

FRANCHISE DISCLOSURE DOCUMENT



Kidcreate Studio Franchising, LLC
a Texas limited liability company
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www.kidcreate.com
www.kidcreatestudio.com

~~Kidcreate businesses offer~~ We offer franchises for the operation of a business that uses our System under the Marks to provide children's art lessons ~~in a class, camp, and party format that focus~~ focusing on art education for children from ages 18 months through 12 years, ~~either in a studio or in a class, camp, and themed-party format and to sell retail items ("Kidcreate Business").~~

There are two different Kidcreate Business formats you may select. The first is the operation of the Kidcreate Business from a mobile, "on-the-go" format. ~~We offer franchises for single Kidcreate businesses and for multi-unit franchises for the right to open multiple Kidcreate Businesses.~~

~~The total investment necessary to begin operation of a single ("Kidcreate studio franchised~~ On the Go Business"). The total investment necessary to begin operation of a single Kidcreate On-the-Go Business is between \$143,960 58,290 and \$295,090 73,050. This includes between \$62,660 51,735 and \$67,800 52,500 that must be paid to the franchisor or its affiliate(s).

The second is the operation of the Kidcreate Business from both the mobile, on the go format and from a Studio ("Kidcreate Studio Business"). The total investment necessary to begin operation of a single Kidcreate mobile "on the go" franchised Studio Business is between \$64,520 96,930 and \$95,000 234,350. This includes between \$54,160 52,405 and \$58,300 55,450 that must be paid to the franchisor or its affiliate(s). ~~Kidcreate~~

Qualified franchisees may also purchase the right to develop ~~multiple Kidcreate franchised businesses.~~ two Kidcreate Businesses ("Standard 2 Franchise") or three Kidcreate Businesses ("Standard 3 Franchise"). The total investment necessary to begin operation of ~~two Kidcreate studio franchised businesses ("a Standard 2 Studio Franchise")~~ for a Kidcreate On the Go Businesses is between \$269,420 106,580 and \$571,680 136,100. This includes between \$106,820 86,735 and \$117,100 87,500 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of ~~three Kidcreate studio franchised businesses ("a Standard 3 Studio Franchise")~~ for a Kidcreate On the Go Businesses is between \$389,880 is between \$149,870 and \$843,270 194,150. This includes between \$145,980 116,735 and \$161,400 117,500 that must be paid to the franchisor or its affiliate(s).

The total investment necessary to begin operation of ~~two Kidcreate mobile "on the go" businesses ("a Standard 2 On the Go Franchise")~~ for a Kidcreate Studio Business is between \$119,040 183,860 and \$180,000 458,700. This includes ~~between \$98,320 11~~ between \$87,405 and \$106,600 90,450 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of ~~three Kidcreate mobile~~

~~“on the go” businesses (“a Standard 3 On the Go Franchise”)~~ for a [Kidcreate Studio Business](#) is between ~~\$168,560~~[265,790](#) and ~~\$260,000~~[678,050](#). This includes between ~~\$137,480~~[117,405](#) and ~~\$149,900~~[120,450](#) that must be paid to the franchisor or its affiliate(s).

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 payments to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in 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, contact Lara Olson at Kidcreate Studio Franchising, LLC, ~~7918 Mitchell Road, Eden Prairie~~[6110 Blue Circle Drive, #234; Minnetonka](#), Minnesota ~~55344~~[55343](#), and (952) 937-7600.

The terms of your contract will govern your franchise relationship. Don't rely on this disclosure document alone to understand your contract. Read all of your 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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: April ~~22, 2022~~[20, 2023](#)

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
How much can I earn?	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 G.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Kidcreate Business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Kidcreate Business franchisee?	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 mediation, arbitration and/or litigation only in Minnesota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Minnesota than in your own state.
2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Mandatory Minimum Payments**. You must make minimum royalty or advertising payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

**NOTICE REQUIRED BY
STATE OF MICHIGAN**

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 the franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections 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 terms 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 five 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 six 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 or 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 subfranchisor.

(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.

The fact 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 the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “KSF,” and “we,” “us,” and “our” means Kidcreate Studio Franchising, LLC, the franchisor. “You,” “your,” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from KSF.

The Franchisor

KSF is a Texas limited liability company formed on December 10, 2015. Our principal business address is 6110 Blue Circle Drive, #234, Minnetonka, Minnesota 55343. We have offered franchises for Kidcreate Studio Businesses since May 2016 and began offering Kidcreate On the Go Businesses in August 2020. We do not offer franchises in any other line of business.

~~We operate under the name Kidcreate Studio Franchising, LLC, Kidcreate Studio and Kidcreate On the Go. Our principal business address is 7918 Mitchell Road, Eden Prairie, Minnesota 55344. We have offered franchises for studio Kidcreate Businesses since May 2016 and began offering the mobile option in August 2020. The Kidcreate businesses operated in the studio format are referred to as the “Kidcreate Studio Business” and the mobile “on the go” format is referred to as the “Kidcreate On the Go Business.” We will use the term “Kidcreate Business” in this Franchise Disclosure Document to refer to the specific format of Kidcreate business that you purchase: either a Kidcreate Studio Business or a Kidcreate On the Go Business.~~

We do not conduct business under any other name or ~~in any other line of business, and we do not offer franchises~~ in any other line of business. We do not conduct, and have never conducted, a business of the type described in this Franchise Disclosure Document, but we may do so in the future.

Our agent for service of process in Texas is InCorp Services, Inc., 815 Brazos Street Suite 500, Austin, Texas 78701. Our agents for service of process for other states are identified by state in Exhibit A. ~~If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.~~

Our Parents, Predecessors and Affiliates

We do not have any predecessors required to be included in this Item. ~~We have one~~ Our parent company. ~~Our corporate parent, is Lara Schinke-Olson, Inc., (“LSO”), owns the trademarks for the Kidcreate Studio Franchise system and licenses them to us.”~~ LSO’s principal business address is 9375 Coldstream Lane, Eden Prairie, Minnesota 55347; LSO owns the Marks and licenses them to us. LSO also operates one Kidcreate Studio Business of the type to be operated by franchisees and has done so since 2007. LSO does not offer franchises in any line of business.

We have two affiliates. Get Messy, LLC (“GM”). GM’s principal business address is 9375 Coldstream Lane Eden Prairie, MN Minnesota 55347. GM operates one Kidcreate Studio Business of the type to be operated by franchisees and has done so since 2007. Our second affiliate, is Lion’s Gate Marketing, Inc., (“LGM”) may sell certain products, supplies, and inventory to franchisees.” LGM’s principal business address is 9375 Coldstream Lane Eden Prairie, MN Minnesota 55347. LGM ~~does not offer franchises in any line of business~~ sells certain products, supplies, and does not operate any businesses of the type inventory to be operated by franchisees. ~~LGM GM and LSO~~ LGM do not offer franchises in any line of business.

The Franchise

~~We offer franchises for Kidcreate Businesses (“Kidcreate Franchises”). We will use the term “Kidcreate Franchise” in this Franchise Disclosure Document to refer to the specific format of franchise that you purchase: either a franchise for the Kidcreate Studio Business or a Kidcreate On the Go Business. Kidcreate Businesses offer children’s art lessons that focus on art education for kids from ages 18 months through 12 years. Kidcreate Studio Businesses offer in-studio art classes, camps, art themed birthday parties, and retail items. Kidcreate Studio Businesses also offer off-premises services (“On the Go Services”) and form partnerships within the community to bring the Kidcreate curriculum and teachers to community education departments, parks and recreation departments, preschools, daycares, and other locations. Kidcreate Studio Businesses must also operate from an approved retail or commercial location (“Studio”). Franchisees who purchase Kidcreate On the Go Businesses offer the same services via a mobile format, with no requirement to maintain a Studio. Kidcreate Studio Businesses are required to begin operating a Kidcreate Franchise by offering On the Go Services within four months of signing the Franchise Agreement and must open the Studio within twelve months of signing the Franchise Agreement. Generally your Kidcreate Studio Business will initially open a Kidcreate Business offering On the Go Services and subsequently open the Studio.~~

Kidcreate Businesses operate under our system (“System”) using Kidcreate trademarks, service marks, trade names, and logos (“Marks”). The System focuses on creating a fun, self-esteem building atmosphere where children learn to express themselves through the visual arts. Classes and parties teach children about art concepts and techniques while exposing them to many different kinds of art media. The art curriculum provided by Kidcreate Businesses varies from activities such as sensory art experiences, pottery classes, drawing and painting lessons, along with messy time play, masters, and art history.

~~We offer three different Franchise packages depending on the number of Kidcreate Businesses you wish to purchase. The Single Franchise package consists of the purchase of a single Kidcreate Business. The Standard 2 Studio Franchise package consists of the purchase of up to two Kidcreate Studio Businesses. The Standard 3 Studio Franchise package consists of the purchase of up to three Kidcreate Studio Businesses. The Standard 2 On the Go Franchise package consists of the purchase of up to two Kidcreate On the Go Businesses. The Standard 3 On the Go Franchise package consists of the purchase of up to three Kidcreate On the Go Businesses. We refer to the Standard 2 Studio Franchise or a Standard 2 On the Go Franchise as a “Standard 2 Franchise.” We refer to the Standard 3 Studio Franchise or a Standard 3 On the Go Franchise as a “Standard 3 Franchise.”~~

~~You must operate your Kidcreate Business per our standard business operating practices and sign our standard Franchise Agreement. If you are opening additional Kidcreate Businesses under a Standard Franchise package, you will need to sign a “Kidcreate Rider” for each location. Our current form of Kidcreate Rider is attached to the Franchise Agreement as Attachment E. There is no development territory or development schedule to open additional Kidcreate Businesses. Prior to opening each additional Kidcreate Business under a Standard Franchise, you must sign the then current Kidcreate Rider. You may operate one Kidcreate Business when you sign a Franchise Agreement and you may operate one additional Kidcreate Business for each Kidcreate Rider you sign in conjunction with the Franchise Agreement. When purchasing multiple franchises, you may be required to sign Kidcreate Riders that may be different from the form of Kidcreate Rider in this Franchise Disclosure Document. We offer two types of formats for the Kidcreate Business. If you purchase a Kidcreate On the Go Business, you will operate the Kidcreate Business through a mobile format at third-party locations, such as parks, recreation departments, preschool, daycares and other locations. If you purchase a Kidcreate Studio Business you will operate the Kidcreate Business through both a mobile format at third party locations and from an approved retail or commercial location (“Studio”). If you purchase a Kidcreate Studio Business, you will commence operating the~~

Kidcreate Business through the mobile format within two months of signing the Franchise Agreement and you will open your Studio within 12 months of signing the Franchise Agreement.

You will operate either a single Kidcreate Studio Business or a single Kidcreate On the Go Business per our standard Franchise Agreement attached to this Franchise Disclosure Document as Exhibit B and per our standard business operating practices. We may also offer to qualified candidates (subject to our approval), the opportunity to operate additional Kidcreate Businesses per our “Multi-Franchise Addendum” attached to this Franchise Disclosure Document as Exhibit H-7. The Standard 2 Franchise package provides for you to operate either two Kidcreate On the Go Businesses or two Kidcreate Studio Businesses. The Standard 3 Franchise package provides for you to operate either three Kidcreate On the Go Businesses or three Kidcreate Studio Businesses. Prior to opening additional Kidcreate Businesses under a Standard 2 Franchise or a Standard 3 Franchise, you will sign our then current “Kidcreate Rider” for each additional Kidcreate Business, which may differ from the Kidcreate Rider that is attached to this Franchise Disclosure Document as Exhibit H-8. You may operate one additional Kidcreate Business for each Kidcreate Rider you sign. There is no development territory or development schedule to open additional Kidcreate Businesses under the Multi-Franchise Addendum or Kidcreate Rider.

Your Kidcreate Business must offer only those services and products that we have authorized. We reserve the right to add, modify, or delete any services or products that you must offer or sell at your Kidcreate Business at any time at our sole discretion.

Market Competition and Regulations

Kidcreate Businesses service the needs of the general public. Our services are not seasonal in nature. The market for the goods and services offered by Kidcreate Businesses is developed and competitive. Kidcreate Businesses compete with other businesses including franchised operations, national chains, and independently owned companies offering art classes, camps and birthday parties. Before signing a franchise agreement, you are encouraged to research your local market to determine the number of competitors, the numbers and types of facilities and children they are likely servicing, and the perceived quality of their programs and materials.

Kidcreate Businesses are subject to all of the laws, statutes, codes, ordinances, and regulations normally applicable to service businesses. These include federal, state, and local laws. Many jurisdictions have childcare laws which require licensing, bonding, insurance, building code, fire, safety, teacher-to-student ratios, hours, health (for example, immunizations), instructor licensing, fingerprinting, criminal background checks, and other similar requirements. Most organizations that you will have contracts with will require that your staff establish proof of a clean criminal history. Some may require fingerprint checks through the U.S. Department of Justice, while others may just require you to run the criminal background investigation yourself.

You must comply with all local, state, and federal laws and regulations that apply to any business. Most state and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your Kidcreate Business, including those that: (a) require a permit, certificate, or other license; (b) establish general standards, specifications, and requirements for the construction, design, and maintenance of the business site and premises; and (c) set standards pertaining to employee health and safety.

You alone are responsible for investigating, understanding, and complying with all applicable laws, regulations, and requirements applicable to you and your Kidcreate Business, despite any advice or information that we may give you. You should consult with a legal advisor about whether these and/or

other requirements apply to your Kidcreate Business. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

**ITEM 2
BUSINESS EXPERIENCE**

Founder, Chief Creative Officer and Director: Lara Olson

Ms. Olson is the Founder of Kidcreate and has been our Chief Creative Officer and Director in Minneapolis, Minnesota since our inception in April 2016. Ms. Olson is also the President and CEO of LSO and has been since April 2007; and Get Messy LLC since March 2012, both located in Minneapolis, Minnesota. ~~Ms. Olson also managed the Kidcreate Studio located in Eden Prairie, Minnesota from April 2007 to May 2011.~~

Chief Operating Officer: Mike Conlon

Mr. Conlon has served as our Chief Operating Officer since October 2019 in Boynton Beach, Florida. Mr. Conlon served as Chief Operating Officer for British Swim School Franchising, LLC in Fort Lauderdale, Florida from April 2019 to October 2019. Mr. Conlon was the Chief Operating Officer for British Swim Centers Franchising, LLC in Fort Lauderdale, Florida from January 2017 to April 2019.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5
INITIAL FEES**

Initial Franchise Fee

~~We offer three different~~ You will pay us the following “Initial Franchise packages depending on the number of Fee” for a single Kidcreate ~~Businesses~~ Business, Standard 2 Franchise or Standard 3 Franchise at the time you ~~wish to purchase~~ sign the Franchise Agreement:

Franchise Type	Number of Kidcreate Businesses	“Initial Franchise Fee”
Single Franchise Single Kidcreate Business (Kidcreate On the Go Business or Kidcreate Studio Business)	1	\$45,000
Standard 2 Franchise (Kidcreate On the Go Business or Kidcreate Studio Business)	Up to 2	\$80,000
Standard 3 Franchise (Kidcreate On the Go Business or Kidcreate Studio Business)	Up to 3	\$110,000

~~If you purchase a Standard Franchise package, you Veterans of the United States armed services will sign the “Multi-Franchise Addendum,” the form of which is attached to this Franchise Disclosure Document as Exhibit H-7. You will sign the Franchise Agreement attached to this Franchise Disclosure Document as Exhibit B for your first Kidcreate Business and you will be required to sign the then-current Kidcreate Rider prior to opening each additional Kidcreate Business that you open under a Standard Franchise, which may differ from the current Kidcreate Rider included with the Franchise Agreement. There is no development territory or development schedule to open additional Kidcreate Businesses. The Multi-Franchise Addendum supplements the terms of the Franchise Agreement in relation to the opening of additional Kidcreate Businesses. You are not granted any territorial rights or any other rights except those granted under the Kidcreate Riders for the additional Kidcreate Businesses.~~

~~You must pay us the full receive a 10% discount on the Initial Franchise Fee when you sign the Franchise Agreement. The Initial Franchise Fee is payment for all of our pre-opening assistance that we provide to allow you to open your Kidcreate Business and also offsets some of our franchisee recruitment expenses. Our standard Kidcreate Franchise includes a protected territory (“Territory”) that generally contains approximately 50,000 children aged 0 to 14. The Initial Franchise Fee is uniform, (other than discounts for Veterans), earned by us when paid, and is not refundable. During our last fiscal year, ended December 31, 2022~~2021~~, we collected Initial Franchise Fees ranging from \$40,500 (Veteran discount) to \$4580,000 for Single Franchises.~~

Launch Fee

~~In addition to the Initial Franchise Fee, you must pay us a “Launch Fee” as follows: \$13,500 for the first Kidcreate Studio Business that you purchase, and \$5,000 for each additional Kidcreate Studio Business that you purchase; and \$5,000 for the first Kidcreate On the Go Business that you purchase, and \$5,000 for each additional Kidcreate On the Go Business that you purchase. The Launch Fee offsets the costs in supporting your efforts to develop and open the Kidcreate Business and help find a retail or commercial location for Kidcreate Studio Businesses. The Launch Fees paid will depend on the type and number of Kidcreate Businesses you wish to purchase:~~

Franchise Type	Kidcreate Studio Business	Kidcreate On the Go Business
Single Franchise	\$13,500	\$5,000
Standard 2 Franchise	\$18,500	\$10,000
Standard 3 Franchise	\$23,500	\$15,000

~~The Launch Fee offsets the costs in supporting your efforts to develop and open the Kidcreate Business, and for a Studio, to help find a retail or commercial location. The Launch Fee is uniform, non-refundable, and due when you sign the Franchise Agreement. If you purchase a Standard Franchise package, you will pay the Launch Fee for the additional Kidcreate Businesses when you sign each Kidcreate Rider.~~

Opening Inventory

~~You must purchase certain branded opening supplies and inventory items from us our affiliate or designated vendors prior to opening your Kidcreate Business. We estimate that your costs for these items will range from \$500 to \$3,000, depending on whether you purchase a Kidcreate On the Go Business or a Kidcreate Studio Business. If you purchase a Standard 2 Franchise or Standard 3 Franchise package, you~~

will purchase the opening inventory for the additional Kidcreate Businesses when you sign each Kidcreate Rider. These payments are uniform and non-refundable.

Implementation Fees

Prior to opening your Kidcreate Business, you must purchase a license for database management software (“DB Software”) from suppliers we designate. You must also pay us the following implementation fees for us to implement the DB Software and class registration software (“CR Software”) for you: (a) \$500 for your CR Software; and (b) \$1,500 for your DB Software. These fees are payable for each Kidcreate Business you have the right to open, are payable upon execution of the Franchise Agreement, and are non-refundable. If you purchase a Standard 2 Franchise or Standard 2 Franchise package, you will pay these implementation fees for the additional Kidcreate Businesses when you sign each Kidcreate Rider. These payments are uniform and non-refundable.

Technology Fee

You must pay us a monthly technology fee of \$500 (“Technology Fee”) beginning the first day of the second month after you sign the Franchise Agreement. The Technology Fee is uniform and non-refundable. ~~If you open your Kidcreate Studio Business in three to eight months, you will pay \$1,500 to \$4,000 in Technology Fees prior to opening. If you open your Kidcreate On the Go Business within three to six months, you will pay \$1,500 to \$3,000 in Technology Fees prior to opening.~~

Unit Boxes

~~You must purchase~~ We will provide you with up to two ~~Kidcreate Business~~ unit boxes that contain project samples, lesson plans and other supporting documents for the art curriculum you ~~may~~ offer at your Kidcreate Business (“Unit Boxes”). You will ~~be responsible for paying~~ pay us ~~for~~ the cost ~~of these for shipping the~~ Unit Boxes ~~(\$100 per Unit Box) plus the shipping cost~~ to you, which we estimate to be between \$60 and \$100. These payments are uniform and non-refundable.

Fee Deferral

~~Some states have imposed a fee deferral. Please refer to the State Addenda and Agreement Riders in Exhibit E to the Franchise Disclosure Document.~~

**ITEM 6
OTHER FEES**

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty ⁽²⁾	The greater of 8% of Gross Sales (“ <u>Royalty</u> ”) or \$500 per month (“ <u>Minimum Royalty Requirement</u> ”)	Within five days after the end of the calendar month	The Royalty is based on “ <u>Gross Sales</u> ” during the previous month. Gross Sales are defined in Note 2. You must pay your Royalty via electronic funds transfer (“ <u>EFT</u> ”), or such other manner we may prescribe. The Minimum Royalty Requirement begins six months after you open your first Kidcreate Business and immediately after you open additional Kidcreate Businesses under a Standard Franchise.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Brand Fund Contribution ⁽²⁾	1% of Gross Sales	Same as Royalty	This contribution will be used for a system-wide “Brand Fund” we may establish for our use in promoting and building the Kidcreate brand.
Local Advertising Payment	The difference between the amount you spent on local advertising each month and your required local advertising expenditure (\$500 per month per Kidcreate Business)	Payable after receipt of invoice	If you fail to meet your required local advertising requirement on local advertising, you must pay us the difference between the amount you spent and the required advertising expenditure, which will be contributed to the Brand Fund or to us.
Local and Regional Advertising Cooperatives ⁽³⁾	Established by cooperative members, between 0.5% and 1% of Gross Sales	Same as Royalty (or as we designate)	We currently do not have a cooperative but reserve the right to require one to be established in the future. Item 11 contains more information about advertising cooperatives.
Insurance	Reimbursement of our costs, plus a 20% administration charge	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained, plus twenty percent (20%) of the premium as an administrative cost of obtaining the insurance.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Additional Training or Assistance	Then-current fee (currently \$200 per person per day), plus travel and living expenses	Payable in advance of the training or assistance	<p>We provide an initial training program at no cost for each Kidcreate Business you open for up to two people, including you (or your Operating Owner, if you are an entity and your designated manager, if you have one, provided all attendees attend at the same time), as well as up to four days of on-site assistance before grand opening of your Studio. We also provide up to an additional two days of on-site training for Kidcreate Studio Businesses that will occur approximately six months after the Studio's opening. Kidcreate On the Go Businesses will receive this training virtually. We provide you with an Initial Training Program for up to two people (See Item 11). We may charge you for training additional persons, newly hired personnel, refresher training courses, advanced training courses, and additional or special assistance or training you need or request, and the fee amount will depend on the training required.</p> <p>You will be responsible for all travel and living expenses incurred by you or your representatives, or our representatives for any additional training.</p>
Technology Fee	Then-current fee (currently \$500 per month) for the first Kidcreate Business and the discounted rate for each additional Kidcreate Business (currently \$300 per month per additional Kidcreate Business)	<p>The first payments is due on the 1st day of the second month after signing the Franchise Agreement and. Thereafter, monthly within five days of the end of the calendar month</p>	<p>For use of our online systems, website, applications, email, data sharing, integration and maintenance of DB Software, learning management software, search engine optimization for lead generation, and other Internet-related functions. We reserve the right to increase or decrease this fee, upon 30 days' written notice, in the event we offer updated or additional software or technology for use in the Kidcreate Franchise Business or in the event of increases from third party suppliers.</p>

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
CR Software Fee	Then current fee (currently \$115 to \$325 <u>\$450</u> per month) <u>for each Kidcreate Business</u>	Payable to us within five days from the previous calendar month <u>begins upon opening.</u>	The <u>current</u> “CR Software Fee” will be \$115 per month during in this Item 6 <u>is for</u> the first 12 months of operation <u>for each of your Kidcreate Franchise Businesses.</u> Upon the completion of each 12-month period <u>for each Kidcreate Business,</u> the CR Software Fee will be recalculated by our third-party vendor and determined based on volume from the previous 12 months.
<u>DB Software Fee</u>	<u>Then current fee (currently \$225 to \$300 per month) for each Kidcreate Business</u>	<u>Payable within five days from the previous calendar month begins upon opening</u>	<u>For use of the DB Software. We reserve the right to increase this fee, upon 30 days’ written notice, in the event of increases from third party suppliers.</u>
Mystery Shopper Fee	Will vary under circumstances, but we estimate the cost of such inspections will not exceed \$200 per inspection	As incurred	You must reimburse us for our costs and expenses associated with the inspections of third-party mystery shoppers who will pose as normal customers and perform specific tasks (such as attend lessons, ask questions, or seek customer service), and evaluate the services received from your Kidcreate Business.
Convention Fee	Then-current fee (currently \$2,000 for up to two attendees of which \$500 is credited back if at least one person attends), plus expenses; and our then-current fee for each additional attendee (currently \$500)	As incurred	The “ <u>Convention Fee</u> ” is payable to us to help defray the cost of your attendance at the convention(s). We reserve the right to charge this fee whether you attend the conference or not. If you purchase more than one Kidcreate Business, you are required to send up to two attendees total, but may send more attendees if you pay the additional Convention Fee for additional attendees.
Supplier and Product Evaluation Fee	Then-current new product/supplier application fee, plus costs of inspection (estimated to be approximately \$100 to \$500)	As incurred	Payable if we inspect a new product, service or proposed supplier nominated by you.
Interest	Lesser of the daily equivalent of 18% per year, or highest amount allowed by law	As incurred	Due on all overdue amounts and accruing as of the original due date.
Insufficient Funds Fee	\$100 per occurrence	As incurred	Payable if any check or EFT payment is not successful due to insufficient funds, stop payment or any similar event.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting and legal expenses, plus travel expenses and compensation of our employees	On demand	You will be required to pay this if an audit reveals that you understated Gross Sales by more than two percent (2%), or you fail to submit required reports.
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses that we or our representatives incur related in any way to your Kidcreate Business or Franchise.
Professional Fees and Expenses	Will vary under circumstances	As incurred	You must reimburse us for any legal or accounting fees that we incur as a result of any breach or termination of your Franchise Agreement, or any Kidcreate Rider. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement, or any Kidcreate Rider.
Successor Franchise Fee	10% of our then-current Initial Franchise Fee per Kidcreate Business	At the time you sign the successor franchise agreement or applicable Kidcreate Rider	This fee is commonly referred to as a “renewal fee.” Payable if you qualify for a successor Franchise and choose to enter into a successor franchise agreement or applicable Kidcreate Rider. If we are not offering Franchises at the time of your renewal, the successor franchise fee will be 10% of the initial franchise fee listed in the most recent Franchise Disclosure Document.
Transfer Fee	\$10,000 per Kidcreate Business, plus cost of any applicable broker fees and training	\$1,000 non-refundable deposit at time of transfer application submittal and remaining balance when you execute the transfer documents	Payable only in connection with the transfer of each of your Kidcreate Businesses, a transfer of ownership of your legal entity, or the Franchise Agreement.
Management Fee	\$500 per day, per representative, plus costs and expenses	As incurred	Payable if we manage the Kidcreate Business because you are in breach of the Franchise Agreement or any Kidcreate Rider or upon disability or death.
Broker Fees	Our actual cost of the brokerage commissions, finder’s fees or similar charges	As incurred	If you transfer your Kidcreate Business to a third party or purchaser, you must reimburse all of our actual costs for commissions, finder’s fees and similar charges.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Opening Extension Fee	\$1,000 per month until you open or until the Franchise Agreement is terminated.	Monthly	If you fail to open your Kidcreate Studio Business or your Kidcreate On the Go Business within the period of time required by your Franchise Agreement.
Unauthorized Marketing Materials	\$500 per occurrence	As incurred	If you use unauthorized marketing materials in your Kidcreate Business (See Item 11).

Notes:

1. Fees. All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via EFT or other similar means. You are required to complete the EFT authorization (in the form attached to this Franchise Disclosure Document in [Exhibit H](#)). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.

2. “Gross Sales” means all revenue that you receive from operating your Kidcreate Business, including all amounts or other consideration that you receive, directly or indirectly, at or away from the Kidcreate Business, and in the form of cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, and including all proceeds from any business interruption insurance. For example, Gross Sales includes the following: (1) all monies you receive from customers, including monies received for the sale of products and services; (2) the amount of gift card redemptions; (3) the proceeds of any business loss or interruption insurance or similar insurance; and (4) any other revenue you derive. Gross Sales are deemed received at the time the products or services from which they were derived are delivered or rendered, or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on an account receivable) actually has been received. Gross Sales does not include any federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority, or any customer [tips or](#) refunds.

We may receive information regarding your Gross Sales through the Computer System. If we ever cease to have access to this information, and you fail to report your Gross Sales when due, we may debit your designated account for an estimated Royalty and Brand Fund Contribution (defined in Item 11) on the date it is due. We will debit your designated account one hundred ten percent (110%) of the average of the last three Royalty payments and Brand Fund Contributions that we debited. If the amounts that we debit from your designated account are less than the amounts you actually owe us (once we have determined your true and correct Gross Sales), we will debit your designated account for the balance on the day we specify. If the amounts that we debit from your designated account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your designated account on the next payment due date.

3. Local and Regional Advertising Cooperatives. If a local or regional advertising cooperative is established, contribution amounts will be determined by the members of the cooperative of 0.5% to 1% of Gross Sales. We anticipate that each Kidcreate franchisee and each Kidcreate Business

that we own will have one vote for each Kidcreate Business operated in the designated market. Each Kidcreate Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. No local or regional advertising cooperatives have been established as of the Issuance Date of this Franchise Disclosure Document.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Single Franchise – Kidcreate Studio Business (CHART A)

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid ⁽¹⁾
	Low	High			
Initial Franchise Fee ⁽²⁾	\$45,000	\$45,000	Lump sum	Upon signing Franchise Agreement	Us
Launch Fee ⁽³⁾	\$13,500	\$13,500	Lump sum	Upon signing Franchise Agreement	Us
Furniture, Fixtures, and Equipment ⁽⁴⁾	\$76,500	\$1715,000	As Incurred	As Incurred	Approved Suppliers
Initial Inventory and Supplies ⁽⁵⁾	\$53,500	\$95,500	As Incurred	As Incurred	Us and Approved Suppliers
Shipping for Unit Boxes ⁽⁶⁾	\$16060	\$300100	As Incurred	As Incurred	Us
Insurance ⁽⁷⁾	\$1,000	\$2,500	As Incurred	As Incurred	Insurance Providers
Business Licenses and Permits ⁽⁸⁾	\$20050	\$500300	As Incurred	As Incurred	Third Parties
Professional Fees ⁽⁹⁾	\$1,000	\$4,000 2,500	As Incurred	As Incurred	Attorney, Accountant
Signage ⁽¹⁰⁾	\$4,000 2,500	\$12,000	As Incurred	As Incurred	Approved Suppliers
Computers & Hardware ⁽¹¹⁾	\$1,000 700	\$32,000	As Incurred	As Incurred	Approved Suppliers
DB Software Implementation Fee ⁽¹²⁾	\$1,500	\$1,500	Lump Sum	Upon signing Franchise Agreement	Us
CR Software Implementation Fee ⁽¹²⁾	\$500	\$500	Lump Sum	Upon signing Franchise Agreement	Us
Grand Opening Promotion ⁽¹³⁾	\$51,000	\$105,000	As Incurred	As Incurred	Approved Suppliers
Uniforms ⁽¹⁴⁾	\$100	\$250 200	As Incurred	As Incurred	Approved Suppliers

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid ⁽¹⁾
	Low	High			
Initial Training Expenses ⁽¹⁵⁾	\$ 3 2,000	\$ 5 3,000	As Incurred	As Incurred	Airline, Hotel, Restaurants, etc.
Technology Fees For Three Months ⁽¹⁶⁾	\$1,500	\$ 4,000 1,500	As Incurred	Monthly, upon (\$500 a month), beginning the second month after signing Franchise Agreement	Us
CR Software Fee for Three Months ⁽¹⁶⁾	\$345	\$1,350	As Incurred	Monthly (\$115 -\$450 a month), upon signing the Franchise Agreement	Approved Suppliers
DB Software Fee for Three Months ⁽¹⁶⁾	\$675	\$900	As Incurred	Monthly (\$225 -\$300 a month), upon signing the Franchise Agreement	Us
Rent, Security Deposit, Utility Deposit ⁽¹⁷⁾	\$ 9,500 5,000	\$ 30,500 15,000	As Incurred	As Incurred	Third Parties
Additional Funds – 3 Three Months ⁽¹⁸⁾	\$3,000	\$15,000	As Incurred	As Incurred	Landlord, Utility Companies
Construction Management Fee ⁽¹⁹⁾	\$ 13,500 0	\$13,500	As Incurred	As Incurred	Approved Suppliers
Leasehold Improvements ⁽²⁰⁾	\$ 25 20,000	\$ 100 80,000	As Incurred	As Incurred	Landlord, Contractors, Other Suppliers
Architect ⁽²¹⁾	\$ 2,500 1,000	\$ 7,540 12,000	As Incurred	As Incurred	Approved Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT	\$ 143,960 96,930	\$ 295,090 234,350			

Single Franchise – Kidcreate On the Go Business (Chart B)

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid ⁽¹⁾
	Low	High			
Initial Franchise Fee ⁽²⁾	\$45,000	\$45,000	Lump sum	Upon signing Franchise Agreement	Us
Launch Fee ⁽³⁾	\$5,000	\$5,000	Lump sum	Upon signing Franchise Agreement	Us

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid ⁽¹⁾
	Low	High			
Furniture, Fixtures, and Equipment ⁽⁴³⁾	\$500	\$1,500	As Incurred	As Incurred	Approved Suppliers
Initial Inventory and Supplies ⁽⁵⁴⁾	\$3,000 <u>2,500</u>	\$3,500 <u>000</u>	As Incurred	As Incurred	Us and Approved Suppliers
<u>Shipping for Unit Boxes⁽⁶⁵⁾</u>	\$160 <u>60</u>	\$300 <u>100</u>	As Incurred	As Incurred	Us
Insurance ⁽⁷⁶⁾	\$600	\$2,500	As Incurred	As Incurred	Insurance Providers
Business Licenses and Permits ⁽⁸⁷⁾	\$200 <u>50</u>	\$500 <u>300</u>	As Incurred	As Incurred	Third Parties
Professional Fees ⁽⁹⁸⁾	\$0 <u>1,000</u>	\$4,000 <u>2,500</u>	As Incurred	As Incurred	Attorney, Accountant
Signage ⁽⁴⁹⁹⁾	\$0	\$500	As Incurred	As Incurred	Approved Suppliers
Computers and Hardware ⁽⁴¹⁰⁾	\$500	\$1,500 <u>200</u>	As Incurred	As Incurred	Approved Suppliers
DB Software Implementation Fee ⁽⁴²¹¹⁾	\$1,500	\$1,500	Lump Sum	Upon signing Franchise Agreement	Us
CR Software Implementation Fee ⁽⁴²¹¹⁾	\$500	\$500	Lump Sum	Upon signing Franchise Agreement	Us
Grand Opening Promotion ⁽⁴³¹²⁾	\$0	\$2,500	As Incurred	As Incurred	Approved Suppliers
Uniforms ⁽⁴⁴¹³⁾	\$60	\$200	As Incurred	As Incurred	Approved Suppliers
Initial Training Expenses ⁽⁴⁵¹⁴⁾	\$1,000 <u>500</u>	\$23,000	As Incurred	As Incurred	Airline, Hotel, Restaurants, etc.
Technology Fees ⁽⁴⁶⁾ <u>for Three Months⁽¹⁵⁾</u>	\$1,500	\$3,000 <u>1,500</u>	As Incurred	Monthly, upon (\$500 a month), beginning the second month after signing Franchise Agreement	Us
<u>CR Software Fee For Three Months⁽¹⁵⁾</u>	<u>\$345</u>	<u>\$1,350</u>	<u>As Incurred</u>	<u>Monthly (\$115 -\$450 a month), upon signing the Franchise Agreement</u>	<u>Approved Suppliers</u>
<u>DB Software Fee for Three Months⁽¹⁶⁾</u>	<u>\$675</u>	<u>\$900</u>	<u>As Incurred</u>	<u>Monthly (\$225 -\$300 a month), upon signing the Franchise Agreement</u>	<u>Us</u>

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid ⁽¹⁾
	Low	High			
Rent, Security Deposit, Utility Deposit ⁽⁴⁷⁾ <u>for Office</u> ⁽¹⁶⁾	\$0	\$1,000	As Incurred	As Incurred	Landlord, Utility Companies
Additional Funds – 3 <u>Three</u> Months ⁽⁴⁸⁾⁽¹⁷⁾	\$ 53 ,000	\$ 206 ,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT	\$ 64,520 <u>58,290</u>	\$ 95,000 <u>73,050</u>			

Notes for Kidcreate Businesses (Kidcreate Studio Businesses and Kidcreate On the Go Businesses):

General— Notes

1. These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating ~~your~~ a single Kidcreate Studio Business (Chart A), single Kidcreate On the Go Business (Chart B), Standard 2 Franchise, and Standard 3 Franchise for Kidcreate Studio Business (Chart C) and Standard 2 Franchise and Standard 3 Franchise for Kidcreate On the Go Business (Chart D). We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange ~~for utility deposits and other payments with such third parties.~~ You should review these figures carefully with a business advisor before deciding to acquire ~~the Franchise. We do not offer financing directly or indirectly for any part of the initial investment~~ a Kidcreate Business. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness, and collateral and lending policies of financial institutions from which you request a loan. ~~If you will operate a Kidcreate Studio, you will initially begin operating your Kidcreate Business by offering On the Go services prior to the opening of the Studio Business by entering into agreements to provide off-premise services.~~ These figures are estimates only, and it is possible that you may have additional or greater expenses during this period.

Notes for Single Kidcreate Studio Businesses and Single Kidcreate On the Go Businesses

1. General. If you operate a Kidcreate Studio Business, you also operate a Kidcreate On the Go Business prior to the opening of the Kidcreate Studio Business.
2. Initial Franchise Fee. The Initial Franchise Fee is \$45,000 for the purchase of a single Kidcreate Studio Business. ~~If you purchase a Standard Franchise, the only additional initial cost that you will incur over the purchase of or~~ a single Franchise will be the increase in Initial Franchise Fee until you open the additional Kidcreate On the Go Business.
- ~~3. Launch Fee. The Launch Fee is \$13,500 for the first Kidcreate Studio Business that you purchase and \$5,000 for each additional Kidcreate Studio Business that you purchase. The Launch Fee is \$5,000 for the first Kidcreate On the Go Business that you purchase and \$5,000 for each additional Kidcreate On the Go Business that you purchase.~~

- 4.3. Furniture, Fixtures, and Equipment. The estimate in Chart A involves the furniture, fixtures, and equipment you will need to open a Kidcreate Studio Business. The estimate in Chart B involves the furniture, fixtures, and equipment you may need if you choose to obtain office space for the Kidcreate On the Go Business. These items include chairs, tables, casework, and other items. Some of these expenses will depend on the size of the ~~Kidcreate Studio~~ or ~~Kidcreate On the Go~~ office (as applicable), shipping distances, supplier chosen, and your credit history.
- 5.4. Initial Inventory and Supplies. You must have opening inventory and supply items on hand ~~whenbefore~~ you ~~begin the onsite training of open~~ your Kidcreate Business. You will purchase branded opening supplies and inventory from us. The remainder of the purchases will be made from approved suppliers and/or in accordance with our standards and specifications.
- 6.5. Unit Boxes. The low estimate provides for one Unit Box ~~plus~~ shipping costs and the high estimate provides for two Unit Boxes ~~plus~~ shipping costs.
- 7.6. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Kidcreate Business, your rates may be significantly higher than those estimated above.
- 8.7. Business Licenses and Permits. You must obtain all necessary permits and licenses required by applicable law before you begin operation of your Kidcreate Business.
- 9.8. Professional Fees. We strongly recommend that you hire a lawyer, accountant, or other professional to advise you on this Franchise offering. Rates for professionals can vary significantly based on area and experience.
- 10.9. Signage. The estimate is the cost of the interior and exterior sign packages you will need for your Kidcreate Studio Business, or for your Kidcreate On the Go Business if you choose to ~~operate from~~have an office ~~space~~. The estimate for our standard Studio exterior sign package includes one exterior sign. Your signage costs may vary if you choose to add additional signs or are required to do so per the terms of your lease.
- 11.10. Computers and Hardware. You must purchase approved computers and tablets, and certain other related items necessary to operate and manage a Kidcreate Studio Business ~~or a Kidcreate On the Go Business~~. You must purchase a minimum of one laptop computer that has the ability to access the internet and operate multiple cloud-based CRM programs and other operating systems to operate and manage a Kidcreate ~~On the Go~~ Business. The low range reflects your use of computers and tablets that you own prior to purchasing a Kidcreate Business.
- 12.11. Implementation Fees. You will pay us implementation fees for the set-up and launch of the DB Software and the CR Software. ~~You will pay third parties the then current license fee for the DB Software, which is currently \$150 to \$250 per month, depending on the size of your database. You will also pay third parties the then current license fee for the CR Software, which is currently \$115 to \$325 per month based on volume. The CR Software fee for the first 12 months of operations is currently \$115 per month. See Items 6 and 11 for additional information.~~
- 13.12. Grand Opening. You must spend at least \$51,000 on an approved grand opening advertising campaign for a Kidcreate Studio Business, ~~and we recommend spending between \$5,000 and \$10,000.~~ A grand opening advertising campaign is not required for a Kidcreate On the Go

Business, ~~but~~. We recommend ~~spending you spend~~ between \$5,000 and \$10,000 for a Kidscreate Studio Business and \$2,500 ~~for a Kidcreate On the Go Business~~.

