

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 the state in which franchisor's then-current headquarters are located (currently, Texas). Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It also may cost more to mediate, arbitrate, or litigate with the franchisor in franchisor's home state (currently, Texas) than in your own state.

2. **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.

3. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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

your area, market saturation, and your abilities as an operator of your Center. Affiliation and use of our System does not guaranty a successful or profitable operation. Our business is not substantially seasonal. Your competitive advantage will be based on your adherence to our standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service.

Regulations

The Center is subject to the laws and regulations in your county, state and municipality for businesses generally and laws regulating childhood development centers, and centers offering the types of services and products offered by **KIDSTRONG®** Centers. These laws and regulations may include those related to childcare requirements, laws regulating sexual harassment and discrimination, consumer protection, operations and licenses (including, without limitation, all government regulations relating to occupational hazards and health, consumer protection, trade regulation, worker's compensation, and unemployment insurance). Some state laws may limit the length and terms of your customer's membership contracts, provide certain consumer rights, may require you to obtain a bond and may require you to deposit in escrow certain amounts collected from members before your Center opens. State or local regulations may require you to post specific notices to customers of your Center.

~~We have not investigated the laws or regulations applicable to your Center. You are solely responsible for investigating and complying with all applicable federal, state, and local laws and regulations at your sole expense.~~

ITEM 2. BUSINESS EXPERIENCE

Founder and CEO: Matt Sharp

Matt Sharp is a Founder and has served as CEO since our inception. Mr. Sharp concurrently serves as: (a) CEO of KidStrong, Inc. based out of Frisco, Texas (from January 2016 to present); and (b) Owner-operator of CrossFit Maximus based out of Lexington, Kentucky (from August 2009 to present).

Founder and Director of Training and Certifications: Megin Sharp

Megin Sharp is a Founder and served as Director of Training and Certifications from our inception in July 2019 until February 2023, when she became our Senior Director of Programming and Training. Ms. Sharp taught classes at affiliate owned KidStrong Centers from 2015 to July 2019. Ms. Sharp is based in Frisco, Texas.

Chief Operating Officer: S. Tyler Nau

Tyler Nau has been our Chief Operating Officer since January 2023. From February 2022 to December 2022, Mr. Nau was the Founder and President of Notice Advisors, based in Frisco, Texas. From September 2020 to February 2022, Mr. Nau was the Chief Operating Officer of QOS Networks in Irvine, California. From March 2009 to February 2020, Mr. Nau was the Senior Vice President of Business Services for Altice USA in New York, New York. Mr. Nau is based in Frisco, Texas.

ITEM 6. OTHER FEES

Type of Fee ¹	Amount	Due Date	Remarks
Royalty Fee	During the first 35 months after openingwe start pre-sales for your Center , the Royalty Fee is 7% of Gross Sales; thereafter, the Royalty Fee is 8.5% of Gross Sales.	Deducted weekly (or on any other recurring basis we designate) from your bank account by an Electronic Funds Transfer System ("EFT")	See Note 2.
Brand Fund Contribution	Up to 1.65% of Gross Sales for the prior month	Deducted monthly (or on any other recurring basis we designate) from your bank account by EFT	See Notes 2 and 3.
Ongoing Marketing Services Fee	Currently \$750 per month	Deducted monthly (or on any other recurring basis we designate) from your bank account by EFT	See Notes 2 and 3.
Local Advertising Deficiency Fee	The greater of: (a) 3% of Gross Sales, or (b) between \$2,250 and \$6,000 per month (See Item 11)	Payable to us or our designee	This fee is payable to us or our designee only if you default under your local advertising expenditure requirements under your Franchise Agreement. See Note 4.

Note 5. You must purchase an equipment package from our affiliate, KidStrong Equipment Inc. This estimate includes estimated shipping costs but does not include any state sales taxes that may be due. See Item 5 for a listing of the contents of the equipment package.

