 312 Cedros Avenue, Suite 317, Solana Beach, California 92075. JWT Licensing offered and sold Tumbles franchises from 1993 to June 2007, when it sold substantially all of its assets to JWT Kids and JWT IP. JWT Licensing did not offer franchises in other lines of business. Its sole business was the offer and sale of franchises and support of Tumbles franchisees, and, in some instances, selling equipment to Tumbles

franchises. It did not engage in other business activities and did not offer franchises in other lines of business.

Except as described above, we have no other predecessors or affiliates.

### Our Business Name

We use the names “Tumbles LLC” and “Tumbles”. We do not intend to use any other names to conduct business.

### Agent for Service of Process

Our agent for service of process in Delaware is Harvard Business Services, Inc., and the agent’s principal business address is 16192 Coastal Highway, Lewes, Delaware 19958. Our agents for service of process in other states are disclosed in **Exhibit A**.

### Business Organization

We are a limited liability company organized in Delaware on October 15, 2014.

### Our Business and Prior Business Experience

We have offered franchises since June 2016. Other than offering and supporting franchises, we do not have any other business activities. We have not offered franchises in other lines of business. We have never operated a business of the type to be operated by you.

None of our affiliates has offered franchises in other lines of business.

None of our affiliates provides products or services to our franchisees.

None of our affiliates have operated a business of the type to be operated by you.

### The Business You Will Conduct

If you sign a Franchise Agreement with us, you will develop and operate a facility under the mark “Tumbles” and all other trade names, trademarks, service marks and logos specified by us from time to time (the “**Marks**”). The facility is designed for children between the ages of four months and ten years, and combines basic gymnastics and STEAM, sports preparation skills, tumbling, children’s’ games, movements, and activities in a highly structured program which includes music, movement, and activities appropriate to each child’s age group. All of the activities at Tumbles facilities are specially designed to enhance each child's abilities in areas such as: physical skills, fine and gross motor skills, spatial awareness, coordination, balance, agility, flexibility, and sports preparation. Many programs at a Tumbles facility are uniquely designed to allow parents and children to participate together. You may also provide Tumbles services and specialized on-site programs (such as birthday parties or special events) at customer locations within your Protected Territory.

Our franchisees typically begin offering our STEAM program (Science, Technology, Engineering, Art, and Math) after being open for a full six months. Our STEAM program is designed for children between the ages of four to ten years and uses both basic and advanced science and engineering principles, innovative technology, out-of-the-box math thinking, hands-on activities, and literature, while utilizing full-body kinesthetic learning. Our unique STEAM curriculum is developed using inspiration from international standards set by the Trends in International Mathematics and Science Study (TIMSS) and Progress in International Reading Literacy Study (PIRLS) to ensure our curricula is both cutting edge, relevant, and inspiring in the global children's education market.

Optionally, some new facilities may also incorporate a Tumble Zone™ indoor playground, which is an enclosed soft play area and obstacle course designed for kids above age four and requires a larger space than a standard Tumbles facility.

Under our Franchise Agreement, we grant you the right to establish and operate one Tumbles facility in the manner described in the Franchise Agreement and in our brand standards manuals (the “**Manual**”). Under the Franchise Agreement, you are granted a protected territory within which we will not establish or license other Tumbles facilities, as further described in Item 12 (the “**Protected Territory**”).

We also offer qualified candidates the right to operate multiple Tumbles facilities under the terms of our Multi-Unit Development Agreement (the “**MUDA**”). If you purchase area development rights, you must open at least two facilities according to mutually agreed-upon development deadlines in the development schedule (the “**Development Schedule**”). Before you sign the MUDA, we will mutually agree upon the boundaries of your development territory (the “**Development Territory**”), your development obligations, and development deadlines, all of which will be stated in the MUDA. Franchisees that sign a MUDA will sign the then-current form of franchise agreements for any future locations.

If we provide you with any confidential information prior to executing a franchise agreement (for example, in connection with a discovery day or upon your request), we reserve the right to require you to execute a Confidentiality and Noncompete Agreement (attached as Exhibit L to this disclosure document) prior to receiving such confidential information.

### The General Market

The general market for children's fitness and educational programs is well-established in the United States. Our customers are primarily middle to upper-income class parents with young children. Sales are seasonal based on location and local market. In some locations, summer camps are popular. In most locations, however, the busiest season is during the school year and, in particular, the winter months, when children are not able to play outside.

### Laws and Regulations

Most states do not require a license to operate a children's physical fitness center. You should inquire of your state and local agencies concerning the need to hold any licenses for your facility before purchasing this franchise. You alone are responsible for investigating and complying with all applicable laws and regulations, despite any information that we may give you.

You should consult with a legal advisor about legal requirements that may apply to your business, including any permits and licenses necessary to operate in your market.

### Competition

Tumbles facilities compete with national, regional, and local children's gyms, fitness programs, and STEAM programs. If we award you the right to operate a Tumbles facility, it is likely that you will compete with facilities or programs offering similar children's gyms and fitness and STEAM programs.

## **Item 2 BUSINESS EXPERIENCE**

### **Manish Vakil – Chief Executive Officer and Chief Financial Officer**

Manish Vakil has served as our Chief Executive Officer and Chief Financial Officer since October 2014. He has held these positions from Houston, Texas and Park Ridge, New Jersey. Mr. Vakil was a franchisee for Eye Level Learning Centers (March 2006 to February 2015) in Park Ridge, New Jersey; an area developer for Eye Level Learning Centers (March 2006 to October 2013); and a franchisee and area developer for the Tumbles franchise system (April 2007 to December 2013) in Park Ridge, New Jersey.

### **Joseph Flanders – Chief Operating Officer**

Joseph Flanders has served as our Chief Operating Officer since March 2016, this position is based in Buford, Georgia. He was also the managing partner of Peachtree Enrichment, LLC, a multi-unit supplemental education franchise, in Alpharetta and Johns' Creek, Georgia between 2003 and 2017.

### **Karen Kegerreis – Gym Curriculum Specialist**

Karen Kegerreis has served as our Gym Curriculum Specialist in Fairfax, Virginia since April 2020. Prior to that she served as the Director of Fit Kids, LLC (our former franchisee in Arlington, Virginia, and Alexandria, Virginia) between October 2013 and March 2020. She is also a part time lead teacher for Kidcreate Studio Ashburn, in Ashburn, Virginia and has been since September 2020.

### **Julie McLendon – STEAM Curriculum Specialist**

Julie McLendon has served as our STEAM Curriculum Specialist in Johns Creek, Georgia, since January 2019. She also works as a science teacher for Gilmer County School System in Ellijay, Georgia, since September 2015.

### **Vladimir Milisavljevic – Director of Software**

Vladimir Milisavljevic is a contractor who has served as our Director of Software since January 2016, a position he holds in Belgrade, Serbia. He is employed by his consultancy company in Belgrade, Serbia.

### **Aleksandar Popovic – Chief Digital Officer**

Aleksander Popovic has been our Chief Digital Officer since June 2016, a position he holds from Belgrade, Serbia (and which he previously held in North Bergen, New Jersey).

### **Obren Maksimovic – Director of Security**

Obren Maksimovic is a contractor who has served as our Director of Security since December 2015, a position he holds in Belgrade, Serbia. He is employed by his consultancy company in Belgrade, Serbia.

### **Nemanja Momcilovic – Director of Franchisee Technical Support and Digital Training**

Nemanja Momcilovic is our Director of Franchisee Technical Support and Digital Training and has been since February 2021, a position held remotely from Belgrade, Serbia. Prior to that, He was the project manager for Digital Marketing & Communications in Belgrade, Serbia, between June 2020 and February 2021, and he was the SEO assistant for Link Group in Belgrade, Serbia, between November 2019 and June 2020.

## **Item 3 LITIGATION**

No 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**

### **Initial Franchise Fee**

When you sign your Franchise Agreement, you must pay us an initial franchise fee of \$54,000. During the last fiscal year, the range of initial franchise fees we received was \$41,650 to \$49,000. The initial franchise fee is uniformly imposed and is non-refundable.

### **Multi-Unit Development**

If you and we agree that you will develop multiple franchises, then you will sign our Multi-Unit Development Agreement (“MUDA”) in the form of Exhibit C to this disclosure document. Your initial franchise fees will be reduced to \$30,000 for each franchise after the first franchise. You will pay all franchise fees upon signing the MUDA. They are not refundable.

## Access Fee

Under each franchise agreement, you must pay us an access fee of \$15,000 to \$20,000 (the “**Access Fee**”) for the site selection services and design services, which are described in Item 8, as well as for the website setup, including setup and onboarding on the Operations Management System (“**OMS**”) which will be used to run the operations of the business. A \$15,000 Access is applicable if your location will be without the Tumble Zone indoor playground, and a \$20,000 Access Fee is applicable if your location will include a Tumble Zone indoor playground. The access fee is not refundable.

### **Item 6 OTHER FEES**

#### **Franchise Agreement**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty	7% of your Gross Sales, with a minimum royalty payment of \$1,500 per month commencing 24 months after opening	By the 10 <sup>th</sup> day of each month by electronic funds transfer	“ <b>Gross Sales</b> ” means the total dollar amount of all sales generated through the business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales also currently includes any proceeds of business interruption insurance and payment for all prepaid cards, gift cards or similar items sold by you unless we implement a regional or national gift card/prepaid card program. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes, and (iii) sales of used equipment not in the ordinary course of business.
Marketing Fund Contribution	Up to 2% of your Gross Sales	By the 10 <sup>th</sup> day of each month by electronic funds transfer	

Type of Fee	Amount	Due Date	Remarks
Market Cooperative Contribution	As determined by the cooperative, but not less than 1% of Gross Sales.	By the 10 <sup>th</sup> day of each month by electronic funds transfer	We have the right to establish local or regional advertising cooperatives. If you are a member of a cooperative, you and other members may vote to require each member to contribute between 1% and 5% of adjusted gross sales to the cooperative.
Local Area Marketing Expenditures	\$1000, or 3% of gross sales, whichever is greater, per month, subject to adjustment	By the end of each month	You must spend a minimum of \$1,000 (or 3% of gross sales, if higher) per month on advertising in your trade area. This amount is subject to adjustment upon 90 days advance notice, but we may not increase required expenditures by more than 10% in any 12-month period.
Digital Advertising Management Fee	Currently, \$0 per month	By the end of each month	While currently we allow you to utilize any approved marketing supplier for these services, we reserve the right to manage the digital advertising and social media platforms in return for a fee. If we provide this service it would include providing ad planning, analytics information, and having regular marketing strategy calls with you
Promotional Materials	Varies	As incurred	We will supply you with sample advertising materials before you open your facility. Thereafter, we or our suppliers may make additional advertising materials available to you for purchase. If you create your own advertising materials, we must approve the content before you may use the materials.
Additional Training	\$300 per person per day for each additional day of training	Per person, per day	We train two people at no charge. You must pay this fee only if we reasonably believe you need additional training before you start your business.

Type of Fee	Amount	Due Date	Remarks
Third party vendors	Pass-through of costs, plus reasonable administrative charge not to exceed the greater of \$500 or 10%. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include CRM, advertising agency, computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Convention Fee	A reasonable fee (currently, \$1,000; however, we are not holding such meetings at this time)	Payable on demand	If we elect to conduct a national or regional convention, we will charge you the attendance fee even if you do not attend. You are responsible for all travel and living expenses of attending any such meeting or convention.
Late Fees	\$200 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	Payable on demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient funds fee	\$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection or enforcement	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us or otherwise enforcing your franchise agreement.

Type of Fee	Amount	Due Date	Remarks
Relocation fee	\$5,000	Half due when we have agreed to work with you to relocate your business and the remainder due when we have accepted a relocation request	Payable if you ask us to consider relocating your business. You cannot relocate your business to new premises without our approval. We have no obligation to approve of any relocation request.
Transfer Fee	An amount equal to 50% of our then-current initial franchise fee, plus any broker fees and other out-of-pocket costs we incur	\$1,500 when you notify us of your intent to transfer or sell your business; the balance due at the closing of the transaction	Payable if you desire to transfer or sell your business.  We may also charge the transferee a training fee.
Renewal Fee	\$5,000	Before each renewal	Payable if you enter into a successor franchise agreement at the end of your agreement term.
Software Fees	Currently, \$750 per month	By the 10 <sup>th</sup> day of each month by electronic funds transfer	Payable to us or approved software supplier. This amount covers the cost of our Operations Management Program. We reserve the right to increase the fee charged for the Operations Management System. The cost of other required software programs will range from \$500 to \$850 per license per month.
Additional On-Site or Virtual Consultation	Currently, \$100/hour or \$400/day, plus out-of-pocket expenses	Payable on demand.	These fees are payable only if you request additional assistance.
Alternative Supplier Fee	Currently, \$100/hour	Payable on demand	This fee is payable only if you request us to consider an alternative supplier.

Type of Fee	Amount	Due Date	Remarks
Non-compliance fee	\$500 per instance	On demand	We may charge you \$500 for any aspect of your business which is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.
Audit costs	Our actual cost	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period.
Inspection fee	Currently \$300, plus our out-of-pockets costs	On demand	Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs, plus a 10% administrative fee.
Temporary management fee	10% of Gross Sales plus our expenses	On demand	We have the right to temporarily manage your business and charge this fee if (i) you die or become incapacitated, (ii) we exercise our right to purchase your business after your franchise agreement end, or (iii) you operate the business in a dangerous manner.

Type of Fee	Amount	Due Date	Remarks
Liquidated damages	An amount equal to royalty fees and marketing fund contributions for the lesser of 24 months or the remaining months of the term.	On demand	Payable if we terminate your Franchise Agreement because of your default, or if you terminate the Franchise Agreement without the right to do so.
Indemnity	All of our costs and losses from any legal action related to the operation of your franchise or any act by you or your employees	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the development or operation of your franchise, or any act or omission by you or any employee of your business (unless caused by our intentional misconduct or gross negligence).
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.

All fees are payable only to us. All fees are non-refundable. We do not represent that all fees are uniform for all franchisees; we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

We reserve the right to require you to pay royalty fees and other amounts due to us by pre-authorized bank draft or any other alternative method. If we permit you to pay by credit card or any other method which causes us to incur a processing fee, you will be responsible for the amount of the processing fee.

You must report your gross sales to us each month. If you fail to report your gross sales, we may withdraw estimated royalty fees and other amounts due based on 110% of the most recent gross sales you reported. We will true-up the actual fees after you report gross sales and will refund any excess fees collected.

**MULTI-UNIT DEVELOPMENT AGREEMENT**

<b>NAME OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Transfer Fee	An amount equal to 50% of our then-current initial franchise fee, plus any broker fees and other out-of-pocket costs we incur	Before consummation of transfer	Only applies if you have entered into a MUDA. This is payable for each facility that remains to be opened under your MUDA; the transfer fee described above in the “Franchise Agreement” chart applies to each facility that you have already opened under a MUDA.

**Item 7  
ESTIMATED INITIAL INVESTMENT**

**SINGLE UNIT**

Except as otherwise described in the notes below, the following table provides an estimate of your initial investment and the costs necessary to begin operating under the Franchise Agreement and under the MUDA. All fees and payments are non-refundable, unless otherwise stated or permitted by payee.

**YOUR ESTIMATED INITIAL INVESTMENT  
(SINGLE UNIT WITHOUT TUMBLE ZONE)**

<b>Type of expenditure</b>	<b>Amount</b>		<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Initial Franchise Fee	\$54,000	\$54,000	Cash	Upon signing	Us
Lease Payments <sup>1</sup>	\$6,000	\$15,000	Varies	As incurred	Landlord
Access Fee <sup>2</sup>	\$15,000	\$15,000	Cash	Upon signing	Us
Signage and Site Improvements <sup>3</sup>	\$45,000	\$98,000	As incurred	Before opening	Contractors, Approved Suppliers
Utility Deposits, Business Licenses, and Insurance <sup>4</sup>	\$1,000	\$5,000	As incurred	Before opening	Suppliers
Equipment and Inventory <sup>5</sup>	\$68,500	\$71,000	Lump sum	Before opening	Us or Approved Suppliers. See Item 8

Shipping on Equipment and Inventory	\$5,000	\$10,000	As incurred	Before opening	Transportation Companies
Training <sup>6</sup>	\$1,000	\$5,000	As incurred	Before opening	Airlines, Hotels and Restaurants
Grand Opening Advertising <sup>7</sup>	\$10,000	\$21,500	As arranged	Before opening	Media and Other Suppliers
Computer Hardware and Software	\$1,500	\$4,000	As incurred	Before opening	Approved Suppliers
Miscellaneous <sup>8</sup>	\$2,500	\$5,000	As incurred	As incurred	Approved Suppliers
Additional Funds (for first 3 months of operation) <sup>9</sup>	\$17,000	\$35,000	Lump sum	As incurred	Utilities and Employees
<b>Total</b>	<b>\$226,500</b>	<b>\$338,500</b>			

**YOUR ESTIMATED INITIAL INVESTMENT  
(SINGLE UNIT WITH TUMBLE ZONE)**

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
Initial Franchise Fee	\$54,000	\$54,000	Cash	Upon signing	Us
Lease Payments <sup>1</sup>	\$15,000	\$35,000	Varies	As incurred	Landlord
Access Fee <sup>2</sup>	\$20,000	\$20,000	Cash	Upon signing	Us
Signage and Site Improvements <sup>3</sup>	\$75,000	\$150,000	As incurred	Before opening	Contractors, Approved Suppliers
Utility Deposits, Business Licenses, and Insurance <sup>4</sup>	\$2,500	\$7,500	As incurred	Before opening	Suppliers
Equipment and Inventory <sup>5</sup>	\$150,000	\$230,000	Lump sum	Before opening	Us or Approved Suppliers. See Item 8
Shipping on Equipment and Inventory	\$7,000	\$20,000	As incurred	Before opening	Transportation Companies
Training <sup>6</sup>	\$1,000	\$5,000	As incurred	Before opening	Airlines, Hotels and Restaurants
Grand Opening Advertising <sup>7</sup>	\$10,000	\$21,500	As arranged	Before opening	Media and Other Suppliers
Computer Hardware and Software	\$1,500	\$5,000	As incurred	Before opening	Approved Suppliers

Miscellaneous <sup>8</sup>	\$2,500	\$5,000	As incurred	As incurred	Approved Suppliers
Additional Funds (for first 3 months of operation) <sup>9</sup>	\$35,000	\$50,000	Lump sum	As incurred	Utilities and Employees
<b>Total</b>	<b>\$373,500</b>	<b>\$603,000</b>			

We do not offer direct or indirect financing for any amount due under the Franchise Agreement or MUDA. We do not guarantee your note, lease or any other obligation. (See Item 10).

Notes

<sup>1</sup> This amount is an estimate of rent for your facility for your first three months, plus a security deposit equal to one month’s rent. Rental costs may vary widely depending on location. Rent depends on size, location, local rental rates, site profile, amenities and other factors, and could be significantly higher in high-density areas.

The approximate size of a standard Tumbles facility with gym and STEAM (and without the Tumbles Zone) is 2,700 to 3,200 square feet. The approximate size of a Tumbles facility with gym, STEAM, and the Tumbles Zone indoor playground is 4,500 to 5,500 square feet. Typical locations are accessible warehouse space and the backsides or end caps of strip centers.

A security deposit on your lease will usually be refundable unless you owe money to the landlord for unpaid amounts or damages. Amounts payable to us are not refundable, with the exception of the initial franchise fee, which is refundable only as described in Item 5. Amounts payable to a third party may be refundable depending upon your agreement with such third party.

<sup>2</sup> The access fee covers the design services and site selection services as further described in Item 8, and website set up, including setup and onboarding on OMS, which will be used to run the operations of the business.

<sup>3</sup> Signage includes interior and exterior signs and graphics. The cost of signage varies depending on the type, size and location of the signs, concessions available from the landlord, and municipal code restrictions in your area. The cost of improvements depends on the size of your site, your location and the characteristics of the site that you select. This estimate assumes that you will lease a site and that you receive a vanilla-shell structure from your landlord.

<sup>4</sup> Utility companies may require that you pay a deposit before installing telephone, gas, electric and related utility services. Permits depend on local laws and conditions. A utility deposit will usually be refundable upon termination of the utility service, unless you owe money to the provider. The cost of insurance will vary based on policy limits, types of policies procured, geographic location and other factors. Our estimate for the initial cost of insurance is based on payment of premium for one quarter (and not for the entire year).

<sup>5</sup> You must buy your initial equipment package and inventory from us or our approved suppliers. The equipment package consists principally of exercise and play equipment

for your gym and various items of office furniture and supplies, such as desks and chairs. Some facilities optionally incorporate a Tumble Zone indoor playground, which is designed for kids above age four and includes an enclosed soft play area with various obstacle courses for kids. These structures generally utilize a dedicated footprint between 1200 and 1800 square feet.

<sup>6</sup> You are responsible for making arrangements and paying the expenses for any persons attending the initial training program including, transportation, lodging, meals and wages. The amount depends on the distance you must travel and the type of accommodation you choose. The estimate is for the training of two people for approximately two weeks.

<sup>7</sup> Grand opening advertising includes an approximate 4-month marketing campaign along with a branded tent with tablecloths, food, flyers, and supplies for the event day. Optionally, print marketing may be employed and will require the purchase of a mailing list, creation of custom direct mail pieces, and/or large advertisements in local parent magazines.

<sup>8</sup> You will need office equipment and supplies including envelopes, stationery, business cards, forms, miscellaneous office supplies, and other items. You may need the services of an attorney, accountant or other professionals before opening your facility.

<sup>9</sup> This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other operating expenses in excess of income generated by the business. This estimate does not include an allowance for a draw or salary to you or other owners of the franchise, nor for payments made to a bank or financing company on any loan that you may obtain to finance the cost of purchasing the franchise, equipment, or other financing costs. This estimate of your initial capital needs is based on our executives' experience in developing and operating children's facilities.

**YOUR ESTIMATED INITIAL INVESTMENT - MULTI-UNIT AREA DEVELOPMENT AGREEMENT (COMMITTING TO 2 TO 5 TUMBLES FACILITIES)**

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
First franchise (see tables above)	\$226,000 - \$603,000			
Additional initial franchise fees <sup>10</sup>	\$30,000 - \$120,000	Check or wire transfer	Upon signing the MUDA	Us
Business planning and miscellaneous expenses	\$1,000 - \$5,000	Check	As incurred	Vendors and suppliers
Total	\$257,000 - \$728,000			

<sup>10</sup> This estimate assumes you sign a Multi-Unit Development Agreement for three to five franchises. The franchise fee for your first unit is counted in the “Estimated Initial Investment – Franchise Agreement” table. Your initial franchise fees are reduced to \$30,000 for the second and each additional franchise. You will pay all franchise fees upon signing the MUDA.

**Item 8**  
**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (a) either from us or our designee, or suppliers approved by us, or (b) according to our specifications. You must comply with any changes we make in the future to these requirements.

Both in connection with the establishment of your facility and its continuing operation, we estimate that at least 95% or more of your purchases must be in accordance with our requirements or specifications.

Specific Obligations

The following are our current specific obligations for purchases and leases:

1. Real Estate. Your business location is subject to our approval and must meet our specifications. If you lease your location, you must use reasonable efforts to have the landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as **Exhibit D**). We require you to use our approved real estate brokerage firm for site selection services. Fees charged by the broker will be paid by the landlord of your site.

2. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Brand Standards Manual, which includes:

- A. Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;
- B. Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount not less than \$1,000,000;
- C. abuse, sexual harassment, sexual misconduct and molestation, with minimum liability coverage of \$100,000 per occurrence and \$300,000 in the aggregate;
- D. property damage covering the facility’s equipment in an amount not less than \$150,000;
- E. business interruption insurance covering at least 12 months of income; and
- F. Workers Compensation coverage as required by state law.

Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days’ prior written notice of cancellation.

3. Construction. We may require that you use an approved vendor to manage your build-out process.

4. Software and hardware, and related software and hardware. You must purchase (or lease) the software and hardware, and related software and hardware, that we specify. You must use the computer system and software that we specify, and as provided by us or our approved vendor. We currently require that you enter into the Software License Agreement under which you will license our proprietary OMS (Operations Management System), which is attached as Attachment 4 to the Franchise Agreement.

5. Equipment and Inventory. You must purchase your initial equipment package and inventory from an approved supplier. See Items 5 and 7 for more information.

6. Design and Site Evaluation Services and OMS Setup and Onboarding. You must pay us an Access Fee of \$15,000 or \$20,000 (depending on whether your location will include the Tumble Zone indoor playground) for the site selection services and design services, and for website set up, including setup and onboarding on OMS. In addition, the Access Fee covers one visit to your proposed site(s) for evaluation (but only if we deem such visit necessary in our sole discretion), and our analysis of your proposed sites. The Access Fee also covers design services for the layout of the equipment in the facility.

7. Signs. All interior and exterior signage for the facility must conform to such standards and specifications as we may from time to time prescribe as to type, color, size, design, and location, and must be approved by us prior to installation or use.

8. Promotional Items. We require that you purchase certain promotional items such as T-shirts, water bottles, and book bags from our approved vendor.

9. Advertising and Marketing. Except as otherwise provided in the Brand Standards Manual and advertising or marketing materials that we furnish to you, you must submit all advertising and marketing materials to us for our written approval before use. You must ensure that all advertising or marketing materials that you use are clear, factual, ethical, and not misleading; comply with our brand standards; and comply with all laws. We have the right to establish and control all digital marketing.

10. Accounting and Bookkeeping Services. We can require you to utilize an approved accountant or bookkeeper to maintain your financial records and books in the manner required in our Manual.

#### Us or our Affiliates as Supplier

We are the only supplier of the site selection services and design services for the initial layout of your facility covered by the Access Fee (although we may delegate those to 3<sup>rd</sup> parties) and the Operations Management Software. With the exception of these items, neither we nor any affiliate are currently a supplier nor the only supplier of any good or service that you must purchase.

#### Ownership of Suppliers

None of our officers owns an interest in any supplier to our franchisees.

### Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We have the sole discretion to approve or reject an alternative supplier. We may condition our approval on criteria we deem appropriate, such as evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is a fee, currently \$100 per hour, for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

### Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications after evaluating the intended changes. We may also conduct limited market testing in one or more outlets.

### Revenue to Us and Our Affiliates

We will derive revenue from the required purchases and leases by you and other franchisees. Our revenue from all required purchases and leases of products and services by franchisees in the prior fiscal year was \$389,054. The percentage of our total revenues of \$874,592 that were from required purchases or leases in the prior fiscal year was 44%.

### Payments by Suppliers to Us

We do not receive payments from any designated suppliers based on purchases by you or other franchisees. However, the franchise agreement does not prohibit us from doing so. We have the right to earn a profit from any product we supply or from designated suppliers. We are not required to give you an accounting of any payments we receive from designated suppliers, nor are we required to share any benefits of supplier payments with you or with any other franchisee.

### Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists for any of the items described above.

## Negotiated Arrangements

We have negotiated arrangements with suppliers of equipment to receive discounted pricing on equipment packages and membership kits and promotional/advertising items. Except for these items, we do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees; however, we may do so in the future.

## Benefits Provided to You for Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

## **Item 9 FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	§§ 6.1, 6.2	Items 5, 11
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11
d. Initial and ongoing training	§§ 5.2, 6.4, 7.6	Items 5, 6, 8 and 11
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4; §§ 5.3, 6.6, 6.7, 7.8, 7.14, 9.5, 9.6, 10.5, 11.2, 11.13, 14.5, 15.2(i), 16.1, 17.6	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	§§ 2.1, 3.2(iii), 4.6, 5.5, 6.3, 6.5, 9.1, 9.2, 10.1, 10.4, 11.1, 11.2, 1.52(viii); Article 7	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12; § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and customer service requirements	§§ 7.3, 7.8, 7.9	Item 8

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
k. Territorial development and sales quotas	§ 2.2	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	§§ 3.2, 7.12, 7.13, 15.2	Items 6, 7 and 8
n. Insurance	§ 7.15	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§§ 2.4, 7.5	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§§ 3.2, 18.11	Items 6 and 17
v. Post-termination obligations	Article 13, §§ 14.3 - 14.6	Item 17
w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

**Item 10  
FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligations.

**Item 11**  
**FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

**Except as listed below, we are not required to provide you with any assistance.**

Except as disclosed below, Tumbles need not provide any assistance to you.

Pre-Opening Obligations:

Before you open your facility, Tumbles will:

1. *Your Site.* We will review and advise you regarding potential locations that you submit to us. (Section 5.2). If you sign a Multi-Unit Development Agreement, we will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site, although we may visit the site in person if we believe a site visit is needed, in our sole discretion, and the cost of this visit is covered by the Access Fee. (Sections 5.2 and 6.1).

- (i) We generally do not own your premises and lease it to you.
- (ii) If your site is not already known and approved by us when you sign your franchise agreement, then we and you will specify in your franchise agreement the area in which you must select a site (Franchise Agreement, Summary Page). We do not select your site. You must find a potential site and submit your site to us for approval, together with all information and documents about the site that we request. When we accept a site, we will issue a Location Acceptance Letter (in the form of Attachment 2 to the Franchise Agreement).
- (iii) The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms.
- (iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Section 6.1). If we and you cannot agree on a site, you will be unable to comply with your obligation to develop and open the franchise by the deadline stated in the franchise agreement. Unless we agree to extend the deadline, you will be in default and we may terminate your franchise agreement.
- (v) We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This will be your responsibility. We are also not responsible for finding or vetting contractors for your facility or assisting you in receiving bids from contractors.

2. *Design.* We or our designee will provide design services for the layout of the equipment at the facility. (Section 5.2).

3. *Hiring and training employees.* Our opening support (as described below) includes assisting you in training employees. All hiring decisions and conditions of employment are your sole responsibility. (Section 7.5)

4. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will consult with you regarding required specifications regarding equipment, inventory, supplies, material and other matters. We may provide you a list of approved suppliers and/or required vendors. (Section 5.2). You must buy your initial equipment package and inventory from us or our approved suppliers. We may provide these items directly or we may only provide the names of approved suppliers. We do not deliver or install these items, but our approved suppliers may deliver and install these items depending upon your agreement with them.

5. *Brand Standards Manual.* We will give you access to our Brand Standards Manual in such format as we deem appropriate. (Section 5.1).

6. *Grand Opening Marketing Plan.* We may advise you regarding the planning and execution of your grand opening marketing plan. (Section 5.2)

7. *Grand Opening On-Site Support.* We will have a representative provide on-site support for at least two days in connection with your grand opening so long as permitted by applicable travel restrictions. (Section 5.2)

### Length of Time to Open

The typical length of time between signing the Franchise Agreement and the opening of your business is 6 to 12 months. Factors that may affect the time period include your ability to obtain a lease, obtain financing, develop your location, obtain permits and licenses, and hire employees.

### Ongoing Assistance

After you open your facility, we will:

1. *Developing products or services you will offer to your customers.* Although it is our intent to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so

2. *Establishing prices.* Upon your request, we may provide recommended prices for products and services. (Section 5.3) We have the right to determine prices charged by our franchisees for products and services.

3. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* To the extent we determine, we will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control (Section 5.3). We may make any such procedures part of required (and not merely recommended) procedures for our system.

4. *Marketing Fund.* We will administer the Marketing Fund. (Section 9.3)

5. *Digital Advertising Management.* We (or an approved vendor) will manage your digital advertising and social media platforms if you pay us the fee associated with these services. (Section 4.5)

6. *Consulting.* If you request and subject to the availability of our personnel, we will be available to provide advice to you regarding improving and developing your facility and resolving your operational problems. We may charge a fee (currently \$100 per hour or \$400 per day, plus reimbursement of our out-of-pocket expenses) for in-person or virtual support. (Section 5.3)

7. *Hiring and training employees.* All hiring decisions and conditions of employment are your sole responsibility. (Section 7.5)

### Regional and National Meetings

We may hold regional and/or national meetings. At these meetings, we will provide the latest information about our industry, disseminate new programs, conduct additional training and/or explain future plans for the system. These meetings provide a place for sharing experiences with other franchises and discovering ways to increase profits from operations. Attendance by you, or an approved representative of your franchise, at these meetings is mandatory, and you must pay for your own transportation, lodging, meals and personal expenses. If we hold such meetings, we may require you to pay a reasonable fee (currently, \$1000 per person), to help defray the costs of these meetings or conventions. (Section 7.14)

### Advertising

*Our obligation.* We will use the Marketing Fund only for marketing and related purposes and costs. Media coverage is primarily local. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which will be paid for by the Marketing Fund). We or an approved vendor will manage your digital advertising and social media platforms, including providing ad planning, analytics, and having regular marketing strategy calls. We have no other obligation to conduct advertising.

*Your own advertising material.* You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you. We have the right to establish and control all social media accounts and other digital marketing. You must ensure that all advertising or marketing materials that you use are clear, factual, ethical, and not misleading; comply with our brand standards; and comply with all laws.

*Advertising Outside of Your Territory.* You may not advertise in the territory of another System franchisee unless (a) we have approved or provided the content of the advertising (“**approved advertising**”), and (b) you have obtained our specific prior written approval to advertising within the territory of another franchisee. However, you may advertise in the territory of another franchisee using “approved advertising” in a magazine, trade journal or other

publication, the circulation of which is at least 2/3rds within your Protected Territory without obtaining our approval.

*Advertising council.* We do not have an advertising council composed of franchisees. The Franchise Agreement does not give us the power to form an advertising council.

*Local or Regional Advertising Cooperatives.* We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% and not more than 5% of gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of the cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

*Marketing Fund.* You and all other franchisees must contribute to our marketing fund (the **“Marketing Fund”**). Your Marketing Fund Contribution is 2% of Gross Sales per month. We reserve the right to have other franchisees or outlets contribute a different amount or at a different rate. We administer the Marketing Fund. The Marketing Fund is not audited. We will make unaudited annual financial statements available to you upon request. There are no franchisor-owned or affiliate-owned outlets, but if there are in the future, they are not required to make contributions on the same basis as franchisees.

In our fiscal year ending December 31, 2023, the funds in the Marketing Fund were spent in the following manner: Production (50%), Promotional Materials and Marketing Research (0%), Administration (0%), and Other, including website development and proprietary operations management system, (50%).

If less than all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year.

No money from the Marketing Fund is spent principally to solicit new franchise sales.

*Grand Opening Marketing Plan.* You must develop a grand opening marketing plan and obtain our approval of the plan, at least 90 days before the projected opening date of your business. You must spend at least \$8500 to \$15,500 towards the marketing plan prior to and during the 4 months of operating the business. The plan should include your budget and describe the types of marketing that you will implement in connection with the opening of your business.

*Required Spending.* You must spend at least at least the greater of \$1,000 or 3% of your Gross Sales each month on marketing your business in your trade area. This amount is only a minimum requirement, and we do not represent that it is the optimal amount of money for you to spend on marketing. We have the sole discretion to determine what activities constitute marketing. This is in addition to the requirement to contribute to the Marketing Fund and grand opening expenditures.

*Website.* You may not develop an independent website or acquire an independent Internet domain name. All Internet marketing is conducted by us through our corporate website, [www.tumbles.net](http://www.tumbles.net). (Section 9.7)

*Social Media.* We will own and be administrator on all social media accounts related to your Tumbles business; however, we may grant you high-level access to any accounts associated with your Tumbles business.

### Computer Systems

The minimum computer requirements include a PC or Mac computer that is no more than one year old at the time of purchase. You must also purchase a printer/fax/scanner all in one unit, and you may purchase these items from any vendor. We anticipate the cost of purchasing a system that meets our standards will be between \$1,000 and \$4,000 if operating a standard single unit, and between \$1,500 and \$5,000 if operating a larger unit with a Tumble Zone indoor playground.

You must also maintain a high-speed Internet connection, rated at 300 Mbps or higher at your facility, which ranges in cost from \$10 to \$300 per month.

We may require you to update or upgrade your computer system during the term of your Franchise Agreement. There is no contractual limitation on the frequency and cost of your obligation to do so.

Your computer must have basic software, including antivirus software, and you must license additional software that will assist you in operations management for the facility. Currently, we require that you license the Operating Management System; the current cost of this system is \$750 per month, but we reserve the right to increase the cost of this system. Our standard Software License Agreement for the Operations Management System is attached to the Franchise Agreement. You must also purchase QuickBooks online or a similar software that we approve, which will be a monthly subscription. This software will generate and store class schedules, gross receipts and contact information for clients. License fees for these software programs range from \$100 to \$400 (per license).

We have no obligation to provide any ongoing maintenance, repairs, updates or upgrades to your computer hardware or software systems, with the exception of the Operations Management System, which will be maintained, repaired, and updated as necessary. A maintenance contract for the computer hardware or software is not required, but you may choose to obtain a contract from a third party of your choice. We estimate that the cost for this optional maintenance is \$250 to \$500 per year. The required software license fees and costs will include updates.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include all data relating to your business including sales data and client lists. There is no contractual limitation on our right to access the information.

Training Program

Our training program consists of the following:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Order of Presentation</b>	<b>Instructional Material</b>	<b>Hours of Self-Study</b>	<b>Hours of Online Training</b>	<b>Hours of in-person Training**</b>	<b>Location</b>
Getting Started	History, Philosophy, Responsibility, Pre-Opening Concerns, Site Selection	Manual #1	4 Hours			Online
Getting Started - Review	History, Philosophy, Responsibility, Pre-Opening Concerns, Site Selection	Manual #1		2 Hours		Online / Video Meeting
FUNDamental Video Training #1	Customer Service Training Videos	CRM Training Videos	2 Hours			Online
FUNDamental Video Training #1 - Review	Customer Service Training Videos	CRM Training Videos		2 Hours		Online / Video Meeting
FUNDamental Video Training #2	Gym Class Overview	CRM Training Videos	2 Hours			Online
FUNDamental Video Training #2 - Review	Gym Class Overview	CRM Training Videos		2 Hours		Online / Video Meeting
STEAM Introduction	Introduction to STEAM philosophy and process	STEAM Presentation		2 Hours		Online / Video Meeting
STEAM	Introduce all	STEAM		2 Hours		Online /

Curriculum Overview	STEAM curriculum	class curricula				Video Meeting
Pre-Opening Prep	Hiring Staff, Training Staff, Advertising and Promotion	Manual #1	4 Hours			Online
Pre-Opening Prep - Review	Hiring Staff, Training Staff, Advertising and Promotion	Manual #1		2 Hours		Online / Video Meeting
In-Person Training Day 1	Meet and Greet, Tour of the Tumbles facility, Our Franchise System, The Tumbles Culture, CRM/Systems, Operations Overview	Hands-on Training			8 Hours	Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee**
In-Person Training Day 2	Staffing, Marketing and Advertising, Grand Opening Prep, STEAM Operations, STEAM Curriculum and Method Introduction, Tumble Zone Operations (If applicable)	Hands-on Training			8 Hours	Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee**
In-Person Training Day 3	Class Observation and Participation - Focus on: The Learning Process, Tumbles Method, Warm-Up, Practice Skills, Music/Songs, Points of Interest, Flows, Positioning/Safety Lesson, Class Management, Engagement	Hands-on Training			8 Hours	Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee**

In-Person Training Day 4	Class Observation and Participation - focus on: Mechanics, Parent Share, Separation Time, Games, Practice Skill Review, Mock Classes, Transitioning Lesson, Relays, Tumbling Skills, Sports Skills, Points of Interest	Hands-on Training			8 Hours	Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee**
In-Person Training Day 5	Class Instruction, Birthday Party Training, Mock Birthday Party OR Participate in a live Party if one is scheduled, To-Go	Hands-on Training			8 Hours	Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee**
Location Review / Grand Opening Event Preparation***	Review Your Facility: Setup, Storage Room, Equipment, Readiness for opening, Staff review	Hands-on Training			8 Hours	Your Location**
Location Review / Grand Opening***	Participate in Grand Opening Event	Hands-on Training			8 Hours	Your Location**
Grand opening Event Debrief***	Review the Grand opening event.	Hands-on Training			1 Hour	Your Location
<b>Total Hours</b>			<b>12 hours</b>	<b>12 hours</b>	<b>57 hours</b>	

\*\* In the event there are travel restrictions or an inability to attend in-person training sessions, live virtual training will be substituted which could increase or decrease the time commitment.

\*\*\*This is the Grand Opening On-Site Support indicated above.

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training class once per month. Any in-person training will be held at our franchised location in Encinitas, California or Johns' Creek, Georgia, or we may conduct it at a designated regional facility that is more conveniently located for our franchisee. The instructional materials consist of the Manual, CRM training videos, STEAM presentation and class curricula, lectures, workbooks and on-the-job demonstration and practice. Training will be supervised or led by Karen Kegerreis and will be conducted by a training manager or other members of our staff.

Ms. Kegerreis has over 10 years of experience in our industry and with us or Tumbles businesses. The other members of our staff who will conduct training will have a minimum of three years of experience with us and the subjects taught. We reserve the right to vary the length and content of the initial training program based on the experience and level of any individual attending the initial training program.

There is no fee to attend our initial training program. You must pay the travel and living expenses of persons attending training.

Your Principal Executive and your Director must attend training. You may send up to two people to attend training. You must complete the initial training program at least 4 weeks prior to the opening of your business.

We do not currently require additional training programs or refresher courses, but we have the right to do so.

## **Item 12 TERRITORY**

### Your Location

Your franchise is for a specific location. If the specific location is not known at the time you sign a Franchise Agreement, then your location is subject to our approval.

### Grant of Territory

Your franchise agreement will specify a territory, which will be determined by us. Your territory will have a population that is a minimum of 6,000 kids and an average household income of \$55,000 or greater. Your territory will usually be specified as a collection of ZIP codes around your location; however, we may use other boundaries (such as a radius, county lines or other political boundaries, streets, geographical features, or trade area). If your business location is not known when you sign your franchise agreement, then we will state your location and territory in a “Location Acceptance Letter” when we approve your location. If we do not state your territory in writing before you open your business to the public, your territory will be deemed to be a 1-mile radius around your location.

### Relocation; Establishment of Additional Outlets

You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee’s business on a case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control.

If you request our approval for you to relocate your business, you must pay us a \$5,000 fee. Half is due when you make the request, and the other half is due if and when we approve the request. If we approve, you must comply with the conditions described in the franchise agreement for developing a location and satisfy any other conditions we require.

You do not have the right to establish additional franchised outlets unless you sign a Multi-Unit Development Agreement (“MUDA”) in the form attached as Exhibit C to this disclosure document. If you and we sign a MUDA, then you will have the right to establish a mutually-agreed number of additional outlets on a mutually-agreed schedule. Under the MUDA, your right to develop additional outlets is subject to (1) you must comply with the mutually-agreed development schedule, (2) you must have sufficient financial and organizational capacity to develop, open, operate, and manage each additional Tumbles business, (3) you must be in compliance with all brand requirements at your open Tumbles business(es), and (4) you must not be in default under any other agreement with us. We will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. For each future site, you must sign our then-current form of Franchise Agreement, which may be materially different than the original Franchise Agreement that you signed. You are not obligated to develop additional outlets under the MUDA, and you may terminate it any time without penalty. If you do not meet your development schedule in the MUDA, we have the right to terminate your right to develop additional outlets.

#### Options to Acquire Additional Franchises

You do not receive any options, rights of first refusal, or similar rights to acquire additional franchises.

#### Territorial Protection

Under the Franchise Agreement, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands we control. However, the Franchise Agreement grants certain territorial protections in the Territory as described in this item. Except as noted below, provided you are in full compliance with this Agreement, in your territory, we will not establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks as a Tumbles outlet. With the exception of the protections granted under previous sentence, we reserve all rights to the Territory.

If, after the first 30 months of operations, your Gross Sales for any consecutive 12-month period are not at least equal to 75% of the average Gross Sales of other Tumbles facilities operating in the United States for the same period (provided such facilities have been open (i) for the entire 12-month period; and (ii) for at least 30 months), we may, at our option, reduce or eliminate your Protected Territory. Otherwise, the continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency.

If you sign a MUDA, you do not receive an exclusive territory as an area developer. Therefore, with respect to a MUDA, we make the following disclosure: You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

#### Restrictions on Us from Soliciting or Accepting Orders in Your Territory

There are no restrictions on us from soliciting or accepting orders from consumers inside your territory. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory

using our principal trademarks or using trademarks different from the ones you will use under your Franchise Agreement. We do not pay any compensation to you for soliciting or accepting orders from inside your territory.

Soliciting by You Outside Your Territory

You may make sales only to in-store customers, and all marketing and advertising is subject to our approval. Accordingly, you do not have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your territory, unless the customer comes to your store to conclude the sale, and we have approved the associated marketing and advertising.

Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement allows us to do so.

**Item 13  
TRADEMARKS**

Registrations

The following are the principal marks that we license to you which are registered on the Principal Register of the United States Patent and Trademark Office. These trademarks are owned by us.

Mark	Registration Date	Registration Number
	May 22, 2018	5474282
	May 22, 2018	5474283
LEARNING PLAYGROUND	November 12, 2019	5907157
TUMBLE ZONE	November 12, 2019	5907257

Because the federal trademark registrations are less than six years old, no affidavits are required at this time, and no required affidavits have been filed (except as to the first two in the

above-chart). The registrations have not yet been renewed, but we intend to renew the registrations for these marks when required by law.

### Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

### Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

### Material Agreements

There are no agreements currently in effect that significantly limit our rights to use or license the use to franchisees of the trademarks in any manner material to you.

### Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The Franchise Agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The Franchise Agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to commence and control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the Franchise Agreement, then (i) we will defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the Franchise Agreement, we may require you to modify or discontinue using a trademark, at your expense. You will have no right to compensation or otherwise under the franchise agreement if we require you to modify or discontinue using a trademark.

### Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks. You should understand that there could be other businesses using trademarks, trade names or other symbols similar to our Marks with superior rights to our rights. Before starting your business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your business name.

**Item 14**  
**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

Patents

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Manual, the gym and STEAM curricula, as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The Franchise Agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights at your expense.

We do not know of any copyright infringement that could materially affect you.

Proprietary Information

We have a proprietary Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information, and know-how.

All customer data and point-of-sale data generated by your business is confidential information and is exclusively owned by us. We license such data back to you without charge solely for your use in connection with your Tumbles business.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Manual and other proprietary information, and you must use our confidential

information only for your franchised business. We may require your Directors and key employees to sign confidentiality agreements.

You must disclose to us all ideas, plans, improvements, concepts, methods and techniques relating to your Tumbles business that you conceive or develop. We will automatically own all such innovations, and we will have the right to incorporate any innovations into our system for use by all franchisees, without any compensation to you.

## **Item 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

#### Your Participation

You must devote substantial time and attention to your business.

If you are the sole owner of the business, then you are deemed the “Principal Executive”. If the business is owned through a corporation or limited liability company, you must designate one owner as your “Principal Executive”. The Principal Executive is the owner primarily responsible for the business and has decision-making authority on behalf of the business. The Principal Executive must own at least 10% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone or video conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement (see Attachment 4 to Exhibit B). We do not require owners’ spouses to sign the Guaranty, unless the spouse is also an owner.

#### “On-Premises” Supervision

You are not required to personally conduct “on-premises” supervision (that is, act as the Director) of the facility. However, we recommend on-premises supervision by you.

There is no limit on whom you can hire as an on-premises supervisor. The Director of your facility (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the Director of your facility own any equity in the entity-franchisee.

#### Restrictions On Your Director

If we request, you must have your Director (and other key employees that we reasonably designate) sign a confidentiality and non-compete agreement. We will not require you to enter into a confidentiality and non-compete agreement that violates applicable state law or that prohibits a

person from being employed by another Tumbles outlet. We do not require you to place any other restrictions on your Director.

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

You must offer for sale only goods and services that we have approved.

You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes. We do not restrict your access to customers, except that all sales must occur at or from your location or at customer locations within your Protected Territory.

**Item 17**  
**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**  
**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Franchise Agreement (FA): § 3.1 Multi-Unit Development Agreement (MUDA): § 1(a)	The term of the franchise agreement is 5 years from date of signing. The MUDA will expire on the date that your last franchise is scheduled to open
b. Renewal or extension of the term	FA: § 3.2 MUDA: none	You may obtain three successor terms of 5 years. After that, successor terms are granted in our discretion.

Provision	Section in franchise or other agreement	Summary
c. Requirements for franchisee to renew or extend	FA: § 3.2 MUDA: none	<p>At the end of the term, you may be asked to sign a contract with materially different terms and conditions than your original contract.</p> <p>To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; must have substantially complied with the franchise agreement and other agreements with us throughout the term; have not defaulted more than twice under the franchise agreement; complied with all requirements of ethics and values; renovate to our then-current standards; sign then-current form of Franchise Agreement and related documents (including personal guaranty); sign general release (unless prohibited by applicable law); pay renewal fee.</p> <p>If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either consider the agreement as having expired (meaning that you are in violation of our rights) or consider the term to continue on a month-to-month basis.</p>
d. Termination by franchisee	FA: § 14.1 MUDA: § 4	<p>Subject to state law:</p> <p>If we violate a material provision of the Franchise Agreement and fail to cure or to make substantial progress toward curing the violation within 60 days after notice from you.</p> <p>If you sign a MUDA, you may terminate it at any time.</p>
e. Termination by franchisor without cause	Not Applicable	

Provision	Section in franchise or other agreement	Summary
f. Termination by franchisor with cause	FA: § 14.2 MUDA: § 4	<p>We may terminate your franchise agreement for cause, subject to any applicable notice and cure opportunity.</p> <p>If you sign a Multi-Unit Development Agreement, termination of your MUDA does not give us the right to terminate your franchise agreement. However, if your franchise agreement is terminated, we have the right to terminate your MUDA.</p>
g. "Cause" defined--curable defaults	FA: § 14.2 MUDA: none	Non-payment by you (10 days to cure); violate Franchise Agreement other than non-curable default (30 days to cure).

Provision	Section in franchise or other agreement	Summary
h. "Cause" defined--non-curable defaults	FA: § 14.2 MUDA: § 4	<p>FA: Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; fail to open by specified deadline; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of ethics and values; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations; operate in a manner dangerous to health or safety (if not corrected within 48 hours); three defaults in 12 months; cross-termination; charge or conviction of, or plea to a felony, or commission or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.</p> <p>MUDA: failure to meet development schedule; violation of franchise agreement or other agreement which gives us the right to terminate it.</p>
i. Franchisee's obligations on termination/non-renewal	FA: §§ 14.3 – 14.6 MUDA: none	Pay all amounts due; return Manual and proprietary items; cancel assumed names; cancel or transfer phone, post office boxes, directory listings, and digital marketing accounts; cease doing business; remove identification; purchase option by us.
j. Assignment of agreement by franchisor	FA: § 15.1 MUDA: § 7	Unlimited

Provision	Section in franchise or other agreement	Summary
k. "Transfer" by franchisee – defined	FA: Article 1 MUDA: Background Statement	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.
l. Franchisor's approval of transfer by franchisee	FA: § 15.2 MUDA: § 7	No transfers without our approval.
m. Conditions for franchisor's approval of transfer	FA: § 15.2 MUDA: none	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you've made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release (subject to state law); business complies with then-current system specifications (including remodel, if applicable).
n. Franchisor's right of first refusal to acquire franchisee's business	FA: § 15.5 MUDA: none	If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor's option to purchase franchisee's business	FA: § 14.6 MUDA: none	When your franchise agreement expires or is terminated, we will have the right to purchase any or all of the assets of your business.

Provision	Section in franchise or other agreement	Summary
p. Death or disability of franchisee	FA: §§ 2.4, 15.4 MUDA: none	If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your executor must transfer the business to an approved new owner within nine months. We have the right to temporarily operate the business if you die or become incapacitated.
q. Non-competition covenants during the term of the franchise	FA: § 13.2 MUDA: none	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by, any competitor. (subject to state law).
r. Non-competition covenants after the franchise is terminated or expires	FA: § 13.2 MUDA: none	For two years, neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by a competitor located within five miles of your former territory (or of your site selection area if no territory had been set) or of the territory of any other Tumbles business operating on the date of termination or expiration. (subject to state law).
s. Modification of the agreement	FA: § 18.4 MUDA: § 7	We reserve the right to amend the Franchise Agreement if a change to our standard franchise agreement is agreed to by 75% of the then-current franchisees and is approved by us. Otherwise, no modification or amendment of the Franchise Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.

Provision	Section in franchise or other agreement	Summary
t. Integration/merger clause	FA: § 18.3 MUDA: § 7	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement (or MUDA) may not be enforceable. However, no claim made in any franchise agreement (or MUDA) is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	FA: § 17.1 MUDA: § 7	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law). (subject to applicable state law).
v. Choice of forum	FA: §§ 17.1; 17.5 MUDA: § 7	Arbitration will take place in Houston, Texas (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States for Houston, Texas, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	FA: § 18.8 MUDA: § 7	Texas (subject to applicable state law).

For additional disclosures required by certain states, refer to **Exhibit G - State Addenda** to Disclosure Document.

**Item 18  
PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

**Item 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s 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 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.

Throughout the calendar year 2023, we had six 6 franchisees in operation.

Table 1 and Table 2 reflect historical financial information for all 6 of those outlets. Except as noted below, we are not aware of any characteristics of these locations which will differ materially from those of the outlet that may be offered to you.