~~14~~.13. Uniforms. You are required to have at least one clean apron per employee.

~~15~~.14. Initial Training Expenses. This estimates the costs and expenses you will incur in sending two individuals to our initial training program, such as airfare, hotel, and meals. We do not charge a fee for our initial training program or the initial on-site assistance. If you elect to send additional attendees to the initial training program or the initial on-site assistance, the current fee is \$200 per attendee per day, in addition to any travel-related expenses and costs for those additional individuals. These estimates do not include any salary or wages you may pay to any of your trainees for the time they spend ~~in~~ on training.

~~16~~.15. Technology Fee; CR Software Fee; DB Software Fee. You will begin paying the Technology Fee on the first day of the second month following your signing of the Franchise Agreement. This estimate includes three ~~to eight~~ months payment of the Technology Fee. You will also pay third parties the then current license fee for Kidereate Studio Businesses the CR Software, which is currently \$115 to \$425 per month based on volume and three the DB Software Fee, which is currently \$225 to six months payments \$300 per month, depending on the size of the Technology Fee your database. See Items 6 and 11 for Kidereate On The Go Businesses additional information.

~~17~~.16. Rent, Security Deposit, Utility Deposit. ~~This~~ The estimate in Chart A covers the first three months of rental payments, an initial security deposit, and a utility deposit. ~~for a Stuido~~. We estimate that a typical Kidcreate Studio Business will need between 1,000 and 1,500 square feet of space, and we estimate lease rates to range between \$2.25 and \$5.00 per square foot per month. While the typical Kidcreate On the Go Business will be operated as a home-based business, the high estimate in Chart B is based on optionally renting a small office ~~work space to work from~~ for sales, training, storage of supplies and inventory, recruiting and training of employees and meeting with vendors or suppliers in addition to other business-related activities with the exception of offering in person art lessons or parties. There are a variety of factors that can affect lease rates, the most prominent being location and market conditions. In addition, some leases are triple net leases which require the tenant to pay rent plus all taxes, insurance, and maintenance expenses, while other leases may charge a variable rent based on a percentage of your income, with no fixed minimum rental charge. This estimate does not account for triple net expenses or other amounts beyond the base rental rate. You should investigate lease rates in your own area.

~~18~~.17. Additional Funds - 3 Three Months. This estimate includes your initial startup expenses (other than the items identified separately in the above table) during the first three months of operation. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the Kidcreate Business. We have relied on the experience of our ~~affiliate~~ affiliates and officers to arrive at these estimates. Additional funds for the operation of the Kidcreate Business will be required after the first three months of operation if sales produced by the Kidcreate Business are not sufficient to produce positive cash flow.

Notes for Kidcreate Studio Businesses Only:

~~19~~.18. Construction Management Fee. You ~~are required~~ may opt to use our approved construction management supplier to manage the entire build out and construction of your Studio ~~and pay a construction management fee of \$13,500 paid directly to our supplier.~~. This fee is for the purposes of managing the entire build out, permitting and construction management of your Studio, including managing general contractors and sub-contractors.

~~20~~19. **Leasehold Improvements.** This estimate assumes that the landlord provides a contribution or tenant improvement allowance to help cover the costs of build out of the Studio. You may be able to negotiate with your landlord for a significant landlord contribution for these expenses. In a build-to-suit lease, the landlord typically includes some or all of the improvements and fixtures in your lease payments. The costs may go up if the landlord does not provide what we request in our standard work letter for a Studio or does not provide an adequate allowance to cover these improvements. The estimate for a Kidcreate Studio Business involves expenses associated with the design and build-out of the Studio, such as plumbing, electrical, and remodeling work, and are based on our experience with existing franchisees. These costs may significantly vary depending on the size, condition, and location of the leased premises, supply and demand for materials and labor in your local area, local building and fire code requirements, and requirements of the lease regarding such matters as construction, signage, and inflation. The costs vary with factors such as Studio size and type, configuration, remodeling needs, and location.

~~21~~20. **Architect.** This estimate is for standard four-page plan for your Studio. If your Studio requires additional pages, you may incur additional fees.

Standard 2 Franchise and Standard 3 Franchise– Kidcreate Studio Businesses (CHART C)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽¹⁾	Standard 2 - <u>Franchise-</u> \$80,000 Standard 3 - \$110,000	Standard 2 - <u>Franchise -</u> \$80,000 Standard 3 unit- \$110,000	Lump sum	Upon signing the initial Franchise Agreement	Us
Launch Fee⁽²⁾	Standard 2 - \$18,500 Standard 3 - \$23,500 <u>Franchise -</u> <u>\$110,000</u>	Standard 2 - \$18,500 Standard 3 - \$23,500 <u>Franchise-</u> <u>\$110,000</u>	Lump sum	Upon signing the initial Franchise Agreement and the applicable Kidcreate Studio Rider	Us
Initial Investment for the first Kidcreate Studio Business (without Initial Franchise Fee and Launch Fee) ⁽³⁾ <u>(2)</u>	\$85,460 <u>\$51,930</u>	\$236,590 <u>\$189,350</u>	See Chart A of this Item 7		

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
TOTAL ESTIMATED INITIAL INVESTMENT	Standard 2 - \$269,420 <u>183,860</u>	Standard 2 - \$571,680 <u>458,700</u>			
	Standard 3 - \$389,880 <u>265,790</u>	Standard 3 - \$843,270 <u>678,050</u>			

Standard 2 Franchise and Standard 3 Franchise– Kidcreate On the Go Businesses (CHART D)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽¹⁾	Standard 2 – \$80,000 Standard 3 – \$110,000	Standard 2 – \$80,000 Standard 3 unit – \$110,000	Lump sum	Upon signing the initial Franchise Agreement	Us
Launch Fee ⁽²⁾	Standard 2 – \$10,000 Standard 3 - \$110,000	Standard 2 – \$10,000 Standard 3 - \$110,000	Lump sum	Upon signing the initial Franchise Agreement and the applicable Kidcreate Studio Rider	Us
Initial Investment for the first Kidcreate Studio <u>On the Go</u> Business (without Initial Franchise Fee and Launch Fee) ⁽³⁾⁽²⁾	\$14,520 <u>\$13,290</u>	\$45,000 <u>\$28,050</u>		See Chart B of this Item 7	
TOTAL ESTIMATED INITIAL INVESTMENT	Standard 2 - \$119,040 <u>106,580</u>	Standard 2 - \$180,000 <u>136,100</u>			
	Standard 3 - \$168,560 <u>149,870</u>	Standard 3 - \$260,000 <u>194,150</u>			

Notes for ~~Kidcreate~~ Standard 2 Franchises:

~~These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your~~ Standard 3 Franchises:

~~Chart C (Standard 2 Franchise for Kidcreate Businesses. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid Standard 3 Franchise – All expenses payable to third parties are non-refundable,~~

~~except as you may arrange for utility deposits and other payments. Chart C (Kidcreate Studio Business) and Chart D (Standard 2 Franchise and Standard 3 Franchise - Kidcreate On the Go Business) describe the costs you will incur to open and operate additional Kidcreate Franchises/Businesses under a Standard Franchise package. You should review these figures carefully with a business advisor before deciding to acquire the Standard Franchise package for Kidcreate Businesses. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness, and collateral and lending policies of financial institutions from which you request a loan.~~

1. Initial Franchise Fee. The Initial Franchise Fee is described in greater detail in Item 5 of this Franchise Disclosure Document. The Initial Franchise Fee of \$80,000 is for the right to open and operate up to a total of two Kidcreate Businesses and the Initial Franchise Fee of \$110,000 is for the right to open and operate up to a total of three Kidcreate Businesses,~~the Initial Franchise Fee of \$150,000 is for the right to open and operate up to a total of five Kidcreate Studio Businesses, and the Initial Franchise Fee of \$225,000 is for the right to open and operate up to a total of ten Kidcreate Businesses.~~
2. ~~Launch Fee. The Launch Fee is \$13,500~~Initial Investment for the First Kidcreate Studio Business that you purchase and \$5,000 for each additional Kidcreate Studio Business that you purchase. ~~The Launch Fee is \$5,000 for each Kidcreate On the Go Business that you purchase.~~
- 3.2. ~~Initial Investment for the First Kidcreate Business.~~ The initial investment amounts include all fees and expenses listed in Chart A (Kidcreate Studio Business) and in Chart B (Kidcreate On the Go Business) less the Initial Franchise Fee ~~and Launch Fee.~~

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Standards and Specifications

You must operate your Kidcreate Business according to our System and specifications. This includes purchasing or leasing all products, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Kidcreate Business under our specifications, which may include purchasing these items from: (i) our designees, (ii) approved suppliers, and/or (iii) us or our affiliates. You must not deviate from these methods, standards, and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential franchise operations manual (“Franchise Operations Manual”) states our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Kidcreate Business, and approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Franchise Operations Manual or through other written communication (including electronic communication, such as email, or through a system-wide intranet). The Franchise Operations Manual contains mandatory and suggested standards, specifications, operating procedures, and rules (“System Standards”).

Designated and Approved Suppliers

You must purchase or lease approved brands, types, or models of products, services, supplies, operating assets, or other items only from suppliers we designate or approve. If we designate products and services to be purchased through approved and/or designated third-party suppliers, then you will purchase those products and services from the designated suppliers in compliance with the terms and in the manner approved by us or our affiliates. Our affiliates or we may be a designated or approved supplier or distributor, or otherwise be a party to these transactions. We may concentrate purchases with one or more manufacturers, distributors, or suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Kidcreate Businesses franchised or operated by us or our affiliates.

Approval of a product or supplier may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency and speed of delivery, past experience with our affiliates, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria, and may be temporary pending our continued evaluation of the supplier from time to time. All suppliers must meet the standards and specifications established by us. We will not issue to you or any of our approved suppliers our standards and specifications, except as we deem necessary for purposes of production.

If you would like to purchase or use any products, services, operating assets, or materials that we have not approved or from any unapproved supplier, you must submit to us a written request for approval of the proposed product and/or supplier prior to purchasing any such item. We reserve the right to charge you our then-current new product/supplier application fee and require you to reimburse us for our expenses (which will not exceed the reasonable cost of the research and inspection, and the actual cost of the test) to make the evaluation. We have the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to a third party we designate for testing. We shall notify you in writing of the approval or rejection of the proposed supplier within a reasonable time after completion of the investigation of the proposed supplier. If we fail to respond within 60 days, your request will be deemed denied. We may withhold approval of the supplier. We are likely to reject your request for a new supplier without conducting any investigation if the proposed supplier is for items bearing our Marks, or if we already have designated an exclusive supplier for the item proposed to be offered by the new supplier. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our criteria. We also reserve the right to charge suppliers a royalty for the right to manufacture products for use in Kidcreate Businesses.

You must purchase certain products and supplies that contain our Marks from us. These include employee shirts, youth shirts, adult aprons, and youth aprons. We are currently the only approved supplier of these items. You must purchase the implementation services from us. We are currently the only approved supplier of this item. We and our affiliates reserve the right to become a designated supplier of additional products, supplies, or materials in the future. You are required to use our approved construction management supplier to manage the entire build out and construction of your Studio and pay a construction management fee of \$13,500 paid directly to our supplier.

Except as provided above, neither we nor our affiliates are currently approved suppliers of any other approved products, services, or operating assets. Except as provided above, you are not required to purchase any products, services, supplies, operating assets, or other items from us, from our designated or approved suppliers, or under our specifications. We may require you to use designated suppliers for other products and services and require you to sell certain products in the future, or to designate an exclusive supplier for certain items in the future.

Insurance

In addition to the purchases or leases described above, you must also obtain and maintain, at your own expense and from carriers who maintain a Best's Financial Strength rating of "A-/VIII" or above, the minimum insurance coverage that we periodically require under the Franchise Operations Manual, including: comprehensive general liability insurance with minimum limits of \$1,000,000 per occurrence and at least \$2,000,000 aggregate; automobile liability including owned (if applicable), hired and non-owned vehicle coverage and property damage liability with at least \$1,000,000 combined single limit, and \$1,000,000 general aggregate limit; product liability insurance with limits of at least \$2,000,000 general aggregate including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; assault and battery; terrorism; and tenant's legal liability with limits of at least \$300,000 (for Kidcreate Studio Businesses); builders' risk during renovation and/or construction (for Kidcreate Studio Businesses); worker's compensation and employers liability insurance of \$500,000/\$500,000/\$500,000; abuse and molestation coverage of at least \$1,000,000 per occurrence; excess liability coverage of at least \$1,000,000; all risk coverage insurance on (i) all personal property covering the Kidcreate Business and contents thereof, including, without limitation, all supplies, inventory, fixtures, and equipment, containing a replacement value endorsement in an amount equal to the full replacement value thereof; and (ii) business interruption insurance for actual loss the Kidcreate Business sustains for 12 months, or not less than fifty percent (50%) of annual Net Sales; and other types of insurance, in the amounts, required by applicable law, rule, regulation, ordinance or licensing requirements or your lease, if applicable.

The insurance company must be authorized to do business in the state where your Kidcreate Business is located and must be approved by us. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Kidcreate Business's operation or activities of your personnel in the course of their employment. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated vendor. We or applicable law may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Each insurance policy must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us before the cancellation, expiration or material change of the policy. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates, and their successors and assigns. Prior to commencing any renovations or construction at the Kidcreate Studio Business, you will provide us with a certificate of insurance for the builder's risk insurance required. You must furnish us copies of your certificates of insurance or other evidence of your maintaining this insurance coverage and paying premiums at least 30 days prior to opening, as well as routinely as requested by us. You must immediately notify us in writing of any accidents, injury, occurrence or claim that might give rise to a liability or claim against us or which could materially affect your Kidcreate Business, and such notice must be provided no later than the date you notify your insurance carrier.

Purchase Agreements, Material Benefits, and Revenue

Other than purchase agreements we have for products and supplies that we sell to you, we have not negotiated any purchase arrangements with manufacturers and suppliers (including price terms) for the benefit of franchisees, but we may do so in the future. We may also establish purchasing programs with certain vendors for supplies, equipment, and other materials. As of the Issuance Date of this Franchise Disclosure Document, there are no purchasing or distribution cooperatives for Kidcreate Businesses.

We estimate that approximately 75% of purchases required to open your Kidcreate Studio Business and 50% of purchases required to operate your Kidcreate Studio Business will be from us or from other approved suppliers and under our specifications. We estimate that approximately 50% of purchases required to open your Kidcreate On the Go Business and 50% of purchases required to operate your Kidcreate On the Go Business will be from us or from other approved suppliers and under our specifications.

We may receive up to a twenty percent (20%) rebate on licensing fees for your DB Software. We and/or our affiliates may derive additional revenue based on your purchases and leases (including from charging you for products or services we or our affiliates provide to you and from payments made to us or our affiliates by suppliers that we designate or approve for some or all of our franchisees).

During the last fiscal year, ended December 31, ~~2022,2021~~ we derived \$~~6,959,289.15~~ in revenue from required purchases, supplier rebates, and franchisee leases, which is approximately 1.~~87~~% of our total revenues of \$~~386,079,533,740~~. We do not provide material benefits to franchisees for purchasing particular products or services or using designated or approved suppliers. During the last fiscal year, ended December 31, ~~2022,2021~~, our affiliate, LGM collected \$~~10,833,8,215.41~~ in revenues from sales or leases of products and services.

Our Chief Creative Officer and Founder, Lara Olson, owns an equity interest in LGM, which is an approved supplier. Except for ownership interests in us, no other officers of the franchisor own any interest in any approved supplier.

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.

Obligation	Section in Franchise Agreement and Multi-Franchise Addendum	Item in Disclosure Document
(a) Site selection and acquisition/lease	Section 2A <u>2.1</u> of the Franchise Agreement	Item 11
(b) Pre-opening purchases/leases	Sections 2A, 2B <u>2.1, 2.2, and 2C</u> <u>2.3</u> of the Franchise Agreement	Items 5, 7, 8, and 11
(c) Site development and other pre-opening requirements	Section 2 of the Franchise Agreement	Items 7, 8, and 11
(d) Initial and ongoing training	Section 4A <u>4.1</u> of the Franchise Agreement	Items 6, 7, and 11
(e) Opening	Section 2D <u>2.4</u> of the Franchise Agreement	Item 11

Obligation	Section in Franchise Agreement and Multi-Franchise Addendum	Item in Disclosure Document
(f) Fees	Sections 3, 4, 8, 9, 11, 12, 13A , 15B 13.1, 15.2, Attachment A and Attachment E of the Franchise Agreement, and Sections 1 and 2 of Multi-Franchise Addendum (Exhibit H-7)	Items 5, 6, and 7
(g) Compliance with standards and policies/Franchise Operations Manual	Sections 2, 4C , 4D 4.3, 4.4 and 8 of the Franchise Agreement	Items 8 and 11
(h) Trademarks and proprietary information	Sections 5 and 6 of the Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Sections 8B , 8C , 8D , 8H , 8I 8.1, 8.3, 8.4, 8.8, 8.9, and 8I 8.10 of the Franchise Agreement	Items 8, 11, 12, and 16
(j) Warranty and customer service requirements	Section 8E 8.5 of the Franchise Agreement	Item 8
(k) Territorial development and sales quotas	Sections 1D , 1E 1.4, 1.5 and Attachment B of the Franchise Agreement, and Sections 3 and 4 of Multi-Franchise Addendum (Exhibit H-7)	Item 12
(l) Ongoing product/service purchases	Sections 8B 8.2 and 8D 8.4 of the Franchise Agreement	Items 6 and 8
(m) Maintenance, appearance and remodeling requirements	Section 8A 8.1 of the Franchise Agreement	Items 6, 8, 11, and 17
(n) Insurance	Section 8G 8.7 of the Franchise Agreement	Items 7 and 8
(o) Advertising	Section 9 of the Franchise Agreement	Items 6, 7, 8, and 11
(p) Indemnification	Section 16D 16.4 of the Franchise Agreement	Item 6
(q) Owner's participation/ management/ staffing	Sections 1C 1.3 and 8F 8.6 of the Franchise Agreement	Items 11 and 15
(r) Records and reports	Section 10 of the Franchise Agreement	Item 6
(s) Inspections and audits	Section 11 of the Franchise Agreement	Items 6 and 11
(t) Transfer	Section 12 of the Franchise Agreement	Item 17
(u) Renewal	Section 13 of the Franchise Agreement	Item 17
(v) Post-termination obligations	Section 15 of the Franchise Agreement	Item 17
(w) Non-competition covenants	Sections 7, 15E 15.5 and 15F 15.6 of the Franchise Agreement	Item 17

Obligation	Section in Franchise Agreement and Multi-Franchise Addendum	Item in Disclosure Document
(x) Dispute resolution	Section 17E 17.5 of the Franchise Agreement	Item 17

ITEM 10 FINANCING

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

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

Except as listed below, KSF is not required to provide you with any assistance.

Pre-opening Obligations

Before you open your Kidcreate Business, we (or our designee(s)) will provide the following assistance and services to you:

1. Provide you with assistance, including site selection, site evaluation, lease review and construction project management for a Kidcreate Studio Business, as we have outlined in our Franchise Operations Manual (See Franchise Agreement – Section ~~2A~~2.1 and Kidcreate Rider).

2. Review your lease agreement for the Studio to ensure that its terms contain our required provisions and otherwise meet our minimum standards for a Kidcreate Studio Business (See Franchise Agreement – Section ~~2A~~2.1 and Kidcreate Rider).

3. Provide you with specifications for all initial and replacement furniture, fixtures, equipment, signs, inventory and supplies that conform to the standards and specifications described in the Franchise Operations Manual or otherwise in writing that are required to operate your Kidcreate ~~Studio~~ Business. (See Franchise Agreement – Sections 2.2 and 8.4).

4. ~~_____~~ We will also provide you with a schematic design review ~~for your Kidcreate Studio Business~~. You must submit final construction plans and specifications to us for our approval before you begin construction at the Studio and must construct the Kidcreate Studio Business in accordance with those approved plans and specifications (See Franchise Agreement – Sections ~~2B~~2.2 and ~~8D~~8.4).

~~45.~~ Advise you on necessary pre-opening procedures and assist you with inventory ordering of products, equipment and supplies through our affiliate or other suppliers, as applicable, which are necessary for commencement of operations, and provide implementation services for you in connection with the CR Software and the DB Software (See Franchise Agreement – Sections ~~2B~~2.2 and ~~3G~~3.7).

~~56.~~ Loan to you or make available to you on our website or extranet, one copy of the Franchise Operations Manual, which may include audio and video media, software, other electronic media, and/or written materials. The Franchise Operations Manual includes approximately 246 pages. The table of

contents for the Franchise Operations Manual is attached to this Franchise Disclosure Document as Exhibit C (See Franchise Agreement – Section ~~4C~~4.3).

~~6.7.~~ Provide you with a list of our approved items, services and suppliers, and consultation on required purchases as we deem necessary and appropriate (See Franchise Agreement – Sections ~~2B~~2.2 and ~~8D~~8.4).

~~7.8.~~ For ~~each~~your first Kidcreate ~~Business you open~~Business, provide an initial training program to you (or your operating owner, if applicable) and your Designated Manager, if applicable, at no cost provided all such persons attend initial training at the same time (See Franchise Agreement – Section ~~4A~~4.1).

~~8.9.~~ For each Kidcreate Studio Business you open, provide you with on-site assistance for up to ~~six days (up to four days before your grand opening and up to two days after your grand opening)~~, or virtually for Kidcreate On the Go Businesses (See Franchise Agreement – Section ~~4A~~4.1).

~~9.10.~~ Provide you with templates for certain promotional and advertising materials, and consultation in connection with the grand opening marketing for your Kidcreate Business (See Franchise Agreement – Section ~~9A~~9.1).

~~10.11.~~ Provide you with other pre-opening consultation as we deem necessary and appropriate during normal business hours (See Franchise Agreement – Sections ~~4A, 4B~~4.1, 4.2 and ~~4C~~4.3).

~~11. You will be responsible for general training of your employees and independent contractors. We will provide training to you (and/or your operating owner) on the System, System guidelines, and operational and brand standards. We will not provide general business training to your employees or independent contractors. Any training will be on the Kidcreate System and our brand standards. You will be responsible for hiring, training, directing, scheduling, and supervising your employees and independent contractors in the day-to-day operations of the Kidcreate Business (See Franchise Agreement – Sections 4A and 4E).~~

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing Kidcreate ~~Business~~Businesses or for your additional Kidcreate Businesses purchased under a Standard 2 Franchise or Standard 3 Franchise.

Site Selection – Kidcreate Studio Business

For Kidcreate Studio Businesses, we will provide you with our site selection criteria for you to use to select and acquire a site for your ~~Kidcreate~~-Studio ~~Business~~ which meets our site selection criteria. You may not lease or purchase a site for your ~~Kidcreate~~-Studio ~~Business~~ until after we have approved the site in writing. The factors we consider in approving sites for your Studio include location; size; suitability; layout; access and visibility of the proposed location; proximity to other businesses; location and nature of any competitors; population density and demographics; vehicle traffic; pedestrian traffic; existing tenant mix; parking convenience; and other factors that may be relevant to your market. The same site selection criteria will generally be applicable to all ~~System~~Kidcreate Studio Business franchisees. Most franchisees who

operate Kidcreate On the Go Businesses are home-based. We do not need to approve an office space location if you choose to obtain one for your Kidcreate On the Go Business. We generally do not own the premises and lease it to you.

There are no deadlines for our approval or disapproval of your proposed Studio site, although we will typically be able to respond within two weeks after you submit to us all of the required information. Once we have approved your location, the Franchise Agreement or applicable Kidcreate Rider will automatically be amended to show the specific location as the only location where you are authorized to operate the Kidcreate Studio Business. If you and we are not able to reach agreement on an approved site for your ~~Kidcreate Studio Business~~ within four months after you sign the Franchise Agreement or applicable Kidcreate Rider, then we have the option to terminate the Franchise Agreement without providing you a refund.

You must obtain our prior written approval of your Studio lease. Your Studio lease must meet our lease approval criteria, including certain mandatory lease provisions that we require for our protection. If you fail to enter into a lease for your Kidcreate Studio Business within six months after signing the Franchise Agreement, then we have the option to terminate the Franchise Agreement without providing you a refund.

Although we will consult with you on your site [for your Studio](#), assist you in finding an acceptable location, and require that your site [for your Studio](#) be subject to our final authorization, you have the ultimate responsibility in choosing, obtaining, and developing the site for your ~~Kidcreate Studio Business~~. You are responsible for conforming the premises to local ordinances and building codes, obtaining the required permits, and constructing, remodeling and decorating the premises. We will not provide assistance for any of these franchisee obligations.

Schedule for Opening

For both Kidcreate Studio Business and Kidcreate On the Go Business, we require you to begin operating your Kidcreate Business by offering ~~On the Go mobile~~ services within ~~four~~[two](#) months of signing the Franchise Agreement. For Kidcreate Studio ~~Business Franchises~~[Businesses](#), you must begin offering services from the ~~Approved Location for your~~ Studio within 12 months of signing the Franchise Agreement. The typical time between signing the Franchise Agreement (or applicable Kidcreate Rider) and opening a Kidcreate Business ~~is one to four months for opening by offering On the Go mobile services and a Studio is three to eight~~[is two](#) months. Factors that affect this length of time include securing any necessary financing; selecting the Studio site or an office location; negotiating the lease; obtaining necessary permits; completing leasehold improvements; delivery of equipment, inventory and supplies; completing our initial training program; and hiring and training an operating owner and other employees. If you fail to [provide mobile services through your Kidcreate Studio Business or](#) open your Kidcreate [On the Go](#) Business within ~~four~~[two](#) months after you sign the Franchise Agreement or applicable Kidcreate Rider or, if applicable, fail to open your Studio [for a Kidcreate Studio Business](#) within 12 months of signing the Franchise Agreement or Kidcreate Rider, [we may terminate your Franchise Agreement \(without providing you a refund\) or](#) you will be required to pay us an “Opening Extension Fee” of \$1,000 per month until you open or until the Franchise Agreement is terminated.

You may not open your Kidcreate Business until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) you have completed the initial training program to our satisfaction and have commenced the on-site assistance program; (3) all amounts due to us have been paid; (4) we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums that we request; (5) you notify us that all approvals and conditions set forth in the Franchise Agreement have been met; (6) you

have received all required permits and licenses; and (7) you have ordered, received and installed your equipment, supplies, inventory and computer system. You must be prepared to begin operating your Kidcreate Business after we state that your Kidcreate Business is ready for opening.

Continuing Obligations

During the operation of your Kidcreate Business, we (or our designee(s)) will provide the following assistance and services to you:

1. Advise you regarding the Kidcreate Business operation based on your reports and our inspections. We also will guide you on standards, specifications, and operating procedures and methods that Kidcreate Businesses use; customer service standards and policies; amounts and types of classes to be offered; required purchases and authorized operating assets and other items; and arranging for their distribution to you from us or the suppliers; advertising and marketing materials and programs; employee training; and administrative, bookkeeping, accounting, and inventory control procedures. We will guide you through the Franchise Operations Manual, in bulletins, or other written materials, through the use of electronic media, telephone conferences, and/or meetings at our offices or at your Studio or other designated location in your Territory (See Franchise Agreement – Sections ~~4B~~4.2 and 8).

2. Continue to loan to you or make available to you on our website or extranet, one copy of the Franchise Operations Manual (See Franchise Agreement – Section ~~4C~~4.3).

3. Issue and modify System Standards for Kidcreate Businesses. We may periodically modify System Standards, and those modifications may require you to invest additional capital in the Kidcreate Business and/or incur higher operating expenses (See Franchise Agreement – Section ~~8I~~8.9).

4. License to you for your use, confidential and proprietary information designed to assist you in the operation of the Kidcreate Business (See Franchise Agreement – Sections 5 and 6).

5. Allow you to continue to use confidential materials, including the Franchise Operations Manual and the Marks (See Franchise Agreement – Sections 5 and 6).

6. Maintain and administer one or more websites to advertise, market and promote Kidcreate Businesses and the products and services offered (each a “System Website”) (See Franchise Agreement – Section ~~9E~~9.5).

7. Review requests for approval of additional items, services and/or suppliers, and notify you of our decision (See Franchise Agreement – Section ~~8D~~8.4).

8. Review samples of all marketing materials and other materials bearing our Marks you submit to us for approval and notify you of our decision (See Franchise Agreement – Section ~~9B~~9.2).

9. Provide you with additional training at our corporate headquarters or a corporate location, if we determine that you require additional training, or if you request additional training. ~~We provide up to two days of on-site assistance at your Studio or another designated location in your Territory approximately six months following your grand opening. We may require you to undergo additional training if we determine that you are not operating your Kidcreate Business in accordance with our standards and specifications. If we provide any additional training or assistance at a location other than our corporate headquarters, you will be charged our standard rate in effect at the time. We currently charge a fee of \$200 per attendee per day, payable in advance or as otherwise~~ We provide up to two days of on-site assistance at your Studio at a time designated by us as part of our training. (See Franchise Agreement – Section 4.1)

~~agreed. You will also pay the cost of travel, meals, and accommodations for our representatives if we provide on-site training or assistance. You will pay the cost of travel, meals, and accommodations for you or your representatives associated with any additional training or assistance that is conducted at our corporate headquarters (See Franchise Agreement – Section 4A).~~

Optional Assistance

During the term of the Franchise Agreement, we (or our designee(s)) may, but are not required to, provide the following assistance and services to you:

1. Modify, update, or change the System, including the adoption and use of new or modified trade names, trademarks, service marks, or copyrighted materials, new products, new equipment, or new techniques.
2. Make periodic visits to the Kidcreate Studio Business for the purpose of assisting in all aspects of the operation and management of the Kidcreate Business, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Kidcreate Studio Franchise, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges.
3. Maintain and administer a Brand Fund. We may dissolve the Brand Fund upon written notice.
4. Hold periodic national or regional conferences to discuss business and operational issues affecting Kidcreate Studio franchisees.
5. Provide you with a newsletter that we may periodically publish in print or electronic format, at our sole discretion.

Advertising

Brand Fund

We ~~reserve the right to create~~established the Brand Fund for marketing, developing and promoting the System, the Marks and Kidcreate Businesses. ~~If established,~~ You must pay one percent (1%) of your Gross Sales for the Brand Fund (“Brand Fund Contribution”). Your contribution to the Brand Fund will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the Brand Fund, but certain franchisees may contribute on a different basis, depending on when they signed their Franchise Agreement. Franchisor-owned outlets may, but are not required to, contribute to the Brand Fund on the same basis as franchisees. Kidcreate Studio Businesses and Kidcreate On the Go Businesses will contribute to the same Brand Fund.

The Brand Fund will be administered by us, or our affiliate or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The Brand Fund will be in a separate bank account, commercial account or savings account.

We have complete discretion on how the Brand Fund will be utilized. We may use the Brand Fund for local, regional, or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, website development and search engine optimization, the development of technology for the System, and any other purpose to promote the Kidcreate brand. We may reimburse ourselves, our authorized representatives, or our affiliates from the Brand Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes, and all other

direct or indirect expenses associated with the programs funded by the Brand Fund. We do not guarantee that advertising expenditures from the Brand Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the Brand Fund Contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement indicating “Franchises Available,” or similar phrasing, or include information regarding acquiring a Franchise on or as a part of materials and items produced by or for the Brand Fund.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct, or administer the Brand Fund. Any unused funds in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable.

The Brand Fund is not audited. We will provide an annual unaudited accounting for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year upon written request. We did not collect any Brand Fund Contributions during our last fiscal year, ended December 31, ~~2022~~2021.

Local Advertising

In addition to any Brand Fund Contributions, each Kidcreate Business you operate must spend \$500 per month per Kidcreate Business to advertise and promote your Kidcreate Business (including the costs of online advertising) (“Local Advertising Requirement”). If you fail to spend the Local Advertising Requirement, you will be required to pay the difference to us or the Brand Fund. You agree, at your sole cost and expense, to issue and offer such rebates, giveaways and other promotions in accordance with advertising programs established by us, and further agree to honor the rebates, giveaways and other promotions issued by other Kidcreate franchisees under any such program, so long as such compliance does not contravene any applicable law, rule or regulation. You will not create or issue any gift cards/certificates, and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all Kidcreate Businesses, and you will not issue coupons or discounts of any type except as approved by us.

Advertising Cooperatives

You may be required to participate in any established local or regional advertising cooperative for Kidcreate Franchises ~~that is established~~. The area of each local and regional advertising cooperative will be defined by us, based on our assessment of the area. Franchisees in each cooperative will contribute an amount to the cooperative of 0.5% to 1% of Gross Sales as determined by its members for each Kidcreate Business that the franchisee owns that exists within the cooperative’s area. Your contributions to a local and regional advertising cooperative will be credited to your Local Advertising Requirement. Each Kidcreate Business we own that exists within the cooperative’s area will contribute to the cooperative on the same basis as franchisees. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member. We may require that each cooperative that exceeds five franchisee members must operate with governing documents. Each cooperative must prepare annual unaudited financial statements, and the statements will be provided for review to each member of such cooperative. We reserve the right to form, change, dissolve, or merge any advertising cooperative formed in the future. If we elect to form any cooperatives, or if any cooperative(s) already exist near your Territory, you will be required to participate in compliance with the provisions of the Franchise Operations Manual, which we may periodically modify in our discretion.

Grand Opening Marketing

You must execute an opening marketing and advertising program (“Grand Opening Marketing Program”) for your Kidcreate Studio Business in which you must spend at least \$~~5~~1,000 during the time period beginning approximately one week before your Kidcreate Studio Business is scheduled to open and within approximately four weeks after the opening. The Grand Opening Marketing Program must be approved by us and comply with our standards and specifications, as set forth in the Franchise Operations Manual. You are not required to conduct a Grand Opening Marketing Program for a Kidcreate On the Go Business.

Marketing Resources, Pre-Approvals for Marketing Materials, and Internet Marketing

You must order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks, and other name identification materials must follow our approved standards. You may not use our logos, Marks, and other name identification materials on items to be sold or services to be provided without our prior written approval. If we approve of promotional items or services that will be sold in or through your Kidcreate Business, those items or services must be in your Gross Sales, and will be subject to Royalties, Local Advertising Requirement, and the Brand Fund Contributions. If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to us or the Brand Fund.

Website/Online

We have established a System Website for Kidcreate Businesses. Other than the System Website and certain other activities that we approve from time to time in our sole discretion, you may not conduct activity associated with your Kidcreate Business over the Internet.

We may allow you to promote your business via alternate online strategies consistent with our online policy as contained in our Franchise Operations Manual. We have the right to review and remove all online content on social media sites, blogs, in electronic communications, and on other online sites on which our trademarks are used, to protect the reputation and high quality associated with our trademarks and to maintain consistency within the System. We may remove or require you to remove any questionable usage or content involving our Marks. We may also require you to cease using our Marks at all such sites or discontinue all use of such sites.

If you wish to advertise online, you must follow our online policy, which is contained in our Franchise Operations Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page.

As long as we maintain a System Website, we will have the right to use the Brand Fund’s assets to develop, maintain, and update the System Website. We may update and modify the System Website from time to time. You must promptly notify us whenever any information on your listing changes or is not

accurate. We have final approval rights of all information on the System Website. We may implement and periodically modify System Standards relating to the System Website.

We are only required to reference your Kidcreate Business on the System Website while you are in full compliance with your Franchise Agreement and all System Standards. You may not, without our prior written approval, develop, maintain, or authorize any website that mentions or describes you, your Kidcreate Business, or displays any of the Marks. If we approve your use of a website, including social media websites, we will reserve the right to require you to obtain our written approval of its initial content and as it is updated or modified from time to time. If we develop a template or other standardized format and/or content for franchisee websites, you must agree to use our mediums. You may not sell products or services not approved by us in the Franchise Operations Manual on your Kidcreate Business website without our prior written approval (See Franchise Agreement – Section [9E9.5](#)).

Even if we provide you a webpage on our System Website, we will only maintain such webpage while you are in full compliance with the Franchise Agreement and all System Standards we implement (including those relating to the System Website). If you are in default of any obligation under the Franchise Agreement or our System Standards, then we may temporarily remove your webpage from the System Website until you fully cure the default. We will permanently remove your webpage from the System Website upon the Franchise Agreement’s expiration or termination.

All advertising, marketing, and promotional materials that you develop for your Kidcreate Business must contain notices of the System Website’s domain name in the manner we designate. Only we have the right to sell products sold by Kidcreate Businesses on the Internet through the System Website. You agree that you will not sell any Kidcreate products or services to customers on a Website through the Internet or through any alternative channels of distribution, except through sales methods designated by us.

Advisory Council

We reserve the right, at any time, to form one or more advisory councils to assist us in improving products and services, the System, and improving marketing and promotion of Kidcreate Businesses. If formed, the Advisory Council will be governed by bylaws. The council will include our representatives and franchisee representatives. Franchisee representatives may be selected by us or may be elected by other franchisees in the System. If you participate in any advisory council, you will pay all expenses you incur related to your participation, such as travel, lodging, and meal expenses related to attending council meetings.

There currently are no advisory councils in existence. If formed, the advisory council will serve in an advisory capacity only. We reserve the right to form, change, or dissolve any advisory council at any time.

Computer System

You will be required to purchase a computer system (“Computer System”) for your Kidcreate Business. If you operate a Kidcreate Studio Business, you are required to purchase a Computer System that consists of the following hardware and software: (a) one laptop computer; two iPads; one printer; one wireless hotspot; and (b) Microsoft Office Suite 2016 or later; QuickBooks Financial Management Software; CR Software; and DB Software. We estimate the cost of purchasing the Computer System and implementation fees for a Kidcreate Studio Business will be between ~~\$3,000~~[700](#) and ~~\$5~~[2,000](#).

If you operate a Kidcreate On The Go Business, you are required to purchase [\(if you do not currently own\)](#) a Computer System that consists of the following hardware and software: (a) one laptop computer; and (b) Microsoft Office Suite 2016 or later; QuickBooks Financial Management Software; CR

Software and DB Software. We estimate the cost of purchasing the Computer System and implementation fees for a Kidcreate ~~Studio~~ On the Go Business will be between ~~\$2,500~~ (if you already own the Computer System) and ~~\$3,500~~ 1,200.

You will pay us the then-current technology fee (currently \$500 per month for the first Kidcreate Business and the discounted rate of \$300 per month for each additional Kidcreate Business), which includes your use of our online systems; website; applications; email; data sharing; integration and maintenance of DB Software; learning management software; search engine optimization for lead generation; and other Internet-related functions (“Technology Fee”). You will be responsible for implementation fees charged for the set-up of the DB Software (\$1,500) and the CR Software: ~~(\$500)~~. You will be responsible for the monthly fees to license the CR Software. Currently, those fees range from \$115 to ~~\$325~~ \$450 per month. ~~In the first 12 months of your operations, the monthly CR Software fee will be \$115.~~ The monthly CR Software Fee will be reevaluated each successive 12 months based on volume. You will also be responsible for monthly fees to license the DB Software ranging from \$225 to \$300 per month. The Computer System will manage the daily workflow of the Kidcreate Business; coordinate the customer scheduling experience; and enable you to collect information about students and their parents, prices, sales, and other information.

You must record all Gross Sales on the Computer System. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. The Computer System will generate reports on the Gross Sales of your Kidcreate Business. The Computer System we designate will give us and our affiliates’ independent, unlimited access to all information relating to the Kidcreate Business generated by the Computer System, including, but not limited to, customer, price maintenance, and payroll information. At our request, you agree to sign a release with any vendor of your Computer System providing us with unlimited access to your data. In addition to the Computer System, you will also be required to provide us with access to the CR Software, DB Software, and Studio cameras (for Kidcreate Studio Businesses) used in your Kidcreate Business. You must also maintain a high-speed Internet connection at the Studio. In addition to offering and accepting Kidcreate gift cards and loyalty cards, you must use any payment vendors and accept all payment methods that we require.