Note 6. You must purchase required electronic equipment, including televisions, stereo equipment, speakers, iPads, computer equipment and software, phone, camera, clock, wall mounts and a color printer. See Item 11 for more information on our current computer equipment requirements.

Note 7. This represents the expenses of acquiring exterior signage for the Center. The cost of signage will depend on the size and location of the Center, your landlord's particular requirements, local and state ordinances and zoning requirements. Unless we have designated an approved supplier to service your Territory, you may purchase signage from any third party supplier so long as the signage conforms to our specifications.

Note 8. You are responsible for all expenses associated with attending our tuition-free initial training program, including your and your employees' transportation to and from the training site, lodging, meals, and employee wages during training. This figure also includes the expenses associated with up to 3 persons attending initial training (i.e. you and your Center leadership).

Note 9. You will conduct a pre-sales and grand opening marketing campaign. You must spend at least \$2535,000 starting no later than 90 days in advance of opening the Center for business on this campaign (the "Pre-Opening Marketing Expenditure"). [We recommend that you spend up to \\$55,000 on this campaign depending on how your presales progress during the 120 to 90 days before you open.](#) Your Pre-Opening Marketing Expenditure does not decrease or affect your obligations with respect to local advertising, any Ad Co-op, or any Brand Fund Contributions.

Note 10. You must obtain and maintain insurance policies we designate, in addition to any additional coverage required under applicable law and the lease for the Center. These policies must be written by a responsible carrier or carriers acceptable to us and must include coverage that meets our minimum specifications. If the coverage required by the lease and the Franchise Agreement differs, the higher limits will apply. You must provide us with a Certificate of Insurance evidencing this insurance coverage on an annual basis. The estimate in the above table includes insurance premiums for the first 3 months of the Center's operation.

Note 11. The estimate of additional funds is based on an owner-operated Center. It does not include any allowance for owner's draws. This estimate is based on our affiliates' experience in owning and operating **KIDSTRONG®** businesses. We estimate that, in general, you may expect to put additional cash into the business during at least the first 3 months of operation and sometimes longer, but we cannot estimate or promise when, or whether, you will receive a positive cash flow or profits from the Center. We cannot guarantee that you will not have additional expenses starting the Center. Your costs will depend on several factors, that may include, among other factors: (a) how closely you follow our methods and procedures; (b) your management skill, experience and business acumen; (c) local economic conditions; (d) the local market for our services and products; (e) the prevailing wage rate; (f) competition; (g) inflation; (h) force majeure events; and (i) the sales level reached during the initial period.

4. We will, to the extent we deem necessary, provide you with specifications for products and designated suppliers from which you agree to purchase inventory, goods, and supplies necessary for the start-up and ongoing operation of the Center (see Section 7.5 of the Franchise Agreement).

5. You must pay to us or to our affiliate, as we designate, a startup marketing fee of \$1,000 when you sign the Franchise Agreement. ~~You also must spend at least \$25,000 on initial pre-sales marketing in your Territory during the 90 days before opening, or as we otherwise require (the "Pre-Opening Marketing Expenditure Requirement").~~ You also must will conduct a pre-sales and grand opening marketing campaign. You must spend at least \$35,000 starting no later than 90 days in advance of opening the Center for business on this campaign (the "Pre-Opening Marketing Expenditure"). ~~We recommend that you spend up to \$55,000 on this campaign depending on how your presales progress during the 120 to 90 days before you open. Your Pre-Opening Marketing Expenditure does not decrease or affect your obligations with respect to local advertising, any Ad Co-op, or any Brand Fund Contributions.~~ (Franchise Agreement Section 8.6). Before use, you must submit to us all print and other materials intended for media placement or public display, and a description of all proposed public or marketing events for our approval and you will not use those materials until you have received our approval (Franchise Agreement Section 8.8(b)). You must satisfy our pre-opening membership sales threshold before you will be permitted to open the Center for business. Currently, you must have at least 300 members enrolled before you will be permitted to open the Center (Franchise Agreement Section 8.6). This requirement is subject to change effective on notice to you.

