

FRANCHISE DISCLOSURE DOCUMENT



Extreme Art Studio Franchising, LLC
a Minnesota limited liability company
7566 Market Place Drive
Eden Prairie, MN 55344
Phone: (952) 937-7600
lara@kidcreatestudio.com
www.extremeartstudio.com

Extreme Art Studio businesses offer engaging art and painting experiences designed for all age groups, from toddlers to adults. These creative sessions are available in various settings including classes, special events, and themed parties (“Extreme Art Studio Business(es)”).

The total investment necessary to begin operation of an Extreme Art franchised business is between \$119,030 and \$355,455. This includes between \$48,100 and \$107,950 that must be paid to the franchisor or its affiliate(s).

The total investment necessary to begin operation of a franchise operating up to two Extreme Art franchised businesses (“Standard 2” or “Standard 2 Franchise”) is between \$227,860 and \$701,210. This includes between \$86,000 and \$206,200 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of a franchise operating up to three Extreme Art franchised businesses (“Standard 3” or “Standard 3 Franchise”) is between \$331,690 and \$1,040,165. This includes between \$118,900 and \$297,650 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 agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Note, however, that no governmental agency has verified the information contained in this document.~~

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 Extreme Art Studio Franchising, LLC, 7566 Market Place Drive, Eden Prairie, MN 55344, 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

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.
5. **No Experience.** The franchisor has no experience operating a franchise of this nature. This franchise is likely to be a riskier investment than a franchise in a system where the franchisor has operated an outlet of the type you will be operating as a franchisee.
6. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
7. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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.

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid ⁽¹⁾
	Low	High			
Architect ⁽¹⁹⁾	\$5,000	\$12,000	As Incurred	As Incurred	Approved Suppliers
Liquor License ⁽²⁰⁾	\$0	\$15,000	As Incurred	As Incurred	Third Parties, Government Agencies
TOTAL ESTIMATED INITIAL INVESTMENT ⁽²¹⁾	\$119,030	\$355,455			
Standard 2 Franchise	If you purchase a Standard 2 Franchise under the Multi-Franchise Addendum, you will incur all of the costs listed above for each Extreme Art Studio Business you open except that the Initial Franchise Fee will total \$80,000 and allow you to open up to two Extreme Art Studio Businesses. If you were to open two Extreme Art Studio Businesses using the same estimated initial expenses above, we estimate this total cost to range between \$227,860 to \$701,210. These costs may increase in the future depending on when you open the additional Extreme Art Studio Businesses.				
Standard 3 Franchise	If you purchase a Standard 3 Franchise under the Multi-Franchise Addendum, you will incur all of the costs listed above for each Extreme Art Studio Business you open except that the Initial Franchise Fee will total \$110,000 and allow you to open up to three Extreme Art Studio Businesses. If you were to open three Extreme Art Studio Businesses using the same estimated initial expenses above, we estimate this total cost to range between \$331,690 to \$1,040,165. These costs may increase in the future depending on when you open the additional Extreme Art Studio Businesses				

General Notes

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating an Extreme Art Studio Business. Because neither we do nor our affiliates operate Extreme Art Studio Businesses and because we have not sold any franchised Extreme Art Studio Businesses, we are relying on our affiliate's experience in offering Kidcreate franchises in compiling these estimates. 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 with such third parties. 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. ~~These figures are estimates only, and it is possible that you may have additional or greater expenses during this period.~~

1. Initial Franchise Fee. The Initial Franchise Fee is \$45,000 for the purchase of a single Extreme Art Studio Business.
2. Furniture, Fixtures, and Equipment. This estimate involves the furniture, fixtures, and equipment you will need to open an Extreme Art Studio Business. Some of these expenses will depend on the size of the Studio (as applicable), shipping distances, supplier chosen, and your credit history.
3. Initial Inventory and Supplies. You must have opening inventory and supply items on hand before you open your Extreme Art Studio Business. You will purchase branded opening supplies and

volume and the DB Software Fee, which is currently \$225 to \$300 per month, depending on the size of your database. See Items 6 and 11 for additional information.