We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System. You must arrange for installation, maintenance, and support of the Computer System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance, repairs, or upgrades relating to the Computer System. The cost of maintaining, updating or upgrading the Computer System or its components will depend on your repair history, local costs of computer maintenance services in your area, and technological advances. We estimate the annual costs to range between \$100 and \$1,000 but this could vary (as discussed above). We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

Training

Initial Training

For ~~each~~ your first Kidcreate Business ~~you open~~, we provide an initial training program that consists of a combination of self-study, classroom training, and on-the-job training that lasts approximately ~~100~~ 82 hours, and is conducted over a period of approximately five to ten days (“Initial Training Program”). The Initial Training Program is offered on an as-needed basis. The Initial Training Program is conducted at

either our designated training facility in Minneapolis, Minnesota ~~or virtually.~~, [your Studio or virtually.](#) [For additional Kidcreate Businesses, we may provide you some additional virtual training.](#)

Before you begin operating your Kidcreate Business, you (or your operating owner if you are an entity) and your Designated Manager if you have one, must attend and successfully complete to our satisfaction our Initial Training Program and the On-Site Training Program (or virtual training for Kidcreate On the Go Businesses) ~~as~~ [described below](#). If you (or your operating owner if you are an entity) or your Designated Manager, if you have one, fail(s) to successfully complete the Initial Training Program or On-Site Training Program (or virtual training for Kidcreate On the Go Businesses) to our satisfaction, we may require the failing attendee to attend additional training programs that we designate, at your sole expense, or we may require you to appoint a new operating owner and to send that individual to the next available Initial Training Program, at your sole expense. If the Initial Training Program is not completed to our satisfaction after two attempts, we may terminate the Franchise Agreement.

There is no tuition or fee for the Initial Training Program for up to two attendees, so long as such persons attend training at the same time. There is no tuition or fee for the On-Site Training Program. If you desire to have additional people attend the Initial Training Program or On-Site Training Program, you will be charged our then-current fee (currently \$200 per day per additional person). We do not pay any travel expenses, lodging, meals (with the exception of lunch each day), ground transportation, or other personal expenses for any person attending the Initial Training Program or On-Site Training Program.

We plan to provide the training listed in the table below. We reserve the right to vary the length and content of the Initial Training Program based upon the experience and skill level of the individual attending the Initial Training Program.

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
History / Philosophy of Kidcreate Studio	0	1	Your Studio or virtually for Kidcreate On the Go Business
Setting up Your Business	0	2	Your Studio or virtually for Kidcreate On the Go Business
Becoming an Art Educator	0	5	Your Studio or virtually for Kidcreate On the Go Business
Educational Principles	0	15	Your Studio or virtually for Kidcreate On the Go Business
Market Research	0	15	Your Studio or virtually
Marketing, Part I	0	2	Your Studio or virtually
Site Selection/Real Estate for a Studio	1	0	Minneapolis, Minnesota (N/A for On the Go)
Construction for a Studio	2	0	Minneapolis, Minnesota (N/A for On the Go)
Architectural Design for a Studio	1	0	Minneapolis, Minnesota (N/A for On the Go)
Branding	1	0	Minneapolis, Minnesota and/or virtually
Goal Setting	2	0	Minneapolis, Minnesota and/or virtually

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Curriculum	5	0	Minneapolis, Minnesota and/or virtually
Class Structure	5	0	Minneapolis, Minnesota and/or virtually
Art Techniques	3	0	Minneapolis, Minnesota and/or virtually
Accounting	2	0	Minneapolis, Minnesota and/or virtually
Technology	5	0	Minneapolis, Minnesota and/or virtually
Customer Service	1	0	Minneapolis, Minnesota and/or virtually
Employees/Staffing	5	0	Minneapolis, Minnesota and/or virtually
Marketing, Part II	5	0	Minneapolis, Minnesota and/or virtually
Grand Opening	0	8	Your Studio or virtually
TOTAL (Kidcreate Studio Business)	38	73	
TOTAL (Kidcreate On the Go Business)	34	48	

Notes:

1. We will use the Franchise Operations Manual as the primary instruction materials during the initial training.

~~2. Katie Consamus, our Director of Curriculum, currently oversees our curriculum training program to which she brings several years' experience in multiple roles in management, instruction, and creation with us or an affiliated entity. Aleks Holly started her career with Kidcreate Studio in 2014. She held multiple roles in both our corporate studios while working her way to the Manager at our Eden Prairie studio and Trainer for new employees. Missy Meester took a Lead Teacher position in one of our corporate studios. Her and Manager for our affiliate operated Kidscreate Business and Trainer for our affiliates employees and for our franchisees. She also has a background in studying Art and Psychology was beneficial in making a career out of Kidcreate. Missy is now our Manager of our Woodbury Studio and Trainer for new employees and franchisees.~~

3. Other instructors will include experienced Kidcreate Studio Business managers and/or assistant managers, with at least one year of experience. Our current instructors have an average of ~~six~~seven years' experience.

Supplemental On-Site Training

If you operate a Kidcreate Studio Business, we provide launch assistance when you are ready to begin offering services from your Studio location. [for your first Kidcreate Studio Business](#). We will provide additional on-site assistance during the opening of your Studio. The on-site training program (“[On-Site Training Program](#)”) consists of up to four days before your Studio’s grand opening, plus up to two additional days approximately six months after your Studio’s grand opening. The On-Site Training Program is conducted at your Kidcreate Studio Business. There is no tuition or fee for the On-Site Training Program. If you desire to have additional people attend either the Initial Training Program or On-Site Training Program, you will be charged our then-current fee (currently \$200 per day per additional person). We do not pay any travel expenses, lodging, meals (with the exception of lunch each day), ground transportation, or other personal expenses for any person attending the Initial Training Program or On-Site Training Program.

Ongoing Training

If you request, or if we determine that it is appropriate or necessary, in our sole discretion, whether as a result of observation or otherwise during the operation of your Kidcreate Business, we can require that you (or, if you are not an individual, then a managing member, partner, or officer of you designated by you to participate personally in the Kidcreate Business) and/or any of your managers, attend and successfully complete additional training, including online computer training designated by us. You will be charged our then-current costs (currently \$200 per person per day) for any additional training or assistance. You will be responsible for all of the travel and living expenses that we incur if we send a representative to provide on-site training or assistance. You will be responsible for your travel expenses and living expenses, and those of your representatives, if such additional training or assistance is not provided on site at your Kidcreate Business. [You and your operating owner, if applicable, must attend mandatory conferences at locations that we designate, and you must pay any conference fees and travel expenses. You will pay all required Conference Fees.](#)

[You will be responsible for general training of your employees and independent contractors. You will also be responsible for hiring, directing, scheduling, and supervising your employees and independent contractors in the day-to-day operations of the Kidcreate Business \(See Franchise Agreement – Sections 4.1 and 4.5\).](#)

~~You and your operating owner, if applicable, must attend mandatory conferences at locations that we designate, and you must pay any conference fees and travel expenses.~~

TERRITORY

You will not receive ~~an~~ exclusive territory. You may face competition from other Kidcreate Businesses located outside the Territory or from other channels of distribution or competitive brands that we control.

When you sign the Franchise Agreement or Kidcreate Rider, we will grant you a ~~protected~~ territory based on the geographic area and population density within that territory and other relevant demographic characteristics. ~~(“Territory”). During the term of your Franchise Agreement, except as provided below, we will not establish or operate, or franchise any entity to establish or operate, a business using the Marks and System at any location within the Territory.~~ The scope of the area will likely differ among franchisees. The Territory will contain generally contain approximately 50,000 children aged 0 to 14. The boundaries of your Territory may be described in terms of contiguous zip codes, street boundaries, and county boundaries or depicted on a map that is attached to your Franchise Agreement or Kidcreate Rider. Once we establish your Territory, we will not change or modify it without your consent. You may only advertise,

solicit, offer or provide services to customers of your Kidcreate Business within your Territory. Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered at Kidcreate Businesses, but we reserve the right to do so in the future. You must operate the Kidcreate Studio Business in the Territory. You may not relocate your Kidcreate Studio Business without our approval. Our approval will be based on our then-current standards for demographics and location requirements such as traffic, suitability, competition as well as those for build-out, design, floorplan and décor. During the term of your Franchise Agreement, except as provided below, we will not establish or operate, or franchise any entity to establish or operate, a business using the Marks and System at any location within the Territory.

You may not solicit, offer or provide services to customers outside your Territory, including by any alternative channel including the Internet, wholesale, catalog sales, telemarketing, or other direct marketing of distribution. We may allow you to promote your Kidcreate Business to customers in your Territory via alternate online strategies consistent with our online policy as contained in our Franchise Operations Manual. You may offer and sell approved products and services only in the manner we have prescribed and via methods and channels we permit.

Your rights in the Territory and the continuation of your Franchise do not depend on your achieving a certain sales volume, market penetration, or other contingency, and there are no other circumstances that permit us to modify your rights in the Territory during the term of the Franchise Agreement.

We and our affiliates retain all territory rights not expressly granted to you. These rights include:

- (1) the right to establish and operate, and allow others to establish and operate, other Kidcreate Businesses and other children's art studio businesses using the Marks and the System, holding classes at any location outside the Territory of your Kidcreate Businesses and on such terms and conditions we deem appropriate;
- (2) the right to establish and operate businesses similar to your Kidcreate Business anywhere under other trade names, trademarks, service marks and commercial symbols different from the Marks;
- (3) the right to use the Marks and the System to sell any products or services the same as or similar to those that you will sell through any alternative channels of distribution within or outside of the Territory including retail locations and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet;
- (4) the right to develop or acquire, or be acquired by (whether through acquisition of assets, ownership interests, or otherwise, regardless of the form of transaction), one or more additional concepts or businesses: (i) providing products and services similar to those provided at Kidcreate Businesses; and/or (ii) creating or maintaining franchises, licenses, or similar arrangements with respect to these businesses, wherever these businesses (or the franchise owners or licensees of these businesses) are located or operating (including in the Territory of any of your Kidcreate Businesses);
- (5) the right to offer products and services offered by Kidcreate Businesses under the Marks or any other trade names, trademarks, service marks, or commercial symbols that are the same as or different from Kidcreate Businesses, at any special event, conference, exhibition, or temporary venue (including in the Territory of any of your Kidcreate Businesses);

- (6) the right to advertise, solicit, accept orders and offer and sell products and services to customers located outside the Territory of your Kidcreate Businesses, including via the System Website, and the right to allow other Kidcreate Businesses to do the same; and
- (7) the right to engage in all other activities not expressly prohibited by the Franchise Agreement.

We are not required to pay you if we exercise any of the rights specified above inside or outside your Territory including for our soliciting or accepting orders. We do not pay compensation for soliciting or accepting orders inside your Territory.

You do not receive the right to acquire additional Kidcreate Businesses unless you have purchased a Standard Franchise package. If you wish to purchase an additional Kidcreate Franchise and have not purchased a Standard Franchise, you must apply for each additional Kidcreate Franchise. We consider a variety of factors when determining whether to grant additional Kidcreate Franchises. Among the factors we consider, in addition to the then-current requirements for new Kidcreate franchisees, are whether or not the franchisee is in compliance with the requirements under their current franchise agreement. You are not given a right of first refusal on the sale of existing Kidcreate Businesses.

If you purchase a Standard [2 Franchise](#) or a Standard [3 Franchise](#), you are not subject to a specific time period or development schedule regarding the opening of each of your Kidcreate Businesses. You are not granted any territorial rights or other rights except those granted under the Franchise [Agreements Agreement and the Kidcreate Rider](#) for each additional [franchise Kidcreate Business](#). 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.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the non-exclusive right and license to use the System, which includes the use of the [MarkMarks](#). The [Mark is Marks are](#) owned by our parent, LSO. LSO has granted us an exclusive license (“[Trademark License](#)”) to use the [MarkMarks](#) to franchise the System around the world. The Trademark License extends for 10 years, commencing May 1, 2016, but it will automatically renew for subsequent 10-year periods provided we are not in default. If the Trademark License is terminated, LSO has agreed to license the [MarkMarks](#) directly to our franchisees until each franchise agreement expires or is otherwise terminated.

LSO has registrations with the United States Patent and Trademark Office (“[USPTO](#)”) for the following [MarkMarks](#):

Registered Mark	Registration Number	Registration Date	Register
KIDCREATE	3,296,167	September 25, 2007	Registered Principal Register
	6,735,605	May 4, 2022	Registered Principal Register

~~LSO has applied to register the following trademark with the USPTO:~~

Mark	Serial No.	Filing Date	Status
	90,683,874	April 30, 2021	Pending on the Principal Register

~~LSO does not have a federal registration for our principal trademark listed above. Therefore, the trademark does not have as many legal benefits and rights as a federally registered trademark. If the right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.~~ All applicable affidavits and renewals have been filed with respect to the [MarkMarks](#) listed above. Except for the Trademark License agreement, no agreement significantly limits our right to use or license the Mark in a manner material to your Franchise.

You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in connection with your Kidcreate Business that you are an independently owned and operated licensed franchisee of Kidcreate Studio Franchising, LLC. You may not use the Marks in the sale of unauthorized products or services, or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale or other disposition of the Kidcreate Business, or any interest in the Franchise. All rights and goodwill from the use of the Marks accrue to us.

We may establish new marks in the future, and you must use and display these marks in accordance with specifications and bear all costs associated with changes to Mark or introduction of new marks. There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, or any pending material litigation involving the Mark. We know of no superior prior rights or infringing uses that could materially affect your use of the Mark in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and you may not communicate with any person other than us and our affiliates' attorneys regarding any infringement, challenge or claim. We and/or LSO may take the action we deem appropriate and control exclusively any litigation, USPTO proceeding, or other administrative proceeding from the infringement, challenge, or claim, or otherwise concerning any Mark. You must sign the documents and take the actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in the Mark. We will reimburse you for your reasonable costs of taking any action that we have asked you to take.

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We do not have to reimburse you for your costs, loss of revenue, or other expenses of promoting a modified and/or substitute trademark or service mark.

You must not contest, or assist any other person in contesting, the validity of our and LSO's ownership of the Mark. Your use of the Mark and any goodwill established by that use are exclusively for our and LSO's benefit.

Under the Franchise Agreement, we will indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding in which your use of any Mark in compliance with the Franchise Agreement is held to constitute trademark infringement, and for all reasonable costs you incur in the defense of any claim brought against you or in any proceeding in which you are named as a party, only if you have timely notified us of the claim or proceeding and comply with our directions in responding to the proceeding. At our option, we and/or LSO may defend and control the defense of any proceeding arising from your use of any Mark under the Franchise Agreement.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not have any patents or pending patent applications that are material to the Franchise. We and/or our affiliates claim copyrights in the Franchise Operations Manual (which contains our proprietary teaching methods), handbooks, the System Website, advertising and marketing materials, all or part of the Marks, and other portions of the System and other similar materials used in operating Kidcreate Businesses. We have not registered these copyrights with the United States Registrar of Copyrights but need not do so at this time to protect them. You may use these items only as we specify while operating your Kidcreate Business (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the United States Copyright Office (Library of Congress) or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the Confidential Information (defined below) or copyrighted materials. We know of no infringing uses of our copyrights which could materially affect your using the copyrighted materials in any state. We need not protect or defend our copyrights, although we intend to do so if we determine that it is in the System's best interests. We may control any action involving the copyrights, even if you voluntarily bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving a copyright.

Our Franchise Operations Manual and other materials contain our and our affiliates' confidential information (some of which constitutes trade secrets under applicable law) ("Confidential Information"). This information includes standards, specifications, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating Kidcreate Businesses; training and operations materials; methods, formats, knowledge, and specifications regarding suppliers of operating assets and other products and supplies; the System Standards; marketing and advertising programs and strategies for Kidcreate Businesses; any computer software or similar technology that is proprietary to us or the System; strategic plans; expansion goals; targeted demographics; and knowledge of the operating results and financial performance of Kidcreate Businesses other than your Kidcreate Business.

All ideas, concepts, techniques, or materials concerning a Kidcreate Business, whether or not protectable intellectual property, and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you assign ownership of that item and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

We own the current and future lists of your Kidcreate Business's customers, including all information on students and their parents, such as addresses, telephone numbers, class records, child's date of birth, and other data. At our request, you must send us the customer information we shall request, in the manner and form we designate. You acknowledge and agree that all such customer information comprises

part of the Confidential Information, and that we may use such customer information in any way we determine, and irrespective of any transfer, termination, expiration, repurchase, or otherwise.

You may not use our Confidential Information in an unauthorized manner. You must adopt and implement procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to personnel of your Kidcreate Business and certain other people, and using non-disclosure and non-competition agreements with those having access to Confidential Information in a form determined by us (our current form is attached in Exhibit H to this Franchise Disclosure Document). We may regulate the form of agreement that you use, and we will be a third-party beneficiary of that agreement with independent enforcement rights.

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

You must identify one of your owners who is a natural person with at least 51% ownership interest and voting power in you and who will have the authority of a chief executive officer (“Operating Owner”). You (or your Operating Owner) are responsible for the day-to-day management, direction, and control of your Kidcreate Business, subject to the terms and conditions of the Franchise Agreement. Under certain circumstances, we may allow you to appoint a designated manager (“Designated Manager”) to supervise the day-to-day operations of the Kidcreate Business. The Designated Manager must successfully complete our Initial Training Program. The Designated Manager need not have an ownership interest in the franchisee entity. If, at any time during the term of the Franchise Agreement, you replace your Operating Owner and/or Designated Manager, that replacement must attend and successfully complete the first available Initial Training Program. You will be charged a training fee for each and every replacement Operating Owner and/or Designated Manager and will be responsible for all costs for airfare, ground transportation, lodging, meals and expenses. You (or your Operating Owner) or your Designated Manager (if any) must continuously exert your (or his or her) best efforts to promote and enhance your Kidcreate Business. Your Kidcreate Business must always be under your (or your Operating Owner’s) or your Designated Manager’s (if any) direct, full-time supervision. You agree to require any other employee who has access to our Confidential Information to sign the confidentiality and non-competition agreements attached to the Franchise Disclosure Document in Exhibit H.

In the event that your Operating Owner ceases to own at least a 51% ownership interest in you, you must recruit a new Operating Owner within 30 days of the change in ownership and submit the identity of the new Operating Owner to us for our review and approval, and comply with any applicable transfer requirements. If you appoint a new Operating Owner after you begin operating your Kidcreate Business, the Operating Owner must complete the Initial Training Program within 30 days after the date of appointment. You must keep us informed at all times of the identity of the Operating Owner.

If you are a corporation, limited liability company, or partnership, your direct and indirect owners and any Designated Managers must sign the System Protection Agreement, the form of which is attached to this Franchise Disclosure Document in Exhibit H. All of your employees, independent contractors, agents, or representatives that may have access to our Confidential Information must sign a Confidentiality Agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit H. If you are an entity, each owner (i.e., each person holding an ownership interest in you) must sign an “Owners Agreement” guarantying the obligations

of the entity, in the form of which is attached to the Franchise Agreement as Attachment D. We also require that the spouses of the Franchise owners sign the Owners Agreement.

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

You must offer and sell all products and services that we periodically specify for Kidcreate Businesses under the terms and conditions that we designate. You must offer and sell only approved products and services from your Kidcreate Business. Our System Standards may regulate required and/or authorized products and services. We may also periodically set maximum or minimum prices for products and services that your Kidcreate Business offers, as allowed by law. You will use certain products that we designate in connection with providing services to customers. We may periodically change the required and/or authorized products and services. There are no limitations on our rights to make changes to the required services and products offered by you. You must promptly implement such changes. You may not perform any services or offer or sell any products that we have not authorized. You must discontinue selling and offering for sale any products and services that we at any time decide to disapprove in writing. You may only solicit, offer or provide services to customers of your Kidcreate Business within your Territory.

You may not establish an account or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the Kidcreate Franchise, us, or our affiliates, without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products through alternative channels of distribution such as wholesale, Internet, or mail order sales.

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

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise Agreement and Multi-Franchise Addendum	Summary
(a) Length of the franchise term	Section 1D <u>1.4</u> of Franchise Agreement and Section 5 of Multi-Franchise Addendum (<u>Exhibit H-7</u>)	10 years. The Multi-Franchise Addendum terminates upon termination or expiration of the Franchise Agreement.
(b) Renewal or extension of the term	Section 13A <u>13.1</u>	One additional ten-year term, if you meet certain requirements.

Provision	Section in Franchise Agreement and Multi-Franchise Addendum	Summary
(c) Requirements for franchisee to renew or extend	Section 13	The term “renewal” refers to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. Your successor franchise rights permit you to remain as a Franchise after the initial term of your Franchise Agreement expires. You must provide written notice; full compliance; sign then-current form of franchise agreement; sign release; maintain possession of Studio location; complete refurbishing; pay successor franchise fee; and others. You must sign our then-current Franchise Agreement and ancillary documents for the successor term, and this new franchise agreement may have materially different terms and conditions (including, e.g., higher Royalty and advertising contributions) from the Franchise Agreement that covered your original term. The boundaries of your Territory may change, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.
(d) Termination by franchisee	Section 14A 14.1	You may terminate the Franchise Agreement if you are in full compliance with the Franchise Agreement and we materially fail to comply with the Franchise Agreement and do not cure within 30 days after you deliver written notice of such material failure, effective an additional 30 days after you deliver written notice of termination, subject to applicable state law.
(e) Termination by franchisor without cause	None	We may not terminate the Franchise Agreement without cause.
(f) Termination by franchisor with cause	Section 14B 14.2	We may terminate the Franchise Agreement only if you (or your owners or Operating Owner) commit one of several violations.
(g) “Cause” defined — curable defaults	Section 14B 14.2	Ten days to pay amounts owed and obtain required insurance; ten days to cure after notice of violation of law or failure to maintain permit, license or bond; 72 hours to cure health, safety and sanitation violations; 30 days for all other defaults.

Provision	Section in Franchise Agreement and Multi-Franchise Addendum	Summary
(h) “Cause” defined — non-curable defaults	Section 14B 14.2	Material misrepresentation; do not complete initial training program; failure to open Kidcreate Studio Business within 12 months or Kidcreate On the Go Business within six months; unauthorized teacher; failure to maintain insurance; unethical conduct reflecting upon system; unauthorized disclosure of Confidential Information; failure to maintain Operating Assets; failure to pay taxes; insufficient funds on three or more occasions in 12 month period; understatement of earning by more than five percent (5%); cross-defaults; bankruptcy; assignment for benefit of creditors; abandonment; felony conviction; unauthorized transfer; repeated violations; and others.
(i) Franchisee’s obligations on termination/non-renewal	Section 15	Return Franchise Operations Manual; stop using System and Marks; pay amounts owed; de-identify; comply with restrictive covenants; and others.
(j) Assignment of contract by franchisor	Section 12A 12.1	We may change our ownership or form and/or assign the Franchise Agreement and any other agreement without restriction.
(k) “Transfer” by franchisee — defined	Section 12B 12.2	Transfer of interest in the Franchise Agreement, Kidcreate Business, assets, or you.
(l) Franchisor approval of transfer by franchisee	Sections 12B 12.2 and 12C 12.3	You may not transfer the Franchise Agreement without our prior written approval.
(m) Conditions for franchisor approval of transfer	Section 12C 12.3	Written notice; provide us opportunity to exercise right of first refusal; transferee qualifies; you are not in default; transferee is not a direct competitor; landlord consents to assignment of lease for your Studio; we approve terms of transfer; subordinate; transferor and owners sign non-competition agreement; payment of transfer fee; transferor signs general release; transferee signs successor franchise agreement; refurbish Kidcreate Business; transferee successfully completes training program; reimbursement of broker fees, if any; and others.
(n) Franchisor’s right of first refusal to acquire franchisee’s business	Section 12F 12.6	We have a 30-day right of first refusal and can match offers.
(o) Franchisor’s option to purchase franchisee’s business	Not applicable	Upon expiration or termination, we can buy all or part of your assets.

Provision	Section in Franchise Agreement and Multi-Franchise Addendum	Summary
(p) Death or disability of franchisee	Section 12G 12.7	Upon death or disability of you (or your Operating Owner), your (or your Operating Owner's) executor or personal representative must transfer the ownership interest within six months of date of death or disability. We may appoint an interim manager to operate your Kidcreate Business during the transfer.
(q) Non-competition covenants during the term of the franchise	Section 7	No ownership interest in or performing services for a competitive business located anywhere; no interference with our or our affiliates or franchisees' relationships with any Kidcreate customers, vendors, or clients; and no engagement in any other activity injuring the goodwill of the Marks and the System, subject to applicable state law.
(r) Non-competition covenants after the franchise is terminated or expires	Sections 15E 15.5 and 15F 15.6	Prohibitions on diverting business to competitors; involvement in any competing business for two years and within 25 miles of any Kidcreate Business, subject to applicable state law.
(s) Modification of the agreement	Section 17K 17.11	No modification unless by written agreement of both parties, but Franchise Operations Manual and System Standards subject to change.
(t) Integration/merger clause	Section 17N 17.14	Only the terms of the Franchise Agreement and related documents, along with Franchise Operations Manual, are binding (subject to state law). Any representations or promises outside of this Franchise Disclosure Document or the Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Sections 17E , 17F 17.5 , 17.6 and 17G 17.7	Except for certain claims, all disputes must be mediated and arbitrated in the principal city closest to our principal place of business (currently Eden Prairie Minnetonka , Minnesota), subject to applicable state law.
(v) Choice of forum	Section 17I 17.9	Subject to the arbitration requirement, litigation generally must be commenced in the state or federal court of general jurisdiction closest to our then-current principal place of business (currently in Eden Prairie, Minnesota), but we and you may enforce any arbitration orders and awards in the courts of the state(s) in which you are domiciled or your Kidcreate Business is located (subject to applicable state law).
(w) Choice of law	Section 17H 17.8	The laws of the state where the Kidcreate Business is located applies, subject to any contrary provision contained in the State-Specific Addendum (See Exhibit E), subject to applicable state law.

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 franchise 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.

As of December 31, 2021, we had ~~two~~one Kidcreate Studio Business ~~locations~~ owned by our parent, LSO (~~“and one Kidcreate Studio Business owned by our affiliate, GM (collectively, “Affiliate Locations”)~~ and 13 franchised Kidcreate Studio Business locations and one Kidcreate On The Go Business (~~“Franchised Locations”~~). The financial information provided in the following tables represents the actual, historical performance of the Affiliate Locations and ten of the Franchised Locations that were open a year or more as of December 31, 2021 (~~“Reporting Group”~~) for the dates listed below. Four Franchised Locations that opened in 2021 have been excluded from the Reporting Group. We have also excluded three Franchise Locations that closed during the 2021 calendar year. The numbers have not been audited, but we have no reason to doubt their accuracy.

We include a summary of nine Franchised Locations in the Reporting Group that operate Kidcreate Studio Businesses (the ~~“Reporting Studio Franchised Locations”~~) and one Kidcreate On the Go Business (the ~~“Reporting On the Go Franchised Location”~~).

Franchised Kidcreate Studio Businesses will share many of the same characteristics as our Affiliate Locations, including degree of competition, and products and services offered, except that our Affiliate Locations do not pay the Royalty or the Technology Fee, and are not required to meet the Local Advertising Requirement. ~~We have not yet established our Brand Fund.~~ Kidcreate On the Go Businesses also share similar characteristics as Affiliate Locations except ~~that these businesses operate solely by offering On the Go Services at third party sites rather than~~they do not operate from a Studio.

In 2020, we began offering territories based on number of children rather than number of households in the Territory, and we modified the Territories of our existing Affiliate Locations and Franchised Locations accordingly. As a result, new franchisees may have Territories that are larger than those held by Affiliate Locations and Franchised Locations in this Item 19.

Table One

The information in Table One below is an unaudited historical financial performance representation for the two Affiliate Locations for each full calendar year that they were open from ~~2013~~2014 to ~~2022~~2021.

Table 1
Gross Sales for the Affiliate Locations in the Reporting Group
Years ~~2013~~2014 to ~~2022~~2021

Year	Gross Sales Eden Prairie Minnetonka	Gross Sales Woodbury
<u>2022</u>	<u>\$820,104</u>	<u>\$646,500</u>
2021	\$563,525 <u>705,811</u>	\$414,584 <u>512,127</u>
2020	\$275,531 <u>274,678</u>	\$202,129 <u>209,834</u>
2019	\$466,044	\$332,952
2018	\$468,960	\$287,370
2017	\$430,800	\$249,106
2016	\$411,278	\$240,435
2015	\$397,717	\$230,468
2014	\$344,700	\$202,500
2013	\$312,300	\$151,200

Table One Notes:

1. The Affiliate Locations are located in Eden Prairie, Minnesota and Woodbury, Minnesota, and have been in operation since 2008 and 2013, respectively.
2. “Gross Sales” for purposes of this Item 19 includes all revenue received from operating the Kidcreate Studio Business, including all amounts or other consideration received, directly or indirectly, at or away from the Studio, and in the form of cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, and including all proceeds from any business interruption insurance. Gross Sales are deemed received at the time the products or services from which they were derived are delivered or rendered, or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on an account receivable) actually has been received. Gross Sales does not include any federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority, or any customer refunds.
3. The figures presented above do not reflect the costs of sales, operating expenses, non-operating expenses or other costs or expenses that must be deducted from the Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and

expenses you will incur in operating your Franchise. Franchisees, listed in this Franchise Disclosure Document, may be one source of this information.

Table Two and Table Three

The information in Table Two-A below is an unaudited historical financial performance representation for the nine Reporting Studio Franchised Locations that were open at least one full year as of December 31, 2021, and from January 1, 2022 to December 31, 2022 (“Reporting Period”). We have only included Gross Sales figures for these Franchised Locations because this is the only information that we collect through the POS systems. The numbers have not been audited but we have no reason to doubt their accuracy.

Table 2A
Gross Sales for the Reporting Studio Businesses that were open during the Reporting Period from January 1, 2021 to December 31, 2021 and from January 1, 2022 to December 31, 2022

<u>Column1</u>	<u>2022</u>	<u>2021</u>	<u>Year over Year</u>
<u>LOCATION</u>	Gross Sales	Gross Sales	Increase
Dana Point, CA	\$232,950.05	\$115,998.9404	100.8%
Broomfield, CO	\$172,310.50	\$126,481.41	36.2%
Johns Creek, GA	\$159,380.97	\$- \$66,150.88	140.9%
Lakeview, IL	\$ 301,271.04	\$178,417.16	68.9%
Oak Park, IL	\$ 252,170.10	\$147,156.61	71.4%
Fayetteville, NC	\$127,864.36	\$79,124.03	61.6%
Mansfield, TX	\$121,121.24	\$87,084.36	39.1%
San Antonio, TX	\$230,544.38	\$113,114.76	103.8%
Alexandria, VA	\$236,435.40	\$154,513.34	53.0%

Table 2B
Gross Sales for the Reporting On-the-Go Studio Businesses that were open during the reporting period from January 1, 2022 to December 31, 2022

<u>LOCATION</u>	<u>Gross Sales 2022</u>
Bloomfield, MI Parker, CO	-\$43,917.00 \$177,753.55
Greater Heights, TX	\$340,806.04
Ashburn, VA	\$341,790.04
Newport News, VA	\$182,977.17

Table 2A and 2B Notes:

- Gross Sales is defined in Table 1, Note 1 above.
- The figures presented above do not reflect the costs of sales, operating expenses, non-operating expenses or other costs or expenses that must be deducted from the Gross Sales figures to obtain

your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise. Franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

- Our Reporting Studio Franchised Locations offer both ~~on-premise~~ services from a Studio and ~~On the Go Services~~ through mobile units from off-premise locations. Our Reporting On the Go Franchised Location offers On the Go Services only and does not maintain a Studio.

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Written substantiation pertaining to these financial performance representations is available for inspection at our principal business address and will be provided upon reasonable request.

Other than the preceding financial performance representation, Kidcreate Studio Franchising, LLC does not make any financial performance representations. 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 the franchisor's management by contacting Lara Olson at Kidcreate Studio Franchising LLC, ~~7918 Mitchell Road, Eden Prairie~~ 6110 Blue Circle Drive, #234; Minnetonka, Minnesota ~~55344~~ 55343, (952) 937-7600; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years ~~2019~~2020 to ~~2022~~2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised [±]	2020 2019	5 9	9 13	+4
	2021 2020	9 13	13 14	+4 1
	2021 2022	13 14	14 18	+4 4
Company-Owned**	2020 2019	2	2	0
	2021 2020	2	2	0
	2021 2022	2	2	0
Total Outlets	2020 2019	7 11	11 15	+4
	2021 2020	11 15	15 16	+4 1
	2021 2022	15 16	16 20	+4 4

* All outlets are Kidcreate Studio Businesses, with the exception of one outlet in Colorado which was converted to a Kidcreate On The Go Business in 2021.

**These locations are all Kidcreate Studio Businesses owned by our parent company, LSO [and our affiliate GM](#).

Table No. 2
Transfers of Outlets* from Franchisees to New Owners (other than the Franchisor)
For Years ~~2019~~2020 to ~~2021~~2022

State	Year	Number of Transfers
<u>Colorado</u> Total	2020 2019	0
	<u>2021</u>	<u>0</u>
	<u>2022</u>	<u>1</u>
<u>Virginia</u>	2020	0
	2021	0
	<u>2022</u>	<u>1</u>
<u>Total</u>	<u>2020</u>	<u>0</u>
	<u>2021</u>	<u>0</u>
	<u>2022</u>	<u>2</u>

*All outlets are Kidcreate Studio Businesses

~~*All outlets are Kidcreate Studio Businesses~~

Table No. 3
Status of Franchised Outlets*
For Years ~~2019~~2020 to ~~2021~~2022

State	Year	Outlets at Star of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
California	2020 19	0	0 1	0	0	0	0	0 1
	2021 20	0 1	0 0	0	0	0	0	1
	2021 22	1	0	0	0	0	0	1
Colorado	2020 19	0 2	0 0	0	0	0	0	2
	2021 20	2	0	0	0	0	0	2
	2022	<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Florida	2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2021	0 20	0	0	0	0	0	0 20
Georgia	2019 22	0	0 1	0	0	0	0	0 1
Georgia	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Illinois	2019 22	0 1	0 0	0	0	0	0	1
Illinois	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Iowa	2019 22	0 2	0 0	0	0	0	0	0 2
Iowa	2020	1	0	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Michigan	2020 19	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Minnesota	2019 20	1	0	0	0	0	0 1	0 1
	2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

State	Year	Outlets at Star of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
<u>Missouri</u>	2020	1 0	0	0	0	0	1 0	0
	2021	0	0	0	0	0	0	0
	<u>2022</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
North Carolina	2019 <u>2020</u>	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
South Carolina	2019 <u>2020</u>	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	2	0	0	0	0
<u>Texas</u>	2019 <u>2022</u>	1 0	0	0	0	0	0	1 0
<u>Texas</u>	2020	1	1	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	<u>2022</u>	<u>3</u>	<u>2*</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
Virginia	2019 <u>2020</u>	0	0 1	0	0	0	0	0 1
	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
<u>Totals</u>	2019 <u>2022</u>	5 3	4 1	0	0	0	0	9 4
<u>Totals</u>	2020	9	5	0	0	0	1	13
	2021	13	4	3	0	0	0	14
	<u>2022</u>	<u>14</u>	<u>5</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>

*All outlets are Two Kidcreate On The Go Businesses were opened in 2022 in Texas and were launched as an extension of two existing Kidcreate Studio Businesses, with the exception of one outlet in Colorado which was converted to a Kidcreate On The Go Business in 2021.

Table No. 4
Status of Company-Owned Outlets*
For Years ~~2019~~2020 to ~~2021~~2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Minnesota**	2019 <u>2020</u>	2	0	0	0	0	2
	2020 <u>2021</u>	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	2021 2022	2	0	0	0	0	2
Total Outlets	2019 2020	2	0	0	0	0	2
	2021 2020	2	0	0	0	0	2
	2021 2022	2	0	0	0	0	2

*All outlets are Kidcreate Studio Businesses

~~*All outlets are Kidcreate Studio Businesses~~

**These locations are all Kidcreate Studio Businesses and owned by our ~~Chief Creative Officer~~parent company LMO and Founderour affiliate GM.

Table No. 5
Projected Openings as of
December 31, ~~2021~~2023

State	Franchise Agreements Signed But Outlet Not Opened*	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	2	1	0
Colorado	3 0	1	0
Florida	1 0	1	0
Georgia	1	1	0
Illinois	1	1	0
Nevada	1	1	0
New Jersey	0	1	0
<u>Texas</u>	<u>0</u>	<u>2</u>	<u>0</u>
Virginia	6 5	2 1	0
Total	15 10	9 10	0

~~*One Franchise Agreement for a Kidcreate On the Go Business was signed for a Florida outlet. All other Franchise Agreements Signed as of December 31, 2021 are for Kidcreate Studio Businesses.~~

A list of the names of all franchisees and the addresses and telephone numbers of their businesses is provided in Exhibit G to this Franchise Disclosure Document.

The name, city, state, and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a Kidcreate Business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the ~~2021~~2022 fiscal year, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document will be listed on Exhibit G to this Franchise Disclosure Document when applicable. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the ~~Kidcreate~~ System. You may wish to speak with current and former franchisees but know that not all such franchisees can communicate with you. During the last

three fiscal years, certain current and former franchisees have signed confidentiality provisions that would restrict their ability to speak openly about their experience with the ~~Kidcreate~~-System. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us, and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchisee organizations.

ITEM 21 FINANCIAL STATEMENTS

Exhibit D contains the financial statements required to be included with this Franchise Disclosure Document: our audited financial statements as of December 31, ~~2021~~2020, December 31, ~~2021~~2020 and December 31, ~~2019~~2022. Our fiscal year end is December 31st.

ITEM 22 CONTRACTS

The following exhibits contain proposed agreements regarding the Franchise:

Exhibit B	Franchise Agreement
Exhibit E	State Addenda and Agreement Riders
<u>Exhibit F</u>	<u>Franchise Disclosure Questionnaire</u>
Exhibit H	Contracts for use with the Kidcreate Franchise

ITEM 23 RECEIPTS

The last pages of this Franchise Disclosure Document, Exhibit J, are a detachable document, in duplicate. Please detach, sign, date, and return one copy of the Receipt to us, acknowledging that you received this Franchise Disclosure Document. Please keep the second copy for your records.

EXHIBIT A

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

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

CALIFORNIA

State Administrator and Agent for Service of Process:

Commissioner
Department of Financial
Protection and Innovation
320 W. 4th Street, #750
Los Angeles, CA 90013
(213) 576-7500
(866) 275-2677

HAWAII

Commissioner of Securities of
the State of Hawaii
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Agent for Service of Process:

Commissioner of Securities of the
State of Hawaii
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
Chief, Franchise Division
500 S. Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA

Secretary of State
Securities Division
Room E-018
302 W. Washington Street
Indianapolis, IN 46204
(317) 232-6681

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202
(410) 576-6360

Agent for Service of Process:

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

MICHIGAN

Michigan Department of Attorney General
Consumer Protection Division
525 W. Ottawa Street
Lansing, MI 48913
(517) 373-7117

MINNESOTA

Department of Commerce
Commissioner of Commerce
85 Seventh Place East, Suite 280
St. Paul, MN 55101-3165
(651) 539-1600

NEW YORK

Administrator:

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

Agent for Service of Process:

Secretary of State
99 Washington Avenue
Albany, NY 12231

NORTH DAKOTA

North Dakota Securities Department
State Capitol, Fifth Floor, Dept. 414
600 E. Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-4712

RHODE ISLAND

Department of Business Regulation
1511 Pontiac Avenue, Bldg. 68-2
Cranston, RI 02920
(401) 462-9527

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities and
Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219

Agent for Service of Process:

Clerk of the State Corporation Commission
1300 E. Main Street, 1st Floor
Richmond, VA 23219

WASHINGTON

State Administrator:

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, WA 98507
(360) 902-8760

Agent for Service for Process:

Director of Department of Financial
Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501

WISCONSIN

Department of Financial Institutions
Division of Securities
201 W. Washington Avenue
Madison, WI 53703
(608) 266-3364

Rev. 110321

EXHIBIT B

FRANCHISE AGREEMENT

EXHIBIT B



**KIDCREATE STUDIO FRANCHISING, LLC
FRANCHISE AGREEMENT**

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ATTACHMENTS:

- ATTACHMENT A FRANCHISE DATA SHEET
- ATTACHMENT B APPROVED LOCATION AND TERRITORY
- ATTACHMENT C FORM OF OWNERSHIP
- ATTACHMENT D OWNERS AGREEMENT
- ATTACHMENT E KIDCREATE RIDER

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Franchise Agreement”) is made and entered into by and between **KIDCREATE STUDIO FRANCHISING, LLC**, a limited liability company formed under the laws of the State of Texas, with its principal business address at 7918 Mitchell Road, Eden Prairie, Minnesota 55344 (“**we**,” “**us**,” or “**our**”), and the Franchise Owner identified on the signature block of this Franchise Agreement (“**Franchisee**,” “**you**” or “**your**”), made effective as of the date listed in **Attachment A (“Effective Date”)**. If more than one person or entity is listed as the Franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Franchise Agreement.

1. PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE.

1A.1.1 PREAMBLES.