Site Selection

If you do not have an approved site before your Franchise Agreement is signed, you will purchase and we will designate a predetermined territory, with a marker identified that is the preferred intersection of where to put the location. If there isn't a suitable site available at the intersection, you may submit sites outside of the intersection and those will be subject to our suitability analysis. Should we approve a site not at the intersection, we will redraw your territory to give you the same territory protection provided to the intersection. You will submit your site to our Real Estate Committee ("REC") and REC will review your site proposal and either approve or disapprove it (Franchise Agreement Section 1.3). Factors we consider when reviewing a proposed site include accessibility, visibility, potential traffic flows, population trends, household income and financial statistics, lease terms, type of real estate, proposed break-even, co-tenancy and performance and other demographic information. Before signing any purchase agreement or lease, you must provide us with a complete copy of all documents relating to the purchase or lease agreement for our review. If we do not approve the purchase or lease agreement for any reason in our sole discretion, then you will not sign that agreement for your Center. We will issue any denial in writing within 15 days after receiving all required documents, and in the absence of any denial, will be deemed to have approved the agreement. We may condition our approval of any proposed lease on, among other things, you and your landlord's signing of our Lease Rider (current version is attached as Exhibit C to the Franchise Agreement) (Franchise Agreement Section 1.3). We do not generally own the premises of the Center and do not lease the premises to you.

If you fail to select a site that we approve within 9 months of the date of the Franchise Agreement (or, if the Franchise Agreement is being signed under a Development Agreement, then by any other deadline stated in the Development Agreement), we have the right to terminate the Franchise Agreement (Franchise Agreement Section 6.4).

In addition, we may, in our sole discretion, provide you with specifications for remodeling and

Pre-Sales and Grand Opening Marketing

Before you open the Center, you must: (a) pay to us or to our affiliate, as we designate, a startup marketing fee of \$1,000; and (b) conduct a membership pre-opening sales, marketing and grand opening campaign on which you must spend at least ~~\$25,000 and up to \$40,000, as we designate or approve.~~ 35,000 starting no later than 90 days in advance of opening the Center for business on this campaign (the "Pre-Opening Marketing Expenditure"). We recommend that you spend up to \$55,000 on this campaign depending on how your presales progress during the 120 to 90 days before you open. You must put together a pre-sales and grand opening marketing plan in accordance with our guidelines and present the plan to us before implementation at least 120 days before your scheduled opening date. You must incorporate any modifications or adjustments we require after we have reviewed your proposed plan. You must provide us with proof of all expenditures in the form and manner we designate, within the time frame we designate. ~~As previously disclosed, you~~ You also must satisfy our pre-opening membership sales threshold before you will be permitted to open the Center for business. Currently, you must have at least 300 members enrolled before you may open the Center (Franchise Agreement Section 8.6). This requirement is subject to change effective on notice to you.

Local Advertising Expenses

You must spend between \$2,250 and \$6,000 per month (as we determine) on lead generation that we require. Your required spend on lead generation will depend on factors such as the number of members enrolled at your Center, local market, our recommendations, seasonality and Center capacity. In addition, each month you must spend up to 3% of Gross Sales for the preceding month on local advertising, marketing, and promotions within the area reasonably surrounding your Center; however, we reserve the right to approve lower expenditure requirements for local advertising, marketing and promotions, as we determine in our sole discretion based on the success of the above lead generation spend. We also reserve the right to require you to spend the 3% to retain a third party to provide you with sales support if your sales are lacking. You must provide us a report documenting all local advertising expenses in the Monthly Report (Section 8.7 of the Franchise Agreement).