“**Gross Revenue**” as used in this Item 19 includes all revenue but excludes (i) sales taxes or similar taxes that, by law, are chargeable to customers and payable to a taxing authority; and (ii) refunds, chargebacks, credits and allowances given to customers.

We prepared the information below from our information and from information provided by our franchisees and affiliates. These reported results are not audited, and we have not independently verified this data. However, we believe it to be accurate.

**TABLE 1 – 2023 GROSS REVENUES FOR TUMBLES FRANCHISES**

The following table is based on the historical reported information for the Gross Revenues for the 6 franchisee owned locations that were open during 2023. We have not excluded any outlets that were open during 2023.

	<b>High</b>	<b>Low</b>	<b>Median</b>	<b>Average</b>
Gross Revenue	\$664,506.05	\$164,367.35	\$303,683.93	\$335,460.02

**TABLE 2 – CERTAIN 2023 EXPENSES FOR REPORTING TUMBLES FRANCHISEES**

The following table is based on certain listed expenses for the 6 franchisee owned locations that were opened during 2023. However, for one of the outlets, we only have data for the six months of 2023. For purposes of this table, we annualized the data for that outlet from those first six months and made calculations based on the annualized data being 2023 data for this outlet. We do not have any reason to believe that there were material differences between the first six months and the last six months of 2023 for this outlet.

	High	Low	Median	Average
Labor Expense <sup>1</sup>	\$191,730.39	\$2,015.00	\$88,173.33	\$88,635.78
Lease Expense <sup>2</sup>	\$144,000.00	\$20,508.00	\$79,180.31	\$82,737.86
Utilities Expense	\$16,000.00	\$3,300.00	\$7,432.66	\$7,890.25
Insurance Expense	\$8,207.48	\$4,097.46	\$5,246.00	\$5,821.15

### Notes

- 1 Labor Expense includes salaries, wages, bonuses, payroll taxes, and processing fees. It does not include owner's compensation.
- 2 Lease Expense includes rent. In the case of the Johns' Creek location, it also includes deferred rent costs from prior years that was deferred due to COVID-19.

We prepared the information above from information provided by our franchisees. These reported results are not audited, and we have not independently verified data provided by our franchisees, although we believe it to be accurate.

Of the units represented in the sample, all units (100%) met the stated results in the table above.

**Some units have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

Written substantiation for the financial performance representation in this Item 19 will be made available to you upon reasonable request.

Except as provided in this Item 19, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Manish Vakil, 1302 Waugh Drive, Suite 192 Houston, Texas 77019, telephone (833) GYM-STEM, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For years 2021 to 2023**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	6	5	-1
	2022	5	6	+1
	2023	6	6	0
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
<b>Total Outlets</b>	<b>2021</b>	<b>6</b>	<b>5</b>	<b>-1</b>
	<b>2022</b>	<b>5</b>	<b>6</b>	<b>+1</b>
	<b>2023</b>	<b>6</b>	<b>6</b>	<b>0</b>

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2021 to 2023**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
<b>Total</b>	2021	0
	2022	0
	2023	0

**Table 3**  
**Status of Franchised Outlets for Years 2021 to 2023**

State	Year	Outlets at the Start of the Year	Outlets Opened	Termi- Nations	Non- Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1

Georgia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	2	0	0	0	0	0	2
	2022	2	0	1	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Texas	2021	1	0	0	0	0	1	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals	2021	5	1	0	0	0	1	5
	2022	5	2	1	0	0	0	6
	2023	6	0	0	0	0	0	6

**Table 4**  
**Status of Company-Owned Outlets**  
**For years 2021 to 2023**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Totals	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

**Table 5**  
**Projected Openings as of December 31, 2023**

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 5 Projected New Company- Owned Outlets in the Next Fiscal Year
Nevada	1	1	0
New Jersey	2	2	0
Texas	0	2	0
Virginia	1	1	0

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 5 Projected New Company- Owned Outlets in the Next Fiscal Year
Washington	1	1	0
<b>Totals</b>	<b>5</b>	<b>7</b>	<b>0</b>

### Current and Former Franchisees

The names of our current (as of the end of our last fiscal year) franchisees and the address and telephone numbers of each of their outlets is listed on **Exhibit I**. The name, address and telephone number of every franchisee who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the issuance date of this Disclosure Document is listed on **Exhibit I**.

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

### Confidentiality Agreements

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

### Franchisee Organizations

There are no trademark-specific franchisee organizations associated with our franchise system.

## **Item 21 FINANCIAL STATEMENTS**

**Exhibit J** to this Disclosure Document contains our audited financial statements for fiscal years ended December 31, 2021; December 31, 2022; and December 31, 2023. Our fiscal year ends on December 31.

## **Item 22 CONTRACTS**

All contracts proposed for use in this state are attached as exhibits as follows:

- B. Franchise Agreement (with Guaranty and Non-Compete Agreement and Software License)
- C. Multi-Unit Development Agreement
- D. Rider to Lease Agreement
- E. Form of General Release
- H. State Addenda to Agreements

- K. EFT Authorization Form
- L. Confidentiality and Noncompete Agreement

**Item 23**  
**RECEIPTS**

The last two pages of this Disclosure Document are Receipt pages, in duplicate, acknowledging receipt of this Disclosure Document by a prospective franchisee.

**EXHIBIT A**  
**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834 866-275-2677 www.dfpi.ca.gov Ask.DFPI@difpi.ca.gov	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process (if different from State Administrator)</b>
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue Building 68-2 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions 4822 Madison Yards Way Madison, WI 53705 (608) 266-0448	Division of Securities Department of Financial Institutions 4822 Madison Yards Way Madison, WI 53705 (608) 261-7577

**EXHIBIT B  
FRANCHISE AGREEMENT**

(ATTACHED)



## FRANCHISE AGREEMENT

SUMMARY PAGE	
1. Franchisee	[Insert name], a [insert state and entity type][a resident of _____]
2. Initial Franchise Fee	\$ _____
3. Access Fee	\$ _____
4. Site Selection Area	_____
5. Location	_____
6. Protected Territory	_____
7. Opening Deadline	_____
8. Principal Executive	_____
9. Franchisee's Address	_____

## FRANCHISE AGREEMENT

This Agreement is made between Tumbles LLC, a Delaware limited liability company (“**Franchisor**”), and Franchisee effective as of the date this Agreement is signed by Franchisor (the “Effective Date”).

### Background Statement:

A. Franchisor owns a system (the “**System**”) for developing and operating facilities for children between the ages of four months and nine years to be operated under the trade name Tumbles™ (“**Tumbles**”).

B. The System includes (1) methods and procedures for developing and operating a Tumbles business, (2) plans, specifications, equipment, signage and trade dress for Tumbles facilities, (3) particular products and services, (4) the Marks, (5) training programs, (6) technical and business knowledge, (7) marketing plans and concepts, (8) a website, (9) accounting and bookkeeping specifications, (10) methods and standards of operation, (11) specialized curriculum, and (12) other mandatory or optional elements as determined by Franchisor from time to time.

C. The parties desire that Franchisor license the Marks and the System to Franchisee for Franchisee to develop and operate a Tumbles facility on the terms and conditions of this Agreement.

## ARTICLE 1. DEFINITIONS

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, or judgment, or appeal thereof, whether formal or informal.

“**Advertising and Promotional Content**” means all advertising, marketing, promotional, customer relationship management, public relations, and other brand-related programs, materials, and content relating to Tumbles or the Business, including without limitation any printed materials (such as business cards, signs, counter cards, banners, posters, displays, window clings, leaflets, direct mail materials, coupons, and published advertisements); promotional items (such as branded specialty and novelty items, products, and clothing); audio or video advertising (such as radio, television, or podcast ads or online video postings); and Digital Marketing.

“**Approved Vendor**” means a supplier, vendor, or distributor of Inputs which has been approved by Franchisor.

“**Business**” means the Tumbles facility owned by Franchisee and operated under this Agreement.

“**Competitor**” means any gym, steam facility (science, technology, engineering, arts, math), or similar business that derives at least 50% of its revenue from products and services sold for children ages 1 to 10.

“**Confidential Information**” means all non-public information of or about the System, Franchisor, and any Tumbles facility, including all methods for developing and operating the Business, the

curriculum, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

**“Data Security Event”** means any act, both actual or suspected, that initiates either internally or from outside the Business’ computers, point-of-sale terminals, and other technology or networked environment and violates any laws or explicit or implied security policies, including attempts (either failed or successful) to gain unauthorized access (or to exceed authorized access) to the System, other Tumbles businesses, or their data or to view, copy, or use Privacy Information or Confidential Information without authorization or in excess of authorization; unwanted disruption or denial of service; unauthorized use of a system for processing or storage of data; and changes to system hardware, firmware, or software characteristics without Franchisor’s knowledge, instruction, or consent.

**“Digital Marketing”** means social media accounts (such as Facebook, Twitter, Instagram, Pinterest, Snapchat, TikTok, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, online videos, display banner campaigns, branded content social media campaigns, e-mail marketing campaigns, or other means of digital advertising on the Internet or any other means of digital or electronic communications that are intended to promote Tumbles and/or the Business.

**“Gross Sales”** means the total dollar amount of all sales generated through the Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit, including, without limitation, prepaid cards, gift cards or similar products which shall be included in the calculation of Gross Sales at the time of sale (rather than at the time of redemption). Gross Sales also includes the proceeds of any business interruption insurance. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected by Franchisee, or (iii) sales of used equipment not in the ordinary course of business. Franchisor may also elect to exclude in Gross Sales Franchisee’s sales of prepaid cards, gift cards or similar products at the time of sale if it establishes a regional or national gift card program, and instead, include payments in the calculation of Gross Sales at the time of redemption. After establishing such a program, Franchisee must adhere to Franchisor’s policies and directives with respect to such program and the timing of the inclusion of sales in Gross Sales.

**“Input”** means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

**“Location”** means the location stated on the Summary Page. If no location is stated on the Summary Page, then the Location will be determined in accordance with Section 6.1.

**“Losses”** includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of Franchisor’s reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described herein.

**“Manual”** means Franchisor’s confidential brand standards manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

**“Marketing Fund”** means the fund established by Franchisor into which Marketing Fund Contributions are deposited.

**“Marks”** means the mark “Tumbles” and all other trade names, trademarks, service marks and logos specified by Franchisor from time to time for use in a Tumbles facility.

**“Owner”** means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

**“Privacy Information”** means all information that identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household. Privacy Information includes but is not limited to, the following if it identifies, relates to, describes, is reasonably capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household: identifiers such as a real name, alias, postal address, unique personal identifier, online identifier, Internet Protocol address, email address, account name, social security number, driver’s license or state identification card number, passport number, signature, physical characteristics or description, telephone number, insurance policy number, bank account number, credit card number, debit card number or any other financial information, medical information or health insurance information; characteristics of protected classifications under state or federal law; commercial information, including records of personal property, products or services purchased, obtained or considered, or other purchasing or consuming histories or tendencies; biometric information; Internet or other electronic network activity information including, but not limited to, browsing history, search history, and information regarding a consumer’s interaction with an internet website, application, or advertisement; geolocation data; audio or electronic information; professional or employment-related information; education information that is not publicly available personally identifiable information as defined in the Family Educational Rights and Privacy Act (20 USC § 1232g; 34 CFR Part 99); and inferences drawn from any of the information identified in this subsection to create a profile about a consumer reflecting the consumer’s preferences, characteristics, psychological trends, predispositions, behavior, attitudes, intelligence, abilities and aptitudes. Privacy Information does not include publicly available information that is lawfully made available to the general public from federal, state, or local government records.

**“Protected Territory”** (or **“Territory”**) means the protected territory stated on the Summary Page. If no Protected Territory is stated on the Summary Page, then the Protected Territory is determined in accordance with Section 6.1.

**“Remodel”** means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new Tumbles facility.

“**Required Vendor**” means a supplier, vendor, or distributor of Inputs which Franchisor requires franchisees to use.

“**System Standards**” means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by Franchisor, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, data protection and privacy, design (such as construction, decoration, layout, furniture, fixtures and signs), environmental protection and sustainability, equipment, inventory, maintenance, marketing and public relations, minimum numbers and types of personnel, operating days, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), refund and replacement policies, reporting, safety procedures, security systems, Technology, temporary operational changes due to special circumstances (such as a pandemic), uniforms, and vehicles.

“**Technology**” means point-of-sale systems, back-office systems, information management systems, customer-facing software, and other software; computers, computer peripheral equipment, cash registers, smartphones, tablets, and similar equipment; communications systems (including email, audio, and video systems); backup and archiving systems; payment acceptance systems (including credit and debit card systems, check verification services, and other payment systems, as well as any compliance programs relating to those systems), and internet access, as well as upgrades, supplements, and modifications to any Technology.

“**Transfer**” means for Franchisee (or any owner of Franchisee) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) any direct or indirect ownership interest in the Business, or (iv) control of the Business.

## ARTICLE 2. GRANT OF LICENSE

**2.1 Grant.** Franchisor grants to Franchisee the right to operate a Tumbles facility solely at the Location. If no Location is stated on the Summary Page when this Agreement is signed, then the parties will determine the Location in accordance with Section 6.1. Franchisee shall develop, open, and operate a Tumbles facility at the Location for the entire term of this Agreement. Franchisee shall exert its best efforts to promote and enhance the Business to meet Franchisor’s System Standards, but the means of satisfying the System Standards are left to the control and discretion of Franchisee.

### **2.2 Protected Territory.**

(a) Franchisor shall not establish, nor license the establishment of, another business within the Protected Territory selling the same or similar goods or services under the same or similar trademarks or service marks as a Tumbles business. This prohibition does not apply to any Tumbles business operating or under construction when the Protected Territory is determined. Franchisor and its affiliates retain the right to do any of the following (all without any compensation to Franchisee):

- (i) establish and license others to establish and operate Tumbles businesses outside the Protected Territory, notwithstanding their proximity to the Protected Territory or their potential impact on the Business;
- (ii) operate and license others to operate businesses anywhere, including within the Protected Territory, that sell the same or similar goods or services as a Tumbles business under trademarks or service marks that are not the same as or similar to the Marks;
- (iii) sell and license others to sell any products and services in the Protected Territory under any trademarks or service marks (including the Marks) through channels of distribution (including the internet) other than Tumbles outlets;
- (iv) acquire or be acquired by (under any form of business transaction) a Competitor that has (or may in the future have) outlets in the Protected Territory which compete with the Business under trademarks or service marks other than the Marks; and
- (v) engage in any action not specifically precluded by the express terms of this Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, if, after the first 30 months of operations, Franchisee's Gross Sales for any consecutive 12-month period are not at least equal to 75% of the average Gross Sales of other Tumbles facilities operating in the United States for the same period provided such facilities have been open (i) for the entire 12-month period; and (ii) for at least 30 months, Franchisor may, at its option, reduce or eliminate Franchisee's Protected Territory. If Franchisor exercise this right, Franchisee shall not be excused from any of its obligations under this Agreement, and Franchisor shall not be required to refund any amounts paid by Franchisee to Franchisor hereunder.

**2.3 Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each Owner, member, officer, director and manager (as applicable) of Franchisee, and (ii) describes the nature and extent of each such person's interest in Franchisee. If any information on Attachment 1 changes (and such change is not a Transfer), Franchisee shall notify Franchisor within 10 days.

**2.4 Principal Executive.** Franchisee agrees that the person designated as the "**Principal Executive**" on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. Franchisor is entitled to rely on any communication, decision, or act by the Principal Executive as being the communication, decision, or act of Franchisee. The Principal Executive must have at least 10% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time and attention to the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to Franchisor's approval in its sole discretion.

**2.5 Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to Franchisor, in the form of Attachment 3.

**2.6 No Conflict.** Franchisee represents to Franchisor that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

### ARTICLE 3. TERM

**3.1 Term.** This Agreement commences on the Effective Date and continues for five years.

**3.2 Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreement for three additional periods of five years each, subject to the following conditions:

Franchisee notifies Franchisor of the election to renew between 90 and 180 days prior to the end of the term;

- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with Franchisor (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee (and its affiliates) have been in substantial compliance with this Agreement and all other agreements with Franchisor (or any of its affiliates) throughout the term of this Agreement and any other such agreement(s);
- (iv) Franchisee did not (A) receive written notice of default under this Agreement from Franchisor more than twice during the term, or (B) failed to cure a written notice of default under this Agreement within the cure period (if any) provided in this Agreement;
- (v) Franchisee and its Owners complied with Section 7.24 of this Agreement at all times during the term;
- (vi) Franchisee has made or agrees to make (within a period of time acceptable to Franchisor) renovations and changes to the Business as Franchisor requires to conform to the then-current System Standards; such renovations and changes may include, without limitation, a Remodel, making changes to the façade, installing furnishings or fixtures, changing signage, and making upgrades to any technological features required by the System Standards;
- (vii) Franchisee and its Owners execute Franchisor's then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees), except that the form of the franchise agreement will be

amended to provide that Franchisee will not pay another initial franchise fee and to provide that Franchisee will not receive more renewal or successor terms than originally granted to Franchisee;

(viii) Franchisee pays a renewal fee of \$5,000; and

(ix) Franchisee and each Owner executes a general release (on Franchisor's then-standard form) of any and all claims against Franchisor, its affiliates, and their respective owners, officers, directors, agents and employees

Additional successor terms may be awarded at Franchisor's sole discretion.

## ARTICLE 4. FEES

**4.1 Initial Franchise Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. The initial franchise fee is not refundable under any circumstances.

**4.2 Royalty Fee.** Franchisee shall pay Franchisor a monthly royalty fee (the "**Royalty Fee**") that is the greater of (a) 7% of Gross Sales; or (b) \$1,500 per month if the Minimum Royalty Fee is applicable (the "**Minimum Royalty**"). The Royalty Fee for any given month is due by the 10<sup>th</sup> day of the following month. The Minimum Royalty shall commence being payable after the 24th month of operations.

**4.3 Access Fee.** Upon signing this Agreement, Franchisee must pay Franchisor an access fee of (the "**Access Fee**") in the amount stated on the Summary Page. The Access Fee is for the design services relating to the layout of the facility equipment and site selection services as specified in Section 6.1. The Access Fee also covers website setup, including setup and onboarding of Franchisor's operations management system software, which will be used to run the operations of the Business. If the Access Fee stated on the Summary Page is less than \$20,000 and Franchisee later elects to include a Tumble Zone indoor playground, the Access Fee will be \$20,000, and Franchisee shall pay Franchisor the difference between the amount Franchisee originally paid for the Access Fee and \$20,000 within five days of request by Franchisor.

### **4.4 Marketing Contributions.**

(a) Marketing Fund Contribution. Franchisee shall pay Franchisor a monthly contribution to the Marketing Fund (the "**Marketing Fund Contribution**") equal to up to 2% of Franchisee's Gross Sales (or such lesser amount as Franchisor determines in its sole discretion), at the same time as the Royalty Fee.

(b) Marketing Cooperative Contribution. If the Business participates in a Marketing Cooperative, then Franchisee shall contribute to the Marketing Cooperative a percentage of Gross Sales (or other amount) as determined by the Market Cooperative.

**4.5 Digital Advertising Management Fee.** Franchisor reserves the right to require Franchisee to pay Franchisor (or Franchisor's approved vendor) then-current "**Digital Advertising**

**Management Fee**". If Franchisor requires this fee, it would be payable at the same time as the Royalty Fee, and the fee would cover costs to manage Franchisee's digital advertising and social media platforms.

**4.6 Non-Compliance Fee.** Franchisor may charge Franchisee \$500 for each instance of non-compliance with the System Standards or this Agreement (other than Franchisee's non-payment of a fee owed to Franchisor) which Franchisee fails to cure after 30 days' notice. Thereafter, Franchisor may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of Franchisor's internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee's breach. The non-compliance fee is in addition to all of Franchisor's other rights and remedies (including default and termination under Section 14.2).

**4.7 Reimbursement.** Franchisor may (but is never obligated to) pay, on Franchisee's behalf, any amount that Franchisee owes to a supplier or other third party. If Franchisor does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to Franchisor within 15 days after invoice by Franchisor.

#### **4.8 Payment Terms.**

(a) Method of Payment. Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, Digital Advertising Management Fee (if required by Franchisor), and any other amounts owed to Franchisor by pre-authorized bank draft or in such other manner as Franchisor may require. Franchisee shall comply with Franchisor's payment instructions, including executing all documents reasonably required by Franchisor. If Franchisor permits Franchisee to pay by credit card or other method which causes Franchisor to incur a processing fee, Franchisee shall be responsible for the amount of the processing fee.

(b) Calculation of Fees. Franchisee shall report monthly Gross Sales to Franchisor by 10<sup>th</sup> of each month. If Franchisee fails to report monthly Gross Sales, then Franchisor may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 110% of the last Gross Sales reported to Franchisor, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that Franchisor has the right to remotely access Franchisee's point-of-sale system to calculate Gross Sales.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$200 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Costs of Collection and Enforcement. Franchisee shall repay any costs incurred by Franchisor in attempting to collect payments owed by Franchisee or to enforce any other provision of this Agreement (including, without limitation, reasonable attorney fees).

(e) Insufficient Funds. Franchisor may charge \$30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law)

(f) Application. Franchisor may apply any payment received from Franchisee to any obligation and in any order as Franchisor may determine, regardless of any designation by Franchisee.

(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to Franchisor any fees or amounts described in this Agreement are not dependent on Franchisor's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

(h) Taxes. Franchisee will be responsible for (and shall immediately remit to Franchisor upon demand) all sales taxes, use taxes, and other taxes imposed on the fees payable by Franchisee to Franchisor or its affiliates and on services or goods furnished to Franchisee by Franchisor or its affiliates, unless the tax is an income tax assessed on Franchisor or its affiliate for doing business in the state where the Business is located.

## ARTICLE 5. ASSISTANCE

**5.1 Manual.** Franchisor shall make its Manual available to Franchisee in such format as Franchisor deems appropriate.

### **5.2 Pre-Opening Assistance.**

(a) Selecting Location. Franchisor will review and advise Franchisee regarding potential locations submitted by Franchisee. Franchisor is not obligated to further assist Franchisee in locating a site or negotiating the purchase or lease of the site, although Franchisor may visit the site in person if it believes a site visit is needed, in its sole discretion. The cost of one site visit is covered by the Access Fee.

(b) Design Services. Franchisor or its approved vendor will provide design services in connection with the layout of the facility's equipment.

(c) Equipment, Approved Vendors. Franchisee must purchase its initial equipment package from Franchisor or an approved vendor. Franchisor will consult with Franchisee with respect to specifications as Franchisor deems appropriate (which may include specifications regarding equipment, inventory, supplies, materials, and other matters). Franchisor may provide Franchisee with lists of Approved Vendors and/or Required Vendors.

(d) Pre-Opening Training. Franchisor shall make available its standard pre-opening training to the Principal Executive and the person that is in charge of the day-to-day management of the Business (the "**Director**"), at a Tumbles facility or other location designated by Franchisor. Franchisor shall not charge any fee for this training. Franchisee is responsible for its own payroll, travel, lodging, meal, and other out-of-pocket expenses. Franchisor reserves the right to vary the

length and content of the initial training program based on the experience and skill level of any individual attending the program.

(e) Grand Opening Marketing Plan. Franchisor may advise Franchisee regarding the planning and execution of Franchisee's grand opening marketing plan.

(f) On-Site Opening Assistance. Franchisor shall have a representative support Franchisee's grand opening for at least two days of onsite opening training and assistance, unless applicable travel restrictions preclude such on-site assistance.

### **5.3 Post-Opening Assistance.**

(a) (a) Advice, Consulting, and Support. If Franchisee requests, Franchisor shall provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent Franchisor deems reasonable. If Franchisor provides in-person support in response to Franchisee's request, Franchisor may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, Franchisor shall provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. To the extent Franchisor determines in its sole discretion, Franchisor shall provide Franchisee with Franchisor's recommended administrative, bookkeeping, accounting, and inventory control procedures. Franchisor may make any such procedures part of required (and not merely recommended) System Standards.

(f) Marketing. Franchisor shall manage the Marketing Fund so long as the Marketing Fund is operating.

## **ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING**

**6.1 Determining Location and Protected Territory.** If the Location and Protected Territory are not stated on the Summary Page, then Franchisee shall identify a potential Location within the Site Selection Area described on the Summary Page. Franchisee acknowledges that Franchisee does not have any territorial or other rights to the Site Selection Area and that it is only provided for the purpose of delineating the area within which Franchisee must locate an acceptable Location for the Business. Franchisee shall submit its proposed Location to Franchisor for acceptance, with all related information and documents Franchisor may request. The Access Fee listed in Section 4.3 covers, inter alia, Franchisor's analysis of the proposed Location and covers one visit to Franchisee's proposed site(s) for evaluation (but only if Franchisor deems such visit necessary in its sole discretion). We may require Franchisee to use Franchisor's approved real estate brokerage firm for site selection services. If Franchisor does not accept the proposed Location in writing within 30 days, then it is deemed rejected. When Franchisor accepts the Location, it will issue a Location Acceptance Letter in the form of Attachment 2 which states the Location and Protected Territory. Franchisor shall determine the Protected Territory in its good faith discretion, substantially in accordance with Item 12 of the Franchise Disclosure Document. If Franchisor fails

to state the Territory in writing before Franchisee opens the Business to the public, the Territory will be deemed to be a 1-mile radius around the Location. **Franchisor's advice regarding or acceptance of a proposed Location is not a representation or warranty that the Business will be successful or that the Business is permitted to be operated at the Location under applicable laws or zoning ordinances, and Franchisor has no liability to Franchisee with respect to the location of the Business.**

**6.2 Lease.** In connection with any lease between Franchisee and the landlord of the Location: (i) if requested by Franchisor, Franchisee must submit the proposed lease to Franchisor for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, (iii) Franchisee shall use commercially reasonable efforts to obtain the landlord's signature to a rider to the lease in the form required by Franchisor; and (iv) Franchisee shall not enter into an amendment to the Lease without Franchisor's prior written consent, which shall not be unreasonably withheld.

**6.3 Development.** Franchisee shall construct (or remodel) and finish the Location in conformity with Franchisor's System Standards. If required by Franchisor, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining Franchisor's approval of Franchisee's plans and without first obtaining any required permits or licenses necessary to commence such construction or remodeling work. Franchisee must engage a qualified licensed general contractor to perform such construction or remodeling work. Franchisor may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by Franchisor or its representatives regarding any architectural, engineering, or legal matters (including without limitation the Americans With Disabilities Act) in the development and construction of the Business, and Franchisor assumes no liability with respect thereto. Franchisor's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering, or legal standards.

**6.4 New Franchisee Training.** Franchisee's Principal Executive and the facility's Director must complete Franchisor's training program to Franchisor's satisfaction for new franchisees at least 4 weeks prior to the Business' opening.