~~(1)~~**1.1.1** We and our affiliates have, with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity for the establishment, operation and promotion of children’s art instruction and art education through art classes, camps, art-themed birthday parties, and retail items for children from ages 18 months to 12 years. We offer two formats for art instruction: (1) an in-studio format (“**Kidcreate Studio Business**”) that operates from an approved studio location (“**Studio**”) and also offers off-premises services within the Territory (“**On the Go Services**”); and (2) a remote format (“**Kidcreate On the Go Business**”) that exclusively offers On the Go Services within the Territory, without the requirement of operating from a Studio. Together, a Kidcreate Studio Business or a Kidcreate On the Go Business will be referred to as “**Kidcreate Business(es)**”. Kidcreate Businesses have a distinctive business format, methods, procedures, designs, standards and specifications, all of which we may further develop or otherwise modify from time to time.

~~(2)~~**1.1.2** We and our affiliates use, promote and license others to use and promote certain trademarks, service marks and other commercial symbols in operating a Kidcreate Business, which have gained, and may continue to gain, public acceptance and goodwill, and we may create, use and license other trademarks, service marks and commercial symbols to identify Kidcreate Businesses (collectively, the “**Marks**”).

~~(3)~~**1.1.3** We grant to persons who meet our qualifications and are willing to undertake the investment and effort, a franchise to own and operate a Kidcreate Business offering the products and services we authorize using our business formats, business system, methods, procedures, signs, designs, layouts, standards, specifications, and the Marks we authorize (“**System**”).

~~(4)~~**1.1.4** As a franchise owner of a Kidcreate Business, you will comply with this Franchise Agreement, including any riders, addenda, or exhibits thereto, and all System Standards (as defined in Section ~~4B~~**4.2**) in order to maintain the high and consistent quality that is critical to attracting and keeping customers for Kidcreate Businesses and preserving the goodwill of the Marks.

~~(5)~~**1.1.5** You have applied for a franchise to own and operate a Kidcreate Business and have provided us with certain information in support of your application.

~~1B.1.2~~ **ACKNOWLEDGMENTS.** You acknowledge that:

~~(1)~~1.2.1 you have independently investigated this franchise opportunity and recognize that, like any other business, the nature of the business that a Kidcreate Business conducts may, and probably will, evolve and change over time;

~~(2)~~1.2.2 we do not guarantee the success of a Kidcreate Business, and being part of the System does not alter the fact that an investment in a Kidcreate Business involves business risks that could result in the loss of a significant portion, or all of your investment;

~~(3)~~1.2.3 among other things, your business abilities and efforts are vital to the Kidcreate Business;

~~(4)~~1.2.4 attracting customers for the Kidcreate Business will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising, networking, and display and use of promotional materials;

~~(5)~~1.2.5 retaining students for the Kidcreate Business will require you to have a high level of customer service and adhere strictly to the System and our System Standards, and to commit to maintain System Standards (as defined in Section ~~4B~~4.2);

~~(6)~~1.2.6 you have not received from us, and are not relying upon, any representations or guaranties, express or implied, as to the potential volume, sales, income or profits of a Kidcreate Business;

~~(7)~~1.2.7 in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Franchise Agreement are deemed to be only between you and us;

~~(8)~~1.2.8 you have represented to us, to induce our entry into this Franchise Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise;

~~(9)~~1.2.9 you have read this Franchise Agreement and our Franchise Disclosure Document and understand and accept that this Franchise Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service and to protect and preserve the goodwill of the Marks;

~~(10)~~1.2.10 we have the right to restrict your sources of products and services and require you to sell certain products, as provided in various sections of this Franchise Agreement, including Section ~~8D~~8.4 below;

~~(11)~~1.2.11 we have not made any representation, warranty or other claim regarding this franchise opportunity, other than those made in this Franchise Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Franchise Agreement;

~~(12)~~1.2.12 you have been afforded an opportunity, and have been encouraged by us, to ask any questions you have and to review any materials of interest to you concerning this franchise opportunity;

~~(13)~~1.2.13 you have been afforded an opportunity, and have been encouraged by us, to have this Franchise Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney, and have either done so or elected not to do so;

~~(14)~~1.2.14 you have a net worth which is sufficient to make the investment in the franchise opportunity represented by this Franchise Agreement, and you will have sufficient funds to meet all of your obligations under this Franchise Agreement; and

~~(15)~~1.2.15 you alone will exercise day-to-day control over all operations, activities and elements of the Kidcreate Business, and that under no circumstance shall we do so or be deemed to do so.

~~1C.1.3~~ **CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.** If you are a corporation, limited liability company, or general or limited partnership (collectively, an “Entity”), you agree and represent that:

~~(1)~~1.3.1 You have the authority to execute, deliver and perform your obligations under this Franchise Agreement and all related agreements, and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

~~(2)~~1.3.2 Your organizational documents, operating agreement or partnership agreement, as applicable, recite that this Franchise Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Franchise Agreement’s restrictions;

~~(3)~~1.3.3 **Attachment C** to this Franchise Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date;

~~(4)~~1.3.4 Each of your direct and indirect owners (i.e., each person or entity holding a direct or indirect ownership interest in the Franchisee under this Franchise Agreement), and the spouse of each such owner, during this Franchise Agreement’s term will execute an Owners Agreement in the form attached hereto as **Attachment D**, undertaking personally to be bound, jointly and severally, by all provisions of this Franchise Agreement and any ancillary agreements between you and us. You and your owners agree to sign and deliver to us revised **Attachments C** to reflect any permitted changes in the information that **Attachment C** now contains;

~~(5)~~1.3.5 You must identify on **Attachment C** one of your owners who is a natural person with at least fifty-one percent (51%) ownership interest and voting power in you and who will have the authority of a chief executive officer (“**Operating Owner**”). In the event that your Operating Owner ceases to own at least a fifty-one percent (51%) ownership interest in you, you must deliver to us a revised **Attachment C** to accurately identify the Operating Owner for our review and approval, as otherwise required by this Franchise Agreement; and

~~(6)~~1.3.6 The Operating Owner is authorized to deal with us on your behalf in respect of all matters whatsoever which may arise in respect of this Franchise Agreement, and any decision made by the Operating Owner will be final and binding upon you. We will be entitled to rely solely upon the decision of the Operating Owner in any such dealings without the necessity of any discussions with any other party named in this Franchise Agreement, and we will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Operating Owner.

1D-1.4 GRANT AND TERM OF FRANCHISE.

1.4.1 Subject to all of the terms and conditions of this Franchise Agreement, we grant you a franchise to operate either a Kidcreate Studio Business or a Kidcreate On the Go Business as: (1) a single Kidcreate Business (“**Single Franchise**”); (2) up to two Kidcreate Businesses (“**Standard 2**”); or (3) up to three Kidcreate Businesses (“**Standard 3**”) (collectively, the Standard 2 and Standard 3 are referred to as “**Standard Franchise(s)**”). If we grant you a Standard Franchise, you must sign our Multi-Franchise Addendum the form of which is attached to the Franchise Disclosure Document in Exhibit H. Prior to opening the second and each subsequent Kidcreate Business under a Standard Franchise, you and we will execute the then-current form of Kidcreate Rider (“**Kidcreate Rider**”), the current form of which is attached to this Franchise Agreement in **Attachment E** but which may vary materially and substantially from the form attached to this Franchise Agreement. If you operate multiple Kidcreate Businesses, each reference to the “**Franchised Business**” herein shall refer to each individual Kidcreate Business that you operate under this Franchise Agreement, unless otherwise specified. All obligations under this Franchise Agreement shall apply individually to each Kidcreate Business you operate.

1.4.2 If you have elected to operate a Kidcreate Studio Business, we must authorize the specific location for your Studio (each an “**Approved Location**”). The Approved Location for your initial Kidcreate Business will be designated in **Attachment B**, and the Approved Location for any additional Kidcreate Businesses will be specified in the Kidcreate Rider applicable thereto. If the Approved Location for your initial Kidcreate Business has not been selected and approved at the time this Franchise Agreement is signed, or the Approved Location for any of your subsequent Kidcreate Businesses have not been selected and approved at the time the Kidcreate Rider applicable thereto is signed, **Attachment B** (with respect to the initial Kidcreate Business) or the applicable Kidcreate Rider (with respect to any subsequent Kidcreate Business) will describe the Approved Location in general terms. When we subsequently approve a location for your Kidcreate Business, we will complete **Attachment B-1** or our then-current form of **Attachment E-1**, as applicable, to specify the address of that location, and such location will automatically become the Approved Location for the applicable Kidcreate Business as if originally set forth in **Attachment B** or the Kidcreate Rider. Although we may assist you, you are solely responsible for selecting each Approved Location and negotiating the lease or purchase terms for each of your Kidcreate Businesses. You agree that you are not guaranteed any specific Approved Location for any of your Kidcreate Businesses, and you may not be able to obtain your top choice for any of your Kidcreate Businesses. You and we must reach agreement on an Approved Location for your Studio within four months after you sign this Franchise Agreement, or we have the option to terminate this Franchise Agreement.

1.4.3 You shall designate the location of your home-based office or other office space in **Attachment B (the “Administrative Office”)**. We do not need to approve the office location of your Kidcreate On the Go Business. If you will operate a Kidcreate Studio Business, you may designate your Approved Location as your Administrative Office after you begin offering services from your Approved Location.

1.4.4 The term of this Franchise Agreement begins on the Effective Date and expires ten years from that date, unless sooner terminated as provided herein.

1E-1.5 TERRITORY. Provided that you are in full compliance with the terms and conditions of this Franchise Agreement and all other agreements with us and our affiliates, we will not establish or operate, or franchise any entity to establish or operate, a business using the Marks and System at any

location within the Territory (as defined below) of any of your Kidcreate Businesses, once such Territory has been determined. The “**Territory**” shall be the specific geographical area we specify for the applicable Kidcreate Business and may be described in terms of contiguous zip codes, street boundaries, and county boundaries or depicted on a map included on **Attachment B-1** or the applicable Kidcreate Rider. You may only solicit, offer or provide services to customers of your Kidcreate Business within your Territory.

~~1.6~~ **1.6 TERRITORIAL RIGHTS WE RESERVE.** Except as expressly limited by Section ~~1.6~~ 1.6 above, you acknowledge and agree that we (and our affiliates) retain all rights with respect to the placement of Kidcreate Businesses and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities. These rights include, without limitation:

~~(1)~~ **1.6.1** the right to establish and operate, and allow others to establish and operate, other Kidcreate Businesses and other children’s art studio businesses and/or businesses offering On the Go Services using the Marks and the System, holding classes at any location outside the Territory of your Kidcreate Businesses and on such terms and conditions we deem appropriate;

~~(2)~~ **1.6.2** the right to establish and operate businesses similar to the Kidcreate Business anywhere under other trade names, trademarks, service marks and commercial symbols different from the Marks;

~~(3)~~ **1.6.3** the right to use the Marks and the System to sell any products or services the same as or similar to those that you will sell through any alternative channels of distribution within or outside of the Territory including retail locations and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet;

~~(4)~~ **1.6.4** the right to merge, develop or acquire, or be acquired by (whether through acquisition of assets, ownership interests, or otherwise, regardless of the form of transaction), one or more additional concepts or businesses: (i) providing products and services similar to those provided at Kidcreate Businesses; and/or (ii) creating or maintaining franchises, licenses, or similar arrangements with respect to these businesses, wherever these businesses (or the franchise owners or licensees of these businesses) are located or operating (including in the Territory of any of your Kidcreate Businesses);

~~(5)~~ **1.6.5** the right to offer products and services offered by Kidcreate Businesses under the Marks or any other trade names, trademarks, service marks, or commercial symbols that are the same as or different from Kidcreate Businesses, at any special event, conference, exhibition, or temporary venue (including in the Territory of any of your Kidcreate Businesses);

~~(6)~~ **1.6.6** the right to advertise, solicit, accept orders and offer and sell products and services to customers located outside the Territory of your Kidcreate Businesses, including via the System Website, and the right to allow other Kidcreate Businesses to do the same;

~~(7)~~ **1.6.7** the right to use and license the use of technology to non-franchisee locations inside and outside the Territory; and

~~(8)~~ **1.6.8** the right to engage in all other activities not expressly prohibited by this Franchise Agreement.

We are not required to pay you if we exercise any of the rights specified above inside or outside your Territory including for our soliciting or accepting orders.

~~1G.1.7~~ **MODIFICATION OF SYSTEM.** Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we consider being best, in our sole opinion, to vary System Standards (as defined in Section ~~4B~~4.2) for any franchise owner based upon the peculiarities of any condition that we consider important to that franchise owner's successful operation. We may choose not to authorize similar variations or accommodations to you or other franchise owners.

2. DEVELOPMENT AND OPENING OF THE FRANCHISED BUSINESS.

~~2A.2.1~~ **KIDCREATE BUSINESS.** You agree not to operate the Franchised Business at any location outside of your Territory, except as provided in Section ~~4E~~1.6. In addition, if you operate a Kidcreate Studio Business, the following provisions in this Section ~~2A~~2.1 shall apply to your Kidcreate Business:

~~(+)~~2.1.1 You are responsible for selecting each studio location for the Kidcreate Studio Business. We will provide you with assistance, including site selection, site evaluation, lease review, and construction project management for any Kidcreate Studio Business, as outlined in the Franchise Operations Manual. You may not lease or purchase a site for your Kidcreate Studio Business until after we have approved the site in writing. We will provide you with mandatory and suggested criteria for studio locations for the Kidcreate Studio Business. We may inspect a studio that you propose before we grant our approval. You acknowledge and agree that our approval of any studio is merely our determination, entirely for our own purposes, that the studio site meets our current criteria. Our consent does not constitute a representation or warranty of any kind, express or implied, of the studio's suitability, and you confirm that you have not relied, and will not rely, on our approval for that purpose. You recognize that demographic and/or other factors could change at any time before or during the term of this Franchise Agreement, altering the studio's potential and suitability. Your selection of the studio is based on your own independent investigation of, or agreement in the future to investigate, the studio's suitability. With respect to each studio, we will not assess compliance with federal, state or local laws and regulations, including the ADA and safety requirements, as compliance with these laws ~~are~~is your responsibility. We will approve additional studios that you propose for the Kidcreate Studio Business if the proposed studio meets our then-current criteria; provided that we reserve the right to deny approval of an additional studio if we determine that you are not maximizing the use of your existing studio.

~~(=)~~2.1.2 You must not enter into a lease for a studio until we approve such location. The lease must include the terms and conditions that we require from time to time, including those found in our current form of lease addendum. You may not enter into any lease until we consent in writing to the lease agreement. Neither our approval nor any guidance and assistance that we provide or have provided in connection with your negotiation of the lease constitute a guarantee or warranty, express or implied, that the terms of the lease represent the most favorable terms available in your Territory. You must enter into a lease for the Kidcreate Studio Business within six months after the Effective Date. You acknowledge that any lease you sign for the Kidcreate Studio Business may require you, your owners and their respective spouses to sign a personal guarantee.

~~2B.2.2~~ **OPERATING ASSETS.**

You agree to use in operating the Franchised Business only those products, signs, inventory, supplies and equipment ("**Operating Assets**") that we approve for Kidcreate Businesses

as meeting our standards and specifications for customer service, quality, design, appearance, function and performance. We will advise you on necessary pre-opening procedures and assist you with inventory ordering of products, equipment and supplies through our affiliate or other suppliers. If you operate a Kidcreate Studio Business, you must submit construction plans and specifications to us for our approval before you begin construction at the studio. You are required to use our approved construction management supplier to manage the entire build out and construction of your studio and pay any construction management fee directly to our supplier. You will, at your own cost and expense, purchase and install all furnishings, fixtures, equipment, supplies and signage in conformance with the Franchise Operations Manual and our standards and specifications. You agree to place or display at the Franchised Business the Operating Assets as required by us from time to time. You agree to purchase or lease approved brands, types or models of Operating Assets in accordance with Section 8D8.4 of this Franchise Agreement.

2C.2.3 **COMPUTER SYSTEM.**

2.3.1 You must obtain and use the computer hardware and software that we designate (“**Computer System**”) for each of your Kidcreate Businesses. Without limiting the foregoing, you must use the computer software we designate to manage the daily workflow of the Kidcreate Business; coordinate the customer ordering experience; track inventory, labor, and payroll; and collect information about students and their parents, prices, sales, and other information. We may modify specifications for and components of the Computer System from time to time, and you agree to implement our modifications within 30 days after you receive notice from us, which may include purchasing, leasing, and/or licensing new or modified computer hardware and/or software, and obtaining service and support for the Computer System. You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Franchise Agreement. In order to provide for the inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology. You must also pay for any additional or replacement proprietary software or technology that we, our affiliates, or a third-party designee licenses to you, and for other maintenance and support services that we, our affiliates, or a third-party designee provides during this Franchise Agreement’s term. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Franchise Agreement’s remaining term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support.

2.3.2 You agree to obtain the Computer System components that we designate, and to ensure that your Computer System, as modified, is functioning properly. You agree that we or our affiliates may condition the license of any additional or replacement proprietary software to you, or your use of additional technology that we or our affiliates develop or maintain, on your signing the form of license agreement or similar document that we or our affiliates prescribe at such time to regulate your use of, and our and your respective rights and responsibilities with respect to, such additional or replacement software or technology. You acknowledge and agree that the Computer System we designate may give us and our affiliates independent, unlimited access to all information relating to the Franchised Business generated by the Computer System, including, but not limited to, customer, price maintenance and payroll information. At our request, you agree to sign a release with any vendor of your Computer System providing us with unlimited access to your data. You also agree to provide us with access to the WordPress, Class Registration Software, Database Management Software and cameras used in your Kidcreate Business.

2.3.3 You will pay us or our affiliate a technology fee (as set forth in Section ~~3D~~3.4) for use of any software or other technology that we (or our affiliates) license or provide to you. Despite the fact that you agree to buy, license, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) your connectivity to the Computer System at all times; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

~~2D~~2.4 OPENING REQUIREMENTS.

2.4.1 Subject to your compliance with the following conditions, you agree to begin operating your Kidcreate Business by offering On the Go Services no later than ~~four~~two months after signing this Franchise Agreement (or ~~four~~two months after signing the Kidcreate Rider for subsequent Kidcreate On the Go Business(es)). If you will operate a Kidcreate Studio Business, you must begin operating your Kidcreate Studio Business at your Approved Location within twelve months of signing this Franchise Agreement (or 12 months after signing the Kidcreate Rider for subsequent Kidcreate Studio Business(es)). If you do not open and operate your Kidcreate Business within the timeframes as set forth above, you shall pay us the Opening Extension Fee (defined below) until you open or until the Franchise Agreement (or, in our discretion, Kidcreate Rider) is terminated.

2.4.2 You agree not to offer any On the Go Services, hold classes, or otherwise operate your Kidcreate Business until you have satisfied the following conditions: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) you, your Operating Owner, and if applicable, your Designated Manager (as defined in Section 8.6 below) have completed the Initial Training Program (defined in Section ~~4A~~4.1 below) to our satisfaction; (3) all amounts due to us have been paid; (4) we have been furnished with copies of all insurance policies and certificates required by this Franchise Agreement, or other documentation of insurance coverage and payment of premiums that we request; (5) you notify us that all approvals and conditions set forth in this Franchise Agreement have been met; (6) you have received all required permits and licenses; and (7) you have ordered, received, and installed your equipment, supplies, inventory and Computer System. You must be prepared to begin operating each of your Kidcreate Businesses by offering On the Go Services after we state that such Kidcreate Business is ready for opening. You acknowledge and agree that your Kidcreate Business will be deemed opened on the earlier of: (i) when you obtain your first agreement with a customer for On-the-Go Services; or (ii) when your Kidcreate Studio Business opened to the public.

3. FEES.

~~3A~~3.1 INITIAL FRANCHISE FEE. When you sign this Franchise Agreement, you will pay us a nonrecurring, nonrefundable initial franchise fee in the amount as set forth in **Attachment A** (“**Initial Franchise Fee**”). If you purchase a Standard Franchise, you will not be required to pay a separate Initial Franchise Fee when you sign the Kidcreate Rider (all other fees will apply). The Initial Franchise Fee is uniform, earned by us when paid, and is not refundable. The Initial Franchise Fee is in consideration of all of our pre-opening assistance that we provide to allow you to open your Franchised Businesses and our loss of deferred opportunity to enter into this Franchise Agreement with others, and it also offsets some of our expenses for franchisee recruitment.

3B-3.2 ROYALTY FEE.

3.2.1 You agree to pay us a recurring royalty fee (“**Royalty**”) for each calendar month (or other accounting period that we may designate from time to time). The amount of the Royalty will be equal to the greater of: (i) eight percent (8%) of your Gross Sales from all of your Kidcreate Businesses for the previous calendar month (or other accounting period we designate); or (ii) \$500 per month for each Kidcreate Business you operate under this Franchise Agreement (“**Minimum Royalty**”). The Minimum Royalty shall begin being charged by us 6 months after you open your first Kidcreate Business under this Franchise Agreement and immediately upon opening each subsequent Kidcreate Business under a Standard Franchise (if applicable).

3.2.2 For purposes of this Franchise Agreement, “**Gross Sales**” means all revenue that you receive from operating the Franchised Business, including, but not limited to, all amounts or other consideration that you receive, directly or indirectly, at or away from the Kidcreate Business, and in the form of cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, and including all proceeds from any business interruption insurance. For example, Gross Sales includes, without limitation, the following:

~~(+)~~(a) all monies you receive from customers, including, but not limited to, monies received from the sale of products and services;

~~(+)~~(b) the amount of gift card redemptions;

~~(+)~~(c) the proceeds of any business loss or interruption insurance or similar insurance; and

~~(+)~~(d) any other revenue you derive.

3.2.3 Gross Sales does not include any federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority or any bona fide customer refunds. Gross Sales are deemed received at the time the products or services from which they were derived are delivered or rendered, or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on an account receivable) actually has been received.

3.2.4 You must pay your Royalty to us via electronic funds transfer (“**EFT**”), or other means approved by us. All Royalty payments to us are fully earned when paid and are nonrefundable under any circumstances.

3C-3.3 MARKETING FEES. You agree to pay us a Brand Fund Contribution (as both terms are defined in Section ~~9C~~9.3) and, if established, a Local Advertising Cooperative (as defined in Section ~~9D~~9.4) contribution (collectively, the “**Marketing Fees**”) for each of your Kidcreate Businesses. The Marketing Fees are due and payable in the same manner as the Royalty.

Commented [A1]: The brand fund fee is established

3D-3.4 TECHNOLOGY FEES. You agree to pay us or our affiliate the then-current monthly technology fee (“**Technology Fee**”), currently \$500 per month for your initial Kidcreate Business and \$300 per month for each additional Kidcreate Business under a Standard Franchise, for use of our online systems, website, applications, email, data sharing, integration and maintenance of DB Software (as defined in Section ~~3G~~3.6), learning management software, search engine optimization for lead generation, and other

Internet-related functions. You will be responsible for any increase in fees that result from any upgrades, modifications or additional systems or software and for any increases in fees from third-party vendors. We reserve the right to: (i) change or add approved suppliers or vendors of these services at any time, in our sole discretion; (ii) enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology; (iii) create proprietary software or technology that must be used by Kidcreate Studio franchisees, in which case we may require that you enter into a license agreement with us and pay us reasonable initial and ongoing licensing, support and maintenance fees; and (iv) increase or decrease the technology fee and other technology and licensing and expenses that you are required to pay under this Franchise Agreement at any time, upon 30 days' written notice to you. You also agree to pay us the then-current "**CR Software Fee**" (currently \$115 to \$450 per month during the first 12 months of operation, and then subject to recalculation by our third-party vendor beginning on month 13 based on volume from the previous 12 months). You also agree to pay us the then current "**DB Software Fee**" (currently \$225-\$300 per month). The Technology Fee, CR Software Fee and CRDB Software Fee are due and payable on the first day of the month after signing this Franchise Agreement, and monthly thereafter within five days of the end of the calendar month.

3E-3.5 OPENING EXTENSION FEE. If you fail to (1) open your Kidcreate Business by offering On the Go Services within ~~four~~two months of signing the Franchise Agreement or Kidcreate Rider; or (2) begin operations from your Approved Location within 12 months after signing this Franchise Agreement (or 12 months after signing the Kidcreate Rider for subsequent Kidcreate Studio Business(es)) if you agreed to operate Kidcreate Studio Business, you will pay us \$1,000 per month ("**Opening Extension Fee**"), until either the applicable Kidcreate Business is open or we terminate this Franchise Agreement. Failure to pay the Opening Extension Fee will be a non-curable default hereunder, and we may terminate this Franchise Agreement (or the Kidcreate Rider applicable thereto) upon such default. The Opening Extension Fees are nonrefundable.

3F-3.6 IMPLEMENTATION FEES. Prior to opening each Kidcreate Business, you must: (i) purchase a license for database management software ("**DB Software**") from third parties we designate; and (ii) pay us our then-current fee to implement the DB Software (currently \$1,500). You must also pay us our then-current fee to implement your class registration software ("**CR Software**") (currently \$500). These fees are separately payable for each Kidcreate Business you have the right to open, are payable upon execution of this Franchise Agreement (and each Kidcreate Rider applicable to such Kidcreate Business) and are nonrefundable.

3G-3.7 UNIT BOXES. Prior to opening each Kidcreate Business, you are eligible to receive up to two Kidcreate Business unit boxes that contain project samples, lesson plans and other supporting documents for the art curriculum you may offer at your Kidcreate Business ("**Unit Boxes**"). You will be responsible for paying us for the cost of shipping of these Unit Boxes to you ~~(up to \$50 per Unit Box).~~ These payments are non-refundable.

3H-3.8 APPLICATION OF PAYMENTS. Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Franchise Agreement. Unless expressly provided otherwise, all fees or payments

made by Franchisee to Franchisor under this Franchise Agreement are non-refundable under any circumstances.

3.3.9 METHOD OF PAYMENT.

3.9.1 You hereby authorize us to debit the business checking account you designate automatically for the Royalty, technology fee, Brand Fund Contribution and other amounts due under this Franchise Agreement (“**EFT Authorization**”). Such EFT Authorization will remain in full force and effect during the term of this Franchise Agreement. You agree to execute any documents we require for the EFT Authorization. We have the right to periodically specify (in the Franchise Operations Manual or otherwise in writing) different payees and/or payment methods, such as, but not limited to, weekly or monthly payment, payment by auto-draft, credit card, and payment by check. You shall not subordinate to any other obligation its obligation to pay the Royalty or any other fee or charge due to us or our affiliate under this Franchise Agreement.

3.9.2 We may require you to remit fees and other amounts due to us under this Franchise Agreement via EFT or other similar means utilizing an approved computer system or otherwise. You agree to comply with our procedures and/or perform such acts and deliver and execute such documents as may be necessary to assist in or accomplish payment by such method.

3.9.3 We may receive information regarding your Gross Sales through the Computer System. If we ever cease to have access to this information, and you fail to report your Gross Sales when due, we may debit your designated account for an estimated Royalty and Brand Fund Contribution (as defined in Section ~~9~~9.3) on the date it is due. We will debit your designated account one hundred ten percent (110%) of the average of the last three Royalty payments and Brand Fund Contributions that we debited. If the amounts that we debit from your designated account are less than the amounts you actually owe us (once we have determined your true and correct Gross Sales), we will debit your designated account for the balance on the day we specify. If the amounts that we debit from your designated account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your designated account on the next payment due date.

3.10 ~~3J.~~ LATE PAYMENTS/INSUFFICIENT FUNDS.

3.10.1 Any payment not made by the due date will be deemed overdue. In the event of any overdue amounts, you will pay us, in addition to the overdue amounts, interest on such amounts from the date such amounts were due until paid at the lesser of the daily equivalent of eighteen percent (18%) per year simple interest or the highest amount allowed under law. Such interest will be in addition to any other remedies we may have under law or equity. We may debit your bank account automatically, or deduct from amounts we owe you, for service charges and interest. You acknowledge this Section is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Kidcreate Studio Franchise.

3.10.2 If any check or EFT payment from you to us does not successfully convey funds due to insufficient funds, stop payment instructions or any similar event, you shall also pay, upon demand, a non-sufficient funds fee of \$100 per incident.

4. TRAINING AND ASSISTANCE.

4A.4.1 INITIAL AND ONGOING TRAINING.

4.1.1 We will train up to two people, which must include you (or your Operating Owner, if you are an Entity) and your Designated Manager (defined in Section 8F8.6 below), if applicable, in the material aspects of operating a Kidcreate Business, at no charge for each Kidcreate Business you open, so long as all such persons attend training at the same time (“**Initial Training Program**”). We will provide the Initial Training Program at either our designated training facility in Minneapolis, Minnesota or virtually. You may not begin your business until you (or your Operating Owner, if you are an Entity) and your Designated Manager, if any, complete our Initial Training Program to our satisfaction. If we determine that you (or your Operating Owner) or any Designated Manager cannot complete the Initial Training Program to our satisfaction, we may terminate this Franchise Agreement. You may invite additional employees to attend the Initial Training Program if space allows, though we will charge you our then-current training fee for each additional attendee. We reserve the right to limit the number of attendees for the Initial Training Program.

4.1.2 In the event that you (or your Operating Owner or any Designated Manager) fail to complete the Initial Training Program or On-Site Training Program to our satisfaction, we reserve the right to require such individual to attend additional training, and we will charge you our then-current training fee for such additional training (currently \$200 per person per day). Such additional training will be provided at our offices in Minneapolis, Minnesota or virtually. We may, but are not obligated to, provide you with additional training at your studio, and charge you our then-current off-site training fee, plus our instructor’s travel and living expenses. If you (or your Operating Owner) or any Designated Manager are unable to complete the additional training to our satisfaction, we reserve the right, in our sole discretion, to terminate this Franchise Agreement.

4.1.3 If you will operate one or more Kidcreate Studio Businesses, before you begin providing services from your Approved Location, we will provide an on-site training program for up to four days before your grand opening at your Approved Location (“**On-Site Training**”). We will provide up to two additional days of On-Site Training at your Kidcreate Studio Business approximately six months following the grand opening of your Approved Location. For Kidcreate On the Go Businesses, we will provide the On-Site Training virtually. Such On-Site Trainings will be provided at no charge for each Kidcreate Business you open. If you request, and we agree to provide, On-Site Training for additional attendees, you shall pay us our then-current training fees (currently \$200 per person per day).

4.1.4 You (or your Operating Owner) or any Designated Manager may request additional training in the operation of a Kidcreate Business. We and you will jointly determine the duration of this additional training, and we reserve the right to charge you our then-current training fee for such additional training (currently \$200 per person per day). However, if your attendees satisfactorily complete our Initial Training Program and have not expressly informed us at the end of the program that they do not feel sufficiently trained in the operation of a Kidcreate Business, then you and they will be deemed to have been trained sufficiently to operate a Kidcreate Business.

4.1.5 We may require you (or your Operating Owner) or any Designated Manager, and/or certain other employees of the Franchised Business to attend various training courses, meetings, conferences and seminars, which may include an annual meeting of franchise owners, at the times and locations that we designate; provided that we will not require physical attendance at such events for more than a total of ten business days per calendar year. We may charge you our then-current fee (currently \$2,000 for up to two attendees of which \$500 is credited back if at least

one person attends), plus expenses; and our then-current fee for each additional attendee (currently \$500), for any conference or convention, regardless of whether or not you attend the conference. If you purchase more than one Kidcreate Business, you must send up to two attendees total to the conventions and conferences, and you may send more attendees if you pay the additional convention fee for additional attendees. We may preclude you from attending any course or conference if you are in default of this Franchise Agreement at the time of the course or conference, or if you have had two notices of default within 12 months prior to the course or conference. Notwithstanding the foregoing, you acknowledge and agree that we may require the individuals described above to participate in additional meetings or training through the Internet or other electronic means. You understand and agree that any specific ongoing training or guidance we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or guidance, all of which we may discontinue and modify from time to time. We will not provide general business or operations training to your employees or independent contractors. We will provide limited training on the Kidcreate Studio System and brand standards to your employees. You will be responsible for training your employees and independent contractors, including any training on the day-to-day operations of the Kidcreate Business. You will be responsible for hiring, training, directing, scheduling and supervising your employees and independent contractors in the day-to-day operations of the Kidcreate Business.

4.1.6 You agree to pay all travel and living expenses (including, without limitation, wages, transportation, food, lodging, and workers' compensation insurance) that you (or your Operating Owner or any Designated Manager), or any employees incur during their attendance at any conferences, seminars, annual meetings, and/or training courses and programs.

4B-4.2 GUIDANCE AND SYSTEM STANDARDS: We may advise you from time to time regarding the Franchised Business's operation based on your reports or our inspections. We will provide mandatory and suggested standards, specifications, operating procedures and rules ("**System Standards**") that we periodically prescribe for operating a Kidcreate Business, and information on your other obligations under this Franchise Agreement, which may include, but are not limited to: (1) standards, specifications, and operating procedures and methods that Kidcreate Businesses use, including, but not limited to, scheduling and managing classes; (2) customer service standards and policies; (3) qualifications for other employees, including criminal background checks (although you will have sole responsibility and authority concerning employee selection and promotion); (4) staffing levels, training, dress and appearance of your employees; (5) amounts and types of classes to be offered, including lesson class sizes; (6) days and hours of operation; (7) supplies, equipment and inventory management; (8) use and display of the Marks at the Franchised Business and on Operating Assets and other materials; (9) sales, marketing, advertising, and promotional strategies and programs, and materials/media used in these programs; (10) recommended liability waiver forms for customers; (11) use and acceptance of gift cards, loyalty programs, coupons, passes, certificates and discounts; (12) policies regarding credit and debit cards, credit card vendors (including, among other things, companies that provide services for electronic payment such as near field communication vendors like "Apple Pay" and "Google Wallet"), electronic payment, other payment systems, and check verification services, including compliance with the then-current Payment Card Industry Data Security Standards, as those standards may be revised and modified by the PCI Security Standards Council, LLC or any successor organization, or standards that we may reasonably specify; (13) required and recommended associations and memberships; (14) participation in market research and testing and product and service development programs, as well as participation in, and dues assessed for, advisory councils; and (15) administrative, accounting, reporting and record retention. Such guidance and System Standards will be furnished in the form of our standards manual for the operation of Kidcreate Businesses ("**Franchise Operations Manual**"), which may include access to an Internet site containing information, as well as audiotapes, videotapes, compact discs, computer software, newsletters, bulletins, and other

written or electronic materials. We may also provide guidance via telephonic conversations and/or consultation at our offices. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then-applicable fee, including our personnel's per diem charges and travel and living expenses. We reserve the right to periodically visit your Kidcreate Business(es) and evaluate the Franchised Business.

4C.4.3 FRANCHISE OPERATIONS MANUAL.

4.3.1 We will provide you with access to some or all of the Franchise Operations Manual on a restricted website or extranet to which you will have access. We may modify the Franchise Operations Manual periodically to reflect changes in System Standards. You acknowledge that your compliance with the Franchise Operations Manual is vitally important to us and other System franchisees, and is necessary to protect our reputation and the goodwill of the Marks and to maintain the uniform quality of operation through the System. However, while the Franchise Operations Manual is designed to protect our reputation and the goodwill of the Marks, it is not designed to control the day-to-day operation of the Franchised Business.

4.3.2 You agree to monitor and access the website or extranet for any updates to the Franchise Operations Manual or System Standards. If there is a dispute over its contents, our version of the Franchise Operations Manual shall control. You agree that the Franchise Operations Manual's contents are confidential and that you will not disclose the Franchise Operations Manual to any person other than teachers or employees of the Franchised Business who need to know its contents. You may not at any time print, distribute, or otherwise communicate any part of the Franchise Operations Manual, except as authorized by this Franchise Agreement. Any passwords or other digital identifications necessary to access the Franchise Operations Manual on a website or extranet will be deemed to be part of Confidential Information (as defined in Section 66 below).

~~4D.4.4~~ DELEGATION OF PERFORMANCE. You agree that we have the right to delegate the performance of any portion or all of our obligations under this Franchise Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Franchise Agreement.

4.5 4E. — STAFFING. You must hire and supervise efficient, competent, and courteous persons as your employees or independent contractors for the operation of the Franchised Business. You alone are responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether you have received advice from us on these subjects or not. We will not have the power to hire or fire your employees and/or independent contractors. All employees or independent contractors hired by or working for you will be your employees or independent contractors alone, and will not, for any purpose, be deemed our employees or subject to our control, including with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings levied or fixed by any city, state, or federal governmental agency. You agree to inform each of your employees that you alone are the employer, and we are not. We will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, and you agree to indemnify us for any such liabilities we incur. You expressly agree, and will never contend otherwise, that our authority under this Franchise Agreement to certify certain of your employees or

independent contractors for qualification to perform certain functions for the Kidcreate Business does not directly or indirectly vest in us the power to hire, fire, or control any such employee or independent contractor. You agree that any direction you receive from us regarding employment policies should be considered as examples, that you alone are responsible for establishing and implementing your own policies, and that you understand that you should do so in consultation with local legal counsel well-versed in employment law.

5. **MARKS.**

5A-5.1 OWNERSHIP AND GOODWILL OF MARKS. Our affiliate (“Trademark Owner”) has licensed the Marks to us to use in connection with the franchising of Kidcreate Businesses. Your non-exclusive right to use the Marks is derived only from this Franchise Agreement and limited to your operating the Franchised Business according to this Franchise Agreement and all System Standards we prescribe during its term. Your unauthorized use of the Marks is a breach of this Franchise Agreement and infringes the Trademark Owner’s and our rights in the Marks. You acknowledge and agree that any unauthorized use of the Marks will cause us and the Trademark Owner irreparable harm for which there is no adequate remedy at law and will entitle us and the Trademark Owner to injunctive relief. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our and the Trademark Owner’s benefit, and that this Franchise Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Franchised Business under this Franchise Agreement). All provisions of this Franchise Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after this Franchise Agreement’s term, contest or assist any other person in contesting the validity, or our and the Trademark Owner’s ownership, of the Marks.

5B-5.2 LIMITATIONS ON YOUR USE OF MARKS.

5.2.1 You agree to use the Marks to identify the Franchised Business and to identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You have no right to sublicense or assign your right to use the Marks. You may not use any Mark: (1) as part of any corporate or legal business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); (3) in selling any unauthorized products or services; (4) as part of any domain name, homepage, electronic address, or otherwise in connection with a website; (5) in any user name, screen name, or profile in connection with any social networking sites, such as, but not limited to, LinkedIn, Instagram, Twitter, Facebook, or YouTube, except in accordance with our guidelines set forth in the Franchise Operations Manual or otherwise in writing from time to time; and (6) in any other manner that we have not expressly authorized in writing. Except in conjunction with the System Website (as defined in Section ~~9E~~,9.5), or with our prior written consent, you may not use any Mark as part of any domain name, homepage, electronic address, or otherwise in connection with a website, and then only on the terms we specify.

5.2.2 You may not use any Mark in advertising the transfer, sale, or other disposition of the Franchised Business or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the Franchised Business and on forms, advertising, supplies, employee uniforms, and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify, and to obtain any fictitious or assumed name registrations required under applicable law.

5C-5.3 NOTIFICATION OF INFRINGEMENTS AND CLAIMS. You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our and our affiliates' attorneys, and your attorneys regarding any infringement, challenge or claim. We and/or the Trademark Owner may take the action we deem appropriate (including no action), and control exclusively any litigation, U.S. Patent and Trademark Office ("USPTO") proceeding, or other administrative proceeding arising from any infringement, challenge or claim, or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, is necessary or advisable to protect and maintain our interests in any litigation, USPTO or other proceeding, or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your reasonable costs of taking any action that we have asked you to take.

5D-5.4 DISCONTINUANCE OF THE USE OF MARKS.

5.4.1 If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing the Franchised Business's Operating Assets or other products, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

5.4.2 Our rights in this Section ~~5D~~5.4 apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Franchise Agreement. We may exercise these rights at any time and for any reason, business or otherwise, that we think best. You acknowledge both our right to take this action and your obligation to comply with our directions.

5E-5.5 INDEMNIFICATION FOR USE OF MARKS. We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we and/or the Trademark Owner may defend and control the defense of any proceeding arising from your use of any Mark under this Franchise Agreement.

5F-5.6 NON-DISPARAGEMENT. You agree not to (and to use your best efforts to cause your current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns, not to) disparage or otherwise speak or write negatively, directly, or indirectly, of us, our affiliates, any of our or our affiliates' directors, officers, employees, representatives or affiliates, current and former franchisees of us or our affiliates, the Kidcreate Studio brand, the System, any Kidcreate Business, any business using the Marks, any other brand or service-marked or trademarked concept of us or our affiliates, or which would subject the Kidcreate studio brand or such other brands to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us, the Kidcreate Studio brand, or such other brands.

5G-5.7 OWNERS BOUND. Unless otherwise specified, each and every one of your obligations to take or refrain from taking specific actions, or to engage or refrain from engaging in specific activities, set forth in this Section ~~5~~5, shall also apply to each of your owners.