14. Rent, Security Deposit, Utility Deposit. The estimate in Chart A covers the first three months of rental payments, an initial security deposit, and a utility deposit for a Studio. We estimate that a typical Extreme Art Studio Business will need between 2,000 and 2,500 square feet of space, and we estimate lease rates to range between \$2.25 and \$5.00 per square foot per month. 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.
15. Additional Funds - 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 Extreme Art Studio Business. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Extreme Art Businesses. We have relied on the experience of our affiliates and officers to arrive at these estimates. ~~These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Extreme Art Studio Business.~~
16. Optional Modules. The low estimate is for zero optional Modules and zero additional Module Technology Fees and the high estimate is for three optional Modules and three months of Module Technology Fees for three Modules. See Item 5 for more information.
17. Construction Management Fee. You may opt to use our approved construction management supplier to manage the entire build out and construction of your Studio. 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.
18. 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 an Extreme Art 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.
19. Architect. This estimate is for standard four-page plan for your Studio. If your Studio requires additional pages, you may incur additional fees.
20. Liquor License. Franchisees are not required to serve or allow alcohol at the Studio. These amounts are the estimated cost of obtaining a license or permit from a state agency to sell alcoholic

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 Extreme Art Studio 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 Extreme Art Studio 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 Extreme Art Studio 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 Extreme Art Studio Business (See Franchise Agreement – Sections 4.1 and 4.5).

ITEM 12 TERRITORY

When you sign the Franchise Agreement or Extreme Art Rider, we will grant you a territory based on the geographic area and population density within that territory and other relevant demographic characteristics (“Territory”). The scope of the area will likely differ among franchisees. The Territory will be defined by an approximate four-mile radius surrounding the specific site location of your Extreme Art Studio Business. 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 Extreme Art Studio 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 Extreme Art Studio Businesses, but we reserve the right to do so in the future. You must operate the Extreme Art Studio Business in the Territory. You may not relocate your Extreme Art Studio Business without our approval. Our approval will be based on our then-current standards for demographics and location requirements such as traffic, suitability, and 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. Kidcreate Franchises offer the same curriculum under the Modules. If there is a Kidcreate Franchise in your Territory, they may offer identical curriculum under the Modules that you will offer under the Modules.

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 Extreme Art Studio 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. You will not receive an exclusive territory. You may face competition from other ~~Extreme Art Studio Businesses located outside the Territory~~ franchises, from outlets that we own, or from other channels of distribution or competitive brands that we ~~or affiliates~~ control.

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 unaudited financial statements as of January 31, 2024, as well as audited balance sheet as of December 31, 2023. Our fiscal year end is December 31st. We have not been in business for three years or more and cannot include all the financial statements required by the FTC Rule for our last three fiscal years. Our fiscal year end is December 31.

ITEM 22 CONTRACTS

The following exhibits contain proposed agreements regarding the Franchise:

Exhibit B	Franchise Agreement
Exhibit E	State Addenda and Agreement Riders
Exhibit F	Franchise Disclosure Questionnaire
Exhibit H	Contracts for use with the Extreme Art 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.

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).

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.

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.

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.

Fee Deferral

Items 5 and 7 of the FDD, the Franchise Agreement and the Multi-Franchise Addendum to the Franchise Agreement are revised to state: The Department has determined that either the franchisor has not demonstrated it is adequately capitalized or that the franchisor must rely on franchise fees to fund operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial franchise fees from California franchises until we have completed all of our pre-opening obligation and you are open for business.

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

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 3.10 of the Franchise Agreement are hereby amended to limit the Insufficient Funds Fee to \$30 per occurrence pursuant to Minnesota Statute 604.113.
10. 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.
11. Fee Deferral: Items 5 and 7 of the FDD, the Franchise Agreement and the Multi-Franchise Addendum to the Franchise Agreement are amended to state: Payment of the Initial Franchise Fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and

Franchisee has commenced doing business. The Initial Franchise Fee paid under the Multi-Franchise Addendum to the Franchise Agreement will be deferred until the first franchise is open and operational.

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 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 CAN NOT 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:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is

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
<u>Minnesota</u>	<u>Pending</u>
New York	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.