**6.5 Conditions to Opening.** Franchisee shall notify Franchisor at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) Franchisor has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of Franchisor's required pre-opening training; (7) Franchisee has conducted the grand opening marketing campaign required under Section 9.6, and (8) Franchisor has given its written approval to open which will not be unreasonably withheld.

**6.6 Opening Date.** Franchisee shall open the Business to the public on or before the date stated on the Summary Page.

**6.7 Relocation.** Franchisee shall not relocate the Business to new premises without the prior written approval of Franchisor. If Franchisee requests approval of a relocation, Franchisee must pay \$2,500 upon submitting the request. If Franchisor approves the relocation, Franchisee must (i) pay an additional \$2,500 relocation fee to Franchisor upon approval, (ii) comply with the conditions set for in Sections 6.1, 6.2, and 6.5 with respect to the new location, and (iii) satisfy any other conditions required by Franchisor.

**6.8 Damage to the Location.** If the Location is damaged or destroyed by fire or any other casualty, Franchisee must, as soon as practicable but in no event later than one month following such casualty, initiate repairs of or the process for reconstruction of the Location, and Franchisee shall in good faith and with due diligence continue until such repairs or reconstruction are completed. Any repairs or reconstruction shall otherwise comply with the System Standards (including the then-current design and décor) and the requirements of this Agreement.

## ARTICLE 7. OPERATIONS

**7.1 Compliance with Manual and System Standards.** Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards, as they are now or hereafter established. Franchisee acknowledges and agrees that the products and services offered under the Marks have a reputation for excellence and that Franchisee's compliance with all System Standards is of the utmost importance to Franchisor.

**7.2 Compliance with Law.** Franchisee and the Business shall comply with all laws, rules, ordinances, and regulations applicable to Franchisee or to the Business. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business. Franchisee is solely responsible for all such compliance, notwithstanding any information provided by Franchisor.

**7.3 Products, Services, and Methods of Sale.** Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall make sales only to retail customers, and only at the Location. Unless otherwise approved or required by Franchisor, Franchisee shall not make sales by any other means, including without limitation by wholesale, by delivery, by mail order or over the internet, or at temporary or satellite locations. Franchisee shall maintain sufficient levels of inventory at all times. Franchisee shall provide all products and perform all services in a high-quality manner that meets or exceeds the customer's reasonable expectations and all applicable System Standards. Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that Franchisor may require.

**7.4 Prices.** Franchisee acknowledges that the System Standards determined by Franchisor may include the minimum, maximum, and/or exact prices that franchisees may charge for products or services sold (except to the extent such authority is limited or prohibited by applicable law).

**7.5 Personnel.**

(a) Service. Franchisee shall cause its employees to render competent and courteous service to all customers and members of the public.

(b) Appearance. Franchisee shall cause its employees to comply with any dress attire, uniform, personal appearance, and hygiene standards set forth in the Manual.

(c) Qualifications. Franchisor may set minimum qualifications for categories of employees employed by Franchisee.

(d) Management. The Business must at all times be under the on-site supervision of the Principal Executive or a Director who has completed Franchisor's training program.

(e) Staffing. Franchisee must hire or engage a sufficient number of personnel to service its volume of business, and Franchisee must comply with any System Standards regarding staffing levels.

(f) Sole Responsibility. Franchisee is solely responsible for all hiring decisions and all terms and conditions of employment of all of its personnel, including recruiting, hiring, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and Franchisor are not joint employers, and no employee of Franchisee will be an agent or employee of Franchisor. Within seven days of Franchisor's request, Franchisee and each of its employees shall sign an acknowledgment form stating that Franchisee alone (and not Franchisor) is the employee's sole employer. Franchisee shall use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, timecards, pay checks, and employment and independent contractor agreements, and Franchisee shall not use the Marks on any of these documents.

**7.6 Post-Opening Training.** Franchisor may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by Franchisor. Franchisor may charge a reasonable fee for any training programs. Franchisor may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Principal Executive or any other employee, then Franchisee shall pay all travel, living and other expenses.

**7.7 Technology.** Without limiting the generality of Section 7.1 or Section 8.1, Franchisee shall acquire and use all Technology required by Franchisor. Franchisor has the right to prohibit Franchisee from using any Technology which is not approved or required by Franchisor. Franchisee shall enter into any subscription and support agreements related to the Technology that Franchisor may require. Franchisee shall upgrade, update, or replace any Technology from time to time as Franchisor may require. Franchisee shall protect the confidentiality and security of all Technology, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give Franchisor unlimited access to Franchisee's Technology used in the Business, by any means designated by Franchisor. Despite Franchisee's obligation to acquire and use Technology according to System Standards, Franchisee has sole and complete responsibility for: (a) acquiring, operating, maintaining, and upgrading Franchisee's Technology; (b) the manner in which Franchisee's Technology interfaces with Franchisor's and any third party's computer system; (c) any and all consequences if Franchisee's Technology is not properly operated, maintained, and

upgraded; (d) complying at all times with the most current version of the Payment Card Industry Data Security Standards, and (e) complying at all times with all laws governing the use, disclosure, and protection of Privacy Information.

**7.8 Customer Complaints.** Franchisee shall use its best efforts to promptly resolve any customer complaints. Franchisor may take any action it deems appropriate to resolve a customer complaint regarding the Business, and Franchisor may require Franchisee to reimburse Franchisor for any expenses.

**7.9 Evaluation and Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by Franchisor for obtaining customer evaluations, reviewing Franchisee's compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. Franchisor shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by Franchisor for such programs. Franchisor may set minimum scores that Franchisee must receive from the public on internet review sites (such as Yelp or Google).

**7.10 Payment Systems.** Franchisee shall accept payment from customers in any form or manner designated by Franchisor (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by Franchisor.

**7.10 Gift Cards, Loyalty Programs, and Incentive Programs.** At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid items, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by Franchisor, in the manner specified by Franchisor in the Manual or otherwise in writing; this includes any marketing plans determined by Franchisor for the promotion of any particular products and/or services on a national, regional, or local level and includes offering such products or services at the prices determined by Franchisor but only to the extent permitted by applicable law. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another Tumbles business. If Franchisee honors a gift card or other pre-paid system sold by another location, or vice versa, Franchisor and Franchisee will cooperate so that the cash received is fairly allocated to the location where that gift card or other pre-paid system is redeemed (subject to fees and charges). Franchisee shall comply with all procedures and specifications of Franchisor related to gift cards, certificates, and other pre-paid systems, or related to customer loyalty, membership/subscription, or customer incentive programs.

**7.12 Maintenance, Repair, and Alterations.** Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all of the property of the Business in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as Franchisor may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn-out signage, floor coverings, furnishings, equipment, and décor. If such work is reserved to Franchisee's landlord under the terms of Franchisee's lease, then Franchisee shall use reasonable efforts to cause its landlord to perform such work. Franchisee

acknowledges that the System Standards may include requirements for cleaning, maintenance, replacement, and repair. Franchisee shall not alter or replace the equipment, fixtures, furniture, signs, décor, or other aspects of the interior or exterior of the Business except in compliance with all applicable System Standards or except with prior approval from Franchisor.

**7.13 Remodeling.** In addition to Franchisee’s obligations to comply with all System Standards in effect from time to time, Franchisor may require Franchisee to undertake and complete a Remodel of the Location to Franchisor’s satisfaction. Franchisee must complete the Remodel in the time frame specified by Franchisor. Franchisor may require Franchisee to submit plans for Franchisor’s reasonable approval prior to commencing a required Remodel, and Franchisor may require Franchisee to engage a qualified licensed contractor to perform the Remodel. Franchisor’s right to require a Remodel is limited as follows: (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel.

**7.14 Meetings.** The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone or video conference calls) that Franchisor requires, including any national or regional brand conventions or conferences. Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings. Franchisor may charge Franchisee the attendance fee for Tumbles’ national or regional brand convention, regardless of whether the Principal Executive attends. Franchisee is responsible for all travel and living expenses of attending any such meeting or convention.

**7.15 Insurance.**

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by Franchisor in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

- (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;
- (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount not less than \$1,000,000;
- (iii) abuse, sexual harassment, sexual misconduct and molestation, with minimum liability coverage of \$100,000 per occurrence and \$300,000 in the aggregate;
- (iv) property damage covering the facility’s equipment in an amount not less than \$150,000; and
- (v) business interruption insurance covering at least 12 months of income;
- (vi) Workers Compensation coverage as required by state law.

(b) Franchisee's policies (other than Workers Compensation) must (1) list Franchisor and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of Franchisor and its affiliates, (3) be primary and non-contributing with any insurance carried by Franchisor or its affiliates, and (4) stipulate that Franchisor shall receive 30 days' prior written notice of cancellation. Franchisee shall provide Certificates of Insurance evidencing the required coverage to Franchisor prior to opening and upon annual renewal of the insurance coverage, as well as within 15 days after request from Franchisor.

**7.16 Obligations to Third Parties.** Franchisee shall pay all vendors and suppliers in a timely manner. Franchisee shall pay all taxes when due. If Franchisee borrows money, it shall comply with the terms of its loan and make all loan payments when due. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location and make all rent payments when due.

**7.17 Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Tumbles, the Business, or any particular incident or occurrence related to the Business, without Franchisor's prior written approval, which will not be unreasonably withheld.

**7.18 Association with Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization or cause, or (ii) act in support of any such organization or cause, without Franchisor's prior written approval, which will not be unreasonably withheld.

**7.19 No Other Activity Associated with the Business.** Franchisee shall not engage in any business or other activity at the Location other than operation of the Tumbles Business. Franchisee shall not use assets of the Business for any purpose other than the Business. If Franchisee is an entity, the entity shall not own or operate any other business except Tumbles businesses.

**7.20 No Third-Party Management.** Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of Franchisor, which will not be unreasonably withheld.

**7.21 Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by Franchisor. Franchisee must display at the Business signage prescribed by Franchisor identifying the Location as an independently owned franchise.

**7.22 Privacy Practices.**

(a) With respect to Privacy Information, Franchisee must comply with all of their obligations under applicable privacy laws, including any local, state, or federal data privacy or data security law or regulation.

(b) Franchisee shall not sell any Privacy Information. Franchisee further agrees to not access, use, or process the Privacy Information except in the furtherance of its obligations under this Agreement, but in all times, in compliance with applicable privacy laws.

(c) To the extent Franchisor does not have the then-current ability to address requests made under any applicable privacy law by individuals that are the subject of any of the Privacy Information, Franchisee shall, upon Franchisor's request, provide reasonable assistance to Franchisor in responding to such requests.

(d) In the event of a Data Security Event, Franchisee must notify Franchisor immediately after becoming aware of the Data Security Event and shall cooperate with Franchisor and follow all of Franchisor's reasonable requests to address the Data Security Event and to protect any Privacy Information and/or Confidential Information. Franchisor, or its designee, has the right, but not the obligation, to take any action or pursue any proceeding with respect to the Data Security Event.

**7.23 Communication.** Franchisee shall respond promptly to requests for communication from Franchisor, and in any event within three business days. Franchisee and each Owner shall be courteous and respectful to Franchisor and its personnel and shall comply with any rules adopted by Franchisor from time to time establishing procedures and requirements for communications between Franchisee's personnel and Franchisor's personnel.

**7.24 Business Practices and Values.** Franchisee and each Owner shall comply with and uphold any code of ethics or statement of values adopted by Franchisor. Franchisee and each Owner shall be honest and fair in all interactions with customers, employees, vendors, governmental authorities, and other third parties. Neither Franchisee nor any Owner shall engage in or permit any employee to engage in any (i) violence or a threat of violence against any person or group of persons, (ii) sexual harassment of any person, (iii) discrimination against any person or group of persons on account of sex, race, color, religion, ancestry, national origin, sexual orientation, or disability, or any legally protected class in the jurisdiction where the Business is located, or (iv) any act which injures or is likely to injure the goodwill associated with the Marks, in Franchisor's reasonable opinion.

## ARTICLE 8. SUPPLIERS AND VENDORS

**8.1 Generally.** Franchisee shall acquire all Inputs required by Franchisor from time to time in accordance with System Standards. Franchisor may require Franchisee to purchase or lease any Inputs from Franchisor, Franchisor's designee, Required Vendors, Approved Vendors, and/or under Franchisor's specifications. Franchisor may change any such requirement or change the status of any vendor. To make such requirement or change effective, Franchisor shall issue the appropriate System Standards.

**8.2 Alternate Vendor Approval.** If Franchisor requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Franchisor. Franchisor may approve or disapprove the alternative vendor in its sole discretion. Franchisor may condition its approval on such criteria as Franchisor deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Franchisor shall provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

**8.3 Alternate Input Approval.** If Franchisor requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Franchisor. Franchisor may approve or disapprove the alternative Input in its sole discretion. Franchisor shall provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

**8.4 Purchasing.** Franchisor may negotiate prices and terms with vendors on behalf of the System. Franchisor may receive rebates, payments, or other consideration from vendors in connection with purchases by franchisees. Franchisor has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor and to impose a reasonable markup or charge for administering the payment program (not to exceed the greater of \$500 or 10% of Franchisee's payment). Franchisor may implement a centralized purchasing system. Franchisor may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as Franchisor may determine.

**8.5 No Liability of Franchisor.** Franchisor and its affiliates shall not have any liability to Franchisee for any claim, loss, or other Action related to any product provided or service performed by any Approved Vendor or Required Vendor (unless Franchisor or its affiliate, as applicable, is the vendor), including without limitation for defects, delays, unavailability, failure, or breach of contract related to such products or services.

**8.6 Product Recalls.** If Franchisor or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from Franchisor or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item.

## ARTICLE 9. MARKETING

**9.1 Advertising Standards.** Except as otherwise provided in the Manual, Franchisee may use only Advertising and Promotional Content that Franchisor has furnished or approved in writing in advance. Franchisee must ensure that all Advertising and Promotional Content that Franchisee uses is clear, factual, ethical, and not misleading; complies with all laws; and conforms to System Standards. Except as otherwise provided in the Manual and Advertising and Promotional Content that Franchisor furnishes to Franchisee, Franchisee must submit to Franchisor for its written approval, at least 14 days before use, copies of all proposed Advertising and Promotional Content that Franchisee intends to use or implement. If Franchisor does not respond, the material is deemed rejected. Franchisor has the right to approve or disapprove any Advertising and Promotional Content, as well as the media in which Franchisee intends to use them, in its sole discretion. Franchisor reserves the right to require Franchisee to discontinue the use of any Advertising and Promotional Content for any reason.

**9.2 Digital Marketing.** Franchisor may (but is not obligated to) establish and operate all Digital Marketing and has the sole right to control all aspects of Digital Marketing, including those

related to the Business. Without limiting the generality of Section 9.1, Franchisee shall not, directly or indirectly, conduct or be involved in any Digital Marketing without the prior written consent of Franchisor. If Franchisor permits Franchisee to conduct any Digital Marketing, Franchisee must (a) comply with any System Standards and must immediately modify or delete any Digital Marketing that Franchisor determines, in its sole discretion, is not compliant with such System Standards; (b) only use materials that Franchisor has approved and submit any proposed modifications to Franchisor for approval; (c) not use any Mark (or words or designations similar to any Mark) in any domain name, electronic address, website, or other source identifier except as Franchisor expressly permits; (d) include only the links that Franchisor approves or requires; and (e) immediately take all actions necessary or that Franchisor requests to provide Franchisor with access to, or to transfer ownership of, all Digital Marketing relating to the Business to Franchisor, including, without limitation, providing login and password details and promptly signing all directions and authorizations as Franchisor deems necessary to effect the intent and provisions of this Section. If Franchisee uses any Mark (or words or designations similar to a Mark) in any domain name, electronic address, website, or other source identifier, Franchisor may register such name, address, website, or identifier and then license use of the registered item back to Franchisee under a separate agreement. Franchisee must pay all costs due for registration, maintenance, and renewal of any such names, addresses, websites, or identifiers that Franchisor approves and maintains on Franchisee's behalf. Franchisor may withdraw its approval for any Digital Marketing at any time.

**9.3 Implementation.** Franchisee shall implement any advertising or marketing materials, plans or campaigns (including Digital Marketing) required by Franchisor.

**9.4 Use by Franchisor.** Franchisor may use any Advertising and Promotional Content developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, perpetual, royalty-free license to Franchisor for such purpose.

**9.5 Marketing Fund.**

(a) Separate Account. Franchisor shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from Franchisor's other accounts.

(b) Use. Franchisor shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs, and campaigns (including at local, regional, national, and/or international level) for Tumbles, and related overhead. The foregoing includes such activities and expenses as Franchisor determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of Franchisor's employees working on marketing and for accounting, bookkeeping, reporting, legal, collections, and other expenses related to the Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect benefit to

Franchisee. The Marketing Fund will be spent at Franchisor's sole discretion, and Franchisor has no fiduciary duty with regard to the Marketing Fund.

(d) Contribution by Other Outlets. Franchisor is not obligated to (i) have all other Tumbles businesses (whether owned by other franchisees or by Franchisor or its affiliates) contribute to the Marketing Fund, or (ii) have other Tumbles businesses that do contribute to the Marketing Fund contribute the same amount or at the same rate as Franchisee.

(e) Surplus or Deficit. Franchisor may accumulate funds in the Marketing Fund and carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, Franchisor may loan such funds to the Marketing Fund on reasonable terms.

(f) Financial Statement. Franchisor shall prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of Franchisor's fiscal year and shall provide the financial statement to Franchisee upon written request.

**9.6 Market Cooperatives.** Franchisor may establish market advertising and promotional cooperative funds ("Market Cooperative") in any geographical areas. If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days of notice from Franchisor. Franchisor shall not require Franchisee to be a member of more than one Market Cooperative. If Franchisor establishes a Market Cooperative:

(a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by Franchisor. Franchisor may require the Market Cooperative to adopt bylaws or regulations prepared by Franchisor. Unless otherwise specified by Franchisor, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. Franchisor will be entitled to attend and participate in any meeting of a Market Cooperative. Any Tumbles facility owned by Franchisor in the Market Cooperative will have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, Franchisor may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.

(b) Purpose. Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to Franchisor's approval), standardized promotional materials for use by the members in local advertising and promotion.

(c) Approval. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of Franchisor pursuant

to Section 9.1. Franchisor may designate the national or regional advertising agencies used by the Market Cooperative.

(d) Funding. The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not less than 1% and not more than 5% of Gross Sales.

(e) Enforcement. Only Franchisor will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative.

(f) Termination. Franchisor may terminate any Market Cooperative. Any funds left in a Market Cooperative upon termination will be transferred to the Marketing Fund.

**9.5 Required Spending.** Each month, once the Business opens to the public, Franchisee shall spend at least the greater of 3% of Gross Sales or \$1,000 on marketing the Business. Within 10 days of request by Franchisor, Franchisee shall furnish such proof of its compliance with this Section. Franchisee shall furnish proof of its compliance with this Section. Franchisor has the discretion to determine in good faith what activities constitute “marketing” under this Section. If Franchisee contributes to a Market Cooperative, the amount of the contribution will be counted towards Franchisee’s required spending under this Section. This amount is subject to adjustment upon 90 days advance notice, but Franchisor shall not increase required marketing expenditures by more than 10% in any 12-month period.

**9.6 Grand Opening Marketing.** Franchisee must develop a grand opening marketing plan and obtain Franchisor’s approval of the grand opening marketing plan at least 90 days before the projected opening date of the Business. Franchisee must spend at least \$8,000 on marketing prior to and during the first eight weeks of operating the Business.

## ARTICLE 10. RECORDS AND REPORTS

**10.1 Systems.** Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as Franchisor may specify in the Manual or otherwise in writing.

### 10.2 Reports.

(a) Financial Reports. Franchisee shall provide such periodic financial reports as Franchisor may require in the Manual or otherwise in writing, including:

- (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each calendar month;
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of each calendar year; and

- (iii) any information Franchisor requests in order to prepare a financial performance representation for Franchisor's franchise disclosure document, within 30 days after request.

(b) Legal Actions and Investigations. Franchisee shall promptly notify Franchisor of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as Franchisor may request.

(c) Government Inspections. Franchisee shall give Franchisor copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) Other Information. Franchisee shall submit to Franchisor such other financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that Franchisor may reasonably request (either upon specific request or on a regular basis as directed by Franchisor, as applicable). Franchisor acknowledges that all personnel records of the Business belong to Franchisee and that this Agreement does not grant Franchisor the right to access personnel records of Franchisee's employees.

**10.3 Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to Franchisor a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of Franchisor's Franchise Disclosure Document and with such other information as Franchisor may reasonably request.

**10.4 Business Records.** Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as Franchisor may specify in the Manual or otherwise in writing.

**10.5 Records Audit.** Franchisor may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. Franchisor may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by Franchisor. Franchisee shall also reimburse Franchisor for all costs and expenses of the examination or audit if (i) Franchisor conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period.

**10.6 Remote Access To Point of Sale System.** Franchisee shall give Franchisor unlimited access to Franchisee's point of sale system and other software systems related to the operation of the Business, by any means designated by Franchisor.

## ARTICLE 11. FRANCHISOR RIGHTS

**11.1 Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by Franchisor. Franchisor may supplement, revise, or modify the Manual, and Franchisor may change, add, or delete System Standards at any time in its discretion. Franchisor may inform Franchisee thereof by any method that Franchisor reasonably deems appropriate (which need not qualify as “notice” under Section 18.9). In the event of any dispute as to the contents of the Manual, Franchisor’s master copy will control.

**11.2 Inspections.** Franchisor may enter the premises of the Business from time to time at any reasonable time (including during normal business hours) and conduct an inspection. Franchisee shall cooperate with Franchisor’s inspectors. Franchisor will use reasonable efforts to not disrupt Franchisee’s business operations during any such inspection. The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. Franchisor may videotape and/or take photographs of the inspection and the Business. Franchisor may set a minimum score requirement for inspections, and Franchisee’s failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting Franchisor’s other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection. If Franchisor conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then Franchisor may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

**11.3 Franchisor’s Right to Cure.** If Franchisee breaches or defaults under any provision of this Agreement, Franchisor may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee, including entering the premises of the Business and curing the default without notice to Franchisee. Franchisee shall reimburse Franchisor for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

**11.4 Right to Discontinue Supplies Upon Default.** While Franchisee is in default or breach of this Agreement, Franchisor may (i) require that Franchisee pay cash on delivery for products or services supplied by Franchisor, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third-party vendors to not sell or provide products or services to Franchisee. No such action by Franchisor shall be a breach or constructive termination of this Agreement, change in competitive circumstances, or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of Franchisor are in addition to any other right or remedy available to Franchisor.

**11.5 Business Data.** All customer data collected or generated by the Business and all data collected or generated by the point-of-sale system (other than data regarding employees) is deemed to be Confidential Information and is exclusively owned by Franchisor. Franchisor hereby licenses such data back to Franchisee without charge solely for Franchisee’s use in connection with the Business for the term of this Agreement.

**11.6 Innovations.** Franchisee shall disclose to Franchisor all ideas, plans, improvements, concepts, methods, and techniques relating to the Business (collectively, “Innovations”) conceived or developed by Franchisee or its employees, agents, or contractors. Franchisor will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by Franchisor to document Franchisor’s ownership of Innovations.

**11.7 Communication Systems.** If Franchisor provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes Franchisor to access such communications.

**11.8 Communication with Employees.** Franchisee irrevocably authorizes Franchisor to communicate with Franchisee’s employees and contractors on any matter related to the System or the Business. Franchisee will not prohibit any employee or contractor from communicating with Franchisor on any matter related to the System or the Business.

**11.9 Communications with Landlord and Lenders.** Franchisee irrevocably authorizes Franchisor to communicate with Franchisee’s landlord and lender(s), or prospective landlord and lender(s), about matters relating to the Business, and to provide information about the Business to them.

**11.10 Delegation.** Franchisor may delegate any duty or obligation of Franchisor under this Agreement to an affiliate or to a third party.

**11.11 System Variations.** Franchisor may vary or waive any System Standard for any one or more Tumbles franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

**11.12 Franchisor’s Discretion.** Franchisor may engage in any activity not expressly prohibited by this Agreement. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor’s exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify any express limitations set forth in this Agreement. Whenever Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will have satisfied its obligations whenever it exercises reasonable business judgment in making a decision or exercising its rights. Franchisor’s decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor’s decision or action is intended, in whole or significant part, to promote or benefit the System or the Tumbles brand generally even if the decision or action also promotes Franchisor’s financial or other individual interest. Examples of items that will promote or benefit the System or the Tumbles brand include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or

encouraging modernization, and improving the competitive position of the System and Tumbles outlets.

**11.13 Temporary Management.** If (i) the Principal Executive dies or becomes incapacitated, (ii) this Agreement is terminated or expires and Franchisor elects to purchase assets of the Business as provided in Section 14.6, or (iii) Franchisee is operating the Business in a manner which, in Franchisor's reasonable opinion, constitutes a danger to the health or safety of any person, then Franchisor may (but is not obligated to) enter the Location and operate and manage the Business for Franchisee's (or Franchisee's estate's) account until this Agreement is terminated, the Business is transferred, the Business is purchased by Franchisor, or Franchisor returns the Business to Franchisee. Franchisor's operation and management will not continue for more than 90 days without Franchisee's consent (or the consent of the representatives of Franchisee's estate). If this Agreement has not terminated or expired, then Franchisor will account to Franchisee for all net income from the Business during the period in which Franchisor operates the Business. Franchisor may collect a temporary management fee equal to 10% of Gross Sales for the period in which Franchisor operates the Business, plus all expenses (including internal costs of personnel and overhead) incurred by Franchisor, which is in addition to Royalty Fees, Marketing Fund Contributions, or other amounts owed under this Agreement. If Franchisor or a third party assumes the Business's management, Franchisee acknowledges that Franchisor or the third party will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its Owners for any losses the Business incurs or obligations to creditors.

**11.14 Temporary Public Safety Closure.** If Franchisor discovers or becomes aware of any aspect of the Business which, in Franchisor's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon Franchisor's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. Franchisor shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

## ARTICLE 12. MARKS

**12.1 Authorized Marks.** Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by Franchisor, and only in the manner as Franchisor may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of Franchisor.

**12.2 Change of Marks.** Franchisor may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after Franchisor makes any such change, Franchisee must comply with the change, at Franchisee's expense.

### 12.3 Infringement.

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) Franchisor shall defend Franchisee (at Franchisor's expense) against any

Action by a third party alleging infringement by Franchisee's use of a Mark, and (ii) Franchisor will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify Franchisor if Franchisee becomes aware of any possible infringement of a Mark by a third party. Franchisor may, in its sole discretion, commence any claim against the infringing party.

(c) Control. Franchisor shall have the exclusive right to commence and control any prosecution or defense of any Action related to possible infringement of or by the Marks.