6. CONFIDENTIAL INFORMATION.

6.1 CONFIDENTIAL INFORMATION DEFINED. We and our affiliates possess (and may continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (“**Confidential Information**”), relating to developing and operating Kidcreate Businesses, whether or not marked confidential, including (without limitation):

~~(+)~~6.1.1 training and operations materials and manuals, including the Franchise Operations Manual;

~~(+)~~6.1.2 the System Standards, and other methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating Kidcreate Businesses, including the proprietary teaching techniques used by teachers of Kidcreate Businesses;

~~(+)~~6.1.3 market research and promotional, marketing, and advertising strategies, materials and programs for Kidcreate Businesses;

~~(+)~~6.1.4 strategic plans, including expansion strategies and targeted demographics;

~~(+)~~6.1.5 knowledge of, specifications for, suppliers of, and methods of ordering Operating Assets and other products and supplies;

~~(+)~~6.1.6 any computer software or similar technology which is proprietary to us, our affiliates, or the System, including, without limitation, the Computer System, digital passwords and identifications, and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;

~~(+)~~6.1.7 the System Website (defined in Section ~~9E~~9.5 below);

~~(+)~~6.1.8 knowledge of the operating results and financial performance of Kidcreate Businesses other than the Franchised Business;

~~(+)~~6.1.9 information generated by, or used or developed in, the Franchised Business’s operation, including customer information, buying habits, preferences, demographic information and related information, and any other information contained from time to time in the Computer System or otherwise in the System;

~~(+)~~6.1.10 all or part of the Marks; and

~~(+)~~6.1.11 any other information designated as confidential or proprietary by us.

6.2 RESTRICTIONS ON THE USE OF CONFIDENTIAL INFORMATION.

6.2.1 All Confidential Information furnished to you by us or on our behalf, whether orally or by means of written material: (i) shall be deemed proprietary; (ii) shall be held by you in strict confidence; (iii) shall not be copied, disclosed, or revealed to or shared with any other person, except to your employees or contractors who have a need to know such Confidential Information for purposes of this Franchise Agreement and who are under a duty of confidentiality no less restrictive than your obligations hereunder, or to individuals or entities specifically authorized by us in advance; and (iv) shall not be used in connection with any other business or capacity. You will not acquire any interest in Confidential Information other than the right to use it as we specify in operating the Franchised Business during this Franchise Agreement’s term. You agree to protect

the Confidential Information from unauthorized use, access or disclosure in the same manner as you protect your own confidential or proprietary information of a similar nature, and with no less than reasonable care. Any Designated Manager (defined in Section ~~8.6~~ below) and, if you are an Entity, any direct or indirect owners (including the Operating Owner) and all officers that do not own equity in the Franchisee Entity, must sign the confidentiality and non-competition System Protection Agreement, the form of which is attached to the Franchise Disclosure Document in Exhibit H. All of your employees, independent contractors, agents or representatives that may have access to our Confidential Information must sign a Confidentiality Agreement (unless they already signed a System Protection Agreement), the current form of which is attached to the Franchise Disclosure Document in Exhibit H.

6.2.2 You acknowledge and agree that, as between us and you, we are the sole owner of all ~~rights~~ rights, title, and interest in and to the System and any Confidential Information. All improvements, developments, derivative works, enhancements, or modifications to the System, and any Confidential Information (collectively, “**Innovations**”) made or created by you, your employees, or your contractors, whether developed separately or in conjunction with us, shall be owned solely by us. You represent, warrant, and covenant that your employees and contractors are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees, or your contractors are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title, and interest in and to such Innovations to us. To that end, you shall execute, verify, and deliver such documents (including, without limitation, assignments) and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof. Your obligation to assist us with respect to such ownership rights shall continue beyond the expiration or termination of this Franchise Agreement. In the event we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section ~~6.2~~ you hereby irrevocably designate and appoint us and our duly-authorized officers and agents as your agent and attorney-in-fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section ~~6.2~~ with the same legal force and effect as if executed by you. The obligations of this Section 6 shall survive any expiration or termination of the Agreement.

6.2.3 Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time that we disclosed it to you, already had lawfully become generally known through publication or communication by others (without violating an obligation to us or our affiliates); or which, after we disclose it to you, lawfully becomes generally known through publication or communication by others (without violating an obligation to us or our affiliates). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

6.2.4 From and after the Effective Date, we own the current and future lists of the Franchised Business’s customers, including all information on students and their parents, such as addresses, email addresses, telephone numbers, class records, and other data. At our request, from time to time you must send us the customer information we shall request, in the manner and form we designate. You acknowledge and agree that all such customer information comprises part of

the Confidential Information, and that we may use such customer information in any way we wish and irrespective of, any transfer, termination, expiration, repurchase, or otherwise.

6.2.5 Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or (iii) made in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of Confidential Information to an attorney and for use of the Confidential Information in such court proceeding, so long as any document containing the Confidential Information is filed under seal and Confidential Information is not otherwise disclosed except pursuant to court order.

7. EXCLUSIVE RELATIONSHIP DURING TERM

~~7A-7.1~~ COVENANTS AGAINST COMPETITION. You acknowledge that we have granted you a franchise in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during this Franchise Agreement's term, neither you, any of your owners, nor any of your or your owners' immediate family members will:

~~(+)~~7.1.1 have any direct or indirect controlling or non-controlling interest as an owner, whether of record, beneficially, or otherwise, in a Competitive Business (as defined below), wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph); or

~~(=)~~7.1.2 perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating.

7.1.3 The term "**Competitive Business**" means: (i) any program, facility, or enterprise (whether for profit or otherwise) providing art studios (excluding any Kidcreate Businesses operated under a franchise agreement with us); or (ii) any business granting franchises or licenses to others to operate the type of business specified in part (i).

~~7B-7.2~~ NON-INTERFERENCE. You further agree that, during the term of this Franchise Agreement, neither you, any of your owners, nor any of your or your owners' immediate family members will:

~~(+)~~7.2.1 interfere, or attempt to interfere with our or our affiliates' or franchisees' relationships with any Kidcreate Business customers, vendors, or consultants;

~~(=)~~7.2.2 solicit, offer or provide services to customers outside your Territory; or

~~(+)~~7.2.3 engage in any other activity that might injure the goodwill of the Marks and/or the System.

8. OPERATION OF THE FRANCHISED BUSINESS.

8A-8.1 CONDITION AND APPEARANCE OF STUDIOS. You agree that:

~~(a)~~8.1.1 you will maintain a clean and organized appearance at each studio from where you operate the Franchised Business, including your Operating Assets, in accordance with System Standards and consistent with the image of a Kidcreate Business, as an efficiently operated business offering high quality products and services, and observing the highest standards of professionalism; cleanliness; sanitation; efficient, courteous service; and pleasant ambiance, and, in that connection, will repair or replace damaged, worn out, or obsolete Operating Assets;

~~(b)~~8.1.2 you will place or display at the studio those products, signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve;

~~(c)~~8.1.3 if at any time in our reasonable judgment, the general state of repair, appearance, or cleanliness of any of your studios or the Franchised Business's equipment, supplies, products, or signs does not meet our standards, we have the right to notify you, specifying the action you must take to correct the deficiency. If you do not cure the deficiency, or cause the owner or operator of the studio to initiate action to correct such deficiency within the time period we specify, we may terminate this Franchise Agreement; and

~~(d)~~8.1.4 at our request, you will periodically improve and modify the Franchised Business to conform to the then-current System Standards.

~~8B-8.2~~ **STANDARDS, SPECIFICATIONS AND PROCEDURES.** You agree that: (1) the Franchised Business will provide art education classes and offer the products and services that we specify from time to time; (2) the Franchised Business will offer and sell approved products and services only in the manner we have prescribed and via methods and channels we permit; (3) you will not offer for sale or sell at the Franchised Business any products or services we have not approved; (4) you will discontinue selling and offering for sale at the Franchised Business any products or services that we at any time decide (in our sole discretion) to disapprove in writing; and (5) you will use certain equipment, supplies, and products that we designate in connection with providing art classes to customers at the Franchised Business.

~~8C-8.3~~ **KIDCREATE STUDIO MEMBERSHIPS.** You will offer and sell customer subscriptions for classes and camps that may be utilized at a designated time ("**Kidcreate Studio Membership**"). We may prescribe the types and terms of Kidcreate Studio Memberships to be offered by Kidcreate Businesses, and you agree to offer and sell such Kidcreate Studio Memberships. You will only offer for sale Kidcreate Studio Memberships in strict compliance with System Standards and our standards, policies and procedures. We may establish, from time to time, additional policies regarding Kidcreate Studio Memberships. You acknowledge that such regulations may be necessary to ensure the efficient operation of Kidcreate Businesses and to protect the goodwill and brand image of Kidcreate Businesses, and you agree to comply with our policies which may include, without limitation, requirements regarding payment terms and refunds for Kidcreate Studio Memberships.

~~8D-8.4~~ **APPROVED PRODUCTS, DISTRIBUTORS AND SUPPLIERS.**

8.4.1 We have developed or may develop standards and specifications for types, models, and brands of required Operating Assets, other products, materials, supplies, and services for the Franchised Business. We reserve the right from time to time to approve specifications ~~of~~for manufacturers, suppliers, and distributors of the above items that meet our reasonable standards and requirements. You agree to purchase only such items meeting those specifications, and if we require it, only from distributors and other suppliers we have approved, including ourselves or our affiliates.

8.4.2 We may concentrate purchases with one or more manufacturers, distributors, or suppliers to obtain lower prices and/or the best advertising support and/or services for any group of Kidcreate Businesses franchised or operated by us or our affiliates. We may also designate a single manufacturer, distributor, or supplier (collectively, “**supplier**”) for any product, service, Operating Asset, or other material, and may approve a supplier only as to certain products. If we or any of our affiliates designate such products and services are to be purchased through approved and/or designated third-party suppliers, then you shall purchase such products and services from such suppliers pursuant to the terms and in the manner approved by us and or our affiliates. The designated supplier may be us or an affiliate of ours. You acknowledge and agree that we and/or our affiliates may derive revenue based on your purchases (including, without limitation, from charging you for products and services we or our affiliates provide to you, and from promotional allowances, rebates, volume discounts, and other payments made to us by suppliers that we designate or approve for some or all of our franchisees). We and/or any of our affiliates may use such revenue or profit without restriction.

8.4.3 If you would like to purchase or use any products, services, Operating Assets or materials that we have not approved or from any unapproved supplier, you must submit to us a written request for approval of the proposed product and/or supplier prior to purchasing any such item. Approval of a supplier may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency and speed of delivery, past experience with our affiliates, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria, and may be temporary, pending our continued evaluation of the supplier from time to time. We reserve the right to charge you our then-current new product/supplier application fee and require you to reimburse us for our expenses (not to exceed the reasonable cost of the research and inspection, and the actual cost of the test) to make the evaluation. We have the right to inspect the proposed supplier’s facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to a third party we designate for testing. We shall notify you in writing of the approval or rejection of the proposed supplier within a reasonable time after completion of the investigation of the proposed supplier. If we fail to respond within 60 days, your request will be deemed denied. We may, in our sole discretion, elect to withhold approval of the supplier. You acknowledge that we are likely to reject your request for a new supplier without conducting any investigation if the proposed new supplier is for items bearing our proprietary Marks or if we already have designated an exclusive supplier for the item proposed to be offered by the new supplier. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our criteria. We also reserve the right to charge suppliers a royalty for the right to manufacture products for use in Kidcreate Businesses.

8.5 COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

8.5.1 You must secure and maintain in force all required licenses, permits, and certificates relating to the operation of the Franchised Business, and must at all times operate the Franchised Business in full compliance with all applicable laws, ordinances, and regulations. You agree to comply and assist us in our compliance efforts, as applicable, with any and all laws, regulations (including, without limitation, anti-discrimination laws), Executive Orders, or otherwise relating to anti-terrorist activities (including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations). In connection with such compliance efforts, you agree not to enter into any prohibited transactions, and to properly perform any currency reporting and other activities relating to the Franchised Business as may be

required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224, and agree not to hire any person so listed, or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders, and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 46D16.4 pertain to your obligations hereunder.

8.5.2 The Franchised Business must, in all dealings with its customers, suppliers, us, and the public, adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Kidcreate Businesses. You must notify us in writing within five days of the threat of or commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the Franchised Business, and of any notice of violation of any law, ordinance, or regulation relating to the Franchised Business.

8.5.3 You agree to comply with all applicable laws pertaining to the privacy of customer, employee, and transactional information (“**Privacy Laws**”). You also agree to comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you will: (a) comply with the requirements of applicable law; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You agree not to publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.

~~8F-8.6~~ **MANAGEMENT OF THE FRANCHISED BUSINESS.** You (or your Operating Owner, if you are an Entity) are responsible for the day-to-day management, direction, and control of the Franchised Business, subject to the terms and conditions of this Franchise Agreement. Under certain circumstances, we may allow you to appoint a designated manager (“**Designated Manager**”) to supervise the day-to-day operations of the Kidcreate Business. The Designated Manager must successfully complete our Initial Training Program. The Designated Manager need not have an ownership interest in the Franchisee Entity. If, at any time during the term of the Franchise Agreement, you replace your Operating Owner and/or Designated Manager, that replacement must attend and successfully complete the first available Initial Training Program. You will be charged a training fee for each and every replacement Operating Owner and/or Designated Manager and will be responsible for all costs for airfare, ground transportation, lodging, meals and expenses. You (or your Operating Owner) or your Designated Manager (if any) must continuously exert your (or his or her) best efforts to promote and enhance the Franchised Business. The Franchised Business must always be under the direct, full-time supervision of you (or your Operating Owner) or your Designated Manager, if any. You are not required to directly manage and train the teachers; however, you must at all times have a Designated Manager (if someone other than you) who must have satisfactorily completed our Initial Training Program.

~~8G-8.7~~ **INSURANCE.**

8.7.1 During the term of this Franchise Agreement, you must maintain in force at your sole expense insurance coverage we require, including:

(a) comprehensive general liability insurance with minimum limits of \$1,000,000 per occurrence and at least \$2,000,000 aggregate;

(b) automobile liability including owned (if applicable), hired and non-owned vehicle coverage and property damage liability with at least \$1,000,000 combined single limit, and \$1,000,000 general aggregate limit;

(c) product liability insurance with limits of at least \$2,000,000 general aggregate including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; assault and battery; terrorism; and tenant's legal liability with limits of at least \$300,000 (not applicable for Kidcreate On the Go Businesses);

(d) builders' risk during renovation and/or construction (not applicable for Kidcreate On the Go Businesses);

(e) worker's compensation and ~~employers~~employers' liability insurance of \$500,000/\$500,000; abuse and molestation coverage of at least \$1,000,000 per occurrence;

(f) excess liability coverage of at least \$1,000,000;

(g) all risk coverage insurance on (i) all personal property covering the Kidcreate Business and contents thereof, including, without limitation, all supplies, inventory, fixtures, and equipment, containing a replacement value endorsement in an amount equal to the full replacement value thereof; and (ii) business interruption insurance for actual loss the Kidcreate Business sustains for 12 months, or not less than fifty percent (50%) of annual Net Sales; and

(h) other types of insurance, in the amounts, required by applicable law, rule, regulation, ordinance or licensing requirements or your lease, if applicable.

8.7.2 Actual types and amounts of coverage are subject to change, and certain types of coverage may differ depending on the type of Kidcreate Business you operate. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated vendor. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with the Franchised Business's operation or activities of your personnel in the course of their employment (within and outside the Franchised Business). All of these policies must contain the minimum coverage we prescribe from time to time, where you operate the Franchised Business, and must have deductibles not to exceed the amounts we specify.

8.7.3 We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

8.7.4 These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate). The insurance company must be authorized to do business in the state where your Kidcreate Business is located and must be approved by us.

8.7.5 Each insurance policy (except for employment liability insurance policies) must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates, and their successors and assigns. Prior to commencing any renovations or construction at the Kidcreate Business, you will provide us with a certificate of insurance for the builder's risk insurance required.

~~4.1.1~~ You must furnish us with copies of your certificates of insurance or other evidence of your maintaining this insurance coverage and paying premiums at least 30 days prior to opening, as week as routinely as requested by us. ~~You must immediately notify us in writing of any accidents, injury, occurrence or claim that might give rise to a liability or claim against us or which could materially affect your Kidcreate Business, and such notice must be provided no later than the date you notify your insurance carrier.~~

~~8.7.6~~ ~~You routinely must furnish us copies of your certificates of insurance or other evidence of your maintaining this insurance coverage and paying premiums.~~ If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, including, without limitation, termination, we may (but need not) obtain such insurance for you and the Franchised Business on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, plus a fee of twenty percent (20%) of the premium for our costs and time incurred in obtaining such insurance.

~~8.7.7~~ ~~You must immediately notify us in writing of any accidents, injury, occurrence or claim that might give rise to a liability or claim against us or which could materially affect your Kidcreate Business, and such notice must be provided no later than the date you notify your insurance carrier.~~

~~8H-8.8~~ **PRICING.** Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may charge for classes, parties, camps, products and services offered by the Franchised Business. If we impose such a maximum or minimum price for any class, party, camp, product or service, you may charge any price for the class, party, camp, product or service up to and including the maximum price we impose, or down to and including the minimum price we impose, but may not charge any price in excess of the maximum price or below the minimum price set by us. For any classes, parties, camps, products or services for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a class, party, camp, product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any class, party, camp, product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such class, party, camp, product or service. You must honor the terms of any promotional or discount program that we may offer to the public.

~~8I-8.9~~ **COMPLIANCE WITH SYSTEM STANDARDS.**

8.9.1 You acknowledge and agree that operating and maintaining the Franchised Business according to System Standards is essential to preserve the goodwill of the Marks and all Kidcreate Businesses. Therefore, you agree at all times to operate and maintain the Franchised Business according to all of our System Standards, as we periodically modify and supplement them, even if you believe that a System Standard, as originally issued or subsequently modified, is not in the System's or your best interests. Although we retain the right to establish and periodically

modify System Standards that you have agreed to maintain, you (or your Operating Owner or any Designated Manager) retain the right to, and responsibility for, the day-to-day management and operation of the Franchised Business and implementing and maintaining System Standards at the Franchised Business.

8.9.2 As examples, and without limitation, System Standards may regulate any one or more of the items described in Sections ~~4B and 8A.4.2~~ and 8.1 above, as well as any other aspects of operating and maintaining the Franchised Business that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and Kidcreate Businesses. You agree that System Standards we prescribe in the Franchise Operations Manual or otherwise communicate to you in writing or another tangible form (for example, via a System extranet or website), are part of this Franchise Agreement as if fully set forth within its text. All references to this Franchise Agreement include all System Standards as periodically modified.

~~8.8.10~~ **VARIATION AND MODIFICATION OF SYSTEM STANDARDS.** We may permit variations in the System Standards as we deem advisable, including, without limitation, variations to accommodate local or regional differences. We periodically may modify System Standards, and these modifications may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve buying new Operating Assets, adding new products and services, updating your Computer System and adding personnel, or otherwise modifying the nature of your operations, as if they were part of this Franchise Agreement as of the Effective Date.

9. MARKETING.

~~9A.9.1~~ **GRAND OPENING MARKETING.** For each Kidcreate Studio Business you operate, you must spend at least \$1,000 for a pre-marketing and grand opening marketing program for the Franchised Business to take place during the period beginning approximately one week before your Kidcreate Studio Business is scheduled to open, and within approximately four weeks after the opening. You agree to provide a grand opening marketing program strategy for our approval before you implement your grand opening marketing program, which shall include proposed marketing materials and promotions to gain brand exposure in your Territory. We will provide you with templates for certain promotional and advertising materials, and consultation in connection with the grand opening marketing for your Kidcreate Business. Upon our request, you agree to send us, in the manner we prescribe, an accounting of your pre-marketing and grand opening advertising expenditures. You are not required to engage in a grand opening marketing campaign for a Kidcreate On the Go Business; however, we recommend that you spend at least \$2,500 on pre-marketing activities for each Kidcreate On the Go Business you open and operate.

~~9B.9.2~~ **LOCAL ADVERTISING.**

9.2.1 For each Kidcreate Business you operate, you agree to spend \$500 each calendar month to advertise and promote the Franchised Business (which may include the costs of online advertising) ("**Local Advertising Requirement**"). Upon our request, you agree to send us, in the manner we prescribe, an accounting of your Local Advertising Requirement during the preceding months. If you fail to meet your required Local Advertising Requirement in any month, you must pay us the difference between the amount you spent and the minimum Local Advertising Requirement, which will be contributed to the Brand Fund (as defined in Section ~~9C.9.3~~), if established.

9.2.2 You agree, at your sole cost and expense, to issue and offer such rebates, giveaways and other promotions in accordance with advertising programs established by us, and further agree to honor the rebates, giveaways and other promotions issued by other Kidcreate Studio franchisees under any such program, so long as such compliance does not contravene any applicable law, rule or regulation. You will not create or issue any gift cards/certificates, and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all Kidcreate Businesses, and you will not issue coupons or discounts of any type except as approved by us.

9.2.3 Any advertising and promotion conducted by you with respect to the Franchised Business must follow our guidelines. All advertising and promotional materials that you develop for the Franchised Business must contain notices of the domain of our System Website (as defined in Section ~~9E~~9.5 below) in the manner we designate. You agree that your advertising, promotion and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. All advertising, promotion and marketing must conform to our System Standards. At least ten days before you intend to use them, you agree to send us for approval samples of all advertising, promotional and marketing materials that we have previously not approved. If we do not approve of the materials within five days of our receipt of such materials, then they shall be deemed disapproved. You may not use any advertising, promotional or marketing materials that we have not approved or have disapproved.

~~9C~~9.3 BRAND FUND.

9.3.1 Recognizing the value of advertising and marketing to the goodwill and public image of Kidcreate Businesses, we have established a national advertising and marketing fund (“**Brand Fund**”) for marketing, developing and promoting the System, the Marks and Kidcreate Businesses. You agree to contribute to the Brand Fund in an amount equal to one percent (1%) of your Gross Sales, due and payable in the same manner as the Royalty (“**Brand Fund Contribution**”). Kidcreate Businesses owned by us or our affiliates may, but are not required to, contribute to the Brand Fund on the same basis as our franchisees.

9.3.2 We will direct all programs that the Brand Fund finances, with sole control over the creative concepts, materials and endorsements used, and their geographic, market and media placement and allocation. The Brand Fund may pay for preparing and producing video, audio and written materials and electronic media; developing, implementing and maintaining our System Website (as defined in Section ~~9E~~9.5 below) or related websites that promote Kidcreate Businesses and/or related strategies; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising; using advertising, promotion and marketing agencies and other advisors to provide assistance; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or “next generations” of any such devices; to implement a loyalty program or other marketing programs designed to encourage the use of Kidcreate Businesses; and supporting public relations, market research, and other advertising, promotion and marketing activities.

9.3.3 The Brand Fund periodically will give you samples of advertising, marketing, and promotional formats and materials at no cost that we may develop. The Brand Fund will sell you

multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling, and storage charges.

9.3.4 We will account for the Brand Fund separately from our other funds. We may use the Brand Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, the Brand Fund's other administrative costs, travel expenses of personnel while they are on Brand Fund business, meeting costs, overhead relating to Brand Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Brand Fund and its programs, including, without limitation, conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Brand Fund Contributions.

9.3.5 The Brand Fund is not our asset. Although the Brand Fund is not a trust, we will hold all Brand Fund Contributions for the benefit of the contributors and use contributions only for the purposes described in this Section. We do not have any fiduciary obligation for administering the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Brand Fund Contributions to pay costs before using the Brand Fund's other assets.

9.3.6 We will prepare an annual, unaudited statement of Brand Fund collections and expenses, and give you the statement upon written request. The Brand Fund is not audited. We will provide an annual accounting for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year upon written request. We may incorporate the Brand Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section ~~9C.9.3~~.

9.3.7 The purpose of the Brand Fund is to maximize recognition of the Marks, patronage of Kidcreate Businesses, and the Kidcreate Studio brand generally. Although we will try to use the Brand Fund to develop advertising and marketing materials and programs, and to place such materials that will benefit all Kidcreate Businesses, we cannot ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund Contributions by contributors operating in that geographic area or that any contributor benefits directly or in proportion to its Brand Fund Contribution from the development of advertising and marketing materials or the placement of advertising and marketing. We will not use the Brand Fund Contributions for advertising that is principally a solicitation for the sale of franchises, but we reserve the right to include a notation in any advertisement or website indicating "Franchises Available," or similar phrasing.

9.3.8 We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund Contributions at the Brand Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Brand Fund. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Fund.

9.3.9 We may at any time defer or reduce contributions of a Kidcreate Business franchise owner and, upon 30 days' prior written notice to you, reduce or suspend Brand Fund Contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If we terminate the Brand Fund, we will distribute all unspent monies to our

franchise owners, and to us and our affiliates, in proportion to their, and our, respective Brand Fund Contributions during the preceding 12-month period.

9D.9.4 LOCAL ADVERTISING COOPERATIVE.

9.4.1 Subject to the terms and conditions of this Section ~~9D.9.4~~, you agree that we or our affiliates or designees may establish or direct the establishment of a local advertising cooperative (“**Local Advertising Cooperative**”) in geographical areas (as determined by us) in which two or more Kidcreate Businesses are operating. We may require that each Local Advertising Cooperative that exceeds five franchisee members be organized and governed by written documents. Such written documents will be available for participating Local Advertising Cooperative franchise owners to review. We may change, dissolve and merge Local Advertising Cooperatives. Each Local Advertising Cooperative’s purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Local Advertising Cooperative covers. If, as of the time you sign this Franchise Agreement, we have established a Local Advertising Cooperative for the geographic area in which the Franchised Business is located, or if we establish a Local Advertising Cooperative in that area during this Franchise Agreement’s term, you agree to sign the documents we require to become a member of the Local Advertising Cooperative and to participate in the Local Advertising Cooperative as those documents require.

9.4.2 If we establish a Local Advertising Cooperative in your geographic area pursuant to this Section ~~9D.9.4~~, you agree to participate and contribute your share, as determined by the members of the Local Advertising Cooperative, to such Local Advertising Cooperative for each Kidcreate Business that you own that exists within the Local Advertising Cooperative’s area. Your contributions to a Local Advertising Cooperative will be credited to your Local Advertising Requirement described in Section ~~9B.9.2~~, and payable within five days after the end of the calendar month (or as we designate). Your contributions to a Local Advertising Cooperative may also be capped based on the provisions of the bylaws adopted by the Local Advertising Cooperative, subject to our approval. You will pay these monies to us electronically, and we will remit them periodically to the Local Advertising Cooperative. Kidcreate Businesses owned by us or our affiliates will contribute to their respective Local Advertising Cooperative on the same basis as our franchise owners. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member.

9.4.3 Each Kidcreate Business contributing to a Local Advertising Cooperative will have one vote on matters involving the activities of the particular Local Advertising Cooperative. The Local Advertising Cooperative may not use any advertising, marketing, or promotional plans or materials without our prior written consent. We agree to assist in the formulation of marketing plans and programs which will be implemented under the direction of the Local Advertising Cooperative. You acknowledge and agree that, subject to our approval and subject to availability of funds, the Local Advertising Cooperative will have discretion over the creative concepts, materials and endorsements used by it. You agree that the Local Advertising Cooperative assessments may be used to pay the costs of preparing and producing video, audio and written advertising and direct sales materials for Kidcreate Businesses in your area; purchasing direct mail and other media advertising for Kidcreate Businesses in your area; implementing direct sales programs; and employing marketing, advertising and public relations firms to assist with the development and administration of marketing programs for Kidcreate Businesses in your area.

9.4.4 The monies collected by us on behalf of a Local Advertising Cooperative will be accounted for separately by us from our other funds and will not be used to defray any of our general operating expenses. You agree to submit to us and the Local Advertising Cooperative any reports that we or the Local Advertising Cooperative require. Each cooperative must prepare annual unaudited financial statements, and such statements will be provided for review to each member of such cooperative.

9.4.5 You understand and acknowledge that the Franchised Business might not benefit directly or in proportion to its contribution to the Local Advertising Cooperative from the development and placement of advertising and the development of marketing materials. Local Advertising Cooperatives for Kidcreate Businesses will be developed separately, and no cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Local Advertising Cooperative on behalf of and at the expense of the Local Advertising Cooperative and to forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in this Section ~~9D~~9.4, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Local Advertising Cooperative.

9E9.5 SYSTEM WEBSITE.

9.5.1 We have established a website to advertise, market and promote Kidcreate Businesses; the art classes, camps, parties, products and services that they offer and sell; and/or a Kidcreate Studio Franchise opportunity (“**System Website**”). We may, but are not obligated to, provide you with a webpage on the System Website that references the Franchised Business. If we provide you with a webpage on the System Website, you must: (i) provide us the information and materials we request to develop, update and modify your webpage, including information on your studio(s); (ii) notify us whenever any information on your webpage is not accurate; and (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage. We reserve the right to include a charge as part of the technology fee for our maintenance of your webpage. We will own all intellectual property and other rights in the System Website, including your webpage and all information it contains (including, without limitation, the domain name or URL for your webpage, the log of “hits” by visitors, and any personal or business data that visitors supply).

9.5.2 We will maintain the System Website, and may use the Brand Fund’s assets to develop, maintain and update the System Website. We periodically may update and modify the System Website (including your webpage). You must promptly notify us whenever any information on your listing changes or is not accurate. You acknowledge that we have final approval rights over all information on the System Website (including your webpage). We may implement and periodically modify System Standards relating to the System Website.

9.5.3 Even if we provide you a webpage on our System Website, we will only maintain such webpage while you are in full compliance with this Franchise Agreement and all System Standards we implement (including, without limitation, those relating to the System Website). If you are in default of any obligation under this Franchise Agreement or the System, then we may, in addition to our other remedies, temporarily remove your webpage from the System Website until you fully cure the default. We will permanently remove your webpage from the System Website upon this Franchise Agreement’s expiration or termination.

9.5.4 All advertising, marketing and promotional materials that you develop for the Franchised Business must contain notices of the System Website's domain name in the manner we designate.

9.5.5 You agree that you will not sell any Kidcreate Business products or services to customers on a website through the Internet or through any alternative channels of distribution, except as approved by us. You may not, without our prior written approval, develop, maintain or authorize any website, social media account, crowdfunding campaigns or blogs that ~~mentions~~mention or describes you, your Kidcreate Business, or displays any of the Marks. If we approve your use of a website, social media or other account, we will reserve the right to require you to obtain our written approval of its initial content and as it is updated or modified from time to time. We have the right to review and remove all online content on social media sites, blogs, in electronic communications, and on other online sites on which our trademarks are used, to protect the reputation and high quality associated with our trademarks and to maintain consistency within the System. We may remove or require you to remove any questionable usage or content involving our Marks. We may also require you to cease using our Marks at all such sites or discontinue all use of such sites.

9.5.6 If you wish to advertise online, you must follow our online policy, which is contained in our Franchise Operations Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising and co-branding arrangements. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag or search technique with words or symbols similar to the Marks.

9F. **ADVISORY COUNCIL.** We reserve the right, at any time, to form one or more advisory councils to assist us in improving products and services, the System, and improving marketing and promotion of Kidcreate Businesses. If formed, the advisory council will include our representatives and franchisee representatives. Franchisee representatives may be selected by us or may be elected by other franchisees in the System. The advisory council will be governed by bylaws. If you participate in any advisory council, you will pay all expenses you incur related to your participation, such as travel, lodging, and meal expenses related to attending council meetings. If formed, the advisory council will serve in an advisory capacity only. We reserve the right to form, change, or dissolve any advisory council at any time.

10. RECORDS, REPORTS, AND FINANCIAL STATEMENTS.

10.1 RECORD-KEEPING REQUIREMENTS. You agree to establish and maintain, at your own expense, a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You must use the Computer System to maintain certain sales data and other information. You agree that we shall have access to the Computer System of the Franchised Business at all times, and that we shall have the right to collect and retain from the Computer System any and all data concerning the Franchised Business.

10.2 REPORTING REQUIREMENTS. You agree to give us in the manner and format that we prescribe from time to time:

~~(1)~~10.2.1 on or before the Royalty payment, a report on your Gross Sales during the preceding calendar month (or other accounting period we designate);

~~(2)~~10.2.2 within 15 days after the end of each calendar month, the operating statements, financial statements, statistical reports, and other information we request regarding the Franchised Business covering that month;

~~(3)~~10.2.3 within the time limits specified in the Franchise Operations Manual, such other periodic operating statements, financial statements, statistical reports, and other information we request regarding you and the Franchised Business;

~~(4)~~10.2.4 by April 30th of each year, annual profit and loss, and source and use of funds statements, and a balance sheet for the Franchised Business as of the end of the prior calendar year; and

~~(5)~~10.2.5 within ten days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we may periodically require relating to you and the Franchised Business.

An officer must certify and sign each report and financial statement in the manner we prescribe. We reserve the right to disclose data derived from these reports.

10.3 PRESERVATION OF RECORDS. Subject to applicable law, you agree to preserve and maintain all records in a secure location at the Franchised Business for at least three years (including, but not limited to, sales transaction records, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipt and disbursement journals, credit card processing reports, and general ledgers). We may require you to have audited financial statements prepared annually by a certified public accountant at your expense during the term of this Franchise Agreement. You must retain all records of Gross Sales for a period of at least three years.

10.4 FINANCIAL STATEMENTS OF OWNERS AND GUARANTORS. Further, at our request, you will provide financial information of your owners and guarantors sufficient to demonstrate such owners' and guarantors' ability to satisfy their financial obligations under this Franchise Agreement and their individual guarantees.

11. INSPECTIONS AND AUDITS.

~~11A-~~**11.1 OUR RIGHT TO INSPECT THE FRANCHISED BUSINESS.** To determine whether you and the Franchised Business are complying with this Franchise Agreement and all System Standards, we and our designated agents or representatives may at all times and without prior notice to you: (1) inspect the Franchised Business; (2) photograph the Franchised Business and observe and videotape the Franchised Business's operation for consecutive or intermittent periods we deem necessary; (3) continuously or periodically monitor the Franchised Business using electronic surveillance or other means; (4) remove samples of any products and supplies; (5) interview the Franchised Business's teachers, employees, and customers; (6) utilize mystery shoppers or other marketing research techniques at your expense; and (7) inspect and copy any books, records, and documents relating to the Franchised Business's operation. You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere unreasonably with the Franchised Business's operation. You must reimburse us for our costs and expenses associated with third-party mystery shoppers.

~~11B-~~**11.2 OUR RIGHT TO AUDIT.** We may, at any time, and without prior notice to you, examine your and the Franchised Business's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives

and independent accountants in any examination. If any examination discloses an understatement of your Gross Sales, you agree to pay us, within 15 days after receiving the examination report, the Royalty, Marketing Fees, and any other fees understated, plus interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of Gross Sales exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants, and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Franchise Agreement and applicable law.

12. TRANSFER.

~~12A.12.1~~ BY US. You acknowledge that we maintain a staff to manage and operate the System and that staff members can change as employees come and go. You acknowledge that you did not sign this Franchise Agreement in reliance on the continued participation by or employment of any of our shareholders, directors, officers, or employees. We may change our ownership or form and/or assign this Franchise Agreement and any other agreement to a third party without restriction. After our assignment of this Franchise Agreement to a third party who expressly assumes the obligations under this Franchise Agreement, we no longer will have any performance or the other obligations under this Franchise Agreement. This Franchise Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it.

12B.12.2 BY YOU.

12.2.1 You understand and acknowledge that the rights and duties this Franchise Agreement creates are personal to you and your owners, and that we have granted you the franchise in reliance upon our perceptions of your and your owners' individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Franchise Agreement (or any interest in this Franchise Agreement); (ii) the Franchised Business (or any right to receive all or a portion of the Franchised Business's profits or losses or capital appreciation related to the Franchised Business); (iii) substantially all of the assets of the Franchised Business; (iv) any ownership interest in you (regardless of its size); or (v) any ownership interest in any of your owners (if such owners are legal entities). A transfer of the Franchised Business's ownership, possession or control, or substantially all of its assets, may be made only with a transfer of this Franchise Agreement. Any transfer without our approval is a breach of this Franchise Agreement and has no effect.

12.2.2 In this Franchise Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

~~(1)~~(a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;

~~(2)~~(b) merger or consolidation or issuance of additional securities or other forms of ownership interest;

~~(3)~~(c) any sale of a security convertible to an ownership interest;

~~(4)~~(d) transfer of an interest in you, this Franchise Agreement, the Franchised Business or substantially all of its assets, or in your owners in a divorce, insolvency, or entity dissolution proceeding, or otherwise by operation of law;

~~(5)~~(e) if one of your owners or an owner of one of your owners dies, a transfer of an interest in you or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or

~~(6)~~(f) foreclosure upon the Franchised Business, or your transfer, surrender, or loss of the Franchised Business's possession, control, or management.

12.2.3 Additionally, you may not pledge this Franchise Agreement, an ownership interest in you or your owners, or your assets as security for any loan or other financing (to someone other than us), unless: (1) we grant our prior written consent; and (2) the lender agrees that its claims will be subordinate to all amounts you owe at any time to us or our affiliates.

12.2.4 If you intend to list the Franchised Business for sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement. You may not use or authorize the use of any Mark in advertising the transfer or other disposition of the Franchised Business or of any ownership in you without our prior written consent. You shall not use or authorize the use of, and no third party shall on your behalf use, any written materials to advertise or promote the transfer of the Franchised Business or of any ownership interest in you without our prior written approval of such materials.

~~12C.12.3~~ **CONDITIONS FOR APPROVAL OF TRANSFER.**

12.3.1 If you and your owners are in full compliance with this Franchise Agreement, then, subject to the other provisions of this Section ~~12.12~~, we will approve a transfer that meets all of the requirements in this Section ~~12C.12.3~~.

12.3.2 For any proposed transfer (including a transfer of this Franchise Agreement, a transfer of a "controlling ownership interest" (as defined in Section ~~17.14~~)17.14.7) in you or one of your owners, or a transfer which is one of a series of transfers), regardless of the time period over which these transfers take place, which in the aggregate transfer this Franchise Agreement or a controlling ownership interest in you or one of your owners, all of the following conditions must be met before or concurrently with the effective date of the transfer:

~~(1)~~(a) the transferee has sufficient business experience, aptitude, integrity and financial resources to operate the Franchised Business;

~~(2)~~(b) you have paid all Royalties, Marketing Fees, and other amounts owed to us, our affiliates, and third-party vendors; have submitted all required reports and statements; and have not violated any provision of this Franchise Agreement or any other agreement with us or our affiliates;

~~(3)~~(c) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

~~(4)~~(d) the transferee's representatives satisfactorily complete our then-current Initial Training Program;

~~(5)~~(e) the owner of the facility in which each studio is located allows you to transfer the corresponding lease agreement to the transferee;

~~(6)~~(f) the transferee shall (if the transfer is of this Franchise Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then-current form of franchise agreement and related documents, (including, but not limited to, our then-current form of Owners Agreement) any and all of the provisions of which may differ materially from any and all of those contained in this Franchise Agreement, including the Royalty and the Marketing Fees; provided, however, that the term of the new franchise agreement signed will equal the remainder of the then-remaining term of this Franchise Agreement;

~~(7)~~(g) you pay us a transfer fee for each Kidcreate Business to be transferred equal to \$10,000 per Kidcreate Business, and the cost of any applicable broker fees and any training required. You will pay us a nonrefundable deposit of \$1,000 per Kidcreate Business when you request approval of a transfer and pay, in certain funds, the remaining amount when you execute the transfer documents;

~~(8)~~(h) you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents;

~~(9)~~(i) all individuals and entities who will be direct or indirect owners must execute or have executed a guarantee in the form we prescribe;

~~(10)~~(j) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of the Franchised Business;

~~(11)~~(k) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the Franchised Business are subordinate to the transferee's obligation to pay the Royalty, Marketing Fees, and other amounts due to us, our affiliates, and third-party vendors, and otherwise to comply with this Franchise Agreement;

~~(12)~~(l) you and your transferring owners will not directly or indirectly, at any time or in any manner (except with respect to other Kidcreate Businesses you own and operate), identify yourself or themselves or any business as a current or former Kidcreate Business or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Kidcreate Business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us;

~~(13)~~(m) you and your transferring owners comply with the non-compete obligations under Section ~~13~~15.5 of this Franchise Agreement; and

~~(4)(n)~~ you and your transferring owners reimburse us our costs upon receipt for our invoice for any attorney fees, broker commissions, finder fees, or other placement fees we incur as a result of the transfer.

We may review all information regarding the Franchised Business that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding the Franchised Business.

~~12D.12.4~~ EFFECT OF CONSENT TO TRANSFER. Our consent to a transfer of this Franchise Agreement and the Franchised Business, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the Franchised Business's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Franchise Agreement.

~~12E.12.5~~ TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED LIABILITY COMPANY. Notwithstanding Section ~~12C~~12.3 above, if you are in full compliance with this Franchise Agreement, you may transfer this Franchise Agreement to a corporation or limited liability company which conducts no business other than the Franchised Business and, if applicable, other Kidcreate Businesses, in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of the Franchised Business's assets are owned, and the Franchised Business is conducted, only by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of your obligations under this Franchise Agreement. You agree to remain personally liable under this Franchise Agreement as if the transfer to the corporation or limited liability company did not occur, and sign the form of consent to assignment and assignment to corporate entity satisfactory to us, which may include a general release of any and all claims against us and our owners, officers, directors, employees and agents. You further agree to provide us with all organizational documents for the corporation or limited liability company that we require.