**12.4 Name.** If Franchisee is an entity, it shall not use the word "Tumbles" or any confusingly similar words in its legal name.

## ARTICLE 13. COVENANTS

**13.1 Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by Franchisor for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by Franchisor, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by Franchisor (except for Confidential Information which Franchisor licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

### 13.2 Covenants Not to Compete.

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the "Restricted Parties") shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor within fifteen miles of Franchisee's Protected Territory or within fifteen miles of the territory of any other Tumbles business operating on the date of expiration, termination or transfer, as applicable. If this Agreement is terminated before the Protected Territory is determined, then the area of non-competition will be within fifteen miles from the Site Selection Area and within fifteen miles from the protected territory of any other Tumbles business operating on the date of termination, expiration, or transfer, as applicable. If a given Tumbles business does not have a defined territory, then for purposes of this Section, its territory will be deemed to be a 5-mile radius.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of Franchisor. Franchisee agrees that the existence of any claim it may have against Franchisor shall not constitute a defense to the enforcement by Franchisor of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**13.3 General Manager and Key Employees.** If requested by Franchisor, Franchisee will cause its Director and other key employees reasonably designated by Franchisor to sign Franchisor's then-current form of confidentiality and non-compete agreement and promptly provide copies of the same to Franchisor (unless prohibited by applicable law).

## ARTICLE 14. DEFAULT AND TERMINATION

**14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if Franchisor violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 60 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after Franchisor receives written notice of termination.

### 14.2 Termination by Franchisor.

(a) Subject to 10-Day Cure Period. Franchisor may terminate this Agreement if Franchisee does not make any payment to Franchisor when due, or if Franchisee does not have sufficient funds in its account when Franchisor attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after Franchisor gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to Franchisor's satisfaction within 30 days after Franchisor gives notice to Franchisee of such breach, then Franchisor may terminate this Agreement.

(c) Without Cure Period. Franchisor may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
- (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to Franchisor;

- (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors, or Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;
- (iv) Franchisee fails to open for business by the date specified on the Summary Page;
- (v) Franchisee loses possession of the Location;
- (vi) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 7.24 (business practices and values), Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vii) Franchisee ceases operation of the Business for more than five consecutive days, Franchisee informs Franchisor that Franchisee is going to permanently close the Business prior to the end of the term of this Agreement, or Franchisor reasonably concludes that Franchisee has ceased operation of the Business;
- (viii) Franchisee or any Owner slanders or libels Franchisor or any of its employees, directors, or officers;
- (ix) Franchisee refuses to cooperate with or permit any audit or inspection by Franchisor or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2
- (x) the Business is operated in a manner which, in Franchisor's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from Franchisor or otherwise);
- (xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xii) Franchisor (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate) (provided that termination of a Multi-Unit Development Agreement with Franchisee or its affiliate shall not give Franchisor the right to terminate this Agreement);
- (xiii) Franchisee or any Owner is charged with, pleads guilty or no-contest to, or is convicted of a felony; or

- (xiv) Franchisee or any Owner is accused by any governmental authority or third party of any act, or if Franchisee or any Owner commits any act or series of acts, that in Franchisor's opinion is reasonably likely to materially and unfavorably affect the Franchisor's brand.

**14.3 Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition (Section 13.2(b)), confidentiality (Section 13.1), indemnity (Article 16), and dispute resolution (Article 17), will remain in effect, and Franchisee must immediately:

- (i) Pay all amounts owed to Franchisor based on the operation of the Business through the effective date of termination or expiration;
- (ii) return to Franchisor all copies of the Manual, Confidential Information and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items (to the extent in the possession or control of Franchisee); and delete all Confidential Information and proprietary materials from electronic devices;
- (iii) immediately take all action required (a) to cancel all assumed name or equivalent registrations relating to Franchisee's use of the Marks; and (b) to cancel or transfer to Franchisor or its designee all telephone numbers, post office boxes, directory listings, and Digital Marketing accounts used by Franchisee in connection with the Business or the Marks, including, without limitation, by providing login and password details and promptly signing all directions and authorizations necessary or appropriate to accomplish the foregoing. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing. The telephone company, the postal service, registrars, Internet service providers and each listing agency may accept such direction by Franchisor pursuant to this Agreement as conclusive evidence of Franchisor's exclusive rights in such accounts and its authority to direct their transfer; and
- (iv) cease doing business under any of the Marks.

**14.4 Remove Identification.** Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Tumbles facility, to the reasonable satisfaction of Franchisor. Franchisee shall comply with any reasonable instructions and procedures of Franchisor for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, Franchisor may enter the Location to remove the Marks and de-identify the Location. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by Franchisor.

**14.5 Liquidated Damages.** If Franchisor terminates this Agreement based upon Franchisee’s default (or if Franchisee purports to terminate this Agreement except as permitted under Section 14.1), then within 10 days thereafter Franchisee shall pay to Franchisor a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average monthly Royalty Fees and Marketing Fund Contributions that Franchisee owed to Franchisor under this Agreement for the last 12 full months that Franchisee operated the Business (disregarding any fee waivers or reductions granted to Franchisee); multiplied by (y) the lesser of (1) 24, or (2) the number of months remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 12 full months, then (x) will equal the average monthly Royalty Fees and Marketing Fund Contributions that Franchisee owed to Franchisor during the full months that Franchisee operated the Business. The “average Royalty Fees and Marketing Fund Contributions that Franchisee owed to Franchisor” shall be based on the obligations stated in Article 4, and shall not be discounted or adjusted due to any deferred or reduced Royalty Fees and Marketing Fund Contributions agreed to by Franchisor unless this Section 14.5 is specifically amended. Franchisee acknowledges that a precise calculation of the full extent of Franchisor’s damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee’s payment to Franchisor under this Section will be in lieu of any direct monetary damages that Franchisor may incur as a result of Franchisor’s loss of Royalty Fees and Marketing Fund Contributions that would have been owed to Franchisor after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under Section 14.3 and Section 14.4, Franchisor’s right to injunctive relief for enforcement of Article 13, and any attorneys’ fees and other costs and expenses to which Franchisor is entitled under this Agreement. Except as provided in this Section, Franchisee’s payment of this lump sum shall be in addition to any other right or remedy that Franchisor may have under this Agreement or otherwise. If liquidated damages are prohibited by applicable law or are otherwise deemed unenforceable for any reason, then Franchisee shall be liable for Franchisor’s actual damages (including, without limitation, lost future profits) instead of liquidated damages.

#### **14.6 Purchase Option.**

(a) Option. When this Agreement expires or is terminated, Franchisor will have the option (but not the obligation) to purchase any or all of the assets related to the Business, and/or to require Franchisee to assign its lease or sublease to Franchisor. To exercise this option, Franchisor must notify Franchisee no later than 30 days after this Agreement expires or is terminated.

(b) Price. The purchase price for all assets that Franchisor elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee’s last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 20 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. Franchisor’s purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or “going concern” value for the Business.

(c) Due Diligence. For a period of 30 days following the determination of the fair market value (the “Due Diligence Period”) whether by agreement or by the determination by the appraiser as provided herein, Franchisor shall have the right to conduct a due diligence investigation of the assets related to the Business. Franchisee must give Franchisor reasonable access to Franchisee’s facilities, books, and records during the Due Diligence Period. Franchisor shall have the right to require Franchisee to continue to operate the Business during the Due Diligence Period, and Franchisor shall also have the right to operate the Business during the Due Diligence Period in accordance with Section 11.13. Franchisor is under no obligation to continue with due diligence or to exercise its purchase option, and Franchisor may withdraw its exercise of the purchase option at any time before it pays for the assets.

(d) Closing. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by Franchisor. Franchisor will be entitled to all customary warranties and representations in connection with this asset purchase, including, representations and warranties as to ownership and condition of and title to assets, as to liens and encumbrances, validity of contracts, and liabilities affecting the assets. If Franchisor exercises the purchase option, Franchisor may deduct from the purchase price: (i) all amounts due from Franchisee; (ii) Franchisee’s portion of the cost of any appraisal conducted hereunder; and (iii) amounts paid or to be paid by Franchisor to cure defaults under Franchisee’s lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to a lien, Franchisor may pay a portion of the purchase price directly to the lienholder to pay off such lien. Franchisor may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee’s taxes and other liabilities are paid.

(e) Assignment. Franchisor may assign this purchase option to an affiliate or a third party.

## **ARTICLE 15. TRANSFERS**

**15.1 By Franchisor.** Franchisor may transfer or assign this Agreement, or any its rights or obligations under this Agreement, to any person or entity, and Franchisor may undergo a change in ownership and/or control, without the consent of Franchisee.

**15.2 By Franchisee.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Franchisor entered into this Agreement in reliance on Franchisee’s business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing Franchisor at least 60 days prior notice of the proposed Transfer, and without obtaining Franchisor’s consent. In granting any such consent, Franchisor may impose conditions, including, without limitation, the following:

- (i) Franchisor receives a transfer fee equal to 50% of our then-current initial franchise fee, plus any broker fees and other out-of-pocket costs incurred by Franchisor (of which a non-refundable \$1,500 is due when Franchisee notifies Franchisor or asks Franchisor to consider a Transfer, and the balance is due when the Transfer is effective);

- (ii) the proposed Transferee and its owners have completed Franchisor's franchise application processes, meet Franchisor's then-applicable standards for new franchisees, and have been approved by Franchisor as franchisees;
- (iii) the proposed Transferee is not a Competitor;
- (iv) the proposed Transferee executes Franchisor's then-current form of franchise agreement and any related documents, which form may contain materially different provisions than this Agreement (provided, however, that the form will be amended to provide that the proposed Transferee will not be required to pay an initial franchise fee and will provide that the proposed Transferee will pay for any on-site consulting that Franchisor provides in connection with the Transfer);
- (v) all owners of the proposed Transferee provide a guaranty in accordance with Section 2.5;
- (vi) Franchisee has paid all monetary obligations to Franchisor and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to Franchisor or its affiliates;
- (vii) the proposed Transferee and its owners and employees undergo such training as Franchisor may require;
- (viii) Franchisee, its Owners, and the Transferee and its owners execute a general release of Franchisor in a form satisfactory to Franchisor; and
- (ix) the Business fully complies with all of Franchisor's most recent System Standards.

**15.3 Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to Franchisor, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by Franchisor, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

**15.4 Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by Franchisor (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

**15.5 Franchisor's Right of First Refusal.** Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, to a co-Owner, or to a spouse, sibling, or child of an Owner), Franchisor will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to Franchisor a copy of the terms and conditions of any Transfer. For a period of 30

days from the date of Franchisor's receipt of such copy, Franchisor will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that if some or all of the purchase price is not payable in cash, Franchisor may pay the equivalent value in cash for the purchase price). If Franchisor does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

**15.6 No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

**15.7 No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

## **ARTICLE 16. INDEMNITY**

**16.1 Indemnity.** Franchisee shall indemnify and defend (with counsel reasonably acceptable to Franchisor) Franchisor, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, "Indemnitees") against all Losses in any Action by or against Franchisor and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the development or operation of the Business (including any Data Security Event), or the acts or omissions of Franchisee or any of Franchisee's Owners, officers, directors, employees, or agents. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from Actions which Franchisee proves arose solely as a result of any Indemnitee's intentional misconduct or gross negligence. Any delay or failure by an Indemnitee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnitee. This indemnity will continue in effect after this Agreement ends.

**16.2 Assumption.** An Indemnitee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

## **ARTICLE 17. DISPUTE RESOLUTION**

### **17.1 Arbitration.**

(a) Disputes Subject to Arbitration. Except as expressly provided in subsections (c) and (d), any controversy or claim between the parties (including any controversy or claim arising out of or relating to this Agreement or its formation and including any question of arbitrability) shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be Houston, Texas.

(c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.

(d) Intellectual Property Claims. Either party may bring a claim involving an alleged infringement of any of Franchisor's intellectual property rights in a court authorized to hear such claims under Section 17.5 of this Agreement.

(e) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for Franchisor to comply with laws and regulations applicable to the sale of franchises.

(f) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, Franchisor and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

**17.2 Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages expressly authorized by federal statute and damages expressly authorized by this Agreement.

**17.3 Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

**17.4 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date of the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by Franchisor related to non-payment of Royalty Fees and other amounts owed by Franchisee, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

**17.5 Venue Other Than Arbitration.** For any legal proceeding not required to be submitted to arbitration, the parties agree that such proceeding will be brought in the United States District Court for Houston, Texas. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of Houston, Texas. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**17.6 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

**17.7 Franchisor Personnel.** The provisions of this Article 17 will apply to any Action by Franchisee or its Owners against Franchisor's officers, directors, shareholders, members,

employees, and/or agents. Nothing in this Agreement authorizes any Action against Franchisor's officers, directors, shareholders, members, employees, and/or agents or makes those persons liable for Franchisor's conduct.

## ARTICLE 18. MISCELLANEOUS

**18.1 Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. Franchisor is not a fiduciary of Franchisee. Franchisor does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System Standards exist to protect Franchisor's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Business. Franchisor has no liability for Franchisee's obligations to any third party whatsoever.

**18.2 No Third-Party Beneficiaries.** Except as stated in Article 16 or Article 17, this Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, Franchisor, and Franchisor's affiliates.

**18.3 Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in the Agreement or in any related agreement is intended to disclaim the representations made by Franchisor in its franchise disclosure document.

**18.4 Modification.** Franchisor shall have the right to amend this Agreement if an amendment to Franchisor's standard form of franchise agreement is agreed to by Franchisor and by at least seventy-five percent (75%) of Franchisor's then-current franchisees (each, a "**Standard Amendment**"), in which case this Agreement shall be automatically amended as provided in the Standard Amendment without further action by the parties, and Franchisee agrees to abide by any such Standard Amendment effective as of the effective date of such Standard Amendment. Otherwise, no modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit Franchisor's rights to modify the Manual or System Standards.

**18.5 Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance, or omission by a party to exercise any right will constitute a waiver of such right.

**18.6 Cumulative Remedies.** Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

**18.7 Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case

that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

**18.8 Governing Law.** The laws of the state of Texas (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Texas law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8

**18.9 Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to Franchisor, addressed to 1302 Waugh Drive, #192, Houston, Texas 77019. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notices will be effective upon the earlier of: (i) receipt by the recipient, (ii) first rejection by the recipient, (iii) three business days after mailing if sent via registered or certified mail; or (iv) the next business day after mailing if sent via overnight courier. Notwithstanding the foregoing, Franchisor may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication, in which case notice would be effective on Franchisee upon the delivery of the electronic mail or other electronic communication.

**18.10 Force Majeure.** If either party is unable to perform an obligation due to riots, terrorist act, war, disaster (such as an earthquake, hurricane, or tornado), health emergency (such as epidemics, pandemic, and quarantines), or any other act of God or nature beyond the reasonable control of such party (a “Force Majeure”), such party’s performance of the obligation shall be excused for so long as the Force Majeure exists, but not longer than 180 days. This section shall not excuse a party’s obligation to make a payment owed under this Agreement.

**18.11 Holdover.** If Franchisee continues operating the Business after the expiration of the term without a renewal agreement or successor franchise agreement executed by the parties in accordance with Section 3.2, then at any time (regardless of any communication or course of dealing by Franchisor), Franchisor may determine that (a) this Agreement expired as of the date of expiration with Franchisee then operating the Business without a license to do so and in violation of Franchisor’s rights or (b) this Agreement continues on an interim basis until 30 days after one party notifies the other party of termination (the “Interim Period”), in which case all of Franchisee’s obligations hereunder remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed at the expiration of this Agreement will take effect upon termination of the Interim Period.

**18.12 Joint and Several Liability.** If two or more people sign this Agreement as “Franchisee”, each will have joint and several liability.

**18.13 No Offer and Acceptance.** Delivery of a draft of this Agreement to Franchisee by Franchisor does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and Franchisor.

*[Signatures on next page]*

Agreed to by:

FRANCHISOR:

TUMBLES LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISEE:

*[if an individual:]*

\_\_\_\_\_  
Name: \_\_\_\_\_

*[if an entity:]*

\_\_\_\_\_  
By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

*(Check if applicable)* At the same time as the parties execute this Agreement, they are also executing a Rider to Franchise Agreement pursuant to:

- \_\_\_\_\_ Illinois
- \_\_\_\_\_ Indiana
- \_\_\_\_\_ Maryland
- \_\_\_\_\_ Minnesota
- \_\_\_\_\_ New York
- \_\_\_\_\_ North Dakota
- \_\_\_\_\_ Ohio
- \_\_\_\_\_ Rhode Island
- \_\_\_\_\_ Washington

**Attachment 1 to Franchise Agreement**

**OWNERSHIP INFORMATION**

1. **Form of Ownership.** Franchisee is a (check one):

- \_\_\_\_\_ *Sole Proprietorship*  
\_\_\_\_\_ *Partnership*  
\_\_\_\_\_ *Limited Liability Company*  
\_\_\_\_\_ *Corporation*

State: \_\_\_\_\_

2. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

3. **Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

**Attachment 2 to Franchise Agreement**

**LOCATION ACCEPTANCE LETTER**

To: \_\_\_\_\_

This Location Acceptance Letter is issued by Tumbles LLC for your Tumbles franchise in accordance with Section 6.1 of the Franchise Agreement.

1. The Location of the Business is:

\_\_\_\_\_

2. The Protected Territory of the Business is:

\_\_\_\_\_

TUMBLES LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

### Attachment 3 to Franchise Agreement

#### CONDITIONAL ASSIGNMENT OF BRAND ACCOUNTS

This Assignment of Brand Accounts (this “Assignment”) is executed by the undersigned (“Franchisee”) in favor of Tumbles LLC, a Delaware limited liability company (“Franchisor”).

**Background Statement:** Franchisor and Franchisee are parties to a Franchise Agreement pursuant to which Franchisor granted Franchisee a license to operate a Tumbles franchised business (the “Business”). Franchisor or its affiliates are the sole owner of the Tumbles brand and all names, logos, trademarks, service marks, and other intellectual property associated therewith. To protect Franchisor’s interest in and control of Tumbles, Franchisee acknowledges and agrees that Franchisor has the right to control all telephone numbers, directory listings, and internet marketing accounts related to Tumbles.

Franchisee agrees as follows:

**1. Conditional Assignment.** Franchisee hereby assigns to Franchisor (or its designee) all of Franchisee’s rights, title, and interest in and to all telephone numbers, directory listings, email accounts, websites, social media accounts, and all other accounts and profiles for advertising and marketing on the internet or any electronic communications network (“Brand Accounts”) associated with Tumbles and registered by Franchisee from time to time in connection with the operation of Franchisee’s Business, such assignment to be effective upon (a) termination or expiration of the Franchise Agreement, or (b) notice from Franchisor to Franchisee, at which time Franchisor will have the right to assume ownership of any one or all Brand Accounts.

**2. Transfer or Deletion.** Franchisee hereby authorizes the service provider of each Brand Account (the “Provider”) to transfer the Brand Account to Franchisor (or its designee) or to delete the Brand Account upon the written instruction of Franchisor. Franchisee hereby grants Franchisor an irrevocable limited power of attorney on behalf of Franchisee to direct any Provider to transfer or delete a Brand Account. In such an event, Franchisee will have no further right, title or interest in the Brand Account but will remain liable to the Provider for all past due fees owing to the Provider on or before the date on which the assignment is effective. Franchisor will have no liability or obligation of any kind to a Provider arising prior the effective date of transfer or deletion. Franchisee agrees to take all reasonable steps necessary to effectuate the transfer or deletion (as determined by Franchisor) of each Brand Account.

*[Signatures on next page]*

Executed by:

FRANCHISEE:

*[if an individual:]*

\_\_\_\_\_  
Name: \_\_\_\_\_

Date: \_\_\_\_\_

*[if an entity:]*

\_\_\_\_\_  
By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## Attachment 4 to Franchise Agreement

### GUARANTY AND NON-COMPETE AGREEMENT

This Guaranty and Non-Compete Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of Tumbles LLC, a Delaware limited liability company (“Franchisor”).

**Background Statement:** \_\_\_\_\_ (“Franchisee”) desires to enter into a Franchise Agreement with Franchisor for the franchise of a Tumbles™ facility (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce Franchisor to enter into the Franchise Agreement.

Guarantor agrees as follows:

**1. Guaranty.** Guarantor hereby unconditionally guarantees to Franchisor and its affiliates that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to Franchisor and its affiliates, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and Franchisor or its affiliates upon demand from Franchisor. Guarantor waives (a) acceptance and notice of acceptance by Franchisor of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that Franchisor make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

**2. Confidential Information.** With respect to all Confidential Information, Guarantor shall (a) adhere to all security procedures prescribed by Franchisor for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by Franchisor or its affiliates (except for Confidential Information which Franchisor licenses from another person or entity). Guarantor

acknowledges that all customer data collected or generated by the Business and all data collected or generated by the point-of-sale system (other than data regarding employees) is Confidential Information belonging to Franchisor. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

**3. Covenants Not to Compete.**

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor located within fifteen miles of Franchisee’s Protected Territory or within fifteen miles of the protected territory of any other Tumbles business operating on the date of expiration, termination or transfer, as applicable. If the Franchise Agreement is terminated before the Protected Territory is determined, then the area of non-competition will be within fifteen miles from the Site Selection Area and within fifteen miles from the protected territory of any other Tumbles business operating on the date of termination, expiration, or transfer, as applicable. If a given Tumbles business does not have a defined territory, then for purposes of this section, its territory will be deemed to be a 5-mile radius.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court or arbitrator, then the parties intend that the court or arbitrator modify such restriction to the extent reasonably necessary to protect the legitimate business interests of Franchisor. Guarantor agrees that the existence of any claim it or Franchisee may have against Franchisor shall not constitute a defense to the enforcement by Franchisor of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**4. Modification.** Guarantor agrees that Guarantor’s liability hereunder shall not be diminished, relieved, or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit, or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

**5. Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of Texas (without giving effect to its principles of conflicts of law). The parties agree that any Texas law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 5. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to Franchisor all costs incurred by Franchisor (including

reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

\_\_\_\_\_  
Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

**Attachment 4 to Franchise Agreement**

**SOFTWARE LICENSE AGREEMENT**

**THIS AGREEMENT** made as of \_\_\_\_\_ 20\_\_ (the “Effective Date”), by and between TUMBLES LLC, a Delaware limited liability company having its principal place of business 1302 Waugh Drive, Suite 192, Houston, Texas 77019 (“Franchisor”), on the one hand, and \_\_\_\_\_, having its principal place of business at \_\_\_\_\_ (“Franchisee”), on the other hand, with reference to the following facts:

A. Franchisor offers franchises for facilities for children between the ages of four months and nine years to be operated under the mark Tumbles™ that features basic gymnastics, STEAM curriculum, sports preparation skills, tumbling, children’s’ games, and activities (the “Franchise”).

B. Franchisor and Franchisee have entered into a Franchise Agreement (the “Franchise Agreement”) under which Franchisor has granted Franchisee a license to use the system developed by Franchisor (the “System”) to operate the Franchise.

C. Franchisor and Franchisee desire to enter into this Agreement to grant Franchisee a license to use the package of computer programs, data and related materials known as the “Operations Management System” (the “Software”) for tracking and managing data related to the Franchise (the “License”) on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE, IT IS AGREED:**

**1. GRANT OF SOFTWARE LICENSE**

Franchisor Software grants to Franchisee, upon the terms and conditions contained in this Agreement, a non-exclusive right to use the Software only in connection with Franchisee’s’ operation of the Franchise.

**2. TERM OF AGREEMENT**

The term of this Agreement shall commence on the Effective Date and shall expire upon the expiration or termination of the Franchise Agreement, whichever shall first occur, unless sooner terminated under the terms of this Agreement.

**3. LICENSE FEES**

Franchisee shall pay Franchisor a monthly fee of \$500 as a license fee for the Software (the “License Fee”). Franchisee shall pay Franchisor the License Fee and Support Fee either by check, or by direct debit by Franchisor against a bank account maintained by Franchisee, as Franchisor shall determine, in Franchisor’s’ sole and absolute discretion, and any failure by Franchisee to do so shall be deemed to be a breach of this Agreement. Franchisee hereby authorizes Franchisor to initiate debit entries and/or credit collection entries to Franchisee’s’ designated primary business operating checking or savings account for the payment of the License Fee. Franchisee shall not be entitled to set-off the payments of the License Fee against any monetary claim Franchisee may have against Franchisor. Franchisor reserves the right to increase the License Fee upon 30 days’ notice.

#### **4. OWNERSHIP OF SOFTWARE**

Franchisor shall have sole and exclusive ownership of all right, title and interest in and to the Software, all modifications and enhancements of the Software, including all trade secrets and copyrights pertaining thereto, and all rights of every kind and character whatsoever, whether or not those rights are now existing or come into existence hereafter, and whether or not the rights are now known, recognized or contemplated, subject only to the rights granted to Franchisee under this Agreement. Franchisee represents with respect to the Software that:

**4.1** Franchisee shall use only the Software in the manner authorized and permitted by this Agreement.

**4.2** Franchisee shall use the Software only in connection with the operation of the Franchise and any unauthorized use thereof shall constitute an infringement. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use the Software for the benefit of anyone else.

**4.3** During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of, or Franchisor's ownership of, the Software, nor take any other action which may tend to jeopardize Franchisor's interest therein, or Franchisor's right to use, and to license others to use, the Software.

**4.4** Franchisee's use of the Software pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Software other than the License granted by this Agreement.

**4.5** The License granted under this Agreement to Franchisee is non-exclusive.

#### **5. TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Franchisee shall forthwith terminate and Franchisee shall immediately and permanently cease to use the Software. Any default by Franchisee under the terms and conditions of the Franchise Agreement or any other agreement between Franchisor, or its affiliates (including among others, Franchisor), and Franchisee, shall be deemed to be a default of this Agreement. In the event of the termination or expiration of the Franchise Agreement, this Agreement shall automatically terminate. The termination of this Agreement shall be without prejudice to any other remedy or cause of action which Franchisor may have against Franchisee to recover damages for any breach hereof. Upon termination or the expiration of this Agreement, Franchisee shall immediately deliver to Franchisor all components of the Software and any confidential information relating to the Software which are in Franchisee's possession, and all copies thereof.

#### **6. ASSIGNMENT**

Franchisee shall not sell, encumber, assign, transfer, convey, pledge, merge, license or give away any direct or indirect interest in this Agreement, the Software or the License. Any purported assignment or transfer shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate this Agreement.

## **7. INJUNCTIVE RELIEF**

Franchisee acknowledges that failure to comply with the terms of this Agreement will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by either Franchisor or Franchisee in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Agreement.