~~12F.12.6~~ OUR RIGHT OF FIRST REFUSAL.

~~12.6.1~~ If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Franchise Agreement and the Franchised Business or an ownership interest in you (except to or among your current owners, which is not subject to this Section) in a transaction that otherwise would be allowed under Sections ~~12B and 12C~~12.2 and 12.3 above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send to us a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Franchise Agreement and the Franchised Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

~~12.6.2~~ The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections ~~12B~~12.2 and ~~12C~~12.3 above. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

12.6.3 We may, by written notice delivered to you or your selling owner(s) within 30 days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

~~(1)~~(a) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity);

~~(2)~~(b) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);

~~(3)~~(c) we will have an additional 30 days to prepare for closing after notifying you of our election to purchase; and

~~(4)~~(d) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in an Entity, as applicable, including, without limitation, representations and warranties regarding: (a) ownership and condition of and title to ownership interests and/or assets; (b) liens and encumbrances relating to ownership interests and/or assets; and (c) validity of contracts and the liabilities, contingent or otherwise, of the Entity whose assets or ownership interests are being purchased.

12.6.4 We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section ~~12F~~12.6.

12.6.5 If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Sections ~~12B~~12.2 and ~~12C~~12.3 above, and if you (and your owners) and the transferee comply with the conditions in Sections ~~12B~~12.2 and ~~12C~~12.3 above.

12.6.6 If you do not complete the sale to the proposed buyer within 60 days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the 30-day period following either the expiration of the 60-day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

~~12G~~12.7 **YOUR DEATH OR DISABILITY.** Upon your or your Operating Owner's death or Permanent Disability (defined below), ~~you~~you or the Operating Owner's executor, administrator, conservator, guardian or other personal representative must transfer your interest in this Franchise Agreement, or the Operating Owner's ownership interest in you, to a third party approved by us (which may be your or the Operating Owner's heirs, beneficiaries or devisees). That transfer must be completed within a reasonable time, not to exceed six months from the date of death or Permanent Disability, and is subject to all of the terms and conditions in this Section ~~12I~~12 (except that any transferee that is the spouse or immediate family member of you or your Operating Owner shall not have to pay the transfer fee described in Section ~~12C(7)~~12.3.2(g) if the transfer meets all the other conditions in Section ~~12C~~12.3). A failure to transfer your interest in this Franchise Agreement or the Operating Owner's ownership interest in you within this time period is a breach of this Franchise Agreement. For purposes of this Section ~~12G~~12.7, "Permanent Disability" means a mental or physical disability, impairment or condition that is reasonably

expected to prevent or actually does prevent you or the Operating Owner from supervising the management and operation of the Franchised Business, and condition from which recovery within 90 days from the date of determination of disability is unlikely. If, upon your or the Operating Owner's death or Permanent Disability, a Designated Manager is not managing the Franchised Business, ~~you~~you or the Operating Owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed 15 days from the date of death or disability, appoint a Designated Manager. The Designated Manager must complete our then-current Initial Training Program at your expense. A new Operating Owner acceptable to us must also be appointed for the Franchised Business within 60 days. We may appoint an Interim Manager and charge you the applicable fee under Section ~~16D~~16.5 if the death or disability of you or your Operating Owner has any impact on the Franchised Business.

13. EXPIRATION OF THIS FRANCHISE AGREEMENT.

~~13A~~13.1 YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.

13.1.1 Upon expiration of this Franchise Agreement, if you meet certain conditions, and subject to the terms and conditions of this Section ~~13~~13.1 and subject to the terms and conditions of this Franchise Agreement, then you will have the option to acquire a successor franchise to operate the Franchised Business as a Kidcreate Business for an additional term of ten years. If you are signing this franchise agreement as a successor agreement, the references to "term" shall mean the applicable renewal term of the successor agreement. The qualifications and conditions for the successor franchise term are described below.

13.1.2 When this Franchise Agreement expires you have the option to acquire a successor franchise commencing immediately upon the expiration of this Franchise Agreement, if:

~~(1)~~(a) you (and each of your owners) have substantially complied with this Franchise Agreement during its term;

~~(2)~~(b) you (and each of your owners) are, both on the date you give us written notice of your election to acquire a successor franchise (as provided in Section ~~13B~~13.2 below) and on the date on which the term of the successor franchise would commence, in full compliance with this Franchise Agreement and all System Standards;

~~(3)~~(c) you add, update, or replace Operating Assets (if necessary) at our request;

~~(4)~~(d) you pay us a successor franchise fee for each successor Kidcreate Business being renewed, in the amount of ten percent (10%) of our then-current Initial Franchise Fee for new franchises (or if we are not offering Franchises at the time of your renewal, the successor franchise fee shall be ten percent (10%) of the initial franchise fee listed in our most recent franchise disclosure document); and

~~(5)~~(e) you: (a) retain the right to use the studio(s) and agree to renew your lease agreements; or (b) at your option, secure rights to use one or more substitute studio(s) that we approve, and you enter into lease agreements with such studios according to System Standards then-applicable for Kidcreate Businesses;

(f) ~~You~~you agree to sign the franchise agreement we then use to grant franchises for Kidcreate Businesses (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and

all of those contained in this Franchise Agreement. You also agree to complete any additional training programs to meet our then-current standards at your expense.

If you (and each of your owners) are not, both on the date you give us written notice of your election to acquire a successor franchise and on the date on which the term of the successor franchise commences, in full compliance with this Franchise Agreement and all System Standards, you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Franchise Agreement during its term under Section ~~14B~~14.2.

13.2 GRANT OF A SUCCESSOR FRANCHISE.

13.2.1 You agree to give us written notice (“**Your Notice**”) of your election to acquire a successor franchise no more than 12 months and no less than six months before this Franchise Agreement expires. We agree to give you written notice (“**Our Notice**”) not more than three months after we receive your notice, of our decision:

~~(1)~~(a) to grant you a successor franchise;

~~(2)~~(b) to grant you a successor franchise on the condition that you correct existing deficiencies of the Franchised Business or in your operation of the Franchised Business;

~~(3)~~(c) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Franchise Agreement during its term or were not in full compliance with this Franchise Agreement and all System Standards on the date you gave us written notice of your election to acquire a successor franchise; or

~~(4)~~(d) not to grant you a successor franchise if we are no longer offering franchises for Kidcreate Businesses.

13.2.2 If applicable, Our Notice will:

~~(1)~~(a) describe the improvements, technology upgrades, trade dress updates, and/or modifications required to bring the Operating Assets of the Franchised Business into compliance with then-applicable System Standards for new Kidcreate Businesses; and

~~(2)~~(b) state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies.

13.2.3 If we elect not to grant you a successor franchise, Our Notice will describe the reasons for our decision. If we elect to grant you a successor franchise, your right to acquire a successor franchise is subject to your full compliance with all of the terms and conditions of this Franchise Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

13.2.4 If Our Notice states that you must cure certain deficiencies of the Franchised Business or its operation as a condition to our granting you a successor franchise, we will give you written notice of our decision not to grant a successor franchise, based upon your failure to cure those deficiencies, not less than 90 days before this Franchise Agreement expires; provided,

however, that we need not give you 90 days' notice if we decide not to grant you a successor franchise due to your breach of this Franchise Agreement during the 90-day period before it expires. We may extend this Franchise Agreement's term for the time period necessary to give you either reasonable time to correct deficiencies or the 90-days' notice of our refusal to grant a successor franchise. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise.

~~13C~~13.3 **AGREEMENTS/RELEASES:** If you satisfy all of the other conditions for a successor franchise, you and your owners agree to execute the form of franchise agreement and any ancillary agreements we then customarily use in granting franchises for Kidcreate Businesses (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Franchise Agreement, including without limitation the financial terms, the fees, and the territorial description. You and your owners further agree to sign, in a form satisfactory to us, guaranties and general releases of any and all claims against us and our shareholders, officers, directors, employees, agents, successors, and assigns. We will consider your or your owners' failure to sign these agreements and releases and to deliver them to us for acceptance and execution within 30 days after their delivery to you to be an election not to acquire a successor franchise.

~~13D~~13.4 **MODIFICATION OF TERRITORY:** Notwithstanding anything to the contrary contained herein, we reserve the right to modify your Territory based on demographic changes as a condition of granting you a successor franchise; provided that if you do not consent to our modifications to your Territory, you may revoke your election to acquire a successor franchise.

~~13E~~13.5 **INTERIM TERM:** If you do not sign a franchise agreement for a successor franchise after the expiration of the term and you continue to accept the benefits of this Franchise Agreement, then at our option, this Franchise Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise agreement to do so and in violation of our rights; or (ii) continued on a month-to-month basis (the "Interim Term") until either party provides the other party with 30 days' prior written notice of the party's intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Franchise Agreement will be deemed to take effect upon the termination of the Interim Term.

14. TERMINATION OF AGREEMENT.

14A14.1 TERMINATION BY YOU.

14.1.1 If you and your owners are fully complying with this Franchise Agreement and we materially fail to comply with this Franchise Agreement and do not correct the failure within 30 days after you deliver written notice of the material failure to us or, if we cannot correct the failure within 30 days, give you within 30 days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Franchise Agreement effective an additional 30 days after you deliver to us written notice of termination.

14.1.2 Your termination of this Franchise Agreement other than according to this Section ~~14A~~14.1 will be deemed a termination without cause and a breach of this Franchise Agreement.

~~14B.14.2~~ **TERMINATION BY US.** We may terminate this Franchise Agreement (including any Kidcreate Rider(s) then in effect), effective upon delivery of written notice of termination to you, if:

~~(1)~~14.2.1 you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating the Franchised Business;

~~(2)~~14.2.2 you (or your Operating Owner or any Designated Manager) do not complete the Initial Training Program in accordance with Section ~~4A~~4.1 of this Franchise Agreement;

~~(3)~~14.2.3 you do not timely open and operate the Franchised Business for business in accordance with the deadlines set forth in Section ~~2D~~2.4 of this Franchise Agreement.

~~(4)~~14.2.4 you abandon the Franchised Business or fail to provide classes for more than 14 consecutive days, unless you have obtained our prior written approval of the suspension;

~~(5)~~14.2.5 you (or your owners) make or attempt to make any transfer in violation of Section ~~12~~12;

~~(6)~~14.2.6 you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony;

~~(7)~~14.2.7 you fail to maintain the insurance we require and do not correct the failure within ten days after we deliver written notice of that failure to you;

~~(8)~~14.2.8 you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects the Franchised Business's reputation or the goodwill associated with the Marks;

~~(9)~~14.2.9 you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Franchise Operations Manual or any other Confidential Information;

~~(10)~~14.2.10 you violate any health, safety or sanitation law, ordinance or regulation, or operate the Franchised Business in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within 72 hours after you receive notice from us or any other party;

~~(11)~~14.2.11 you fail to maintain the appearance and condition of the classroom(s) as required by us or the Franchised Business's Operating Assets pursuant to Section ~~8A~~8.1;

~~(12)~~14.2.12 you violate any other applicable law, regulation, ordinance or consent decree, or fail to maintain any bond, license or permit, and do not cure such violation or failure within ten days after we or any applicable government agency deliver notice to you of that violation or failure;

~~(13)~~14.2.13 you fail to pay us (or our affiliates) any amounts due, and do not correct the failure within ten days after we deliver written notice of that failure to you;

~~(14)~~14.2.14 you fail to pay when due any federal or state income, service, sales or other taxes due on the Franchised Business's operation, unless you are in good faith contesting your liability for these taxes;

~~(15)~~14.2.15 you have insufficient funds in your designated account to cover your payments owed for the Royalty, Marketing Fees and other amounts due on three separate occasions within a 12-month period;

~~(16)~~14.2.16 you understate your Gross Sales three times or more during this Franchise Agreement's term or by more than five percent (5%) on any one occasion;

~~(17)~~14.2.17 you (or any of your owners): (a) fail on three or more separate occasions within any 12-consecutive-month period to comply with this Franchise Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two or more separate occasions within any 12-consecutive-month period to comply with the same obligation under this Franchise Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

~~(18)~~14.2.18 you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; the Franchised Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee or liquidator of you or the Franchised Business is not vacated within 30 days following the order's entry;

~~(19)~~14.2.19 you (or any of your owners) fail to comply with any other provision of this Franchise Agreement or any System Standard, and do not correct the failure within 30 days after we deliver written notice of the failure to you; or

~~(20)~~14.2.20 there is a termination of any other agreement between you or your affiliates and us (or any of our affiliates).

— You must reimburse us for reasonable costs and expenses (including attorney fees) incurred by us in connection with successfully enforcing, issuing notices of default, or obtaining any remedy arising from your breach of this Franchise Agreement.

15. OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS FRANCHISE AGREEMENT.

~~15A.15.1~~ **PAYMENT OF AMOUNTS OWED TO US.** You agree to pay us within 15 days after this Franchise Agreement expires or is terminated, or on any later date that we determine, the amounts due to us (or our affiliates), the Royalties, Marketing Fees, interest, and all other amounts owed to us (and our affiliates) which then are unpaid. We have the right to set off any amount you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You acknowledge and agree that, upon the termination or expiration of this Franchise Agreement (including any Kidcreate Rider(s) then in effect), we shall not become responsible for paying any other third-party amounts you may owe to such third party.

~~15B.15.2~~ **UNUSED KIDCREATE STUDIO MEMBERSHIPS.** In the event that this Franchise Agreement expires or is terminated for any reason while you have customer obligations outstanding under Kidcreate Studio Memberships, then immediately after the date of termination or expiration of this Franchise Agreement, you agree to provide each customer a refund with respect to the unused portion of the Kidcreate Studio Memberships for which the customer has paid. In the event that you do not refund your customers for unused Kidcreate Studio Memberships within ten days after the termination or expiration of this Franchise Agreement, we reserve the right to pay such customers a refund on your behalf and charge you five percent (5%) interest (or the highest interest allowed by applicable law) on such refund amounts until we receive reimbursement in full.

~~15C.15.3~~ **MARKS.**

~~(1)~~15.3.1 **Removal of Signs and Marks.** In the case of expiration, you must deliver to us all Operating Assets and other products and materials containing any Mark or otherwise identifying or relating to a Kidcreate Business on or before the date on which this Franchise Agreement expires. In the case of a termination, you must deliver to us all Operating Assets and other products and materials containing any Mark or otherwise identifying or relating to a Kidcreate Business within seven days after the date this Franchise Agreement is terminated.

~~(2)~~15.3.2 **Additional De-Identification Requirements.** When this Franchise Agreement expires or is terminated:

~~(1)~~(a) you may not directly or indirectly at any time or in any manner (except with other Kidcreate Businesses you own and operate) identify yourself or any business as a current or former Kidcreate Business or as one of our current or former Franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Kidcreate Business in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

~~(2)~~(b) you agree to take the action required to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

~~(3)~~(c) if you fail to do so in the required time period, you agree to allow us, without liability to you or third parties for trespass or any other claim, to remove any signs or other materials containing any Marks from any other locations used by the Franchised Business;

~~(4)~~(d) you acknowledge that all telephone numbers, facsimile numbers, social media websites, Internet addresses, and email addresses (collectively "**Identifiers**") used in the operation of the Franchised Business constitutes our assets, and upon termination or expiration of this Franchise Agreement, you will take such action within five days to cancel or assign to us or our designee as determined by us, all of your right, title and interest in and to such Identifiers, and will notify the telephone company and all listing agencies of the termination or expiration of your right to use any Identifiers and any regular, classified or other telephone directory listing associated with the Identifiers, and to authorize a transfer of the same to, or at our direction. You agree to take all action required to cancel all assumed name or equivalent registrations related to your use of the Marks. You acknowledge that we have the sole rights to, and interest in, all Identifiers used by you to promote your Franchised Business and/or associated with the Marks. You hereby

irrevocably appoint us, with full power of substitution, as your true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. You further appoint us to direct the telephone company, postal service, registrar, Internet service provider, listing agency, website operator, or any other third party to transfer such Identifiers to us or our designee. The telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party may accept such direction by us pursuant to this Franchise Agreement as conclusive evidence of our right to the Identifiers and our authority to direct their transfer;

~~(5)(c)~~ if applicable, immediately: (a) cease using or operating any website or other online presences or electronic mediums, including, but not limited to, social networking websites (such as LinkedIn, Instagram, Twitter, Facebook or YouTube) related to the Franchised Business or the Marks; (b) take any action as may be required to disable such websites or social networking website accounts; and (c) cancel all rights in and to any accounts for such websites;

~~(6)(f)~~ you must follow any reasonable procedures established by us to ensure the expiration of this Franchise Agreement creates the least disruption possible to the System, including those procedures set forth in the Franchise Operations Manual; and

~~(7)(g)~~ you agree to give us, within 30 days after the expiration or termination of this Franchise Agreement, evidence satisfactory to us of your compliance with these obligations.

~~15D,15.4~~ **CONFIDENTIAL INFORMATION.** You agree that, when this Franchise Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including computer software or similar technology, digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the System, and customer information) in any business or otherwise, and return to us all copies of the Franchise Operations Manual and any other Confidential Information that we have loaned you.

~~15E,15.5~~ **COVENANT NOT TO COMPETE.**

15.5.1 Upon termination or expiration of this Franchise Agreement, you and your owners agree that, for two years beginning on the effective date of termination or expiration, or the date on which all persons restricted by this Section ~~15E~~15.5 begin to comply with this Section ~~15E~~15.5, whichever is later, neither you nor any of your owners (or their immediate family members) will have any direct or indirect interest as an owner (whether of record, beneficially or otherwise), investor, partner, director, officer, employee, consultant, representative or agent in any Competitive Business located or operating:

(a) ~~(1)~~—within a 25-mile radius of each Kidcreate Business that you operate under this Franchise Agreement; and

(b) ~~(2)~~—within a 25-mile radius of any other Kidcreate Business that is either open or under development as of the date of termination or expiration of this Franchise Agreement.

15.5.2 These restrictions also apply after transfers, as provided in Section ~~12C(13)~~12.3.2(m) above. If any person restricted by this Section ~~15E~~15.5 refuses voluntarily to comply with these obligations, the two-year period for that person will commence with the entry of a court order enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section ~~15E~~15.5 will not deprive you of your personal goodwill or ability to earn a living.

15.5.3 If a court of competent jurisdiction determines that the two-year post-term restrictive period set forth above is too long to be enforceable, then the post-term restrictive period above shall be for a period of one year from the termination, expiration or transfer of this Franchise Agreement.

~~15F~~15.6 **CONTINUING OBLIGATIONS.** All of our and your (and your owners') obligations which expressly or by their nature survive this Franchise Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination, and until they are satisfied in full or by their nature expire.

16. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

~~16A~~16.1 **INDEPENDENT CONTRACTORS.** You and we understand and agree that this Franchise Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Franchise Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to identify yourself conspicuously in all public records, on letterhead and business forms, and in all dealings with customers, suppliers, public officials, Kidcreate Business personnel and others as the Franchised Business's owner under a franchise we have granted, and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time. Upon our request, you and each of your employees will sign an employment acknowledgment form within seven days stating that you alone are the employer and operate the Franchised Business. You will use your legal name on all documents for use with your employees and contractors, including, but not limited to, employment applications, timecards, pay checks, and employment and independent contractor agreements, and you will not use the Marks on these documents.

~~16B~~16.2 **NO LIABILITY FOR ACTS OF OTHER PARTY.** We and you may not make any express or implied agreements, warranties, guarantees or representations, or incur any debt in the name or on behalf of the other, or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the Franchised Business's operation or the business you conduct under this Franchise Agreement.

~~16C~~16.3 **TAXES.** We will have no liability for any sales, use, service, occupation, excise, gross revenue, income, property or other taxes, whether levied upon you or the Franchised Business, due to the business you conduct (except for income taxes due in our home state). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

~~16D~~16.4 **INDEMNIFICATION.**

16.4.1 You agree to indemnify, defend and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, successors and assignees

(“**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties, to the fullest extent permitted by law, for all claims, obligations and damages directly or indirectly arising out of the Franchised Business’s operation, the business you conduct under this Franchise Agreement, the infringement, alleged infringement, or any other violation by you, your owners, or principals, of:

~~(1)~~(a) any patent, trademark, copyright or other proprietary right owned or controlled by third parties due to your unauthorized use of all or any portion of the Marks and/or System;

~~(2)~~(b) violation, breach or asserted violation or breach of any federal, state or local law, regulation, ruling or industry standard;

~~(3)~~(c) libel, slander or any other form of defamation;

~~(4)~~(d) your employment or other contractual relationship with your employees, workers, managers or independent contractors, including, but not limited to, any allegation, claim, finding or ruling that we are an employer or joint employer of your employees;

~~(5)~~(e) any loss of data, including, but not limited to, customer information, resulting from a breach of such data caused in whole or in part by you or your negligence; or

~~(6)~~(f) your breach of this Franchise Agreement, including, without limitation, those alleged to be, or found to have been, caused by the Indemnified Party’s negligence, unless (and then only to the extent that) the claims, obligations or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction;

~~(7)~~(g) any fees, costs or liabilities incurred by us on your behalf, including fees and costs incurred by us to recover amounts due to you on your behalf;

~~(8)~~(h) your failure to pay the monies payable to any Indemnified Party pursuant to this Franchise Agreement, or to do and perform any other act, matter or thing required by this Franchise Agreement; and

~~(9)~~(i) any action by an Indemnified Party to obtain performance by you of any act, matter or thing required by this Franchise Agreement.

16.4.2 For purposes of this indemnification, “**claims**” include all obligations, damages (actual, consequential or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration or alternative dispute resolution, regardless of whether litigation, arbitration or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements, or take any other remedial, corrective or other actions.

16.4.3 This indemnity will continue in full force and effect subsequent to, and notwithstanding, this Franchise Agreement’s expiration or termination. An Indemnified Party need

not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses in order to maintain and recover fully a claim for indemnity under this Section. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover under this Section.

~~16E~~16.5 **ASSUMPTION OF MANAGEMENT; STEP-IN RIGHTS.**

16.5.1 In order to prevent any interruption of operations which would cause harm to Franchised Business or System, thereby depreciating the value thereof, we have the right, but not the obligation, to step-in and designate an individual or individuals of our choosing (“**Interim Manager**”) for so long as we deem necessary and practical to temporarily manage your Franchised Business: (i) if you fail to comply with any System standard or provision of this Franchise Agreement and do not cure the failure within the time period specified by the Franchise Agreement or us; (ii) if we determine in our sole judgment that the operation of your Franchised Business is in jeopardy; (iii) if we determine in our sole discretion that operational problems require that we operate your Franchised Business; (iv) if you abandon or fail to actively operate your Franchised Business; (v) upon your (or your Operating Principal, if an entity) or your Designated Manager’s absence, termination, illness, death, incapacity or disability; or (vi) if we deem you (or your Operating Principal, if any entity) or your Designated Manager incapable of operating your Franchised Business (“**Step-in Rights**”). If we exercise the Step-In Rights:

~~(1)~~(a) you agree to pay us, in addition to all other amounts due under this Franchise Agreement, an amount equal to \$500 per day per representative while the Interim Manager manages your Franchised Business, plus the direct out-of-pocket costs and expenses of the Interim Manager and any representative(s);

~~(2)~~(b) all monies from the operation of your Franchised Business during such period of operation by us shall be kept in a separate account, and the expenses of the Franchised Business, including compensation and direct out-of-pocket costs and expenses for the Interim Manager, shall be charged to said account;

~~(3)~~(c) you acknowledge that the Interim Manager will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Franchised Business incurs, or to any of your creditors for any supplies, products, or other assets or services your Franchised Business purchases, while Interim Manager manages it;

~~(4)~~(d) the Interim Manager will have no liability to you except to the extent directly caused by its gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager, and you will indemnify and hold us harmless for and against any of the Interim Manager’s acts or omissions, as regards to the interests of you or third parties; and

~~(5)~~(e) you agree to pay all of our reasonable attorney’s fees, accountant’s fees, and other professional fees and costs incurred as a consequence of our exercise of the Step-In Rights.

16.5.2 Nothing contained herein shall prevent us from exercising any other right which we may have under this Franchise Agreement, including, without limitation, termination.

17. ENFORCEMENT.

17A-17.1 SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.

17.1.1 Except as expressly provided to the contrary in this Franchise Agreement, each section, paragraph, term and provision of this Franchise Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Franchise Agreement, which will continue to have full force and effect and bind the parties.

17.1.2 If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

17.1.3 If any applicable and binding law or rule of any jurisdiction requires more notice than this Franchise Agreement requires of this Franchise Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Franchise Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Franchise Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Franchise Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Franchise Agreement as though it were separately articulated in and made a part of this Franchise Agreement.

17B-17.2 WAIVER OF OBLIGATIONS.

17.2.1 We and you may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other under this Franchise Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten days' prior written notice.

17.2.2 We and you will not waive or impair any right, power or option this Franchise Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition and covenant, or to declare any breach to be a default, and to terminate this Franchise Agreement before its term expires) because of any custom or practice at variance with this Franchise Agreement's terms; our or your failure, refusal or neglect to exercise any right under this Franchise Agreement, or to insist upon the other's compliance with this Franchise Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power or option, whether of the same, similar, or different nature, with other Kidcreate Businesses; the existence of franchise agreements for other Kidcreate Businesses which contain provisions different from those contained in this Franchise Agreement; or our acceptance of any payments due

from you after any breach of this Franchise Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

17.2.3 Neither we nor you shall be liable for any delay in the fulfillment of or failure to fulfill its obligations in whole or in part (other than the payment of money as may be owed by a party) under this Franchise Agreement where the delay or failure is solely due to Force Majeure. In the event of Force Majeure, the parties' obligations shall be extended or relieved only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure. As used in this Franchise Agreement, the term "**Force Majeure**" shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), terrorist event, riot, epidemic, fire or other catastrophe, act of any government and any other similar cause which is beyond the party's control and cannot be overcome by use of normal commercial measures. Force Majeure should be construed narrowly and does not include general economic, market or societal conditions, or any changes thereto, even those that are the direct or indirect result of the Force Majeure event. So, for example, in the event of a temporary government-imposed closure of your Franchised Business due to a Force Majeure event, you may only be relieved of your obligations as necessary to comply with the government mandate or order, but not due to the economic or market conditions that result from that action. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party, which in no case shall be more than 48 hours after the event, setting forth the nature thereof and an estimate as to its duration, and the affected party shall furnish the other party with periodic reports regarding the progress of the Force Majeure event. Each party must use its best efforts to mitigate the effect of the event of Force Majeure upon its performance of the Franchise Agreement and to fulfill its obligations under the Franchise Agreement. Upon completion of the event of Force Majeure, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Franchise Agreement. However, in the event the Force Majeure continues for a period of six months or more, then the unaffected party may, at its option, terminate this Franchise Agreement by 30 days' written notice to the party asserting such Force Majeure. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the Force Majeure event, nor does that event affect any obligation to pay money owed under the Franchise Agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect Franchisee's obligations to comply with any restrictive covenants in this Franchise Agreement during or after the Force Majeure event.

~~17C~~17.3 **COSTS AND ATTORNEYS' FEES.** The prevailing party in any arbitration or litigation arising out of or relating to this Franchise Agreement shall be entitled to recover from the other party all damages, costs and expenses, including reasonable attorney fees, costs and expenses incurred by the prevailing party in successfully enforcing any provision of this Franchise Agreement.

~~17D~~17.4 **RIGHTS OF PARTIES ARE CUMULATIVE.** Our and your rights under this Franchise Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Franchise Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

~~17E~~17.5 **MEDIATION.** Except as otherwise provided in this Franchise Agreement, any claim or controversy arising out of or related to this Franchise Agreement, or the making, performance,

breach, interpretation or termination thereof shall first be subject to non-binding mediation in the county of our principal business address, which is currently in Eden Prairie, Minnesota. Mediation shall not defer or suspend our exercise of any termination right under Sections ~~14 and 15~~ 14 and 15. Non-binding mediation hereunder shall be concluded within 60 days of the issuance of the request, or such longer period as may be agreed upon by the parties in writing (“**Mediation Termination Date**”). All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatsoever. The parties shall bear their own costs of mediation and shall share equally in the cost of the mediator or mediation service. Mediation under this Section is not intended to alter or suspend the rights or obligations of the parties under this Franchise Agreement or to determine the validity or effect of any provision of this Franchise Agreement, but is intended to furnish the parties an opportunity to resolve disputes amicably, expeditiously and in a cost-effective manner on mutually acceptable terms. The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation giving written notice of the request for mediation to the party with whom mediation is sought. The request shall specify with reasonable particularity the matters for which non-binding mediation is sought. Non-binding mediation hereunder shall be conducted by a mediator or mediation program designated by us in writing. We shall make the designation within a reasonable time after issuance of the request.

17F.17.6 **ARBITRATION.**

17.6.1 Except as otherwise provided in this Franchise Agreement any claim or controversy arising out of or related to this Franchise Agreement, or the making, performance, breach, interpretation or termination thereof, that is not settled by mediation under Section ~~17E~~ 17.5 shall be finally settled by arbitration under the then-prevailing Commercial Arbitration Rules of the American Arbitration Association or any successor thereto, by one arbitrator having franchise or contract experience and appointed under such rules on an individual basis. Any arbitration proceeding shall be limited to controversies between you and us and shall not be expanded to include any other Kidcreate franchisee as a party or include the adjudication of class action claims. Except for claims excluded from mediation and arbitration under this Franchise Agreement, the arbitrator, and not any federal, state or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability and enforceability or formation of this Franchise Agreement.

17.6.2 Neither party may initiate arbitration prior to the Mediation Termination Date, whether or not the mediation has ~~been~~ commenced. Following the Mediation Termination Date, either party may initiate the arbitration proceeding by making a written demand to the other and both parties will then be obligated to engage in arbitration. A demand for arbitration will not operate to stay, postpone or rescind the effectiveness of any termination of this Franchise Agreement. Arbitration will not proceed until any protest of arbitrability is resolved by the arbitrator.

17.6.3 We and you waive, to the fullest extent permitted by law, any right or claim to any punitive, treble or multiple damages against the other, and agree that any award shall be limited to the recovery of any actual damages sustained by them. The prevailing party also shall be entitled to recover its expenses, including reasonable attorney fees and accounting fees, in addition to any other relief to which it is found entitled, including specific performance, injunctive, or declaratory relief under this Franchise Agreement. All arbitration proceedings shall take place in the county and state of our principal business address, which is currently in Eden Prairie, Minnesota.

17.6.4 The arbitration award shall be binding upon the parties, and may be entered and enforced in any court of competent jurisdiction. Any arbitration or mediation proceeding shall be

limited to controversies between us and you, and shall not be expanded to include any other Kidcreate Studio franchisee as a party, or include the adjudication of class action claims. Except as required by applicable law, including the required disclosure in our franchise disclosure document, the entire arbitration proceedings and related documents are confidential.

~~17G.17.7~~ **INJUNCTIVE RELIEF AND PROVISIONAL REMEDIES.**

~~17E and 17F~~ 17.7.1 Notwithstanding the provisions of Sections ~~17E and 17F~~ 17.5 and 17.6 of this Franchise Agreement, we have the right to seek from an appropriate court any provisional remedies, including declaratory relief, specific performance, temporary restraining orders or preliminary injunctions and we are not required to await the outcome of any mediation or arbitration before seeking such remedies for actions brought with respect to: (i) threatened or actual conduct that will cause us, the Marks, Confidential Information, and/or the System loss or damage; (ii) to prohibit any act or omission by you or your employees that constitutes a violation of any applicable law or is dishonest or misleading to your clients or to the public; (iii) issues concerning the alleged violation of federal or state antitrust laws; (iv) securing injunctive relief or specific performance; (v) the right to indemnification or the manner in which it is exercised; (vi) any action seeking your compliance with post-termination obligations set forth in Section ~~15.15~~ 15.15 or (vii) any action that involves an alleged breach of any restrictive covenant under Sections ~~6, 7, 6, 7, or 15.15~~ 6, 7, 6, 7, or 15.15.

17.7.2 You agree that we may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). The prevailing party shall be entitled to recover its costs and reasonable legal fees incurred by it in obtaining such relief.

17.7.3 You acknowledge that any failure to fully and strictly comply with Sections ~~6, 7, or 15.6, 7, or 15~~ 6, 7, or 15 of this Franchise Agreement will result in irreparable injury to us for which there is no adequate remedy at law, and you agree that, in the event of any noncompliance with any of Sections ~~6, 7, or 15.6, 7, or 15~~ 6, 7, or 15 of this Franchise Agreement, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. An action seeking provisional remedies will be brought in any state or federal court within the jurisdiction in which we then have our principal place of business; provided that we have the option to bring suit against any you in any state or federal court within the jurisdiction where your Franchised Business is or was located or where any of your owners lives for those claims brought in accordance with this Section ~~17G.17.7~~ 17.7.3. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Section ~~17G.17.7~~ 17.7.3 and the parties waive any objections that they would otherwise have in this regard.

~~17H.17.8~~ **GOVERNING LAW.** ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS FRANCHISE AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE WHERE THE KIDCREATE BUSINESS IS LOCATED, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS

FRANCHISE OWNER WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

~~17I.17.9~~ **CONSENT TO JURISDICTION.** SUBJECT TO SECTIONS ~~17E, 17F~~17.5, 17.6 AND ~~17G~~17.7 ABOVE AND THE PROVISIONS BELOW, WE AND YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS FRANCHISE AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION CLOSEST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, EDEN PRAIRIE, MINNESOTA), AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, WE AND YOU (AND YOUR OWNERS) AGREE THAT WE HAVE THE OPTION TO BRING SUIT AGAINST YOU IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR THE FRANCHISED BUSINESS IS LOCATED FOR: (i) CLAIMS BROUGHT IN ACCORDANCE WITH SECTION ~~17G~~17.7; or (ii) TO ENFORCE ANY ARBITRATION ORDERS AND AWARDS.

~~17J.17.10~~ **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**, ~~EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 16D,~~ AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

~~WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.~~

2

~~17.10.1 EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD-PARTY CLAIMS UNDER SECTION 16.4, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.~~

~~17.10.2 WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.~~

~~17K.17.11~~ **BINDING EFFECT.** This Franchise Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns and successors in interest. Subject to our right to modify the Franchise Operations Manual and System Standards, this Franchise Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers.

~~17L~~17.12 **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS.** Any proceeding will be conducted on an individual, not a class-wide, basis, and a proceeding between us and you or your owners may not be consolidated with another proceeding between us and any other person or entity, nor may any claims of another party or parties be joined with any claims asserted in any action or proceeding between you and us. Except for claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to this FRANCHISE Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is commenced within ONE year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims. However, the parties agree that, in order to comply with this provision, either party may commence a judicial or arbitration proceeding before a related mediation proceeding is declared completed.

~~17M~~17.13 **COVENANT OF GOOD FAITH**— If applicable law implies a covenant of good faith and fair dealing in this Franchise Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Franchise Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Franchise Agreement (and the relationship of the parties that is inherent in this Franchise Agreement) grants us the discretion to make decisions, take actions, and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Franchise Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates, if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

~~17N~~17.14 **CONSTRUCTION.**

17.14.1 The preambles and attachments are a part of this Franchise Agreement which, together with the System Standards contained in the Franchise Operations Manual (which may be periodically modified, as provided in this Franchise Agreement), the related documents and the attachments hereto (including, if any, the Kidcreate Rider(s)), constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Franchise Agreement, the franchise relationship or the Franchised Business. Any understandings or agreements reached, or any representations made before this Franchise Agreement are superseded by this Franchise Agreement. Nothing contained herein shall be deemed a waiver of any rights you may have to rely on the Franchise Disclosure Document. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

17.14.2 Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change and are not a part of this Franchise Agreement.

17.14.3 Except as expressly provided in this Franchise Agreement, nothing in this Franchise Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Franchise Agreement.

17.14.4 Except where this Franchise Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit or construe the contents of these sections or paragraphs.

17.14.5 References in this Franchise Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Franchise Agreement include any of our affiliates with whom you deal. The term “**affiliate**” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term “**control**” means the power to direct or cause the direction of management and policies.

17.14.6 If two or more persons are at any time the owners of the Franchised Business, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “**owner**” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Franchise Agreement and the Franchised Business or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Franchise Agreement or the Franchised Business, and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights or assets.

17.14.7 References to a “**controlling ownership interest**” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a “controlling ownership interest” is involved must be made as of both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

17.14.8 The term “**person**” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative or other legal or functional entity.

17.14.9 Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

17.14.10 The term “**Franchised Business**” includes all of the assets of the Kidcreate Business you operate under this Franchise Agreement, including its revenue.

17.14.11 This Franchise Agreement may be executed in multiple copies, each of which will be deemed an original.

~~17.14.15~~ 17.15 **SURVIVAL.** We and you agree that the provisions of this Section ~~17~~17 shall apply during the term of this Franchise Agreement and following the termination, expiration or non-renewal of this Franchise Agreement.

18. NOTICES AND PAYMENTS.

18.1.1 All written notices, reports and payments permitted or required to be delivered by this Franchise Agreement or the Franchise Operations Manual will be deemed to be delivered:

~~(1)~~(a) at the time delivered by hand;

~~(2)~~(b) at the time delivered via computer transmission and, in the case of the Royalty, Marketing Fees and other amounts due, at the time we actually receive payment via the EFT Authorization;

~~(3)~~(c) one business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission;

~~(4)~~(d) one business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or

~~(5)~~(e) three business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

18.1.2 Any notice must be sent to the party to be notified at its most current principal business address of which the notifying party has notice.

18.1.3 Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two days before then) will be deemed delinquent.

19. ELECTRONIC MAIL.

19.1.1 You acknowledge and agree that exchanging information with us by email is efficient and desirable for day-to-day communications and that we and you may utilize email for such communications. You authorize the transmission of email by us and our employees, vendors and affiliates (“**Official Senders**”) to you during the term of this Franchise Agreement.

19.1.2 You further agree that: (a) Official Senders are authorized to send emails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers, directors and employees to give their consent to Official Senders’ transmission of emails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive emails from Official Senders during the time that such person works for or is affiliated with you; and (d) you will not opt out or otherwise ask to no longer receive emails from Official Senders during the term of this Franchise Agreement.

19.1.3 The consent given in this Section ~~19~~19 shall not apply to the provision of notices by either party under this Franchise Agreement pursuant to Section ~~18~~18 using email unless the parties otherwise agree in a written document manually signed by both parties.

20. COUNTERPARTS. This Franchise Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, and all of which taken together shall constitute one and the same agreement. The parties agree that faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner as original signatures.

21. **BUSINESS JUDGMENT.** We retain the right to operate, develop and change the System and the products and services offered by Kidcreate Businesses in any manner that is not specifically prohibited in this Franchise Agreement. Whenever we have reserved the right in this Franchise Agreement to take or refrain from taking any action, or to prohibit you from taking or refraining from any action, we may, except as otherwise specifically provided in this Franchise Agreement, make our decision or exercise our rights based on the information then readily available to us and on our judgment of what is in our best interests, the best interests of our affiliates, and/or the best interests of Kidcreate Businesses as a whole at the time the decision is made, regardless of whether we could have made other reasonable, or even arguably preferable, alternative decisions, and regardless of whether our decision or action promotes our interests, those of our affiliates, or any other person or entity.