## **8. WARRANTIES; LIMITATION OF LIABILITY**

Franchisor does not provide any warranties, expressed or implied, including any warranty of merchantability or fitness for a particular purpose. Franchisor shall not be liable for any loss of profit, loss of business or other financial loss which may be caused by, directly or indirectly, the inadequacy of the Software for any purpose or any use thereof or by any defect or deficiency therein. Franchisee acknowledges and agrees that Franchisor's liability for damages, if any, shall not exceed the charges paid to Franchisor by Franchisee under this Agreement. Franchisor and Franchisee, and their respective directors, managers, officers, employees, shareholders, members, agents, and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it subject to the limitations contained in this **Section 8**.

## **9. RECORDKEEPING**

Franchisee shall prepare and preserve, for a period of at least seven years from the date of the transaction, and in hard copy and recoverable electronic form, records of all of Franchisee's customer transactions containing a minimum of the following (a) transaction date; (b) services rendered and/or products sold; (c) customer name and address; and (d) amount of the transaction.

## **10. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

**10.1** Franchisee is an independent contractor; and nothing in this Agreement is intended to constitute or appoint either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

**10.2** Franchisee shall indemnify and hold harmless to the fullest extent by law, Franchisor, its affiliates and their respective directors, managers, officers, employees, shareholders, members and agents (collectively the "Indemnitees"), from any and all losses and expenses (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with Franchisee's breach or failure to perform any of its representations, warranties, covenants or agreements set forth in this Agreement or with Franchisee's use of the Software (collectively an "event"). For the purpose of this **Section 10.2**, the term "losses and expenses" shall be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Franchisee

shall give Franchisor prompt notice of any event of which it is aware, for which indemnification is required, and, at the expense and risk of Franchisee, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek the advice and counsel of Franchisee. Any assumption of Franchisor shall not modify Franchisee's indemnification obligation. Franchisor may, in its sole judgment, take such actions as it deems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's sole judgment, necessary for the protection of the indemnities or the System. Franchisee shall defend Franchisor and its affiliates, and their respective directors, managers, officers, employees, shareholders, members and agents and shall pay all costs and reasonable attorney' fees associated with such defense.

## **11. WAIVERS**

No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants thereof, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, or power as against Franchisee, or as to a subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

## **12. ENTIRE AGREEMENT, SEVERABILITY AND CONSTRUCTION**

**12.1 Entire Agreement.** This Agreement, any attachments hereto, and any ancillary agreements between Franchisee and Franchisor or any affiliate which are executed contemporaneously with this Agreement, constitute the entire and complete Agreement between Franchisor (and, if applicable, any affiliate) and Franchisee concerning the subject matter thereof, and supersede all prior agreements. No amendment, change, or variation from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

**12.2 Severability and Construction.** Except as expressly provided to the contrary herein, each section, paragraph, part, term, and provision of this Agreement shall be considered severable; and if, for any reason, any section, paragraph, part, term, provision, and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, paragraphs, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and the invalid portions, sections, paragraphs, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used to fairly accomplish the purposes and intentions of all parties to this Agreement. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would

render the provision enforceable and the other or others of which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

**12.3 Survival of Obligations after Expiration or Termination of Agreement.** Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

**12.4 Captions.** All captions in this Agreement are intended for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

**12.5 Counterparts.** This Agreement may be executed by the parties in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

### **13. DISPUTES**

**13.1 Governing Law.** The laws of the state of Texas (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Texas law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 13.1.

**13.2 Dispute Resolution.** Article 17 of the Franchise Agreement, entitled “Dispute Resolution” shall apply to this Agreement as if fully set forth herein.

**13.3 No Exclusive Remedies.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

*{Signatures Appear on the Following Page}*

*{Signatures Page to Software License Agreement}*

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the date first shown above.

TUMBLES LLC

[INSERT FRANCHISEE NAME]

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT C  
MULTI-UNIT DEVELOPMENT AGREEMENT**

This Multi-Unit Development Agreement (this “MUDA”) is made between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”) on the Effective Date.

**Background Statement:** On the same day as they execute this MUDA, Franchisor and Franchisee have entered into a Franchise Agreement for the franchise of a Tumbles™ facility (the “Franchise Agreement”; capitalized terms used but not defined in this MUDA have the meanings given in the Franchise Agreement). Franchisor and Franchisee desire that Franchisee develop multiple Tumbles facilities.

**1. Multi-Unit Commitment.**

(a) Development Schedule; Fee. Franchisee shall develop and open Tumbles facilities on the following schedule:

Store #	Deadline for Opening	Total # of Stores to be Open and Operating on Deadline	Initial Franchise Fee
1		1	\$ _____
2		2	\$ _____
3		3	\$ _____
4		4	\$ _____
5		5	\$ _____
Total Initial Franchise Fee:			

(b) Payment. Upon execution of this MUDA, Franchisee shall pay the total Initial Franchise Fee to Franchisor. The Initial Franchise Fee is non-refundable.

**2. Form of Agreement.** For Store #1, Franchisee and Franchisor have executed the Franchise Agreement simultaneously with this MUDA. For each additional Tumbles franchise, Franchisee shall execute Franchisor’s then-current standard form of franchise agreement no later than three business days after Franchisee leases or acquires a location. This MUDA does not give Franchisee the right to construct, open, or operate a Tumbles business, and Franchisee acknowledges that Franchisee may construct, open, and operate each Tumbles business only pursuant to a separate franchise agreement executed pursuant to this MUDA for each such Tumbles business.

**3. Site Selection Area.** Franchisee shall locate each Tumbles facility it develops under this MUDA within the following area: \_\_\_\_\_ (the “Site Selection Area”). Franchisee acknowledges that it does not have exclusive rights to develop, open or operate Tumbles facilities in the Site Selection Area.

**4. Default and Termination.** Franchisor may terminate this MUDA by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee fails to satisfy the development schedule; or
- (ii) Franchisor has the right to terminate any franchise agreement between Franchisor and Franchisee (or any affiliate thereof) due to Franchisee’s default thereunder (whether or not Franchisor actually terminates such franchise agreement).

**5. Limitation of Liability.** Franchisee’s commitment to develop Tumbles facilities is in the nature of an option only. If Franchisor terminates this MUDA for Franchisee’s default, Franchisee shall not be liable to Franchisor for lost future revenues or profits from the unopened Tumbles facilities. Franchisee may terminate this MUDA at any time.

**6. Conditions.** Franchisee’s right to develop each Tumbles franchise after the Store #1 is subject to the following:

- (i) Franchisee must possess sufficient financial and organizational capacity to develop, open, operate, and manage each additional Tumbles facility, in the reasonable judgment of Franchisor, and
- (ii) Franchisee must be in full compliance with all brand requirements at its open Tumbles facilities, and not in default under any Franchise Agreement or any other agreement with Franchisor.

**7. Dispute Resolution; Miscellaneous.** The laws of the State of Texas (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Texas law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 7. Franchisee shall not transfer this MUDA without the prior written consent of Franchisor, and any Transfer without Franchisor’s prior written consent shall be void. As a condition of transfer, Franchisee shall pay to Franchisor a transfer fee that is equal to: (i) the number of Tumbles facilities scheduled to be opened under this MUDA multiplied by an amount which is equal to 50% of Franchisor’s then-current initial franchise fee; plus (ii) any out-of-pocket costs, including brokers’ fees, that Franchisor occurs. The provisions of Article XVII (Dispute Resolution) and Article XVIII (Miscellaneous) of the Franchise Agreement apply to, and are incorporated into this MUDA, as if fully set forth herein. Nothing in this MUDA or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

*{Signatures Appear on the Following Page}*

{Signature Page to MUDA}

Agreed to by:

FRANCHISOR:

TUMBLES LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISEE:

[if an individual:]

\_\_\_\_\_  
Name: \_\_\_\_\_

[if an entity:]

\_\_\_\_\_  
By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

(Check if applicable) At the same time as the parties execute this Agreement, they are also executing a Rider to Multi-Unit Development Agreement pursuant to:

- \_\_\_\_\_ Illinois
- \_\_\_\_\_ Indiana
- \_\_\_\_\_ Maryland
- \_\_\_\_\_ Minnesota
- \_\_\_\_\_ New York
- \_\_\_\_\_ North Dakota
- \_\_\_\_\_ Ohio
- \_\_\_\_\_ Rhode Island
- \_\_\_\_\_ Washington
- \_\_\_\_\_ Other

**EXHIBIT D  
RIDER TO LEASE AGREEMENT**

Landlord: \_\_\_\_\_  
Notice Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_

Franchisor: Tumbles LLC  
Notice Address: 1302 Waugh Drive, #192,  
Houston, Texas 77019  
Telephone: (833) GYM-STEM

Tenant: \_\_\_\_\_

Leased Premises: \_\_\_\_\_

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Tumbles™ facility (or any name authorized by Franchisor) offering basic gymnastics, STEAM curriculum, sports preparation skills, tumbling, children’s games, and activities. Landlord acknowledges that such use does not violate any exclusives granted to any other existing tenant of Landlord.

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Assignment. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease. Landlord and Tenant shall not amend the Lease without Franchisor’s written permission.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated or expires during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor or its affiliate, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease unless otherwise agreed by Landlord. If Franchisor or its affiliate becomes the lessee of the Leased Premises, then Franchisor or affiliate shall have the right to assign or sublease its lease to a franchisee of the Tumbles brand. Any provision of the Lease which limits Tenant’s right to own or operate other Tumbles outlets in proximity to the Leased Premises shall not apply to Franchisor or to its affiliates.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant’s business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant’s right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor’s brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

TENANT:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

TUMBLES LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT E

### FORM OF GENERAL RELEASE

*[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]*

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of Tumbles LLC, a Delaware limited liability company (“Franchisor”).

**Background Statement:** *[describe circumstances of Release]*

Releasor agrees as follows:

**1. Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases Franchisor, its affiliates, and their respective directors, officers, shareholders, employees, franchise sellers, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).

**2. Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.

**3. Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.

**4. Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that Franchisor reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof.

5. **State Addenda.**

**[Maryland Residents]:** This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**[Washington Residents]:** A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the franchise agreement is in effect and where the parties are represented by independent counsel.

Agreed to by:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT F**  
**TUMBLES™ BRAND STANDARDS MANUAL TABLE OF CONTENTS**

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**EXHIBIT G**  
**STATE ADDENDA TO DISCLOSURE DOCUMENT**

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA.

**REGISTRATION OF THIS FRANCHISE OFFERING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION.**

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT RISK IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation, or provision purporting to bind any person

acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Houston, Texas, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. See NASAA STATEMENT OF POLICY REGARDING THE USE OF FRANCHISE QUESTIONNAIRES AND ACKNOWLEDGMENTS. <https://www.nasaa.org/wp-content/uploads/2022/11/sop-franchise-questionnaires.pdf>.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law

4. The following additional risk factors are noted:

THE FRANCHISOR'S AUDITED FINANCIAL STATEMENTS DATED DECEMBER 31, 2023 REFLECT THAT LIABILITIES PER THE AUDITED BALANCE SHEET ARE \$535,738 AND ASSETS ARE \$730,746.

THE FRANCHISEE OR MULTI-UNIT DEVELOPER WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$228,500 TO \$728,000. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2023, WHICH IS \$195,008.

**HAWAII ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Hawaii only, this Disclosure Document is amended as follows:

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective, or an offering circular is on file in the following states: \_\_\_\_\_
2. A proposed registration or filing is or will be shortly on file in the following states:  
\_\_\_\_\_
3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

## ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “Act”), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Item 5 and Item 7 of the Disclosure Document are amended as follows:

Payment of initial franchise fees will be deferred until we have met our initial obligations to you, and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial condition.

## MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added as an additional risk factor:

**Pricing:** We have the right to determine prices charged by our franchisees for products and services. This may reduce the anticipated profit of your franchised business.

The following is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is open. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."
- No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL,**

**RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the state of New York only, this disclosure document is amended as follows:

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY ST. 21ST FLOOR, NEW YORK, NY 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities,

antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**: The foregoing choice of law should

not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. The following is added as an additional risk factor:

THE FRANCHISEE OR MULTI-UNIT DEVELOPER WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$226,500 TO \$684,000. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2021, WHICH IS \$-21,511.

## NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST, OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

## **OHIO ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Ohio only, this Disclosure Document is amended by adding the following two cover pages to this Disclosure Document:

**TUMBLES, LLC**

**April 11, 2024**

### **READ THIS DISCLOSURE DOCUMENT CAREFULLY**

**The state of Ohio has not reviewed and does not approve, recommend, endorse, or sponsor this or any franchise. If you have any questions about this franchise, the information contained in this disclosure document should be reviewed with an attorney or financial advisor before you sign any agreement.**

**The following disclosure document contains the disclosures required by Ohio law.**

In the State of Ohio only, this Disclosure Document is further amended as follows:

The following is added to Item 19:

**CAUTION**

**Some business opportunity plans have earned this amount. There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well.**

## **RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

## **VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

Item 5 is amended to add the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT**

(See Exhibit H for Washington Addendum to Disclosure Document and Rider to Franchise Agreement)

**EXHIBIT H**  
**STATE ADDENDA TO AGREEMENTS**

**ILLINOIS RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: and Multi-Unit Development Agreement] dated \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Governing Law.** Illinois law governs the Agreement.
- 2. Waivers Void.** In conformance with Section 41 of the Illinois Franchise Disclosure Act, notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.
- 3. Jurisdiction.** In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to occur outside of Illinois.
- 4. Termination/Non-Renewal.** Franchisee’s rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
- 5. Disclaimers.** No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- 6. Fee Deferral.** Payment of initial franchise fees will be deferred until we have met our initial obligations to you, and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial condition.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**INDIANA RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: and Multi-Unit Development Agreement] \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

**2. Certain Provisions Modified.** Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase

notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**MARYLAND RIDER TO FRANCHISE AGREEMENT [*if applicable*: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [*if applicable*: and Multi-Unit Development Agreement] dated \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Registration and Disclosure Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.
- 2. Releases, Estoppels and Waivers of Liability.** All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- 3. Statute of Limitations.** Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
- 4. Fee Deferral.** Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is open. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
- 5. Jurisdiction.** Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.
- 6. Disclaimers.** No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Agreed to by:

FRANCHISOR:

TUMBLES, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## MINNESOTA RIDER TO FRANCHISE AGREEMENT [*if applicable*: AND MULTI-UNIT DEVELOPMENT AGREEMENT]

This Rider amends the Franchise Agreement [*if applicable*: and Multi-Unit Development Agreement] dated \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

**2. Amendments.** The Agreement is amended to comply with the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement,

or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**NEW YORK RIDER TO \_\_\_\_\_ AGREEMENT**

This Rider amends the \_\_\_\_\_ Agreement dated \_\_\_\_\_, 20\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Waivers Not Required.** Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver, or estoppel which would relieve Franchisor or any other person from any duty or liability imposed by New York General Business Law, Article 33 (the “New York Franchise Law”).

**3. Waivers of New York Law Deleted.** Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by Franchisor with any provision of the New York Franchise Law, or any rule promulgated thereunder, is hereby deleted.

**4. Governing Law.** Notwithstanding any provision of the Agreement to the contrary, the New York Franchise Law shall govern any claim arising under that law.

**5. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

FRANCHISOR:

\_\_\_\_\_

TUMBLES LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT [*if applicable*: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [*if applicable*: and Multi-Unit Development Agreement] \_\_\_\_\_ (the “Agreement”), b between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind is subject to NDCC Section 9-08-06.
- (2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) Applicable Laws: The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.
- (7) Waiver of Exemplary and Punitive Damages: The parties do not waive exemplary and punitive damages.
- (8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OHIO RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: and Multi-Unit Development Agreement] dated \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “BOPA” means the Ohio Business Opportunity Act, codified in Revised Code of Ohio, Title XIII, Chapter 1334.
- 2. Applicability of BOPA.** Franchisee acknowledges that Franchisor is providing this Rider out of an abundance of caution, and that neither the execution of this Rider nor any other act of Franchisor constitutes an intent that BOPA apply to the transaction between Franchisor and Franchisee or an admission by Franchisor that the transaction fails to comply in any material respects with the trade regulation rule of the federal trade commission, “disclosure requirements and prohibitions concerning franchising,” 16 C.F.R. 436.1 et seq.
- 3. No Delivery of Goods or Services during Cancellation Period.** Franchisor will not commence delivery of any goods or provide any services during the time within which Franchisee may cancel the Agreement as provided in Section 5 below.
- 4. Jurisdiction and Venue.** In connection with the sale of the franchise, any provision in the Agreement restricting jurisdiction or venue to a forum outside of Ohio, or requiring the application of laws of another state, is void with respect to a claim otherwise enforceable under Sections 1334.01 to 1334.15 of the BOPA.
- 5. Cancellation.** You, the franchisee, may cancel the transaction at any time prior to midnight of the fifth business day after the date you sign this Agreement. See the attached notice of cancellation for an explanation of this right.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OHIO  
NOTICE OF CANCELLATION**

*[Insert Date Agreement Signed by FRANCHISEE]*

**You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the Agreement, and any negotiable instrument executed by you will be returned within ten business days following Franchisor's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to Franchisor at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of Franchisor regarding the return shipment of the goods at Franchisor's expense and risk. If you do make the goods available to Franchisor and Franchisor does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to Franchisor, or if you agree to return them to Franchisor and fail to do so, then you remain liable for the performance of all obligations under the Agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Franchisor, at 1302 Waugh Drive, Suite 192, Houston, TX 77019, or send a fax to Franchisor at *[Insert facsimile number]* or an e-mail to Franchisor at [franchise@tumbles.net](mailto:franchise@tumbles.net), not later than midnight of *[Insert date that is five business days after the date above]*.**

**I hereby cancel this transaction.**

**FRANCHISEE:**

\_\_\_\_\_

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**RHODE ISLAND RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: and Multi-Unit Development Agreement] dated \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.
- 2. Jurisdiction and Venue.** Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.
- 3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**VIRGINIA RIDER TO \_\_\_\_\_ AGREEMENT**

This Rider amends the \_\_\_\_\_ Agreement dated \_\_\_\_\_, 20\_\_ (the "Agreement"), between Tumbles LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the Franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

TUMBLES LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT  
AND  
RIDER TO FRANCHISE AGREEMENT, MUDA, AND RELATED AGREEMENTS**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Collection of the initial fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business. In addition, if the franchisee executes

a Multi-Unit Development Agreement, collection of the development fee will be deferred on a pro-rated bases so that the franchisee will only pay the development fee proportionally upon the opening of each unit franchise.

**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT I**  
**CURRENT AND FORMER FRANCHISEES**

Below are all of our current franchisees and the address and telephone number of each of their outlets.  
**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

**California**

**Fitkids, LLC**

292-A N. El Camino Real  
Encinitas, California 92024  
Telephone: 760-942-7411  
Contact: Scott Horton

**Florida**

**2021 Family Investments Corp.**

4567 Catalina Ln.  
Bonita Springs, Florida 34134  
Telephone: 239-591-4888  
Contact: Michael Webster

**Georgia**

**Atlanta Tumbles, LLC**

1280 Atherton Park  
Roswell, GA 30076  
Telephone: 678-691-4072  
Contact: Vivek Shah

**Louisiana**

**Bro-J, LLC**

5602 South Chalet Court  
Baton Rouge, LA 70808  
Telephone: 225-590-1683  
Contact: Brody Caleb Thompson

**Nevada**

**James and Melissa Grant\***

5021 Fall Colors Ct.  
Reno, NV 89519  
Telephone: (619) 665-8298

## **New Jersey**

### **JK Children's Fitness & Education, LLC**

1225 State Road 206, Suite 14  
Princeton, NJ 08540  
Telephone: 201-745-0235  
Contact: Jade Ko

### **SDG & Company Incorporated\***

307 Prospect Ave., Apt. 14F  
Hackensack, NJ 07601  
Telephone: 718-690-4925  
Contact: Sophia Gibbs

### **PLMJ Ventures Inc.\***

9 N. 16<sup>th</sup> St.  
Prospect Park, NJ 07508  
Telephone: (862) 684-5248  
Contact: Pamela Ventura

## **Texas**

### **Marshmallow Learnings LLC**

7151 Preston Road, Suite 141  
Frisco, Texas 75034  
Telephone: (732) 371-8151  
Contact: Ranjeet Jha

### **Angelie and Christian Esquivel\***

3305 Catalina Cove,  
Round Rock, TX 78665  
(Signed earlier in 2024)

### **Katherine Carillo and Christian Esquivel\***

365 Craig Circle  
Highland Village, TX 75077  
Telephone: (619) 708-7328  
(Signed earlier in 2024)

## **Virginia**

### **Keiki and Ohana, LLC\***

3877 Chain Bridge Blvd.

Fairfax, Virginia 22080

Telephone (407) 497-3829

[Tumbles.fairfax@gmail.com](mailto:Tumbles.fairfax@gmail.com)

Contact: Frederick & Mari Calalang

## **Washington**

### **Christopher and Rebecca Burke\***

1007 N 42<sup>nd</sup> St.

Seattle, WA 98103

Telephone: (248) 207-7437

\* not opened as of the date of this disclosure document

## **FORMER FRANCHISEES**

Below are the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Disclosure Document issuance date:

### **Dhamankar Kids Academy LLC\***

23128 SE 49<sup>th</sup> Ct.

Issaquah, WA 98029

Telephone: (425) 417-4565

Contact: Shailendra Dhamankar

(outlet never opened)

### **Zyan Learn and Play, LLC**

7151 Preston Road, Suite 141

Frisco, Texas 75034

Telephone: (732) 371-8151

Contact: Shakar Gopal and Sweta Patel

(transferred earlier during 2024)

**EXHIBIT J**  
**FINANCIAL STATEMENTS**

**Tumbles LLC**  
(A Limited Liability Company)

**Audited Financial Statements**

As of and for the Year Ended December 31, 2023



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# Vrajesh Shah

Certified Public Accountant  
Website: [www.dollartaxsavers.com](http://www.dollartaxsavers.com)

1547-B Finnegan Ln  
North Brunswick, NJ 08902  
Email: [vshah@dollartaxsavers.com](mailto:vshah@dollartaxsavers.com)

Phone: 732-475-0666  
Fax: 732-230-6645

## Independent Auditor's Report

To the Members and Management of  
Tumbles LLC  
Lewes, DE

### Opinion

We have audited the accompanying financial statements of Tumbles LLC (the Company), which comprise the balance sheet as of December 31, 2023, and the related statement of operations and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

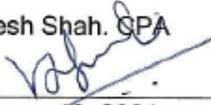
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation to the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Vrajesh Shah, CPA

  
February 19, 2024

## Tumbles LLC

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### BALANCE SHEET AS OF DECEMBER 31, 2023

	2023
<b>Assets</b>	
<b><u>Current assets</u></b>	
Cash and Cash Equivalents	\$ 74,752
Accounts Receivable	250,501
Current portion of contract asset	40,829
Other assets	69,292
<b>Total Current Asset</b>	<b>435,373</b>
<b><u>Non-Current Assets</u></b>	
Contract asset, net of current portion	125,759
Property and equipment, net	9,767
Software, net	54,427
Goodwill and other intangibles	63,420
Investment in Franchisee	42,000
<b>Total Non-Current Assets</b>	<b>295,372</b>
<b>Total Assets</b>	<b>730,746</b>
<b>Liabilities and Members' Equity (Deficit)</b>	
<b><u>Current liabilities</u></b>	
Line of credit	\$ 10,140
Accounts Payable and Credit Card Payable	100,621
Current Portion of Contract Liability	72,068
Current Portion of Notes Payable	18,975
<b>Total Current Liabilities</b>	<b>201,804</b>
<b><u>Non-Current liabilities</u></b>	
Notes Payable, net of current portion	\$ 102,200
Contract Liability, net of current portion	231,734
<b>Total Non-Current Liabilities</b>	<b>333,934</b>
<b>Total Liabilities</b>	<b>535,738</b>
<b><u>Members' Equity/(Deficit)</u></b>	<b>195,008</b>
<b>Total Liabilities and Members' Equity/(Deficit)</b>	<b>730,746</b>

The accompanying notes to financial statements are an integral part of this statement.

**STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS'  
EQUITY(DEFICIT) FOR THE YEARS ENDED DECEMBER 31, 2023**

	<b>2023</b>
<b>Revenues:</b>	
Franchise royalty fees	\$ 189,145
Initial franchise fees	55,748
Product sales	9,430
Other operating revenue	137,105
<b>Total Revenues</b>	<b>391,428</b>
<b>Cost of Product Sales</b>	2,205
<b>Gross Profit</b>	<b>389,223</b>
<b>Selling, general and administrative expenses</b>	355,164
<b>Income/(Loss) from operation</b>	<b>34,058</b>
<b>Other income and (expense)</b>	
PPP debt forgiveness	-
Interest income	65
Interest expense	(6,247)
<b>Total other income and (expense)</b>	<b>(6,182)</b>
<b>Net income/(loss)</b>	<b>27,877</b>
<b>Members' equity at beginning of period</b>	167,131
<b>Members' equity (deficit) at end of period</b>	<b>195,008</b>

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Particular	2023
<b>Cash flows from Operating activities:</b>	
Net income (loss)	\$27,877
Contract asset amortization	4,750
Depreciation	2,666
Software amortization	41,505
Loan Amortization	(2,537)
Credit losses	4,553
Interest Expense	6,247
Interest Income	(65)
Noncash recognition of contract liability	-
Noncash recognition of deferred revenue	-
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Accounts receivable	(55,115)
Contract asset	(60,493)
Other assets	(69,292)
Accounts payable and credit card payable	40,114
Deferred revenue	-
Contract liability	95,152
<b>Net cash provided (used) by operating activities</b>	<b>35,362</b>
<b>Cash flows from investing activities:</b>	
Acquisition of property and equipment	(3,138)
Intangible costs	-
Software development costs	(24,817)
Interest Income	65
<b>Net cash used by investing activities</b>	<b>(27,889)</b>
<b>Cash flows from financing activities:</b>	
Proceeds from line of credit	49,322
Repayments on line of credit	(39,182)
Interest Expense	(6,247)
<b>Net cash provided by financing activities</b>	<b>3,893</b>
<b>Net increase / (decrease) in cash</b>	<b>11,366</b>
Cash, beginning of year	63,386
<b>Cash, end of year</b>	<b>\$ 74,752</b>

**1. DESCRIPTION OF BUSINESS**

Tumbles LLC (the Company) was formed on October 15, 2014 under the Delaware Limited Liability Company Act.

The Company is a franchisor that grants franchise agreements to businesses (the franchisees) at locations approved by the Company. Under the terms of the franchise agreements, franchisees operate a children's' gym that combines fun and learning into classes, camps, and other programs.

A summary of franchisee activity for 2023:

	Signed	Operational
Franchisees at December 31, 2022	10	6
2023 additions	3	-
2023 terminations	-	-
Franchisees at December 31, 2023	13	6

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

**Estimates and Assumptions**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant estimates underlying the accompanying financial statements include the application of guidance for revenue recognition, contract assets, depreciation, and amortization.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported members' equity.

**Cash and Cash Equivalents**

The Company may from time to time maintain bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Company believes it mitigates any risks by depositing cash with reputable financial institutions. The Company considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable, which consist of amounts owed to the Company related to product sales, initial franchise fees, franchise royalty fees, and monthly contract payments, are recorded at the amounts billed less an estimated allowance for credit losses and charge backs. Furthermore, the Company wrote off \$4,553 of accounts receivable during 2023 after deeming them uncollectible.

As of December 31, 2023, the remaining balance for amounts yet to be received for contracts with franchisees was \$250,501.

**Inventory**

Inventory, consisting of in transit to franchisees and other third parties, is stated at the lower of cost or net realizable value. The Company does not hold inventory on hand for long periods of time; accordingly, the Company does not estimate reserves for excess, slow moving and obsolete inventory because inventory is only purchased once an agreement for a sale has been reached.

**Contract Asset**

The Company defers certain incremental cost to obtain customer contracts, and certain costs to fulfill customer contracts pursuant to ASC 340 – *Other Assets and Deferred Cost* (Topic 340).

Specifically, the Company defers certain costs to obtain franchise contracts primarily as they relate to commissions paid to third-party sales-team members that are directly related to obtaining new franchise agreements. These incremental costs are capitalized as contract assets as incurred and amortized over the length of the franchise agreement.

**Property and Equipment**

The Company's capitalization policy is to capitalize, at cost, property and equipment with a purchase price in excess of \$1,000 and which has a useful life greater than one year.

Maintenance and repairs, which do not improve or extend the life of the respective assets are expensed currently. Property items retired, or otherwise disposed of, are eliminated from the asset and accumulated depreciation accounts, and gains or losses from disposals are included in the statement of operations and the statement of cash flows.

Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method as follows: computers and computer equipment, 5 years.

**Software**

The Company capitalizes certain application costs during the development stage for its website and internal-use software. Both internal expenses and those paid to third parties are capitalized when planning stage efforts are successfully completed, management has committed project resourcing, and it is probable that the project will be completed and the software will be used as intended. Such costs are amortized on a straight-line basis, using the half-year convention, over the estimated useful life of the related asset, which is generally three years. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred.

**Acquisitions**

Acquisitions are recorded as of the purchase date and are included in the financial statements from the date of acquisition. In all acquisitions, the purchase price is allocated to the assets acquired and liabilities assumed at their fair values on the date of the acquisition. The fair values of these items are based upon management's best estimates using various valuation approaches, including the income approach, market approach, and asset approach based on the circumstances. Certain acquired assets may be intangible in nature, such as marketing-related, customer-related, artistic-related, contract-based and technology-related intangible assets. The excess purchase price over the amounts allocated to the net identifiable assets is recorded as goodwill.

All such valuation methodologies, including the determination of subsequent amortization periods, involve significant judgments and estimates. Different assumptions and subsequent actual events could yield materially different results.

**Goodwill and Other Intangibles**

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. The Company also capitalizes other intangible assets that are not amortizable. Costs incurred to renew or extend the term of a recognized intangible asset class are capitalized. The Company performs an annual review in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine if the carrying value of the intangible is impaired. The impairment review process compares the fair value of the reporting unit in which the intangible resides to its carrying value. The determination of whether the intangible has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the Company's reporting units. Changes in the Company's strategy and / or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets. Amortizable intangible assets, as applicable, are amortized on a basis that approximates economic use. Costs incurred to renew or extend the term of a recognized intangible asset class are capitalized and amortized over the renewed or extended term.

**Investment in Franchisee**

The Company holds a minority interest in a franchisee in return for waiving the initial franchise fee and being able to use the franchise location for the training of new franchisees. Management has determined that this equity security should be accounted for at fair value. However, the franchisee does not have a readily determinable fair value; accordingly, management has recorded the investment at cost. Management has not received any earnings from the franchise and has not found it necessary to impair the investment since the franchise has not been open long enough to provide the value that management believes the investment carries. The Company holds a minority interest in a franchisee in return for waiving the initial franchise fee and being able to use the franchise location for the training of new franchisees. Management has determined that this equity security should be accounted for at fair value. However, the franchisee does not have a readily determinable fair value; accordingly, management has recorded the investment at

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cost. Management has not received any earnings from the franchise and has not found it necessary to impair the investment since the franchise has not been open long enough to provide the value that management believes the investment carries.

### **Impairment**

Long-lived assets, other than goodwill, are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of these assets and its eventual disposition are less than its carrying amount. Intangible assets are primarily evaluated on an annual basis, generally in conjunction with the Company's evaluation of goodwill balances. Impairment, if any, is assessed by using internally developed discounted cash flows estimates, quoted market prices, when available, and independent appraisals to determine fair value. The determination of whether or not long-lived assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the estimated future cash flows expected to result from the use of those assets. Changes in the Company's strategy, assumptions and / or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets. No impairment triggering events were identified during 2023.

### **Contract Liability**

Amounts received relating to contracts are recorded as a contract liability and recognized as revenue when earned.

As of December 31, 2023, the balance for amounts yet to be recognized for contracts with franchisees was \$303,802. This amount would be recognized as revenue over the franchisee term of 5 years.

### **Deferred Revenue**

Amounts received or invoiced relating to product sales are recorded as deferred revenue and recognized as revenue when delivered.

As of December 31, 2023, there was no balance of deferred revenue.

### **Revenue and Cost Recognition**

Revenue from franchisees, which is primarily comprised of initial franchise fees, franchise royalty fees, advertising fees, and software fees is generated pursuant to a five-year renewable contract between the Company and a franchisee.

#### *Initial Franchise fees*

As of December 31, 2023 each franchisee is required to pay an initial franchise fee, which includes the franchise fee and an access fee of, upon signing a franchise agreement. The Company offers reduced franchise fees for franchisees that open more than one location;

## Tumbles LLC

### Notes to Financial Statements For the Years Ended December 31, 2023

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however, at this time, no franchisees own more than one location.

Till 2022, Pursuant to ASU 2021-02 *Franchisors-Revenue from Contracts with Customers* (Subtopic 952-606), the Company has determined that these pre-opening services are distinct from the franchise license and has elected to recognize pre-opening services as a single performance obligation. In 2023, company has changed its revenue recognition policy and has opted not to apply practical expedient provided in ASU 2021-02 *Franchisors-Revenue from Contracts with Customers* (Subtopic 952-606) and recognized revenue as per ASC 606-10-25.

Till 2022, the Company has determined, based on the observable prices approach, that it provides services equal in value to the franchise fee received, enabling the Company to recognize 100% of the initial franchise fee in the month a franchisee opens for business and the Initial franchise fee revenues which were not recognized as revenue and were included in contract liability on the balance sheet until earned. The company has changed its revenue recognition policy, so its determined that initial franchisee fees would be for the performance obligation to be satisfied over the period of time, so the initial franchisee would be recognized over the franchisee term of 5 years. The main reason for change in approach of revenue recognition policy is considering the fact that the franchise fee received from customer are amount received by the Company for the purpose of it's Brand. Such amount are not in lieu of any pre-opening services provided by the Company. Furthermore, Subtopic 952-606 is a practical expedient approach which is provided in case the Company believe that pre-opening services, if any form a distinct service and create a separate performance obligation.

The Company waived the initial franchise fee and access fee for one franchise in exchange for a small percentage of ownership in the franchise, and for the ability to use that franchise for training new franchise owners. This franchise is still responsible for paying monthly fees.

Franchises have the option to renew the franchise at the conclusion of the franchise agreement, with the Company's approval, up to three times, subject to a \$5,000 renewal fee.

*Franchise Royalty fees*

The franchise agreement stipulates monthly royalty fees based on 7% of the gross revenue of a franchisee and obligates the Company to ongoing services, such as developing products and services, establishing pricing and administrative procedures, and general consulting.

The Company recognizes franchise royalty fees by applying the sales-and usage-based royalties' exception, estimating the sales of services by franchisees when the service is executed, net of chargebacks.

The Company has an agreement with one franchisee owner waiving the monthly payments for that franchise since the owner is an executive and member in the Company and provides services to the Company.

*Marketing fees*

The franchise agreement stipulates monthly marketing fund contributions based on 2% of the gross revenue of a franchisee and obligates the Company to ongoing marketing services, such as administering the marketing fund, managing advertising platforms, and assisting with maintaining the website.

The Company has determined that it controls how marketing fund contributions are to be spent and that marketing services are performed at the brand level and not on an individual franchisee basis, or to solicit other franchisees; accordingly, the monies collected for marketing are recognized gross as part of revenue in the same manner as franchise royalty fees are recognized and advertising and marketing expenses are recognized as incurred.

The Company has an agreement with one franchisee owner waiving the monthly marketing fees payments for that franchise since the owner is an executive and member in the Company and provides services to the Company. The Company has another agreement with one other franchisee owner waiving the monthly marketing fees payments for that franchise since the franchise provides services to the Company, and the Company owns a minority share in the franchise.

### *Software fees*

The franchise agreement stipulates monthly software fee payments which grants the franchisee continued use of the Company's software program. This payment obligates the Company to continue to provide and maintain the program. Franchisees pay varying amounts for this program depending on when the franchisee joined the Company and their individual agreement with the Company. The Company reports all software fees as monthly royalty fees.

The Company has determined that it controls how software fees are spent and that services performed on the software are performed at the brand level and not on an individual franchisee basis. Accordingly, the monies collected for software are recognized gross as part of revenue in the same manner as franchise royalty and marketing fees are recognized and expenses incurred are recognized as incurred.

The Company has an agreement with one franchisee owner waiving the monthly payments for that franchise since the owner is an executive and member in the Company and provides services to the Company.

### *Other fees*

Other fees, such as consulting services to franchisees, grant revenue, non-compliance fees, reimbursements, late fees, costs of collection fees, records audits, inspection fees, non-compliance cure fees, liquidated damages, indemnity, and prevailing party legal costs, are recognized as revenue in the period earned.

*Other Revenues*

The Company also records revenue for the sale of products, shipping and handling revenue, consulting and licensing revenue, and grant revenue.

Product sales and shipping and handling revenue are earned from the sales of products and equipment to franchisees or third-party companies receiving consulting services. The Company invoices customers for the cost of products, equipment, shipping, and handling plus a markup fee. Revenue is recognized when products or equipment are delivered to the customer net of any returns. The Company has never had any sales returns.

Consulting and licensing revenues are earned on an agreement-by-agreement basis for consulting and/or licensing services rendered. Consulting and licensing services are recognized as revenue when invoiced.

Grant revenue is earned by the Company for their work in developing Science, Technology, Engineering, and Math (STEM) curriculum for children. Grant revenues are recognized as revenue when received.

**Income Taxes**

As a limited liability company, the Company is not a taxpaying entity for federal income tax purposes. Accordingly, the Company's taxable income or loss is allocated to its members in accordance with their respective percentage ownership. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2020.

**Advertising**

The Company expenses advertising and marketing costs as incurred. Advertising and marketing expenses charged to operations and recorded in general and administrative expenses totaled \$44,410 in 2023.

## Tumbles LLC

Notes to Financial Statements  
For the Years Ended December 31, 2023

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### 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2023:

	<b>2023</b>
Computer and computer equipment	\$14,376
Accumulated depreciation	(4,609)
	<u>\$9,767</u>

Depreciation totaled \$2,666 in 2023.

### 4. ACQUISITION

In October 2014, the Company entered into an agreement to purchase substantially all assets of Kidville JWT, LLC. The purchase price was financed 100% by the seller (see Note 6). The acquisition was accounted for using the purchase method of accounting, whereby a new basis of reporting for assets and liabilities was established. The acquisition resulted in an excess of fair value over cost of net assets acquired; such amount has been recorded as goodwill in the accompanying balance sheet.

The purchase price was allocated as follows:

Assets acquired:	
Goodwill	\$ 51,000
Customer-based intangibles	9,000
Liabilities assumed:	
Accounts payable and accrued liabilities	-
	<u>\$ 60,000</u>

No research and development assets were acquired as part of the acquisition.

**5. GOODWILL AND OTHER INTANGIBLES**

At December 31, 2023, goodwill and other non-amortizable intangible assets consisted of the following:

	Gross Amount	Accumulated Impairment Losses	Net
Balance, December 31, 2022	72,420	9,000	63,420
Additions	-	-	-
Impairment	-	-	-
Other	-	-	-
Balance, December 31, 2023	<u>\$ 72,420</u>	<u>\$ 9,000</u>	<u>\$ 63,420</u>

There were no other changes to goodwill and non-amortizable intangible assets during 2023, other than those reported in the schedule above, such as impairment losses, net exchange differences, or other changes in carrying amounts. Further, during the fourth quarters of 2023, Management performed its annual impairment review and determined that the carrying value of the assets were not impaired.

Acquired customer-based intangible assets with an estimated value of \$9,000 were fully amortized or impaired prior to 2021.

## Tumbles LLC

### Notes to Financial Statements For the Years Ended December 31, 2023

At December 31, 2023 amortizable intangible assets consisted of the following:

	<b>Gross Amount</b>	<b>Accumulated Impairment Losses</b>	<b>Net</b>
Balance, December 31, 2022	71,115	-	71,115
Additions	24,817	-	24,817
Amortization	(41,505)	-	(41,750)
Other	-	-	-
Balance, December 31, 2023	<u>\$ 54,427</u>	<u>\$ -</u>	<u>\$ 54,427</u>

#### 6. DEBT

##### Line of Credit

The Company has an unsecured \$25,900 revolving line of credit with a financial institution. Outstanding borrowings under this line of credit carry interest at 10.5%. Under this line, the Company is required to make minimum monthly payments. At December 31, 2023, there is an outstanding borrowing of \$10,140 and the total amount available under this line of credit was \$15,760.

##### Acquisition Note Payable

In October 2014, the Company entered into an agreement with an individual to purchase substantially all assets of Kidville JWT, LLC for \$60,000 (see Note 4). This note is unsecured, noninterest bearing and repayable in monthly payments of \$1,000. The outstanding balance of this note totaled \$18,975 at December 31, 2023.

**SBA Section 7(b) Loan**

On May 25, 2020, the Company borrowed \$102,200 under the SBA Section 7(b) Program for working capital. The loan accrues interest at 3.75%. Monthly principal and interest payments of \$498 are required beginning thirty months after the funding of the loan and the balance is due on May 25, 2050. The loan is collateralized by substantially all assets of the Company. Interest of \$3,963 has been paid as of December 31, 2023. The outstanding balance of this loan, including accrued interest, totaled \$102,200 at December 31, 2023.

A schedule of future maturities by reporting period follows:

Year ending December 31,	
2024	2,205
2025	2,289
2026	2,377
2027	2,467
Thereafter	92,862
	<b>\$ 102,200</b>

## Tumbles LLC

Notes to Financial Statements  
For the Years Ended December 31, 2023

### 7. REVENUE DISAGGREGATION

The following table disaggregates revenue by segment, source, timing and geography for 2023:

	Franchise Channel	Corporate Channel	Total
Year ended December 31, 2023			
<b>Types of revenue stream:</b>			
• Initial franchise fees, earned at opening	\$ 55,748	\$ -	\$ 55,748
• Royalty, marketing fund, and software fees, earned monthly	189,145	-	189,145
• Product sales	-	9,430	9,430
• Consulting revenue, earned monthly or over time	-	100,000	100,000
• Government Grant	-	10,000	10,000
• Other revenue	-	27,105	27,105
<b>Total revenues</b>	<b>\$ 244,893</b>	<b>\$ 146,535</b>	<b>\$ 391,428</b>
Timing of revenue recognition			
Recognized at a point in time	\$ 189,145	\$ 46,535	\$ 236,680
Transferred over time	55,748	100,000	155,748
<b>Total revenues</b>	<b>\$ 244,893</b>	<b>\$ 146,535</b>	<b>\$ 391,428</b>
Year ended December 31, 2023			
Revenue by geography:			
• Qatar	-	2.42%	2.42%
• Texas	5.73%	2.55%	8.28%
• New Jersey	13.71%	-	13.71%
• North Carolina	-	25.55%	25.55%
• Georgia	6.46%	-	6.46%
• Virginia	3.12%	-	3.12%
• Washington	5.70%	-	5.70%
• Nevada	0.17%	-	0.17%
• Florida	11.16%	-	11.16%
• Louisiana	16.51%	-	16.51%
• Others	-	6.92%	6.92%
<b>Total revenues</b>	<b>62.56%</b>	<b>37.44%</b>	<b>100.00%</b>

**8. COMMITMENTS**

According to the terms of signed agreements between the Company and its franchisees, the Company is obligated to support the franchisees as outlined in the franchise agreements.

**9. MEMBERS' EQUITY (DEFICIT)**

**Operating Agreement**

The terms of formation of the Company were specified by a limited liability company operating agreement. Pursuant to the operating agreement, the Company is managed by a manager. The operating agreement also contains provisions that limit, generally, the liability of members to their respective capital contributions. The Company will terminate at the discretion of the members or by provision of state law.

**Series of Units**

The Company has three series of unites. Series A units consist of 100 authorized and 55 issued units and carry additional voting rights related to operational matters. Series B units consist of 100 authorized and 45 issued units and carry voting rights restricted to entity level decisions. Series C units consist of 5 authorized units and no issued units and carry nonvoting profit interests.

**Conditional Warrants**

The Company has entered into a conditional warrant agreement with a vendor whereby at the discretion of the Company, the vendor may be granted warrants for Series C units. As of December 31, 2023, the Company has not granted any warrants to this vendor.

**Guaranteed Payments**

The Company paid guaranteed payments totaling \$37,500 in 2023 to its members, respectively.

**10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 19, 2024, which is the date on which the financial statements were available to be issued. In general, these events are recognized in the financial statements if the conditions existed at the date of the balance sheet, but are not recognized if the conditions did not exist at the balance sheet date. The Company discloses non-recognized events if required to keep the financial statements from being misleading. There were no subsequent events identified by the Company for disclosure.

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**Tumbles LLC**  
(A Limited Liability Company)

Audited Financial Statements

As of and for the Years Ended December 31, 2022 and 2021



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## Independent Auditor's Report

To the Members and Management of  
Tumbles LLC  
Lewes, DE

### Opinion

We have audited the accompanying financial statements of Tumbles LLC (the Company), which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of operations and changes in members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation to the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit finding, and certain internal control related matters that we identified during the audit.



K. Glenn Aldridge, PC  
(d/b/a Aldridge & Associates)  
Duluth, GA  
March 29, 2023

**Tumbles LLC**

Balance Sheets  
As of December 31, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets:		
Cash	\$ 63,386	\$ 158,126
Accounts receivable	199,939	206,679
Current portion of contract asset	4,750	2,750
Other assets	-	127,500
Total current assets	<u>268,075</u>	<u>495,055</u>
Noncurrent assets		
Due from franchisee	-	6,000
Contract asset, net of current portion	106,095	21,678
Property and equipment, net	9,295	-
Software, net	71,115	48,750
Goodwill and other intangibles	63,420	58,082
Investment in franchisee	42,000	42,000
Total noncurrent assets	<u>291,925</u>	<u>176,510</u>
Total assets	<u>\$ 560,000</u>	<u>\$ 671,565</u>
<b>Liabilities and Members' Equity (Deficit)</b>		
Current liabilities:		
Line of credit	\$ -	\$ -
Accounts payable and credit card payable	60,507	8,975
Current portion of contract liability	40,000	117,251
Current portion of notes payable	18,975	18,975
Total current liabilities	<u>119,482</u>	<u>145,201</u>
Noncurrent liabilities:		
Notes payable, net of current portion	104,737	104,737
Contract liability, net of current portion	168,650	54,000
Deferred revenue	-	389,138
Total noncurrent liabilities	<u>273,387</u>	<u>547,875</u>
Total liabilities	<u>392,869</u>	<u>693,076</u>
Members' equity (deficit)	<u>167,131</u>	<u>(21,511)</u>
Total liabilities and members' equity (deficit)	<u>\$ 560,000</u>	<u>\$ 671,565</u>

See accompanying notes to financial statements.

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**Tumbles LLC**Statements of Operations and Changes in Members' Equity (Deficit)  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
Franchise royalty fees	\$ 123,970	\$ 13,414
Initial franchise fees	120,001	54,000
Product sales	389,054	249,025
Other operating revenue	<u>241,567</u>	<u>169,451</u>
Total revenues	874,592	485,890
Cost of product sales	<u>256,376</u>	<u>202,351</u>
Gross profit	618,216	283,539
Selling, general and administrative expenses	<u>425,922</u>	<u>334,397</u>
Income (loss) from operations	<u>192,294</u>	<u>(50,858)</u>
Other income and (expense)		
PPP debt forgiveness	-	26,285
Interest income	19	17
Interest expense	<u>(3,671)</u>	<u>(3,590)</u>
Total other income and (expense)	<u>(3,652)</u>	<u>22,712</u>
Net income (loss)	<u>188,642</u>	<u>(28,146)</u>
Members' equity at beginning of period	(21,511)	6,635
Members' equity (deficit) at end of period	<u>\$ 167,131</u>	<u>\$ (21,511)</u>

See accompanying notes to financial statements.

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## Tumbles LLC

### Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash provided by operating activities:		
Cash received from initial franchise fees	\$ 54,000	\$ 54,000
Cash received from franchise royalty fees	90,761	7,979
Cash received from product sales	194,515	225,016
Cash received from other revenue sources	160,317	183,451
Cash received from interest	19	17
Cash used by operating activities:		
Cash paid for inventory	(128,876)	(57,540)
Cash paid for guaranteed payments	(99,500)	(96,417)
Cash paid to other service providers and vendors	(295,491)	(312,507)
Cash paid for interest	(3,671)	(3,398)
Net cash provided (used) by operating activities	(27,926)	601
Cash flows from investing activities:		
Acquisition of property and equipment	(11,238)	-
Intangible costs	(5,338)	(1,024)
Software development costs	(50,238)	(34,450)
Net cash used by investing activities	(66,814)	(35,474)
Cash flows from financing activities:		
Proceeds from line of credit	29,807	21,555
Repayments on line of credit	(29,807)	(21,555)
Proceeds from notes payable	-	19,417
Repayments on notes payable	-	(14,347)
Net cash used in financing activities	-	5,070
Net decrease in cash	(94,740)	(29,803)
Cash, beginning of year	158,126	187,929
Cash, end of year	\$ 63,386	\$ 158,126

See accompanying notes to financial statements.

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**Tumbles LLC**Statements of Cash Flows (Continued)  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of net income (loss) to net cash provided (used) by operating activities:		
Net income (loss)	\$ 188,642	\$ (28,146)
Contract asset amortization	3,583	1,167
Depreciation	1,943	-
Software amortization	27,873	9,750
Credit losses	36,000	32,399
Noncash recognition of contract liability	(11,250)	(15,000)
Noncash recognition of deferred revenue	(120,001)	-
PPP debt forgiveness	-	(26,093)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Accounts receivable	(23,260)	(171,034)
Inventory	-	144,811
Contract asset	(90,000)	(10,000)
Other assets	127,500	(116,175)
Accounts payable and credit card payable	51,532	8,332
Deferred revenue	(389,138)	170,590
Contract liability	168,650	-
Net cash provided (used) by operating activities	<u>\$ (27,926)</u>	<u>\$ 601</u>

See accompanying notes to financial statements.

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**1. DESCRIPTION OF BUSINESS**

Tumbles LLC (the Company) was formed on October 15, 2014 under the Delaware Limited Liability Company Act.

The Company is a franchisor that grants franchise agreements to businesses (the franchisees) at locations approved by the Company. Under the terms of the franchise agreements, franchisees operate a children’s gym that combines fun and learning into classes, camps, and other programs.

A summary of franchisee activity for 2022 and 2021 follows:

	Signed	Operational
Franchisees at December 31, 2020	12	7
2021 additions	1	1
2021 terminations	(3)	(3)
Franchisees at December 31, 2021	10	5
2022 additions	3	2
2022 terminations	(3)	(1)
Franchisees at December 31, 2022	10	6

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

**Estimates and Assumptions**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant estimates underlying the accompanying financial statements include the application of guidance for revenue recognition, contract assets, depreciation, and amortization.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported members' equity.

**Cash and Cash Equivalents**

The Company may from time to time maintain bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Company believes it mitigates any risks by depositing cash with reputable financial institutions. The Company considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable, which consist of amounts owed to the Company related to product sales, initial franchise fees, franchise royalty fees, and monthly contract payments, are recorded at the amounts billed less an estimated allowance for credit losses and charge backs. The Company has determined that no allowance for credit losses or charge backs was required as of December 31, 2022 or 2021; however, the Company wrote off \$36,000 and \$32,399 of accounts receivable during 2022 and 2021, respectively, after deeming them uncollectible.

As of December 31, 2021, the balance for amounts yet to be received for contracts with franchisees was \$12,080, the entirety of which is due from a franchisee that the Company owns a small percentage of. None of the prior year's balance was received during 2022. The remaining balance of \$194,499, as of December 31, 2021, was for receivables from product sales. The entire balance of receivables from products sales was received during 2022.

As of December 31, 2022, the balance of accounts receivable for contracts not with franchisees was \$40,000. The remaining balance for amounts yet to be received for contracts with franchisees was \$159,939, of which \$37,667 is due from a franchisee that the Company owns a small percentage of.

**Inventory**

Inventory, consisting of in transit to franchisees and other third parties, is stated at the lower of cost or net realizable value. The Company does not hold inventory on hand for long periods of time; accordingly, the Company does not estimate reserves for excess, slow moving and obsolete inventory because inventory is only purchased once an agreement for a sale has been reached.

**Contract Asset**

The Company defers certain incremental cost to obtain customer contracts, and certain costs to fulfill customer contracts pursuant to ASC 340 – *Other Assets and Deferred Cost* (Topic 340).

Specifically, the Company defers certain costs to obtain franchise contracts primarily as they relate to commissions paid to third-party sales-team members that are directly related to obtaining new franchise agreements. These incremental costs are capitalized as contract assets as incurred and amortized over the length of the franchise agreement once a franchise opens for business.

**Property and Equipment**

The Company's capitalization policy is to capitalize, at cost, property and equipment with a purchase price in excess of \$1,000 and which has a useful life greater than one year.

Maintenance and repairs, which do not improve or extend the life of the respective assets are expensed currently. Property items retired, or otherwise disposed of, are eliminated from the asset and accumulated depreciation accounts, and gains or losses from disposals are included in the statement of operations and the statement of cash flows.

Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method as follows: computers and computer equipment, 5 years.