(Signature Page Follows)

KIDCREATE STUDIO FRANCHISING, LLC,
a Texas limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

(Entity Name)

By: _____

Name: _____

Title: _____

DATED: _____

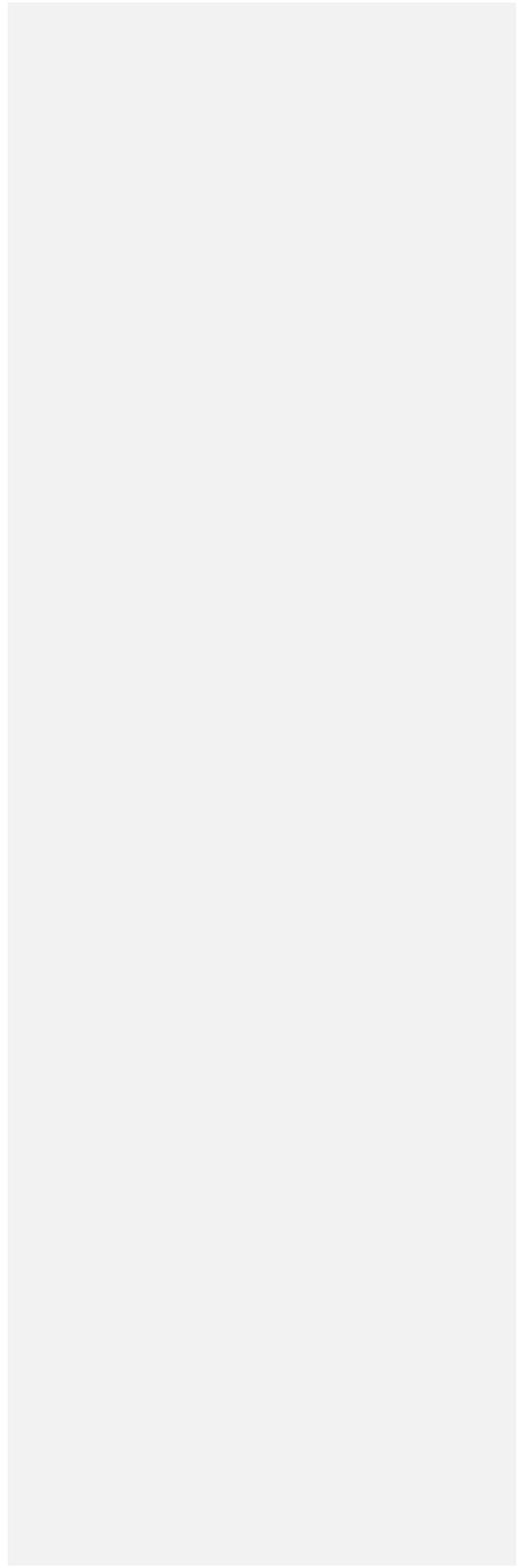
FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY):**

(Signature)

(Print Name)

DATED: _____



ATTACHMENT A
TO THE FRANCHISE AGREEMENT
FRANCHISE DATA SHEET

1. **Effective Date.** This Attachment A is current and complete as of _____, 20__.
2. **Business Type.** You have elected to purchase and operate the following type of Kidcreate Business:

_____ Kidcreate Studio Business

_____ Kidcreate On the Go Business
3. **Franchise Package/Initial Franchise Fee.** The number of franchises* you are authorized to open and the Initial Franchise Fee you shall pay us pursuant to Section 3A3.1 of the Franchise Agreement shall be as selected below:

SELECT ONE	Franchise Type	Number of Kidcreate Businesses	Initial Franchise Fee
_____	Single Franchise	1	\$45,000
_____	Standard 2 Franchise	Up to 2	\$80,000
_____	Standard 3 Franchise	Up to 3	\$110,000

* All franchises must be the same type of Kidcreate Business as selected in Section 2

(Signature Page Follows)

KIDCREATE STUDIO FRANCHISING, LLC,
a Texas limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

(Entity Name)

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY):**

(Signature)

(Print Name)

DATED: _____

ATTACHMENT B
TO THE FRANCHISE AGREEMENT
APPROVED LOCATION AND TERRITORY
FOR FRANCHISEE'S
INITIAL KIDCREATE BUSINESS

All capitalized terms not otherwise defined in this Attachment shall have the meaning ascribed to it in the Franchise Agreement to which it is attached.

1. Approved Location for your Initial Kidcreate Business: Please check one of the following:

Kidcreate On the Go Business – Not applicable; please see Attachment B-1.

Kidcreate Studio Business – If a particular site has not been selected and approved at the time of signing the Franchise Agreement, we have described the location in general terms below (“**General Description**”). The General Description does not confer any territory rights to you and is only used for a reference. We may sell other franchised locations in the area in this General Description. The General Description is:

Once you have received approval of the site location for the initial Kidcreate Studio Business that satisfies the demographics and location requirements minimally necessary for a Kidcreate Business and that meets our minimum current standards and specifications for the build out, interior design, layout, floor plan, signs, designs, color and décor, we will complete Attachment B-1 attached hereto, to specify the Approved Location for your initial Kidcreate Studio Business as provided in Section 1.4 of the Agreement.

2. Territory:

Once you and we have mutually agreed upon a Territory for the initial Kidcreate Business in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document, we will complete Attachment B-1 to specify the Territory.

(Signature page follows)

IN WITNESS WHEREOF, the parties have executed and delivered Attachment B to the Franchise Agreement, to be effective as of the Effective Date of the Franchise Agreement.

KIDCREATE STUDIO FRANCHISING, LLC,
a Texas limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

(Entity Name)

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY):**

(Signature)

(Print Name)

DATED: _____

**ATTACHMENT B-1
TO THE FRANCHISE AGREEMENT**

Approved Location: Please select one and fill out the following (as applicable):

_____ Check here if your franchise is a Kidcreate Studio Business:

You have received approval for site location for the Kidcreate Studio Business that satisfies the demographics and location requirements minimally necessary for a Kidcreate Studio Business and that meets our minimum current standards and specifications for the build out, interior design, layout, floor plan, signs, designs, color and décor of a Kidcreate Studio Business.

The Approved Location for your Kidcreate Studio Business, as provided in Section 11.4 of the Agreement, is:

_____ Check here if your franchise is a Kidcreate On the Go Business:

Your Kidcreate On the Go Business will be operated from a home-based office or other office location. You do not need our approval of the office location for your Kidcreate On the Go Business. However, you must keep us updated at all times of the office location for your Kidcreate On the Go Business.

The office location for your Kidcreate On the Go Business, as provided in Section 11.4 of the Agreement, is:

Territory (applies whether your franchise is a Kidcreate Studio Business or a Kidcreate On the Go Business):

You and we have mutually agreed upon a Territory for your initial Kidcreate Business. The Territory for your initial Kidcreate Business, as provided in Section 1E of the Agreement, consists of the following zip codes, street boundaries and county boundaries:

(Signature page follows)

KIDCREATE STUDIO FRANCHISING, LLC,
a Texas limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

(Entity Name)

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY):**

(Signature)

(Print Name)

DATED: _____

ATTACHMENT C
TO THE FRANCHISE AGREEMENT

Franchisee: _____

Form of Ownership

(Check One)

Individual **Partnership** **Corporation** **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: _____

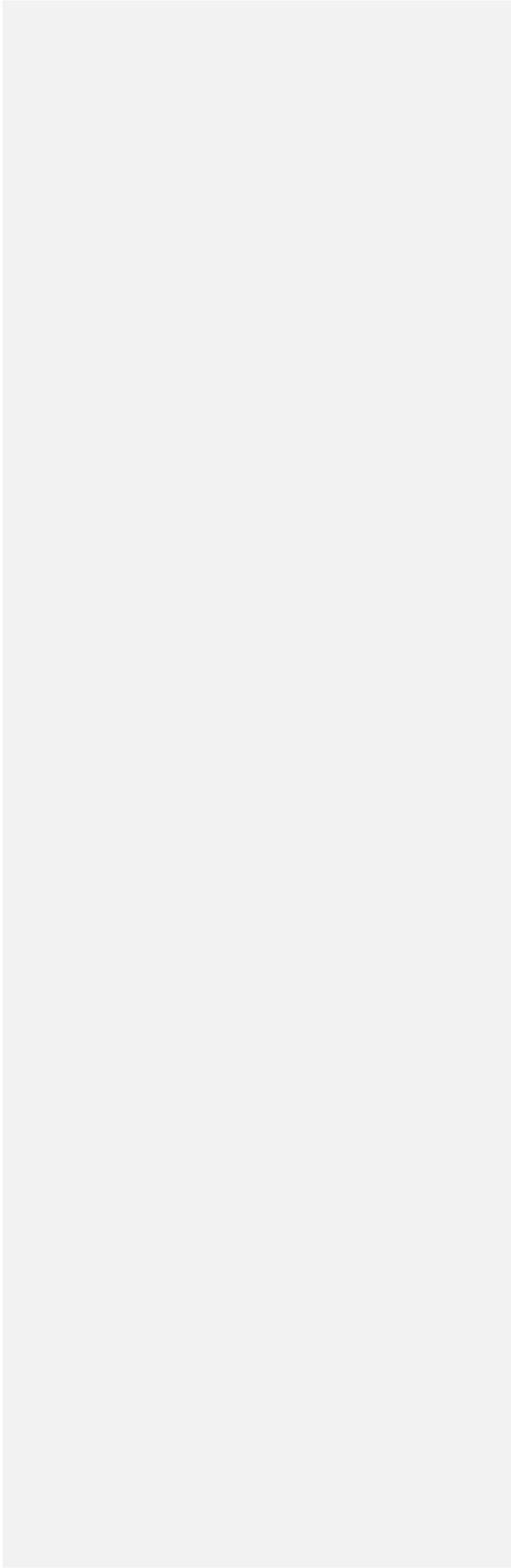
Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners*:

Name	Address	Percentage of Stock

*If any members, stockholders or partners are entities, list the owners of such entities up through the individuals.



Identification of Operating Owner. Your Operating Owner as of the Effective Date is _____. You may not change the Operating Owner without prior written approval.

KIDCREATE STUDIO FRANCHISING, LLC,
a Texas limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

(Entity Name)

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY):**

(Signature)

(Print Name)

DATED: _____

ATTACHMENT D

TO THE FRANCHISE AGREEMENT

OWNERS AGREEMENT

As a condition to the execution by Kidcreate Studio Franchising, LLC (“we” or “us”) of a Franchise Agreement with _____ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“Owners Agreement”).

1. ~~1.~~ Acknowledgments.

(a) ~~1.1~~ **Franchise Agreement.** Franchisee entered into a franchise agreement with us effective as of _____, 20__ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

(b) ~~1.2~~ **Role of Owners.** Owners are the beneficial owners or spouses of the beneficial owners of all of the equity interest, membership interest, or other equity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

2. ~~2.~~ Non-Disclosure and Protection of Confidential Information.

(a) ~~2.1~~ **Confidentiality.** Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

(b) ~~2.2~~ **Immediate Family Members.** Owners acknowledge that they could circumvent the purpose of Section ~~2.12~~(a) by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). Owners also acknowledge that it would be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section ~~2.12~~(a) if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in Section ~~3.3~~ below, if performed by Owners. However, Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.

~~3.~~ ~~3.~~ **Covenant Not to Compete.**

(a) ~~3.1~~ **Non-Competition During and After the Term of the Franchise Agreement.** Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

(b) ~~3.2~~ **Construction of Covenants.** The parties agree that such covenant related to non-competition will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section ~~3.3~~ is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section ~~3.3~~.

(c) ~~3.3~~ **Our Right to Reduce Scope of Covenants.** Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section ~~3.3~~ of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

~~4.~~ ~~4.~~ **Guarantee.**

(a) ~~4.1~~ **Payment.** Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

~~(b) 4.2 Performance.~~ Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

~~(c) 4.3 Indemnification.~~ Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

~~(d) 4.4 No Exhaustion of Remedies.~~ Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

~~(e) 4.5 Waiver of Notice.~~ Without affecting Owners' obligations under this Section 4.4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

~~(f) 4.6 Effect of Owner's Death.~~ Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4.4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

~~5. 5. Transfers.~~

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree: (a) not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding transfers and assignment, and (b) that any attempt to do so will be a material breach of this Owners Agreement and the Franchise Agreement.

~~6. 6. Notices.~~

~~(a) 6.1 Method of Notice.~~ Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

~~(b) 6.2 Notice Addresses.~~ Our current address for all communications under this Owners Agreement is:

KIDCREATE
STUDIO

KIDCREATE
STUDIO

2023 FA v1

Kidcreate Studio Franchising, LLC
7918 Mitchell Road
Eden Prairie, MN 55344

-
The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

7. ~~7.~~ Enforcement of This Owners Agreement.

-
(a) ~~7.1~~ Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

(b) ~~7.2~~ Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

(c) ~~7.3~~ Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

-
8. ~~8.~~ Miscellaneous.

-
(a) ~~8.1~~ No Other Agreements. This Owners Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section ~~3.33~~(c) (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

KIDCREATE
STUDIO

KIDCREATE
STUDIO

2023 FA v1

-
(b) 8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

-
(c) 8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.

-
(d) 8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

-
(e) 8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

(f) 8.6 Continuing Nature of this Owners Agreement. This Owners Agreement shall be continuing and shall not be discharged, impaired or affected by: (1) the insolvency of Franchisee or the payment in full of all of the obligations under the Franchise Agreement at any time; (2) the validity or invalidity of any of the terms of the Owners Agreement; (3) the existence or non-existence of Franchisee as a legal entity; (4) any statute of limitations affecting the liability of Owners or the ability of us or our successors or assigns to enforce this Owners Agreement; (5) the transfer or assignment of all or a portion of the ownership in Franchisee and/or the assets of Franchisee; (6) the execution of an owners agreement or any other form of guaranty by any additional direct, indirect or beneficial owner of Franchisee in favor of us or our successors or assigns; (7) any right of offset, counterclaim or defense of any Owner; or (8) the expiration, termination or assignment of the Franchise Agreement or any other agreement between you and us.

(g) 8.7 Successors. References to "Franchisor" or "the undersigned," or "you" include the respective parties' heirs, successors, assigns or transferees.

(h) 8.8 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any

breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

(i) ~~8.9~~ No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

(j) ~~8.10~~ Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

____IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the Effective Date of the Franchise Agreement.

(Signatures on following page)

OWNER(S):

Sign: _____

Printed Name: [Insert Name of Owner]

Address:

Sign: _____

Printed Name: [Insert Name of Spouse]

Address:

Sign: _____

Printed Name: [Insert Name of Owner]

Address:

Sign: _____

Printed Name: [Insert Name of Spouse]

Address:

Sign: _____

Printed Name: [Insert Name of Owner]

Address:

Sign: _____

Printed Name: [Insert Name of Spouse]

Address:

Sign: _____

Printed Name: [Insert Name of Owner]

Address:

Sign: _____

Printed Name: [Insert Name of Spouse]

Address:

Rev. 121319

Kidcreate Studio Franchising, LLC hereby accepts the agreements of the Owner(s) hereunder.

KIDCREATE STUDIO FRANCHISING, LLC

By: _____

Title: _____

ATTACHMENT E
KIDCREATE RIDER

THIS KIDCREATE RIDER (“Kidcreate Rider”) is entered into and made effective as of the date set forth on the signature page hereof (“**Rider Effective Date**”), by and between **KIDCREATE STUDIO FRANCHISING, LLC** (“**we**”, “**us**” or “**our**”) and the franchisee named on the signature page of this Kidcreate Rider (“**Franchisee**”, “**you**” or “**your**”). This Kidcreate Rider relates to that certain Kidcreate Business Franchise Agreement dated _____, 20____ (“**Franchise Agreement**”), and supplements the terms of the Franchise Agreement in relation to the Kidcreate Business addressed herein. To the extent this Kidcreate Rider conflicts with the terms of the Franchise Agreement, the terms of this Kidcreate Rider shall control.

1. Kidcreate Business Number. This Kidcreate Rider evidences the _____ Kidcreate Business (“**Rider Business**”) of _____ total Kidcreate Businesses you are authorized to open and operate under the Franchise Agreement and the Kidcreate Multi-Franchise Addendum.

2. Defined Terms. All capitalized terms not otherwise defined herein shall have the meaning ascribed to it in the Franchise Agreement.

3. Information Submission for Kidcreate Studio Business. If this Kidcreate Rider is for a Kidcreate Studio Business, you shall obtain our prior written approval for the site at which you will operate the Rider Business. You must complete and submit all information regarding the proposed site prior to signing a lease or any binding agreement for the site as set forth in Section 2A.2.1 of the Franchise Agreement. We will not approve any site that does not meet our then-current criteria. Our consultation and approval of the Approved Location and the lease or purchase agreement thereto is not a promise or guarantee that the Rider Business or the Approved Location thereto will be successful or profitable. If we disapprove of a location you propose, you must select an alternate site and repeat the site approval process specified in the Franchise Agreement until we have approved a proposed site for the Rider Business. You acknowledge that you have the ultimate responsibility in choosing and obtaining the site for your Rider Business. If you and we are not able to reach agreement on an Approved Location for your Rider Business within four months after you sign this Kidcreate Rider, we have the option to terminate the Franchise Agreement.

4. Approved Location. Please check one of the following:

_____ Kidcreate On the Go Business – Not applicable; please see Attachment E-1.

_____ Kidcreate Studio Business – If a particular site has not been selected and approved at the time of signing the Franchise Agreement, we have described the location in general terms below (“**General Description**”). The General Description does not confer any territory rights to you and is only used for a reference. We may sell other franchised locations in the area in this General Description. The General Description is:

Once you have received approval of the site location for the initial Kidcreate Studio Business that satisfies the demographics and location requirements minimally necessary for a Kidcreate Business and that meets our minimum current standards and specifications for the build out, interior design, layout, floor plan, signs, designs, color and décor, we will complete Attachment E-1 attached hereto, to specify the Approved Location for your initial Kidcreate Studio Business as provided in Section ~~13~~1.4 of the Agreement.

5. Territory. Once you and we have mutually agreed upon a Territory in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document, we will complete Attachment E-1 to specify the Territory.

6. Services Provided by Kidcreate Franchising for the Kidcreate Business. Except as otherwise provided in the Franchise Agreement, we or our designees shall provide the pre-opening and ongoing services set forth in Section 44 of the Franchise Agreement to Franchisee related to its Rider Business.

7. Termination, Expiration and Renewal. This Kidcreate Rider and Franchisee's right to operate the Rider Business hereunder shall terminate as of the date of termination or expiration of the Franchise Agreement, or upon a transfer of the Rider Business in compliance with the provisions of the Franchise Agreement, regardless of when this Kidcreate Rider is executed, and shall be subject to the renewal provisions of Section ~~13~~13 of the Franchise Agreement.

(Signature page follows)

IN WITNESS WHEREOF, the parties have executed and delivered this Kidcreate Rider, to be effective as of the Rider Effective Date.

KIDCREATE STUDIO FRANCHISING, LLC,
a Texas limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

(Entity Name)

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY):**

(Signature)

(Print Name)

DATED: _____

**ATTACHMENT E-1
TO THE KIDCREATE RIDER**

Approved Location: Please select one and fill out the following (as applicable):

_____ Check here if your franchise is a Kidcreate Studio Business:

You have received approval for site location for the Rider Business that satisfies the demographics and location requirements minimally necessary for a Kidcreate Studio Business and that meets our minimum current standards and specifications for the build out, interior design, layout, floor plan, signs, designs, color and décor of a Kidcreate Studio Business.

The Approved Location for your Rider Business, as provided in Section 4D1.4 of the Agreement, is:

_____ **Check here if your franchise is a Kidcreate On the Go Business:**

Your Rider Business will be operated from a home-based office or other office location. You do not need our approval of the office location for your Kidcreate On the Go Business. However, you must keep us updated at all times of the office location for your Kidcreate On the Go Business.

The office location for your Rider Business, as provided in Section 4D1.4 of the Agreement, is:

Territory (applies whether your franchise is a Kidcreate Studio Business or a Kidcreate On the Go Business):

You and we have mutually agreed upon a Territory for the Rider Business. The Territory for your Rider Business, as provided in Section 4E1.5 of the Agreement, consists of the following zip codes, street boundaries and county boundaries:

(Signature page follows)

KIDCREATE STUDIO FRANCHISING, LLC,
a Texas limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

(Entity Name)

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY):**

(Signature)

(Print Name)

DATED: _____

EXHIBIT C

**FRANCHISE OPERATIONS MANUAL
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**FRANCHISE
OPERATIONS
MANUAL**

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MANUAL**

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EXHIBIT D

FINANCIAL STATEMENTS



KIDCREATE STUDIO FRANCHISING, LLC

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022, 2021, AND 2020



KIDCREATE STUDIO FRANCHISING, LLC

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Independent Auditor's Report

To the Members of
Kidcreate Studio Franchising, LLC
Foster City, CA

Opinion

We have audited the accompanying financial statements of Kidcreate Studio Franchising, LLC, which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of operations, changes in members' 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 position of Kidcreate Studio Franchising, LLC as of December 31, 2022, 2021, and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America, 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 generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment 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 of the financial statements.
- Conclude whether, in our judgment, 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.

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon for any other use.

Kezas $\frac{1}{2}$ Dunlay

St. George, Utah
March 16, 2023

KIDCREATE STUDIO FRANCHISING LLC

BALANCE SHEETS

As of December 31, 2022, 2021, and 2020

	2022	2021	2020
Assets			
Current assets			
Cash and cash equivalents	\$ 108,282	\$ 71,476	\$ 97,422
Accounts receivable, net	35,274	160,724	127,853
Prepaid expenses	-	-	234
Deferred commissions, current	71,500	116,500	27,000
Total current assets	215,056	348,700	252,509
Non-current assets			
Equipment, net	5,193	2,250	3,750
Right of use asset	36,623	-	-
Goodwill	12,358	12,358	12,358
Deferred commissions, non-current	120,920	166,880	258,760
Total non-current assets	175,094	181,488	274,868
Total assets	\$ 390,150	\$ 530,188	\$ 527,377
Liabilities and Members' Deficit			
Current liabilities			
Accounts payable	\$ 15,965	\$ 41,041	\$ 91,714
Accrued expenses	7,900	42,500	18,824
Due to related party	-	4,796	25,415
Line of credit	-	30,778	-
Note payable	-	-	13,200
Operating lease liability, current	17,279	-	-
Deferred revenue, current	215,500	324,000	97,000
Total current liabilities	256,644	443,115	246,153
Non-current liabilities			
Operating lease liability, non-current	19,719	-	-
Deferred revenue, non-current	215,833	303,333	494,584
Total non-current liabilities	235,552	303,333	494,584
Total liabilities	492,196	746,448	740,737
Members' deficit	(102,046)	(216,260)	(213,360)
Total liabilities and members' deficit	\$ 390,150	\$ 530,188	\$ 527,377

The accompanying notes are an integral part of the financial statements.

KIDCREATE STUDIO FRANCHISING LLC

STATEMENTS OF OPERATIONS

For the years ended December 31, 2022, 2021, and 2020

	2022	2021	2020
Operating revenue			
Initial franchise fees	\$ 350,300	\$ 171,250	\$ 287,833
Technology fees	131,539	107,896	64,200
Royalty fees	233,910	96,708	36,311
Other operating revenues	49,266	10,225	20,079
Total operating revenue	765,015	386,079	408,423
Operating expenses			
General & administrative	474,067	319,124	194,256
Commissions	90,960	71,679	94,420
Advertising & marketing	46,236	49,235	62,788
Professional fees	45,430	42,852	78,362
Bad debt	623	2,589	4,119
Total operating expenses	657,316	485,479	433,945
Net operating income (loss)	107,699	(99,400)	(25,522)
Non-operating income (expense)			
Other income	7,707	44,631	-
Interest expense	(1,192)	(253)	-
Total non-operating income (expense)	6,515	44,378	-
Net income (loss)	\$ 114,214	\$ (55,022)	\$ (25,522)

The accompanying notes are an integral part of the financial statements.

KIDCREATE STUDIO FRANCHISING LLC
STATEMENTS OF MEMBERS' DEFICIT
For the years ended December 31, 2022, 2021, and 2020

Balance as of January 1, 2020	\$ (37,101)
Adoption of ASC 606	(150,737)
Net loss	(25,522)
Balance as of December 31, 2020	(213,360)
Member contributions	52,122
Net loss	(55,022)
Balance as of December 31, 2021	(216,260)
Net income	114,214
Balance as of December 31, 2022	\$ (102,046)

The accompanying notes are an integral part of the financial statements.

KIDCREATE STUDIO FRANCHISING LLC

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022, 2021, and 2020

	2022	2021	2020
Cash flows from operating activities:			
Net income (loss)	\$ 114,214	\$ (55,022)	\$ (25,522)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,500	1,500	1,375
Bad debt	623	2,589	4,119
Forgiveness of notes payable	-	(35,631)	-
Changes in operating assets and liabilities:			
Accounts receivable, net	124,827	(35,460)	(94,589)
Prepaid expenses	-	234	766
Deferred commissions	90,960	2,380	6,920
Right of use asset	(36,623)	-	-
Accounts payable	(25,076)	(50,673)	74,104
Accrued expenses	(34,600)	23,676	18,824
Due to related party	(4,796)	31,503	-
Operating lease liability	36,998	-	-
Deferred revenue	(196,000)	35,749	(18,333)
Net cash provided by (used in) operating activities	72,027	(79,155)	(32,336)
Cash flows from investing activities:			
Purchase of property and equipment	(4,443)	-	-
Net cash used in investing activities	(4,443)	-	-
Cash flows from financing activities:			
Net change in line of credit	(30,778)	30,778	-
Draw on note payable	-	22,431	13,200
Net cash provided by (used in) financing activities	(30,778)	53,209	13,200
Net change in cash and cash equivalents	36,806	(25,946)	(19,136)
Cash at the beginning of the year	71,476	97,422	116,558
Cash at the end of the year	\$ 108,282	\$ 71,476	\$ 97,422
Supplementary disclosures of cash flows			
Cash paid for interest	\$ 1,192	\$ 253	\$ -
Cash paid for taxes	\$ -	\$ -	\$ -
Non-cash financing activities:			
Forgiveness of related party debt	\$ -	\$ 52,122	\$ -

The accompanying notes are an integral part of the financial statements.

KIDCREATE STUDIO FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Kidcreate Studio Franchising, LLC (the “Company”) was organized as a Texas limited liability company in April 2016. The Company operates under the names Kidcreate Studio Franchising, LLC and Kidcreate Studio. The Company’s principal business activity is the sale of franchises for the operation of art studios for children. Kidcreate Studio franchisees operate art studios that focus on art education for children from ages 18 months through 12 years.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2022, 2021, and 2020, the Company had cash and cash equivalents of \$108,282, \$71,476, and \$97,422, respectively.

(e) Accounts Receivable

Accounts receivable primarily consist of amounts from franchisees for royalties, marketing, and technology fees. Based on an assessment of the franchisees’ credit history and current relationship with the Company, management has concluded that realized losses on balances outstanding at year-end will be immaterial. As of December 31, 2022, 2021, and 2020, the Company had an allowance for doubtful accounts of \$10,137, \$15,000, and \$15,000, respectively. As of December 31, 2022, 2021, and 2020, the Company had accounts receivable of \$35,275, \$160,724, and \$127,853, respectively.

(f) Leasing

The Company adopted ASC 842, Leases as of January 1, 2022, using the modified retrospective method. Upon implementation, the Company determined that there was not a material effect upon the Company’s financial statements. During the year ended December 31, 2022, the Company entered into an operating lease agreement and recorded a right of use asset and operating lease liability. The lease liability reflects the present value of the Company’s estimated future minimum lease payments over the lease term, discounted using a collateralized incremental borrowing rate. The impact of ASC 842 is non-cash in nature and does not affect the Company’s cash flows.

KIDCREATE STUDIO FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

The Company has elected to record any leases with an initial term of 12 months as incurred with no corresponding right of use asset or operating lease liability. These types of leases primarily relate to leases of office equipment and are not significant in comparison to the Company's overall lease portfolio. Payments related to those leases will continue to be recognized in the statement of operations over the lease term.

(g) Revenue Recognition

The Company's revenues consist of fees from franchised locations operated by conventional franchisees. Revenues from franchisees consist of initial franchise fees, royalties based on a percentage of gross revenues, and technology fees.

On January 1, 2020, the Company adopted ASC 606, *Revenue from Contracts with Customers* using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment recognized upon adoption. As such, comparative information in the Company's financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative adjustment recorded upon adoption of ASC 606 consisted of deferred commissions and deferred initial franchise fees of \$202,680 and \$353,417, respectively.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee, royalties, technology fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that royalties and technology fees from locations operated by a franchisee, which are based on a percentage of gross revenue, are to be recognized at the time the underlying sales occur. In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

KIDCREATE STUDIO FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

(h) Income Taxes

The Company is structured as a limited liability company under the laws of the state of Texas. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification (“ASC”) Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022, the 2021, 2020, and 2019 tax years are subject to examination.

(i) Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for the fiscal years ending December 31, 2022, 2021, and 2020 were \$46,236, \$49,235, and \$62,788, respectively.

(j) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(k) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Operating Lease

The Company is the lessee in an operating lease for office space. The lease expires in 2024, with the option to renew. There are no escalation terms in place. As the Company adopted ASC 842 on January 1, 2022, there are no right of use assets or operating lease liabilities as of December 31, 2021 and 2020. As of December 31, 2022, the Company recorded a right of use asset of \$36,623. As of December 31, 2022, the Company had the following operating lease liability:

	2022
Operating lease liability, current	\$ 17,279
Operating lease liability, non-current	19,719
	\$ 36,998

As of December 31, 2022, the maturities of the Company’s lease liability were as follows:

For the year ended December 31,	
2023	\$ 17,279
2024	18,163
2025	1,556
	\$ 36,998

KIDCREATE STUDIO FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

(3) Equipment

The Company's property and equipment were as follows as of December 31, 2022, 2021, and 2020:

	2022	2021	2020
Software	\$ 13,943	\$ 9,500	\$ 9,500
Less: accumulated depreciation	(8,750)	(7,250)	(5,750)
	<u>\$ 5,193</u>	<u>\$ 2,250</u>	<u>\$ 3,750</u>

Depreciation expense for the years ended December 31, 2022, 2021, and 2020 was \$1,500, \$1,500, and \$1,375, respectively.

(4) Goodwill

The Company recorded goodwill in connection with certain business acquisitions during the year ended December 31, 2017. The Company, in accordance with FASB ASC 350-020, *Goodwill and Other Intangible Assets*, evaluates goodwill annually for impairment or more frequently if impairment indicators arise. The Company did not record any impairment during the years ended December 31, 2022, 2021, and 2020.

(5) Accrued Expenses

The Company's accrued expenses consist of accrued payroll and commissions payable to brokers. As of December 31, 2022, 2021, and 2020, the balance was \$7,900, \$42,500, and \$18,824, respectively.

(6) Line of Credit

The Company has a line of credit with a third-party financial institution with a total credit limit of \$90,000. All outstanding balances accrue interest at a rate of 8% per annum. The balance as of December 31, 2022, 2021, and 2020 was \$0, \$30,778, and \$0, respectively.

(7) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties and technology fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Kidcreate Studio system for a period of ten years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current.

The Company has estimated the following current and non-current portions of deferred contract costs as of December 31, 2022, 2021, and 2020:

	2022	2021	2020
Deferred commissions, current	\$ 71,500	\$ 116,500	\$ 27,000
Deferred commissions, non-current	120,920	166,880	258,760
	<u>\$ 192,420</u>	<u>\$ 283,380</u>	<u>\$ 285,760</u>

The Company has estimated the following current and non-current portions of deferred revenue as of December 31, 2022, 2021, and 2020:

	2022	2021	2020
Deferred revenue, current	\$ 215,500	\$ 324,000	\$ 97,000
Deferred revenue, non-current	215,833	303,333	494,584
	<u>\$ 431,333</u>	<u>\$ 627,333</u>	<u>\$ 591,584</u>

KIDCREATE STUDIO FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

(8) Related Party Transactions

Related parties of the Company have advanced cash to pay for operations and provide working capital. As of December 31, 2022, there was no payable to related parties. As of December 31, 2021 and 2020, the Company had a related party payable balance of \$4,796 and \$25,415 respectively. The payables did not accrue interest and were due upon demand.

(9) Notes Payable

On May 8, 2020, the Company entered into a note payable with a third-party financial institution as part of the Payroll Protection Program administered by the United States Small Business Administration (“SBA”). The loan had an initial principal balance of \$13,200, accrued interest at an annual rate of 1%, and had a maturity date of May 8, 2022. As of December 31, 2020, the loan had a principal balance of \$13,200. The full balance was forgiven during the year ended December 31, 2021, which is recorded as a reduction to general and administrative expense.

On April 1, 2021, the Company entered into a note payable with a third-party financial institution as part of the Payroll Protection Program administered by the United States Small Business Administration (“SBA”). The loan had an initial principal balance of \$22,431, accrued interest at an annual rate of 1%, and had a maturity date of April 1, 2023. The full balance was forgiven during the year ended December 31, 2021, which is recorded as other income.

(10) Commitments and Contingencies

(a) Litigation

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(b) COVID-19

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus (“COVID-19”) as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through 2022 and subsequent to the fiscal year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company’s operations, reducing revenue from both new and existing franchisees. The extent of the impact of COVID-19 on the Company’s future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company’s customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company’s future financial condition or results of operations is uncertain.

(11) Subsequent Events

Management has reviewed and evaluated subsequent events through March 16, 2023, the date on which the financial statements were issued.

KIDCREATE STUDIO FRANCHISING, LLC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021, 2020, AND 2019



KIDCREATE STUDIO FRANCHISING, LLC

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Independent Auditor's Report

To the Members of
Kidcreate Studio Franchising, LLC
Foster City, CA

Opinion

We have audited the accompanying financial statements of Kidcreate Studio Franchising, LLC, which comprise the balance sheets as of December 31, 2021, 2020, and 2019, and the related statements of operations, changes in members' 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 position of Kidcreate Studio Franchising, LLC as of December 31, 2021, 2020, and 2019, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America, 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 generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment 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 of the financial statements.
- Conclude whether, in our judgment, 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.

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon for any other use.

Keza Dinkley

St. George, Utah
April 22, 2022

KIDCREATE STUDIO FRANCHISING LLC

BALANCE SHEETS

As of December 31, 2021, 2020, and 2019

	2021	2020	2019
Assets			
Current assets			
Cash and cash equivalents	\$ 71,476	\$ 97,422	\$ 116,558
Accounts receivable, net	160,724	127,853	37,383
Prepaid expenses	-	234	1,000
Deferred commissions, current	116,500	27,000	90,000
Total current assets	348,700	252,509	244,941
Non-current assets			
Equipment, net	2,250	3,750	5,125
Goodwill	12,358	12,358	12,358
Deferred commissions, non-current	166,880	258,760	-
Total assets	\$ 530,188	\$ 527,377	\$ 262,424
Liabilities and Members' Deficit			
Current liabilities			
Accounts payable	\$ 41,041	\$ 91,714	\$ 17,610
Accrued expenses	42,500	18,824	-
Due to related party	4,796	25,115	25,115
Line of credit	30,778	-	-
Note payable	-	13,200	-
Deferred revenue, current	324,000	97,000	256,500
Total current liabilities	443,115	246,153	299,525
Non-current liabilities			
Deferred revenue, non-current	303,333	494,584	-
Total liabilities	746,448	740,737	299,525
Members' deficit			
Total liabilities and members' deficit	(216,260)	(213,360)	(37,101)
Total liabilities and members' deficit	\$ 530,188	\$ 527,377	\$ 262,424

The accompanying notes are an integral part of the financial statements.

KIDCREATE STUDIO FRANCHISING LLC
STATEMENTS OF OPERATIONS
For the years ended December 31, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenue			
Initial franchise fees	\$ 171,250	\$ 287,833	\$ 149,500
Technology fees	107,896	64,200	41,400
Royalty fees	96,708	36,311	34,299
Other operating revenues	10,225	20,079	4,767
Total revenue	<u>386,079</u>	<u>408,423</u>	<u>229,966</u>
Cost of revenue			
Commissions	71,679	94,420	48,500
Gross profit	<u>314,400</u>	<u>314,003</u>	<u>181,466</u>
Operating expenses			
Advertising & marketing	49,235	62,788	49,503
Professional fees	42,852	78,362	69,361
General & administrative	319,124	194,256	117,395
Bad debt	2,589	4,119	-
Total operating expenses	<u>413,800</u>	<u>339,525</u>	<u>236,259</u>
Net operating loss	<u>(29,400)</u>	<u>(25,522)</u>	<u>(54,793)</u>
Non-operating income (expense)			
Other income	44,631	-	-
Interest expense	(253)	-	-
Total non-operating income (expense)	<u>44,378</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (55,022)</u>	<u>\$ (25,522)</u>	<u>\$ (54,793)</u>

The accompanying notes are an integral part of the financial statements.

KIDCREATE STUDIO FRANCHISING LLC
STATEMENTS OF MEMBERS' DEFICIT
 For the years ended December 31, 2021, 2020, and 2019

Balance at January 1, 2019	\$	17,692
Net loss		(54,793)
Balance at December 31, 2019		<u>(37,101)</u>
Adoption of ASC 606		(150,737)
Net loss		(25,522)
Balance at December 31, 2020		<u>(213,360)</u>
Member contributions		52,122
Net loss		(55,022)
Balance at December 31, 2021	\$	<u><u>(216,260)</u></u>

The accompanying notes are an integral part of these financial statements.

KIDCREATE STUDIO FRANCHISING LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021, 2020, and 2019

	2021	2020	2019
Cash flow from operating activities:			
Net loss	\$ (55,022)	\$ (25,522)	\$ (54,793)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation	1,500	1,375	1,625
Bad debt	2,589	4,119	-
Forgiveness of notes payable	(35,631)	-	-
Changes in operating assets and liabilities:			
Accounts receivable, net	(35,460)	(94,589)	67,500
Prepaid expenses	234	766	1,500
Deferred commissions	2,380	6,920	(90,000)
Accounts payable	(50,673)	74,104	15,504
Accrued expenses	23,676	18,824	-
Commissions payable	-	-	(22,000)
Due to related party	31,503	-	(49,232)
Deferred revenue	35,749	(18,333)	206,500
Net cash provided (used) by operating activities	(79,155)	(32,336)	76,604
Cash flows from financing activities:			
Net change in line of credit	30,778	-	-
Draw on note payable	22,431	13,200	-
Net cash provided by financing activities	53,209	13,200	-
Net change in cash and cash equivalents	(25,946)	(19,136)	76,604
Cash at the beginning of the year	97,422	116,558	39,954
Cash at the end of the year	\$ 71,476	\$ 97,422	\$ 116,558
Supplementary disclosures of cash flows			
Cash paid for interest	\$ 253	\$ -	\$ -
Non-cash financing activities:			
Forgiveness of related party debt	\$ 52,122	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

KIDCREATE STUDIO FRANCHISING, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021, 2020, and 2019

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Kidcreate Studio Franchising, LLC (the "Company") was organized as a Texas limited liability company in April 2016. The Company operates under the names Kidcreate Studio Franchising, LLC and Kidcreate Studio. The Company's principal business activity is the sale of franchises for the operation of art studios for children. Kidcreate Studio franchisees operate art studios that focus on art education for children from ages 18 months through 12 years.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported results of operations.

(e) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. As of December 31, 2021, 2020, and 2019, the Company had cash and cash equivalents of \$71,476, \$97,422, and \$116,558, respectively.

(f) Accounts Receivable

Accounts receivable primarily consist of amounts from franchisees for royalties, marketing, and technology fees. Based on an assessment of the franchisees' credit history and current relationship with the Company, management has concluded that realized losses on balances outstanding at year-end will be immaterial. Accordingly, no reserve for uncollectible amounts has been recorded as of December 31, 2021, 2020, and 2019. As of December 31, 2021, 2020, and 2019, the Company had accounts receivable of \$160,724, \$127,853, and \$37,383, respectively.

KIDCREATE STUDIO FRANCHISING, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021, 2020, and 2019

(g) *Revenue Recognition*

The Company's revenues consist of fees from franchised locations operated by conventional franchisees. Revenues from franchisees consist of initial franchise fees, royalties based on a percentage of gross revenues, and technology fees.

On January 1, 2020, the Company adopted ASC 606, *Revenue from Contracts with Customers* using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment recognized upon adoption. As such, comparative information in the Company's financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative adjustment recorded upon adoption of ASC 606 consisted of deferred commissions and deferred initial franchise fees of \$202,680 and \$353,417, respectively.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee, royalties, technology fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties and technology fees from locations operated by a franchisee, which are based on a percentage of gross revenue and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise fees.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

KIDCREATE STUDIO FRANCHISING, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021, 2020, and 2019

(h) *Income Taxes*

The Company is structured as a limited liability company under the laws of the state of Texas. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification (“ASC”) Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2021, the 2020, 2019, and 2018 tax years are subject to examination.

(i) *Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expenses for the fiscal years ending December 31, 2021, 2020, and 2019 were \$49,235, \$62,788, and \$49,503, respectively.

(j) *Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, pre-paid expenses, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(k) *Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) *Equipment*

The Company's property and equipment were as follows as of December 31, 2021, 2020, and 2019:

	2021	2020	2019
Software	\$ 9,500	\$ 9,500	\$ 9,500
Less: accumulated depreciation	(7,250)	(5,750)	(4,375)
	<u>\$ 2,250</u>	<u>\$ 3,750</u>	<u>\$ 5,125</u>

Depreciation expense for the years ended December 31, 2021, 2020, and 2019 was \$1,500, \$1,375, and \$1,625, respectively.

(3) *Goodwill*

The Company recorded goodwill in connection with certain business acquisitions during the year ended December 31, 2017. The Company, in accordance with FASB ASC 350-020, *Goodwill and Other Intangible Assets*, evaluates goodwill annually for impairment or more frequently if impairment indicators arise. The Company did not record any impairment during the years ended December 31, 2021, 2020, and 2019.

KIDCREATE STUDIO FRANCHISING, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021, 2020, and 2019

(4) Accrued Expenses

The Company's accrued expenses consist of accrued payroll and commissions payable to brokers. As of December 31, 2021, 2020, and 2019, the balance was \$42,500, \$18,824, and \$0, respectively.

(5) Line of Credit

The Company has a line of credit with a third-party financial institution with a total credit limit of \$90,000. All outstanding balances accrue interest at a rate of 8% per annum. The balance as of December 31, 2021, 2020, and 2019 was \$30,778, \$0, and \$0, respectively.