**Software**

The Company capitalizes certain application costs during the development stage for its website and internal-use software. Both internal expenses and those paid to third parties are capitalized when planning stage efforts are successfully completed, management has committed project resourcing, and it is probable that the project will be completed and the software will be used as intended. Such costs are amortized on a straight-line basis, using the half-year convention, over the estimated useful life of the related asset, which is generally three years. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred.

**Acquisitions**

Acquisitions are recorded as of the purchase date and are included in the financial statements from the date of acquisition. In all acquisitions, the purchase price is allocated to the assets acquired and liabilities assumed at their fair values on the date of the acquisition. The fair values of these items are based upon management's best estimates using various valuation approaches, including the income approach, market approach, and asset approach based on the circumstances. Certain acquired assets may be intangible in nature, such as marketing-related, customer-related, artistic-related, contract-based and technology-related intangible assets. The excess purchase price over the amounts allocated to the net identifiable assets is recorded as goodwill.

All such valuation methodologies, including the determination of subsequent amortization periods, involve significant judgments and estimates. Different assumptions and subsequent actual events could yield materially different results.

**Goodwill and Other Intangibles**

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. The Company also capitalizes other intangible assets that are not amortizable. Costs incurred to renew or extend the term of a recognized intangible asset class are capitalized. The Company performs an annual review in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine if the carrying value of the intangible is impaired. The impairment review process compares the fair value of the reporting unit in which the intangible resides to its carrying value. The determination of whether the intangible has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the Company's reporting units. Changes in the Company's strategy and / or market conditions could significantly impact these judgements and require adjustments to recorded amounts of intangible assets.

Amortizable intangible assets, as applicable, are amortized on a basis that approximates economic use. Costs incurred to renew or extend the term of a recognized intangible asset class are capitalized and amortized over the renewed or extended term.

**Investment in Franchisee**

The Company holds a minority interest in a franchisee in return for waiving the initial franchise fee and being able to use the franchise location for the training of new franchisees. Management has determined that this equity security should be accounted for at fair value. However, the franchisee does not have a readily determinable fair value; accordingly, management has recorded the investment at cost. Management has not received any earnings from the franchise and has not found it necessary to impair the investment since the franchise has not been open long enough to provide the value that management believes the investment carries.

**Impairment**

Long-lived assets, other than goodwill, are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of these assets and its eventual disposition are less than its carrying amount. Intangible assets are primarily evaluated on an annual basis, generally in conjunction with the Company's evaluation of goodwill balances. Impairment, if any, is assessed by using internally developed discounted cash flows estimates, quoted market prices, when available, and independent appraisals to determine fair value. The determination of whether or not long-lived assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the estimated future cash flows expected to result from the use of those assets. Changes in the Company's strategy, assumptions and / or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets. No impairment triggering events were identified during 2022 and 2021.

**Contract Liability**

Amounts received relating to contracts are recorded as a contract liability and recognized as revenue when earned.

As of December 31, 2021, the balance for amounts yet to be recognized for contracts with franchisees was \$160,001. \$120,001 of the prior year's balance was recognized as revenue during 2022. The remaining balance of \$11,250, as of December 31, 2021, was for contracts not with franchisees. The entire balance was recognized as revenue during 2022.

As of December 31, 2022, the balance for amounts yet to be recognized for contracts with franchisees was \$208,650. In order for revenue to be recognized, the franchisee's storefront must open for business, which usually takes 1-2 years from the signing date of the franchise agreement. Accordingly, all amounts yet to be recognized for contracts with franchisees are classified as short-term or long-term based on the signing of their franchise agreement.

**Deferred Revenue**

Amounts received or invoiced relating to product sales are recorded as deferred revenue and recognized as revenue when delivered.

As of December 31, 2021, the balance for deferred revenue was \$389,138. The entirety of this balance was recognized as revenue during 2022.

As of December 31, 2022, there was no balance of deferred revenue.

**Revenue and Cost Recognition**

Revenue from franchisees, which is primarily comprised of initial franchise fees, franchise royalty fees, advertising fees, and software fees is generated pursuant to a five-year renewable contract between the Company and a franchisee.

*Initial Franchise fees*

As of December 31, 2022 and 2021, each franchisee is required to pay an initial franchise fee, which includes the franchise fee of \$49,000 and an access fee of \$12,000, upon signing a franchise agreement. The Company offers reduced franchise fees for franchisees that open more than one location; however, at this time, no franchisees own more than one location.

The initial franchise fee obligates the Company to perform certain pre-opening services, such as site selection assistance, design assistance, employee hiring and training, assistance with renovation and construction plans, assistance getting necessary equipment and supplies, access to the brand standards manual, assistance with a marketing plan, and assistance setting up a website and getting setup in the Company's system. Pursuant to ASU 2021-02 *Franchisors-Revenue from Contracts with Customers* (Subtopic 952-606), the Company has determined that these pre-opening services are distinct from the franchise license and has elected to recognize pre-opening services as a single performance obligation.

The Company has determined, based on the observable prices approach, that it provides services equal in value to the franchise fee received, enabling the Company to recognize 100% of the initial franchise fee in the month a franchisee opens for business. Initial franchise fee revenues not yet recognized are included in contract liability on the balance sheet until earned.

The Company waived the initial franchise fee and access fee for one franchise in exchange for a small percentage of ownership in the franchise, and for the ability to use that franchise for training new franchise owners. This franchise is still responsible for paying monthly fees. The Company also waived the initial franchise fee for an additional franchise in exchange for the ability to use that franchise for training new franchise owners. The Company also gave a one-time 15% discount to the initial franchise fee for one franchise agreement signed during 2022, resulting in a franchise fee of \$41,650. The Company does not anticipate to make discounts for future franchisees.

Franchisees have the option to renew the franchise at the conclusion of the franchise agreement, with the Company's approval, up to three times, subject to a \$5,000 renewal fee.

The Company has one outstanding International Master Franchise Agreement for a franchise that has not yet opened in Qatar. This agreement allows the international franchise to franchise additional locations that will be managed by the Qatar franchise. This will create sub-franchises for the Company, in which the Company will receive reduced initial franchise fees and monthly royalty payments. This international franchise has the option to renew this agreement, with the Company's approval, once at the conclusion of the International Master Franchise Agreement.

The Company considers transfer fees to be initial franchise fees. Transfer fees are fees paid to the Company from a new franchisee taking over an existing franchise location. As of December 31, 2022 and 2021, the transfer fee was equal to 50% of the current year franchise fee, plus expenses paid by the Company. The Company's initial performance obligation incurred by the transfer fee includes providing assistance with employee hiring and training, access to the brand standards manual, assistance with a marketing plan, and getting set up in the Company's system. Management determined that it currently provides services equal in value to the transfer fee received, enabling the Company to recognize 100% of the transfer fee in the month the franchise opens for business.

*Franchise Royalty fees*

The franchise agreement stipulates monthly royalty fees based on 7% of the gross revenue of a franchisee and obligates the Company to ongoing services, such as developing products and services, establishing pricing and administrative procedures, and general consulting.

The Company recognizes franchise royalty fees by applying the sales-and usage-based royalties exception, estimating the sales of services by franchisees when the service is executed, net of chargebacks.

The Company has an agreement with one franchisee owner waiving the monthly payments for that franchise since the owner is an executive and member in the Company and provides services to the Company.

The Company waived the franchise royalty fee for all franchisees from March 1, 2020 through September 1, 2021 due to the COVID-19 pandemic.

*Marketing fees*

The franchise agreement stipulates monthly marketing fund contributions based on 2% of the gross revenue of a franchisee and obligates the Company to ongoing marketing services, such as administering the marketing fund, managing advertising platforms, and assisting with maintaining the website. The Company reports all marketing fees as monthly royalty fees.

## Tumbles LLC

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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The Company has determined that it controls how marketing fund contributions are to be spent and that marketing services are performed at the brand level and not on an individual franchisee basis, or to solicit other franchisees; accordingly, the monies collected for marketing are recognized gross as part of revenue in the same manner as franchise royalty fees are recognized and advertising and marketing expenses are recognized as incurred.

The Company has an agreement with one franchisee owner waiving the monthly payments for that franchise since the owner is an executive and member in the Company and provides services to the Company. The Company has another agreement with one other franchisee owner waiving the monthly payments for that franchise since the franchise provides services to the Company, and the Company owns a minority share in the franchise.

The Company has waived the monthly marketing fund fee for all franchisees from March 1, 2020 through September 1, 2021 due to the COVID-19 pandemic.

#### *Software fees*

The franchise agreement stipulates monthly software fee payments which grants the franchisee continued use of the Company's software program. This payment obligates the Company to continue to provide and maintain the program. Franchisees pay varying amounts for this program depending on when the franchisee joined the Company and their individual agreement with the Company. The Company reports all software fees as monthly royalty fees.

The Company has determined that it controls how software fees are spent and that services performed on the software are performed at the brand level and not on an individual franchisee basis. Accordingly, the monies collected for software are recognized gross as part of revenue in the same manner as franchise royalty and marketing fees are recognized and expenses incurred are recognized as incurred.

The Company has an agreement with one franchisee owner waiving the monthly payments for that franchise since the owner is an executive and member in the Company and provides services to the Company.

The Company has waived the monthly software fee for all franchisees from March 1, 2020 through September 1, 2021 due to the COVID-19 pandemic.

#### *Other fees*

Other fees, such as consulting services to franchisees, grant revenue, non-compliance fees, reimbursements, late fees, costs of collection fees, records audits, inspection fees, non-compliance cure fees, liquidated damages, indemnity, and prevailing party legal costs, are recognized as revenue in the period earned.

*Other Revenues*

The Company also records revenue for the sale of products, shipping and handling revenue, consulting and licensing revenue, and grant revenue.

Product sales and shipping and handling revenue are earned from the sales of products and equipment to franchisees or third-party companies receiving consulting services. The Company invoices customers for the cost of products, equipment, shipping, and handling plus a markup fee. Revenue is recognized when products or equipment are delivered to the customer net of any returns. The Company has never had any sales returns.

Consulting and licensing revenues are earned on an agreement-by-agreement basis for consulting and/or licensing services rendered. Consulting and licensing services are recognized as revenue when invoiced.

Grant revenue is earned by the Company for their work in developing Science, Technology, Engineering, and Math (STEM) curriculum for children. Grant revenues are recognized as revenue when received.

**Shipping and Handling**

Shipping and handling costs are charged to cost of product sales as incurred and shipping and handling income is included in other operating revenue as earned.

**Income Taxes**

As a limited liability company, the Company is not a taxpaying entity for federal income tax purposes. Accordingly, the Company's taxable income or loss is allocated to its members in accordance with their respective percentage ownership. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2019.

**Advertising**

The Company expenses advertising and marketing costs as incurred. Advertising and marketing expenses charged to operations and recorded in general and administrative expenses totaled \$45,646 in 2022, and \$62,863 in 2021, respectively.

## Tumbles LLC

Notes to Financial Statements  
For the Years Ended December 31, 2022 and 2021

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### 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2022 and 2021:

	2022	2021
Computer and computer equipment	\$ 11,238	\$ -
Accumulated depreciation	(1,943)	-
	<u>\$ 9,295</u>	<u>\$ -</u>

Depreciation totaled \$1,943 in 2022 and \$0 in 2021.

### 4. ACQUISITION

In October 2014, the Company entered into an agreement to purchase substantially all assets of Kidville JWT, LLC. The purchase price was financed 100% by the seller (see Note 5). The acquisition was accounted for using the purchase method of accounting, whereby a new basis of reporting for assets and liabilities was established. The acquisition resulted in an excess of fair value over cost of net assets acquired; such amount has been recorded as goodwill in the accompanying balance sheet.

The purchase price was allocated as follows:

Assets acquired:	
Goodwill	\$ 51,000
Customer-based intangibles	9,000
Liabilities assumed:	
Accounts payable and accrued liabilities	-
	<u>\$ 60,000</u>

No research and development assets were acquired as part of the acquisition.

**5. GOODWILL AND OTHER INTANGIBLES**

At December 31, 2022 and 2021, goodwill and other non-amortizable intangible assets consisted of the following:

	Gross Amount	Accumulated Impairment Losses	Net
Balance, December 31, 2020	60,000	9,000	51,000
Additions	7,082	-	7,082
Impairment	-	-	-
Other	-	-	-
Balance, December 31, 2021	<u>\$ 67,082</u>	<u>\$ 9,000</u>	<u>\$ 58,082</u>
Additions	5,338	-	5,338
Impairment	-	-	-
Other	-	-	-
Balance, December 31, 2022	<u>\$ 72,420</u>	<u>\$ 9,000</u>	<u>\$ 63,420</u>

There were no other changes to goodwill and non-amortizable intangible assets during 2022 or 2021, other than those reported in the schedule above, such as impairment losses, net exchange differences, or other changes in carrying amounts. Further, during the fourth quarters of 2022 and 2021, Management performed its annual impairment review and determined that the carrying value of the assets were not impaired.

Acquired customer-based intangible assets with an estimated value of \$9,000 were fully amortized or impaired prior to 2021.

## Tumbles LLC

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

At December 31, 2022 and 2021, amortizable intangible assets consisted of the following:

	<b>Gross Amount</b>	<b>Accumulated Impairment Losses</b>	<b>Net</b>
Balance, December 31, 2020	24,050	-	24,050
Additions	34,450	-	34,450
Amortization	(9,750)	-	(9,750)
Other	-	-	-
Balance, December 31, 2021	<u>\$ 48,750</u>	<u>\$ -</u>	<u>\$ 48,750</u>
Additions	50,238	-	50,238
Amortization	(27,873)	-	(27,873)
Other	-	-	-
Balance, December 31, 2022	<u>\$ 71,115</u>	<u>\$ -</u>	<u>\$ 71,115</u>

## 6. DEBT

### Line of Credit

The Company has an unsecured \$25,900 revolving line of credit with a financial institution. Outstanding borrowings under this line of credit carry interest at 10.5%. Under this line, the Company is required to make minimum monthly payments. At December 31, 2022 and 2021, there were no outstanding borrowings and the total amount available under this line of credit was \$25,900.

### Acquisition Note Payable

In October 2014, the Company entered into an agreement with an individual to purchase substantially all assets of Kidville JWT, LLC for \$60,000 (see Note 4). This note is unsecured, noninterest bearing and repayable in monthly payments of \$1,000. The outstanding balance of this note totaled \$18,975 at December 31, 2022 and 2021, respectively, as no monthly payments were made during 2022.

### Installment Note Payable

In November 2019, the Company entered into an installment note agreement with a financial institution for \$27,500. This note was secured by the personal guarantee of the majority member, carried interest at 13% and was repayable in monthly principal and interest payments of \$565. The outstanding balance of this installment note was repaid during 2021.

**Paycheck Protection Program Loan**

On July 27, 2020, after determining its eligibility, the Company borrowed \$6,991 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrued interest at 1%, but payments were not required to begin for six months after the funding of the loan. The loan was uncollateralized, fully guaranteed by the Federal Government, and eligible for forgiveness as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), if certain requirements were met. The Company applied for forgiveness of the PPP loan and the SBA approved the forgiveness in full on April 1, 2021. Based on the forgiveness requirements met, \$6,991 was recognized as other income in the statement of operations for the year ended December 31, 2021.

On February 25, 2021, after determining its eligibility, the Company entered into a second \$19,102 loan under the PPP created as part of the relief efforts related to COVID-19 and administered by the SBA. The loan accrued interest at 1%, but payments were not required to begin for six months after the funding of the loan. The loan was uncollateralized, fully guaranteed by the Federal Government, and eligible for forgiveness as part of the CARES Act, if certain requirements were met. The Company applied for forgiveness of the PPP loan and the SBA approved the forgiveness in full on December 1, 2021. Based on the forgiveness requirements met, \$19,102 was recognized as other income in the statement of operations for the year ended December 31, 2021.

**SBA Section 7(b) Loan**

On May 25, 2020, the Company borrowed \$102,200 under the SBA Section 7(b) Program for working capital. The loan accrues interest at 3.75%. Monthly principal and interest payments of \$498 are required beginning thirty months after the funding of the loan and the balance is due on May 25, 2050. The loan is collateralized by substantially all assets of the Company. Interest of \$3,600 and \$3,916 has been accrued as of December 31, 2022 and 2021, respectively. The Company made voluntary payments totaling \$3,600 during 2022 and 2021 to reduce the accrued interest. The outstanding balance of this loan, including accrued interest, totaled \$104,737 at December 31, 2022.

A schedule of future maturities by reporting period follows:

Year ending December 31,	
2023	\$ 21,043
2024	2,147
2025	2,229
2026	2,314
2027	2,402
Thereafter	93,577
	\$ 123,712

**7. REVENUE DISAGGREGATION**

The following table disaggregates revenue by segment, source, timing and geography for 2022:

	Franchise Channel	Corporate Channel	Total
Year ended December 31, 2022			
Types of revenue stream:			
• Initial franchise fees, earned at opening	\$ 120,001	\$ -	\$ 120,001
• Royalty, marketing fund, and software fees, earned monthly	123,970	-	123,970
• Product sales	-	389,054	389,054
• Shipping and handling revenue	-	42,189	42,189
• Consulting revenue, earned at invoice date	-	85,000	85,000
• Consulting revenue, earned monthly or over time	-	86,000	86,000
• Contract revenue, earned monthly	-	11,250	11,250
• Other revenue	-	17,128	17,128
<b>Total revenues</b>	<b>\$ 243,971</b>	<b>\$ 630,621</b>	<b>\$ 874,592</b>
Timing of revenue recognition			
Recognized at a point in time	\$ 120,001	533,371	\$ 653,372
Transferred over time	123,970	97,250	221,220
<b>Total revenues</b>	<b>\$ 243,971</b>	<b>\$ 630,621</b>	<b>\$ 874,592</b>
Year ended December 31, 2022			
Revenue by geography:			
• Qatar	-	49.3%	49.3%
• Texas	8.6%	0.6%	9.2%
• New Jersey	3.8%	1.4%	5.2%
• North Carolina	-	20.8%	20.8%
• Georgia	2.7%	-	2.7%
• Florida	7.7%	-	7.7%
• Louisiana	5.1%	-	5.1%
<b>Total revenues</b>	<b>27.9%</b>	<b>72.1%</b>	<b>100.0%</b>

## Tumbles LLC

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

The following table disaggregates revenue by segment, source, timing and Geography for 2021:

	Franchise Channel	Corporate Channel	Total
<b>Year ended December 31, 2021</b>			
Types of revenue stream:			
• Initial franchise fees, earned at opening	\$ 54,000	\$ -	\$ 54,000
• Royalty, marketing fund, and software fees, earned monthly	13,414	-	13,414
• Product sales	-	249,025	249,025
• Shipping and handling revenue	-	53,388	53,388
• Consulting revenue, earned monthly or over time	-	97,000	97,000
• Contract revenue, earned monthly	-	15,000	15,000
• Other revenue	-	4,063	4,063
<b>Total revenues</b>	<b>\$ 67,414</b>	<b>\$ 418,476</b>	<b>\$ 485,890</b>
Timing of revenue recognition			
Recognized at a point in time	\$ 54,000	306,476	\$ 360,476
Transferred over time	13,414	112,000	125,414
<b>Total revenues</b>	<b>\$ 67,414</b>	<b>\$ 418,476</b>	<b>\$ 485,890</b>
<b>Year ended December 31, 2021</b>			
Revenue by geography:			
• Qatar	-	47.7%	47.7%
• Texas	-	0.9%	0.9%
• New Jersey	1.5%	-	1.5%
• North Carolina	-	37.6%	37.6%
• Georgia	1.1%	-	1.1%
• Louisiana	11.2%	-	11.2%
<b>Total revenues</b>	<b>13.8%</b>	<b>86.2%</b>	<b>100.0%</b>

## 8. COMMITMENTS

According to the terms of signed agreements between the Company and its franchisees, the Company is obligated to support the franchisees as outlined in the franchise agreements.

**9. MEMBERS' EQUITY (DEFICIT)**

**Operating Agreement**

The terms of formation of the Company were specified by a limited liability company operating agreement. Pursuant to the operating agreement, the Company is managed by a manager. The operating agreement also contains provisions that limit, generally, the liability of members to their respective capital contributions. The Company will terminate at the discretion of the members or by provision of state law.

**Series of Units**

The Company has three series of unites. Series A units consist of 100 authorized and 55 issued units and carry additional voting rights related to operational matters. Series B units consist of 100 authorized and 45 issued units and carry voting rights restricted to entity level decisions. Series C units consist of 5 authorized units and no issued units and carry nonvoting profit interests.

**Conditional Warrants**

The Company has entered into a conditional warrant agreement with a vendor whereby at the discretion of the Company, the vendor may be granted warrants for Series C units. As of December 31, 2022 and 2021, the Company has not granted any warrants to this vendor.

**Guaranteed Payments**

The Company paid guaranteed payments totaling \$99,500 in 2022 and \$96,417 in 2021 to its members, respectively.

**10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 29, 2023, which is the date on which the financial statements were available to be issued. In general, these events are recognized in the financial statements if the conditions existed at the date of the balance sheet, but are not recognized if the conditions did not exist at the balance sheet date. The Company discloses non-recognized events if required to keep the financial statements from being misleading. There were no subsequent events identified by the Company for disclosure.

\*\*\*\*\*

**EXHIBIT K**

**EFT AUTHORIZATION FORM**

Bank Name: \_\_\_\_\_  
ABA#: \_\_\_\_\_  
Acct. #: \_\_\_\_\_  
Acct. Name: \_\_\_\_\_

Effective as of the date of the signature below, \_\_\_\_\_ (“Franchisee”) hereby authorizes Tumbles LLC (“Franchisor”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Franchisor under the franchise agreement (the “Franchise Agreement”) between Franchisor and Franchisee: (1) all Royalty Fees; (2) all Marketing Fund Contributions; (3) all other fees authorized under the Franchise Agreement; and (4) any amounts charged by Franchisor or its affiliates in connection with equipment, inventory, supplies, and/or services that Franchisee purchases from Franchisor or its affiliates, as and when such amounts become due and owing to Franchisor and/or its affiliates. Franchisee acknowledges that Royalty Fees, Marketing Fund Contributions, and all other fees may be collected by Franchisor in the manner provided for in the Franchise Agreement. The parties further agree that all capitalized terms not specifically defined herein will be given the same definition as set forth in the Franchise Agreement.

Such withdrawals shall occur on a monthly basis, or on such other schedule as Franchisor shall specify in writing. This authorization shall remain in force and effect until terminated in writing by Franchisor. Franchisee shall provide Franchisor, in conjunction with this authorization, a voided check from the above-referenced account.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**PLEASE ATTACH A VOIDED BLANK CHECK FOR PURPOSES OF SETTING UP BANK AND TRANSIT NUMBERS**

## EXHIBIT L

### CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This Confidentiality and Noncompete Agreement (this “Agreement”) is made as of the date signed by below by \_\_\_\_\_, a resident of \_\_\_\_\_ (“Recipient”), in favor of Tumbles LLC, a Delaware limited liability company, and its affiliates (collectively, “Franchisor”).

**Background Statement.** Recipient desires to evaluate a potential opportunity to enter into a franchise agreement with Franchisor (the “Proposed Opportunity”) for a Tumbles franchise. To induce Franchisor to disclose confidential information to Recipient, Recipient agrees as follows:

**1. Confidentiality.** “Confidential Information” means all non-public data information of or about Franchisor or its franchise system, including without limitation, trade secrets, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information, and know-how. Recipient shall (i) hold all Confidential Information in strict confidence and not disclose it to any person or entity; and (ii) not use Confidential Information for the purpose developing or operating a business similar to a Tumbles or competing against Franchisor or any of its franchisees or for any other purpose. The obligations of Recipient shall remain in force indefinitely or at least until such time as Recipient enters into a franchise agreement with Franchisor (in which case such franchise agreement shall supersede the terms of this agreement).

**2. Noncompete.** Recipient shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, develop, or invest in, own, acquire, advise, or be employed by a Competitor anywhere in the United States for a period of three years from the date of this Agreement. For purposes of this agreement, “Competitor” means any gym, steam facility (science, technology, engineering, arts, math), or similar business—other than a Tumbles business—that derives at least 50% of its revenue from products and services sold for children ages 1 to 10..

**3. Notice.** Recipient shall promptly notify Franchisor in writing of any loss or unauthorized disclosure of any Confidential Information. If Recipient is requested or required to disclose any Confidential Information due to a lawsuit or similar action, Recipient shall promptly notify Franchisor. Upon the request of Franchisor, or upon termination of the Proposed Opportunity (whichever occurs first), Recipient shall promptly deliver to Franchisor all documents and electronic files containing or constituting Confidential Information, without retaining any copies.

**4. Disclaimer.** Franchisor makes no promise regarding its future business relationship with Recipient, and nothing herein obligates Franchisor to enter into a franchise agreement with Recipient.

**5. Dispute Resolution.**

(a) The laws of the state of Texas (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Texas law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 5.

(b) Unless Recipient and Franchisor enter into a franchise agreement—in which case the Dispute Resolution provisions of such franchise agreement will govern this Agreement—for any legal proceeding between the parties the parties, Recipient and Franchisor agree that such proceeding will be brought in the United States District Court where Franchisor’s headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where Franchisor’s headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**6. Miscellaneous.** This Agreement contains the entire agreement of the parties related to the subject matter hereof, provided that nothing contained herein shall be deemed to waive, supersede, or otherwise modify any other confidentiality or non-compete obligations of Recipient. Franchisor shall be entitled to specific performance and injunctive relief as remedies for any breach of this Agreement, in addition to all other remedies available at law or in equity. If any provision of this Agreement is invalid, void or unenforceable, the remaining provisions will continue in full force. No modification or release hereunder shall be effective except by means of a written instrument executed by the parties hereto.

Agreed to by:

RECIPIENT:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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 document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Tumbles LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

Tumbles LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

If Tumbles LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A). The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Manish Vakil	1302 Waugh Drive, Suite 192, Houston, Texas 77019	(833) GYM-STEM

Issuance Date: April 11, 2024.

I received a disclosure document dated April 11, 2024 that included the following Exhibits:

### EXHIBITS

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement and Software License)
- C. Multi-Unit Development Agreement
- D. Rider to Lease Agreement
- E. Form of General Release
- F. Brand Standards Manual Table of Contents
- G. State Addenda to Disclosure Document
- H. State Addenda to Agreements
- I. Current and Former Franchisees
- J. Financial Statements
- K. EFT Authorization Form
- L. Confidentiality and Noncompete Agreement  
State Effective Dates  
Receipts

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Date Received: \_\_\_\_\_

Date Received: \_\_\_\_\_

**Keep This Copy For Your Records**

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Tumbles LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

If Tumbles LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A). The name, principal business address, and telephone number of each franchise seller offering the franchise is:

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State Effective Dates  
Receipts

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Date Received: \_\_\_\_\_

Date Received: \_\_\_\_\_

**Return this copy to us.**