(6) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties and technology fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Kidcreate Studio system for a period of ten years. Under the Company's revenue recognition policy, franchise fees and any corresponding commissions are recognized when the franchisee begins operations. For any franchisees that have not yet begun operations as of year-end, the Company defers both the revenues and commissions. All locations that are expected to begin operations within the following year are categorized as current, while all others are classified as non-current.

The Company has estimated the following current and non-current portions of deferred contract costs as of December 31, 2021, 2020, and 2019:

	2021	2020	2019
Deferred commissions, current	\$ 116,500	\$ 27,000	\$ 90,000
Deferred commissions, non-current	166,880	258,760	
	\$ 283,380	\$ 285,760	\$ 90,000

The Company has estimated the following current and non-current portions of deferred revenue as of December 31, 2021, 2020, and 2019:

	2021	2020	2019
Deferred revenue, current	\$ 324,000	\$ 97,000	\$ 256,500
Deferred revenue, non-current	303,333	494,584	-
	\$ 627,333	\$ 591,584	\$ 256,500

(7) Related Party Transactions

Related parties of the Company have advanced cash to pay for operations and provide working capital. As of December 31, 2021, 2020, and 2019, the Company had a related party payable balance of \$4,796, \$25,415, and \$25,415, respectively. The payables do not accrue interest and are due upon demand.

(8) Notes Payable

On May 8, 2020, the Company entered into a note payable with a third-party financial institution as part of the Payroll Protection Program administered by the United States Small Business Administration ("SBA"). The loan had an initial principal balance of \$13,200, accrued interest at an annual rate of 1%, and had a maturity date of May 8, 2022. As of December 31, 2020, the loan had a principal balance of \$13,200. The full balance was forgiven during the year ended December 31, 2021, which is recorded as a reduction to general and administrative expense.

On April 1, 2021, the Company entered into a note payable with a third-party financial institution as part of the Payroll Protection Program administered by the United States Small Business Administration ("SBA"). The loan had an initial principal balance of \$22,431, accrued interest at an annual rate of 1%, and had a maturity date of April 1, 2023. The full balance was forgiven during the year ended December 31, 2021, which is recorded as other income.

KIDCREATE STUDIO FRANCHISING, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021, 2020, and 2019

(9) Commitments and Contingencies

(a) *Litigation*

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(b) *COVID-19*

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus (“COVID-19”) as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through 2021 and subsequent to the fiscal year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company’s operations, reducing revenue from both new and existing franchisees. The extent of the impact of COVID-19 on the Company’s future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company’s customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company’s future financial condition or results of operations is uncertain.

(10) Subsequent Events

Management has reviewed and evaluated subsequent events through April 22, 2022, the date on which the financial statements were issued.

EXHIBIT E

**STATE ADDENDA
AND AGREEMENT RIDERS**

STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR KIDCREATE STUDIO FRANCHISING, LLC

The following modifications are made to the Kidcreate Studio Franchising, LLC (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 20__ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means the laws of the state where the Franchisee’s Kidcreate business is located. When the term “**Supplemental Agreements**” is used, it means N/A.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Minnesota. 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 the Franchise Agreement restricting venue to a forum outside the State of California. The Franchise Agreement contains a mediation provision. The parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.

Neither Franchisor nor any other person listed in Item 2 of the FDD 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 such association or exchange.

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

The Franchise Agreement provides for termination upon bankruptcy. Any such 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 provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516).

No disclaimer, questionnaire, clause, or statement signed by a franchisee or prospective franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

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.

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.

Item 19, "Financial Performance Representations," of the FDD is amended by the addition of the following paragraph: The Financial Performance Representations figures in Tables 1 and 2 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Franchise Disclosure Document may be one source of this information.

Section ~~1B(1.1.11)~~ of the Franchise Agreement is hereby amended to state: "we have not made any representation, warranty or other claim regarding this franchise opportunity, other than those made in this Franchise Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors;"

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

Fee Deferral

The Department of Financial Protection and Innovation requires that the Franchisor defer the collection of all initial fees from California franchisees until the Franchisor has completed all its pre-opening obligations and franchisee is open for business.

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.

HAWAII

The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS 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 IN THIS FRANCHISE DISCLOSURE DOCUMENT 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 YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE 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 US AND YOU.

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

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

The status of the Franchisor’s franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in Exhibit I of the FDD on the page entitled, “State Effective Dates”.
2. States which have refused, by order or otherwise, to register these Franchises are:
None
3. States which have revoked or suspended the right to offer the Franchises are:
None

4. States in which the proposed registration of these Franchises has been withdrawn are:

None

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.

ILLINOIS

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. Illinois law governs the Franchise Agreements. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, 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 take place outside of Illinois.

Item 17.w, 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 take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

Franchise Fee Deferral

The Illinois Attorney General’s Office has imposed the franchise fee deferral requirement because of our financial condition. Item 5 and Item 7 of the FDD and Section 3 of the Franchise Agreement are hereby revised to state that payment of all initial fees, including the Franchise Fee, Launch Fee and Opening Extension Fee, if applicable, shall be deferred until after all of Franchisor’s initial obligations are complete and the Franchise is open for business.

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.

INDIANA

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two (2) years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Minnesota. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement

relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices 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.

IOWA

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three (3) business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten (10) business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty (20) days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Kidcreate Studio Franchising, LLC, 7918 Mitchell Road, Eden Prairie, MN 55344 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: _____

By: _____

Print Name: _____

Its: _____

Date: _____

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.

MARYLAND

AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENTS

Item 17 of the FDD and the Franchise Agreement are amended to state: “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.”

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that 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 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.)

~~Fee Deferral~~

Fee Deferral

Item 5 of the FDD, the Franchise Agreement, the Multi-Franchise Addendum and the ~~Studio~~Kidcreate Rider are revised to state: 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. In addition, all initial fees and payments owed by franchisees for multiple outlets shall be deferred until the first franchise under the Multi-Franchise Addendum and Studio Rider opens.

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.

FRANCHISOR:

FRANCHISEE:

KIDCREATE STUDIO FRANCHISING, LLC

Entity name (if any)

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

MICHIGAN

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 your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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 us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us 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 five (5) years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us 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 our then-current reasonable qualifications or standards.
 - (ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.
 - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

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
Consumer Protection Division
Attn: Franchise
670 Law Building
525 W. Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

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.

MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
9. Item 6 of the FDD and Section ~~3~~3.10 of the Franchise Agreement are hereby amended to limit the Insufficient Funds Fee to \$30 per occurrence pursuant to Minnesota Statute 604.113.

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.

NEW YORK

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 SERVICES OR 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 THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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 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 ten-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 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.

4. 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.

5. 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.

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

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NORTH DAKOTA

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 7 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by 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.

OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this 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.

Initials _____ Date _____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five (5) 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 (10) business days following the seller'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 the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 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 the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Kidcreate Studio Franchising, LLC, ~~7918 Mitchell Road, Eden Prairie, MN 55344~~ [6110 Blue Circle Drive, #234; Minnetonka, Minnesota 55343](#) not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

Date: _____

By: _____

Print Name: _____

Its: _____

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

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.

VIRGINIA

Item 17(h). The following is added to Item 17(h):

“Pursuant to 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 or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Kidcreate Studio Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

Pursuant to 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.

Fee Deferral

~~Fee Deferral~~

The Virginia State Corporations 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.

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.

WASHINGTON

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, FRANCHISEE DISCLOSURE QUESTIONNAIRE 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.

Fee Deferral

Fee Deferral

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the franchise agreement and the franchise is open for business. Because the franchisor has material pre-opening obligations with respect to each franchised business the franchisee opens under the Multi-Franchise

Addendum, the State of Washington will require that the franchise fee be released proportionally with respect to each franchised business.

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.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

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.

(Signatures on following page)

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- | | | | | | |
|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan | <input type="checkbox"/> | Rhode Island |
| <input type="checkbox"/> | Hawaii | <input type="checkbox"/> | Minnesota | <input type="checkbox"/> | South Dakota |
| <input type="checkbox"/> | Illinois | <input type="checkbox"/> | New York | <input type="checkbox"/> | Virginia |
| <input type="checkbox"/> | Iowa | <input type="checkbox"/> | North Dakota | <input type="checkbox"/> | Washington |
| <input type="checkbox"/> | Indiana | <input type="checkbox"/> | Ohio | <input type="checkbox"/> | Wisconsin |
| <input type="checkbox"/> | Maryland | | | | |

Dated: _____, 20__

FRANCHISOR:

KIDCREATE STUDIO FRANCHISING, LLC

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

Rev. 031516

EXHIBIT F

FRANCHISE DISCLOSURE QUESTIONNAIRE

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, Kidcreate Studio Franchising, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Kidcreate franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

WHERE REQUESTED OR NECESSARY TO ANSWER ANY QUESTION, GIVE A COMPLETE EXPLANATION OF ANY RESPONSES ON THE LAST PAGE (REFER TO QUESTION NUMBER)

1. ~~Yes~~ ~~No~~ ~~Have you received and personally reviewed the Franchise Agreement and each attachment or exhibit attached to it that we provided?~~
s
- Yes No ~~Have~~ Did you ~~received and personally reviewed~~ receive the Franchise Disclosure Document ~~and each attachment or exhibit attached to it ("FDD") that we~~ Franchisor provided?
1. _____ to you?
- Yes No Did you sign a receipt for the ~~Franchise Disclosure Document indicating~~ FDD and include the date you received it?
2. _____ the FDD?
- Yes No ~~Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?~~
3. _____ Did you return the Receipt to the Franchisor?
- Yes No ~~Have~~ Did you ~~reviewed~~ receive the Franchise ~~Disclosure Document Agreement~~ and all exhibits or schedules attached to the Franchise Agreement ~~with a lawyer, accountant, or other professional advisor,? If any exhibits or have you had the opportunity for such review and chosen~~ schedules were not ~~to engage such professionals?~~
4. _____ attached, please identify any missing exhibit or schedule on the Explanation of Responses attached.
6. ~~Yes~~ ~~No~~ ~~Have you had the opportunity to discuss the benefits and risks of developing and operating a Kidcreate Franchise with an existing Kidcreate franchisee?~~
s
7. ~~Yes~~ ~~No~~ ~~Do you understand the risks of developing and operating a Kidcreate Franchise?~~
s
- Yes No ~~Do you understand the success or failure of your Kidcreate Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?~~
5. _____ Other than our signature and the Effective Date (that we will add), were all of the blanks in the Franchise Agreement filled in? If not, please identify any missing information on the Explanation of Responses attached.

Yes No

Do you understand ~~all disputes that we will not approve your purchase of a franchise, or claims you we may have arising out of or relating to the immediately terminate your Franchise Agreement must be arbitrated in Minnesota, if not resolved informally or~~ we are prohibited from doing business with you under any anti-terrorism law enacted by mediation (subject to state law)?
6. the United States Government?

Yes No

~~Do you understand that you must satisfactorily complete the initial training program before we will allow your Kidcreate Franchise to open or consent to a transfer of the Kidcreate Franchise to you?~~
7. Did any broker, employee or other person speaking on Franchisor's behalf make any statement or promise regarding the costs involved in operating a Kidcreate Business that is not contained in the FDD or Franchise Agreement or that is contrary to, or different from, the information contained in the FDD or Franchise Agreement?

Yes No

~~Do you agree that no~~ Did any broker, employee or other person speaking on our Franchisor's behalf make any statement or promise regarding the costs involved in operating actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Kidcreate Franchise Business will generate, that is not contained in the FDD or Franchise Disclosure Document Agreement or that is contrary to, or different from, the information contained in the FDD or Franchise Disclosure Document?
8. Agreement?

Yes No

~~Do you agree that no~~ Did any broker, employee or other person speaking on our Franchisor's behalf make any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
9. FDD?

Yes No

~~Do you agree that no~~ Did any broker, employee or other person speaking providing services to you on our Franchisor's behalf make any statement solicit or promise regarding the actual, average accept any loan, gratuity, bribe, gift or projected profits or earnings, the likelihood of success, the amount of any other payment in money, property or services from you may earn, or the total amount of revenue in connection with a Kidcreate Business purchase with exception of those payments or loans provided in the FDD and Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
10. Agreement?

14. Yes No

~~Do you understand that the Franchise Agreement, including each attachment or exhibit to the Franchise Agreement, contains the entire agreement between us and you concerning the Kidcreate Franchise?~~

15. Yes No

~~Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?~~

~~YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.~~

Each person who signs or guarantees the Franchise Agreement must sign and date a copy of this Franchisee Questionnaire and return it to Kidcreate Studio Franchising, LLC, 6110 Blue Circle Drive, #234, Minnetonka, Minnesota 55343 prior to signing the Franchise Agreement.

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

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Date

Date

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

Rev-121720

EXHIBIT G

LIST OF CURRENT AND FORMER FRANCHISEES

Current Franchisees as of December 31, ~~2021~~2022:

Last Name	Entity Name	Address	City	State	Zip Code	Studio Phone	Email
Kristen Olosky	KMO Ventures One LLC	34255 Pacific Coast Hwy.	Dana Point	CA	92629	949-545-7091	Kristen.olosky@kidcreatestudio.com
Arreola Justin Carroll	A.D.E. Capital, Kid Art Ent., LLC	5025 W 120th Ave.	Broomfield	CO	80020	303-578-8060	Red.arreola justin.carroll@kidcreatestudio.com
Abimbola (+On The Go Business) Kenerly Wright	Dessy Alayo Grenery Ent., LLC	19539 Hess Road 1250 NE 131 Street,	N. Miami Parke	CO FL	80134 33161	303-731-6801 305-402-4267	Dessy.abimbola kenerly.wright@kidcreatestudio.com
Rocio & Federico Geraldo	Revalca Kids, LLC	3000 Old Alabama Road	Johns Creek	GA	30022	678-620-3917	rocio.vale@kidcreatestudio.com, federico.girald@kidcreatestudio.com
Lindsey Danhauser Allison Durkee (2 Studios)	Durekeescott, LLC	3709 N Southport	Chicago	IL	60613	773-360-8760	lindsey.danhauser@kidcreatestudio.com allison.durkee@kidcreatestudio.com
Mufaddel Dahodwala	Kaukab LLC	4297 Orchard Lake Road, Unit 235	Bloomfield	MI	48323	248-973-1723	Mufaddel.dahodwala@kidcreatestudio.com
Heather White	Pink Confetti, LLC	On The Go Business	Kansas City	MO	64105	816-448-4301	heather.white@kidcreatestudio.com
Makeeka Harris	HUNI LLC	434 Westwood Shopping Center	Fayetteville	NC	28314	(910) 74890174	makeeka.harris@kidcreatestudio.com
Jennifer & Brian Collins (+Mobile OTG)	Genwel, Inc	1223 W 34 th Street, Suite A-500	Houston	TX	77018	713-344-9701	Jennifer.collins@kidcreatestudio.com, Brian.collins@kidcreatestudio.com
Vanessa Cancel	Sopaleti Group LLC	920 U.S. Highway 287, Suite 300	Mansfield	TX	76063	682-400-8383	@kidcreatestudio.com
Shannon Schumacher (+Mobile OTG)	SDS Art LLC	21803 IH-10 West	San Antonio	TX	78257	210-698-6377	Shannon.schumacher@kidcreatestudio.com

Last Name	Entity Name	Address	City	State	Zip Code	Studio Phone	Email
Diane Greenbaum	You Are My Sunshine, LLC	724 Jefferson St.	Alexandria,	VA	22314	703-660-4814	Diane.greenbaum@kidcreatestudio.com
Patel Hla Maung (2 Studios)	Meera & Nishil Child LOKA Ray of Light, Inc	42775 Generation Drive, Suite 180	Ashburn	VA	20147	571-410-0520	Meera.patel@kidcreatestudio.com , Nishil.patel@kidcreatestudio.com
Karen deWysocki	Heart for Art LLC	12715 Warwick Blvd., Suite D	Newport News	VA	23606	757-777-4497	Karen.dewysocki@kidcreatestudio.com

Franchisees with Unopened Outlets as of December 31, 2021-2022:

Last Name	Entity Name	Address	City	State	Zip Code	Studio Phone	Email
Kristen Olosky (2 Studios)	KMO Ventures One, LLC	34255 Pacific Coast Hwy, Suite 113	Dana Point	CA	92629	949-545-7091	Kristen.olosky@kidcreatestudio.com
Arreola Rod (2 Studios)	A.D.E. Capital, LLC	5025 W 120th Ave	Broomfield	CO	80020	303-578-8060	Rod.arreola@kidcreatestudio.com
Abimbola Dessy	Dessy Alayo LLC	19539 Hess Road	Parker	CO	80134	303-731-6801	Dessy.abimbola@kidcreatestudio.com
Wright* Kenerly	Kenerly Enterprises LLC	TBD	N. Miami,	FL	33160	TBD	Kenerly.wright@kidcreatestudio.com
Federico Giraldo	Revalca Kids LLC	3000 Old Alabama Road Suite 109	Johns Creek	GA	30022	678-620-3917	Federico.giraldo@kidcreatestudio.com
Lindsey Danhauser Allison Durkee	Durekeescott, LLC	3709 N. Southport	Chicago	IL	60613	773-360-8760	lindsey.danhauser@kidcreatestudio.com allison.durkee@kidcreatestudio.com
Justin and Cheyanne Carroll	Kid Art LLC	TBD	Las Vegas	NV	89131	TBD	Cheyenne.carroll@kidcreatestudio.com, Justin.carroll@kidcreatestudio.com
Patel Meera (4 Studios)	NM Studio LLC	4277 Generation Drive	Ashburn	VA	20147	571-410-0520	Meera.patel@kidcreatestudio.com
Hla Maung Kaimnay Ko Sun (25 Studios)	Child LOKA Ray of Light, Inc	TBD 42775 Generation Drive	Fairfax Station Ashburn	VA	20147 22039	571-410-0520 TBD	Hla.maung@kidcreatestudio.com, Kainnaya.kosun@kidcreatestudio.com

* Franchisee will operate Kidcreate On-The-Go Business. All other Franchisees will operate a Kidcreate Studio Business.

Former Franchisees:

The name and last known address of every franchisee who had a Kidcreate Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, ~~2021~~2022 to December 31, ~~2021~~2022, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Last Name	Entity Name	Address	City	State	Zip Code	Studio Phone	Email
Sullivan <u>Rod Arreola*</u>	2plus2 <u>ADE Capital, Inc</u>	5025 W 120th Ave 121 Blairs Ferry Road NW, Suite 300	Broomfield Cedar Rapids	IA <u>CO</u>	8002052 <u>402</u>	319-377-7221 <u>303-578-8060</u>	lindsay.sullivan <u>rod.arreola@kidcreatestudio.com</u>
Jones <u>Dessy Abimbola</u>	Andrea <u>Dessy Alayo, LLC</u>	4Tune Creative Studio <u>On The Go</u>	Parker Hudson Road	Gre <u>erC</u>	SC <u>80134</u>	29650 <u>n/a</u>	Andrea.jones <u>dessy.abimbola@kidcreatestudio.com</u>
La <u>Monica</u>	Jerry <u>Kreative Kids INC</u>	636 Crown Pointe Lane, Suite 101	Rock Hill	SC	29730	803-366-6222	Jerry.lamonica <u>@kidcreatestudio.com</u>

*Transfer

EXHIBIT H

CONTRACTS FOR USE WITH THE KIDCREATE FRANCHISE

The following contracts contained in Exhibit H are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the Kidcreate Business. The following are the forms of contracts that Kidcreate Studio Franchising, LLC uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.

EXHIBIT H-1

KIDCREATE FRANCHISE

SAMPLE GENERAL RELEASE AGREEMENT

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (“Release”) is made as of _____, 20__ by _____, a(n) _____ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Kidcreate Studio Franchising, LLC, a Texas limited liability company (“Franchisor,” and together with Releasor, the “Parties”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate a Kidcreate business;

WHEREAS, (Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement) or (the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release), and Franchisor has consented to such (transfer/successor franchise agreement/amendment/termination/other reason); and

WHEREAS, as a condition to Franchisor’s consent to (transfer the Agreement/enter into a successor franchise agreement/amend the agreement/terminate the Agreement/other reason), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties**. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release**. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third-party claim.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the state where the Franchisee's Kidcreate Business is located.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

(Signatures on following page)

IN WITNESS WHEREOF, Releasor has executed this Release as of the date first written above.

FRANCHISEE:

_____, a

By: _____

Printed Name: _____

Title: _____

FRANCHISEE'S OWNERS:

Date _____

Signature

Typed or Printed Name

Signature

Typed or Printed Name

Rev. 012021

EXHIBIT H-2

KIDCREATE FRANCHISE

SAMPLE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Kidcreate Studio Franchising, LLC, a Texas limited liability company, and its successors and assigns (“us”, “we” or “our”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a Kidcreate business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Kidcreate business or the solicitation or offer of a Kidcreate franchise, whether now in existence or created in the future.

“*Franchisee*” means the Kidcreate franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Kidcreate business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential Franchise Operations Manual for the operation of a Kidcreate business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Kidcreate business, including “KIDCREATE,” and any other trademarks, service marks, or trade names that we designate for use by a Kidcreate business. The term “Marks” also includes any distinctive trade dress used to identify a Kidcreate business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); and/or (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees).

“*Restricted Period*” means the two-year period after you cease to be a manager or officer of Franchisee’s Kidcreate business; provided, however, that if a court of competent jurisdiction determines

that this period of time is too long to be enforceable, then the “Restricted Period” means the one-year period after you cease to be a manager or officer of Franchisee’s Kidcreate business.

“*Restricted Territory*” means the geographic area within: (i) a 25-mile radius from Franchisee’s Kidcreate business (and including the premises of the approved location of Franchisee); and (ii) a 25-mile radius from all other Kidcreate businesses that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a 13-mile radius from Franchisee’s Kidcreate business (and including the premises of the approved location of Franchisee).

“*System*” means our system for the establishment, development, operation, and management of a Kidcreate business, including Know-how, proprietary programs and products, Manual, and operating system.

2. Background. You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Know-How and Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Kidcreate business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s Kidcreate business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

4. Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s Kidcreate business by engaging in any Prohibited Activities.

5. Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7. **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

8. **Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Kidcreate franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. **Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of the state where the Kidcreate business is located, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

(Signatures on following page)

EXECUTED on the date stated below.

Date _____
Signature _____

Typed or Printed Name _____

Rev. 120619

EXHIBIT H-3

KIDCREATE FRANCHISE

SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Kidcreate Studio Franchising, LLC, a Texas limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow Kidcreate franchisees to use, sell, or display in connection with the marketing and/or operation of a Kidcreate Business, whether now in existence or created in the future.

“*Franchisee*” means the Kidcreate franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Kidcreate Business*” means either: a) a business that operates children’s art studios in a class, camp, and party format that focuses on art education for children and other related products and services using our Intellectual Property, or b) a business that operates by offering children’s art lessons in a class, camp, and party format that focuses on art education for children and other related products and services using our Intellectual Property without operating from a physical studio.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Kidcreate Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential Franchise Operations Manual for the operation of a Kidcreate Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Kidcreate Business, including “KIDCREATE” and any other trademarks, service marks, or trade names that we designate for use by a Kidcreate Business. The term “Marks” also includes any distinctive trade dress used to identify a Kidcreate Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a Kidcreate Business, including Know-how, proprietary programs and products, confidential Franchise Operations Manuals, and operating system.

2. Background. You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

3. Know-How and Intellectual Property: Nondisclosure and Ownership. You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the Kidcreate Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Kidcreate Studio Franchising, LLC. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

4. Immediate Family Members. You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

5. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

6. Breach. You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Kidcreate franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

7. Miscellaneous.

a. Although this Agreement is entered into in favor of Kidcreate Studio Franchising, LLC, you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Agreement will be governed by, construed, and enforced under the laws of the state where your Kidcreate business is located, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date _____

Signature

Typed or Printed Name

Rev. 032916

EXHIBIT H-4

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

Authorization:

Franchisee hereby authorizes Kidcreate Studio Franchising, LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____
Name: _____
Its: _____

Federal Tax ID Number: _____

Rev. 032916

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

EXHIBIT H-5

KIDCREATE FRANCHISE

SAMPLE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment (“**Agreement**”) is entered into this ____ day of _____, 20____, between Kidcreate Studio Franchising, LLC (“**Franchisor**”), a Texas Limited Liability Company _____ (“**Former Franchisee**”), the undersigned owners of Former Franchisee (“**Owners**”) and _____, a [State] [Corporation/Limited Liability Company] (“**New Franchisee**”).

RECITALS

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated _____, 20____ (“**Former Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate a Kidcreate franchise located at _____ (“**Franchised Business**”); and

WHEREAS, Former Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor’s current form of franchise agreement together with all exhibits and attachments thereto (“**New Franchise Agreement**”) contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. **Payment of Fees.** In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Assignment Fee**”).

2. **Assignment and Assumption.** Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing the New Franchise Agreement pursuant to Section 5 of this Agreement.

3. **Consent to Requested Assignment of Franchised Business.** Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement.

4. **Termination of Rights to the Franchised Business.** The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee’s rights to operate the Franchised Business are terminated and that from the date of this

Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute of the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Kidcreate franchise as stated in Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee, and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of where the Kidcreate business is located.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

FRANCHISOR:

KIDCREATE STUDIO FRANCHISING, LLC

By: _____

Printed Name: _____

Title: _____

FORMER FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

NEW FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

Rev. 031821

EXHIBIT H-6

KIDCREATE FRANCHISE

LEASE ADDENDUM FOR STUDIO

This Addendum to Lease (“**Addendum**”), dated _____, 20____, is entered into by and between _____ (“**Landlord**”), _____ (“**Tenant**”) and Kidcreate Studio Franchising, LLC _____ (“**Franchisor**”), collectively referred to herein as the “**Parties**.”

A. Landlord and Tenant have entered into a certain Lease Agreement dated _____, 20____, and pertaining to the premises located at _____ (“**Lease**”).

B. Landlord acknowledges that Tenant intends to operate a franchised business from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Franchisor under Franchisor’s trademarks and other names designated by Franchisor (herein referred to as “**Franchised Business**” or “**Franchise Business**”).

C. The parties now desire to supplement the terms of the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed among the Parties as follows:

1. Use of the Premises. During the term of the Franchise Agreement, the Premises shall be used only for the operation of the Franchised Business.

2. Franchise System. Landlord hereby consents to Tenant’s use of such proprietary marks, signs, interior and exterior décor items, color schemes and related components of the Franchised Business required by Franchisor. Tenant's use of such items shall at all times be in compliance with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Premises.

3. Assignment. Tenant shall have the right, without further consent from Landlord, to sublease or assign all of Tenant’s right, title, and interest in the Lease to an assignee of the Tenant or the Franchised Business (“**Franchise Assignee**”) at any time during the term of the Lease, including any extensions or renewals thereof. In addition, if Tenant fails to timely cure any default under either the Lease or the Franchise Agreement, Franchisor or a Franchise Assignee that Franchisor designates, will, at its option, have the right, but not the obligation, to take an assignment of Tenant’s interest under the Collateral Assignment of Lease or other form of assignment and assumption document reasonably acceptable to Landlord, provided such Franchise Assignee cures a default of the Lease no later than ten days following the end of Tenant’s cure period. No assignment shall be effective until: (i) a Franchise Assignee gives Landlord written notice of its acceptance of the assignment and assumption of the Lease; and (ii) Tenant or the Franchise Assignee has cured all material defaults of the Lease for which it has received notice from Landlord. Nothing contained herein or in any other document shall create any obligation or liability of Franchisor, any Franchise Assignee, or guarantor thereof under the Lease unless and until the Lease is assigned to and accepted in writing by a Franchise Assignee. In the event of any assignment or purported assignment under this Addendum, Tenant shall remain liable under the terms of the Lease and the assignee

or subtenant shall retain all of the Tenant's rights granted in the Lease including without limitation: (x) any grant of a protected territory or use exclusivity; and (y) the renewal or extension of the Lease term. With respect to any assignment proposed or consummated under this Addendum, Landlord hereby waives any rights it may have to: (A) recapture the Premises; (B) terminate the Lease; or (C) modify any terms or conditions of the Lease. If Franchisor accepts an assignment and assumes the Lease under this section, Franchisor shall have the right to further sublet or reassign the Lease to another Franchise Assignee without Landlord's consent in which event Franchisor shall be released from any obligation or liability under the Lease. As used in this Addendum, "**Franchise Assignee**" means: (i) Franchisor or Franchisor's parent, subsidiary, or affiliate; or (ii) any franchisee of Franchisor or of Franchisor's parent, subsidiary, or affiliate.

4. Default and Notice.

a. If Tenant defaults on or breaches the Lease and Landlord delivers a notice of default to Tenant, Landlord shall contemporaneously send a copy of such default notice to Franchisor. Franchisor shall have the right, but not the obligation, to cure the default during Tenant's cure period plus an additional ten (10) day period. Franchisor will notify Landlord whether it intends to cure the default prior to the end of Tenant's cure period.

b. All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

Kidcreate Studio Franchising, LLC
~~7918 Mitchell Road~~
~~Eden Prairie~~6110 Blue Circle Drive #234
Minnetonka, MN ~~55344~~55343

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

c. Tenant and Landlord agree not to terminate, or materially amend the Lease during the term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent. Any attempted termination, or material amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

5. Termination or Expiration.

a. If Franchisor does not elect to take an assignment of the Tenant's interest, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor's trademarks and franchise system and to distinguish the Premises from a Franchised Business provided that Franchisor repairs any damage caused to the Premises by exercise of its rights hereunder.

b. If any Franchise Assignee purchases any assets of Tenant, Landlord shall permit such Franchise Assignee to remove all the assets being purchased, and Landlord waives any lien rights that Landlord may have on such assets.

6. Consideration; No Liability.

a. Landlord acknowledges that the Franchise Agreement requires Tenant to receive Franchisor's approval of the Lease prior to Tenant executing the Lease and that this Addendum is a material requirement for Franchisor to approve the Lease. Landlord acknowledges Tenant would not lease the Premises without this Addendum. Landlord also hereby consents to the Collateral Assignment of Lease from Tenant to Franchisor as evidenced by Attachment 1.

b. Landlord further acknowledges that Tenant is not an agent or employee of Franchisor, and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any Franchise Assignee, and that Landlord has entered into this with full understanding that it creates no duties, obligations, or liabilities of or against any Franchise Assignee.

7. Amendments. No amendment or variation of this Addendum shall be valid unless made in writing and signed by the Parties hereto.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions, and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

IN TESTIMONY WHEREOF, witness the signatures of the Parties hereto as of the day, month, and year first written above.

LANDLORD:

TENANT:

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

FRANCHISOR:

By: _____

Printed Name: _____

Title: _____

Rev. 112619

EXHIBIT H-6 Attachment 1

ATTACHMENT 1 TO LEASE ADDENDUM FOR STUDIO

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of the ___ day of _____, 20__ (“**Effective Date**”), the undersigned, _____ (“**Assignor**”) hereby assigns, transfers and sets over unto Kidcreate Studio Franchising, LLC (“**Assignee**”) all of Assignor’s right, title, and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A** (“**Lease**”) with respect to the premises located at _____ . This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee expressly assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein, and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a franchise between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered, in Assignee’s sole discretion, to: (i) cure Assignor’s default of the Lease; (ii) take possession of the premises demised by the Lease; (iii) expel Assignor from the premises, either temporarily or permanently; (iv) terminate Assignee’s rights, title, and interest in the Lease; and/or (v) assume the Lease. If Assignee expends sums to cure a default of the Lease, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent (2%) per month, or the highest rate allowed by law.

Assignor agrees it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest to exercise the extension or renewal options in the name, place, and stead of Assignor for the sole purpose of effecting the extension or renewal.

(Signatures on following page)

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

ASSIGNOR:

By: _____

Printed Name: _____

Its: _____

ASSIGNEE:

KIDCREATE STUDIO FRANCHISING, LLC

By: _____

Printed Name: _____

Its: _____

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EXHIBIT H-7

MULTI-FRANCHISE ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM (“Addendum”) is entered into and made effective as of the date set forth on the signature page hereof, by and between Kidcreate Studio Franchising, LLC (“Franchisor”) and the franchisee named on the signature page of this Addendum (“Franchisee”). This Addendum relates to that certain Kidcreate franchise agreement dated _____, 20____ (“Franchise Agreement”) and supplements the terms of the Franchise Agreement in relation to the opening of additional Kidcreate franchises. All capitalized terms not otherwise defined in this Addendum shall have the meaning set forth in the Franchise Agreement. To the extent this Addendum conflicts with the terms of the Franchise Agreement, the terms of this Addendum shall control.

1. Initial Franchise Fee. Franchisee has paid the initial franchise fee listed in Section 2 of this Addendum. The initial franchise fee is fully earned immediately upon receipt and non-refundable, regardless of whether Franchisee opens any additional Kidcreate franchises.

2. Type of Franchise. Franchisee has purchased the franchise package listed in the chart below which allows Franchisee to open a certain number of additional Kidcreate franchises at a later date (“Additional Franchises”) without paying any additional initial franchise fee (other than the initial franchise fee listed below).

Type of Franchise:

_____ “Standard 2 Franchise”	Up to 2 Kidcreate franchises	\$ 80,000
_____ “Standard 3 Franchise”	Up to 3 Kidcreate franchises	\$110,000

3. Franchise Agreement and Kidcreate Riders. Franchisee shall exercise the rights under this Addendum only by entering into a separate Kidcreate Rider with Franchisor for each Additional Franchise. Franchisee shall sign the current form of Kidcreate Rider then being used by Franchisor for a Kidcreate franchise for each Additional Franchise. Franchisee acknowledges that the then-current form of Kidcreate Rider may differ from the Kidcreate Rider found in the Franchise Agreement. Franchisee will not be required to pay a separate initial franchise fee.

4. Limited Rights. This Addendum does not grant Franchisee the right to franchise, license, sub franchise, or sublicense others to operate Franchised Businesses. Only Franchisee (and/or Franchisee affiliated entities Franchisor approves) may develop, open, and operate Additional Franchises pursuant to this Addendum and Kidcreate Riders. This Addendum only grants Franchisee the right to enter into Kidcreate Riders to open Additional Franchises subject to the terms of the franchise agreement for such Additional Franchises. Franchisee is not granted any territorial rights or other rights except those granted under the franchise agreement pursuant to the Kidcreate Riders for the Additional Franchises. Except for the initial franchise fee, Franchisee shall be liable for all costs and expenses incurred in opening the Additional Franchises.

5. Term. This Addendum and Franchisee’s right to open Additional Franchises shall terminate as of the date of termination or expiration of the Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement on the day and year first written above.

FRANCHISOR:

KIDCREATE STUDIO FRANCHISING, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

_____,
a(n) _____

By: _____

Name: _____

Title: _____

EXHIBIT H-8

KIDCREATE RIDER

THIS KIDCREATE RIDER (“Kidcreate Rider”) is entered into and made effective as of the date set forth on the signature page hereof (“**Rider Effective Date**”), by and between **KIDCREATE STUDIO FRANCHISING, LLC** (“we”, “us” or “our”) and the franchisee named on the signature page of this Kidcreate Rider (“**Franchisee**”, “you” or “your”). This Kidcreate Rider relates to that certain Kidcreate Business Franchise Agreement dated _____, 20____ (“**Franchise Agreement**”), and supplements the terms of the Franchise Agreement in relation to the Kidcreate Business addressed herein. To the extent this Kidcreate Rider conflicts with the terms of the Franchise Agreement, the terms of this Kidcreate Rider shall control.

1. Kidcreate Business Number. This Kidcreate Rider evidences the _____ Kidcreate Business (“**Rider Business**”) of _____ total Kidcreate Businesses you are authorized to open and operate under the Franchise Agreement and the Kidcreate Multi-Franchise Addendum.

2. Defined Terms. All capitalized terms not otherwise defined herein shall have the meaning ascribed to it in the Franchise Agreement.

3. Information Submission for Kidcreate Studio Business. If this Kidcreate Rider is for a Kidcreate Studio Business, you shall obtain our prior written approval for the site at which you will operate the Rider Business. You must complete and submit all information regarding the proposed site prior to signing a lease or any binding agreement for the site as set forth in Section **Error! Reference source not found.** of the Franchise Agreement. We will not approve any site that does not meet our then-current criteria. Our consultation and approval of the Approved Location and the lease or purchase agreement thereto is not a promise or guarantee that the Rider Business or the Approved Location thereto will be successful or profitable. If we disapprove of a location you propose, you must select an alternate site and repeat the site approval process specified in the Franchise Agreement until we have approved a proposed site for the Rider Business. You acknowledge that you have the ultimate responsibility in choosing and obtaining the site for your Rider Business. If you and we are not able to reach agreement on an Approved Location for your Rider Business within four months after you sign this Kidcreate Rider, we have the option to terminate the Franchise Agreement.

4. Approved Location. Please check one of the following:

_____ Kidcreate On the Go Business – Not applicable; please see Attachment E-1.

_____ Kidcreate Studio Business – If a particular site has not been selected and approved at the time of signing the Franchise Agreement, we have described the location in general terms below (“**General Description**”). The General Description does not confer any territory rights to you and is only used for a reference. We may sell other franchised locations in the area in this General Description. The General Description is:

Once you have received approval of the site location for the initial Kidcreate Studio Business that satisfies the demographics and location requirements minimally necessary for a

Kidcreate Business and that meets our minimum current standards and specifications for the build out, interior design, layout, floor plan, signs, designs, color and décor, we will complete Attachment E-1 attached hereto, to specify the Approved Location for your initial Kidcreate Studio Business as provided in Section **Error! Reference source not found.** of the Agreement.

5. Territory. Once you and we have mutually agreed upon a Territory in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document, we will complete Attachment E-1 to specify the Territory.

6. Services Provided by Kidcreate Franchising for the Kidcreate Business. Except as otherwise provided in the Franchise Agreement, we or our designees shall provide the pre-opening and ongoing services set forth in Section **Error! Reference source not found.** of the Franchise Agreement to Franchisee related to its Rider Business.

7. Termination, Expiration and Renewal. This Kidcreate Rider and Franchisee's right to operate the Rider Business hereunder shall terminate as of the date of termination or expiration of the Franchise Agreement, or upon a transfer of the Rider Business in compliance with the provisions of the Franchise Agreement, regardless of when this Kidcreate Rider is executed, and shall be subject to the renewal provisions of Section **Error! Reference source not found.** of the Franchise Agreement.

(Signature page follows)

IN WITNESS WHEREOF, the parties have executed and delivered this Kidcreate Rider, to be effective as of the Rider Effective Date.

KIDCREATE STUDIO FRANCHISING, LLC,
a Texas limited liability company

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

(Entity Name)

By: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY):**

(Signature)

(Print Name)

DATED: _____

EXHIBIT I

STATE EFFECTIVE DATES

State Effective Dates

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

This 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:

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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.

EXHIBIT J

RECEIPT

RECEIPT
(Retain This Copy)

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 Kidcreate Studio Franchising, 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.

Under Iowa law, if applicable, Kidcreate Studio Franchising, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Kidcreate Studio Franchising, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Kidcreate Studio Franchising, 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, DC 20580, and the appropriate state agency identified on Exhibit A. Kidcreate Studio Franchising, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Lara Olson, 7918 Mitchell Road, Eden Prairie, MN 55344; 6110 Blue Circle Drive, #234; Minnetonka, Minnesota 55343, (952) 937-7600
Mike Conlon, 7918 Mitchell Road Eden Prairie, MN 55334 6110 Blue Circle Drive, #234; Minnetonka, Minnesota 55343; 561-445-7755

Issuance Date: April ~~22, 2022~~20, 2023

I received a disclosure document issued April ~~22, 2022~~20 2023 which included the following exhibits:

- | | |
|-----------|--|
| Exhibit A | List of State Administrators/Agents for Service of Process |
| Exhibit B | Franchise Agreement |
| Exhibit C | Franchise Operations Manual Table of Contents |
| Exhibit D | Financial Statements |
| Exhibit E | State Addenda and Agreement Riders |
| Exhibit F | Franchise Disclosure Questionnaire |
| Exhibit G | List of Current and Former Franchisees |
| Exhibit H | Contracts for use with the Kidcreate Franchise |
| Exhibit I | State Effective Dates |
| Exhibit J | Receipt |

_____	_____	_____
Date	Signature	Printed Name

_____	_____	_____
Date	Signature	Printed Name

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PLEASE RETAIN THIS COPY FOR YOUR RECORDS.

**RECEIPT
(Our Copy)**

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- Exhibit H Contracts for use with the Kidcreate Franchise
- Exhibit I State Effective Dates
- Exhibit J Receipt

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

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Please sign this copy of the receipt, date your signature, and return it to Kidcreate Studio Franchising, LLC, ~~7918 Mitchell Road, Eden Prairie, MN 55344~~6110 Blue Circle Drive, #234; Minnetonka, Minnesota 55343.