You may conduct your own advertising and promotions, in addition to those that we require, in your reasonable discretion and must ensure that your local advertising and promotions reflect favorably on and do not disparage the Marks, us, and any other franchisee. Before use, you must submit to us all print and other materials intended for media placement or public display, and a description of all proposed public or marketing events. You may use only materials we approve or provide and may participate only in events we approve. You must submit to us, at least 15 business days before publication or use, samples of all sales, promotional, and advertising materials you desire to use and that we have not previously approved, including, for example, print, radio and television advertising, signage, supplies and packaging. Our failure to approve or disapprove the materials within 15 business days of receipt is deemed a rejection. If you submit to us for approval any materials or proposals, then we may adopt those materials or proposals for general use in advertising or promotions, in which case you must take any action we reasonably request to document and confirm an irrevocable and perpetual assignment to us of any copyright and a waiver of any moral rights relating to that advertising or promotion. You must advertise in any print or online directory listings we require, which advertisements you must submit to us for approval before placement (Section 8.8 of the Franchise Agreement). We reserve the right to require you to use our designated supplier (which may include us, our affiliates and/or third-party suppliers) for advertising and/or marketing materials and/or services.

We have formed a **KIDSTRONG®** franchisee advisory council called the KidStrong Franchise Advisory Council (the "Council"). The current address of the Council is at our headquarters of 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034, with our phone number of 859-806-1035. The Council does not currently have its own email address or website. The Council is advisory only and we appoint its members for 2-year terms.

ITEM 21. FINANCIAL STATEMENTS

Attached to this FDD as Exhibit C are our audited financial statements for our fiscal years ended December 31, 2023, December 31, 2022, and December 31, 2021.

[Also included in Exhibit C are our unaudited financial statements for January 1, 2024 through April 30, 2024.](#)

ITEM 22. CONTRACTS

Attached as Exhibit A to this FDD is the Franchise Agreement including the following exhibits:

- Exhibit B - Guaranty of Performance
- Exhibit C - Lease Rider
- Exhibit D - Conditional Assignment of Franchisee's Telephone Numbers and Domain Names
- Exhibit E - Electronic Funds Withdrawal Authorization
- Exhibit F - Site Selection Addendum
- Exhibit G - Equipment & Product Revenue Participation Agreement (Voluntary)
- Exhibit H - Digital Marketing Insertion Order and Statement of Work

Attached as Exhibit B to this FDD is the Area Development Agreement including the following exhibits:

- Exhibit B - Guaranty Of Performance

ITEM 23. RECEIPTS

Exhibit L of this FDD contains a document, in duplicate, acknowledging receipt of this FDD by a prospective franchisee. You should sign both copies of the Receipts. You should retain one signed copy for your records and return the other signed copy to: KidStrong Franchising LLC, 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034.

(k) You pay a fee of the greater of: (a) \$7,500, or (b) 25% of our then-current initial franchise fee for new franchisees, for the right to enter into the successor franchise agreement, which fee you will pay in lieu of any initial franchise fee otherwise required by that agreement.

2.3 Successor Agreement Contingent on Continued Compliance. Your ability to secure a successor franchise agreement is contingent on your continued compliance with all conditions stated above through the end of the Term, and we are permitted to withdraw our approval or cancel any pending agreement if your compliance lapses. No later than 20 days after receipt from us or the end of the Term (whichever occurs first), you and your Owners must sign a successor franchise agreement and ancillary agreements in our then-current form and must submit the signed copies to us. Those agreements will not be binding until signed by us.

2.4 Temporary Extension. If we and you do not enter into a successor franchise agreement, but you continue to operate the Center after the end of the Term with our consent, then that will be considered a temporary extension of this Agreement, which extension we are permitted to discontinue at any time and for any reason on 30 days' written notice. If we discontinue that extension, the discontinuation will be considered a non-renewal of this Agreement and not a termination. If we do not consent to your continued operation of the Center after the end of the Term, then this Agreement will be expire at the end of the Term and under no circumstances will you continue to operate the Center.

3. FEES AND PAYMENT

3.1 Initial Fee. You will pay to us an initial franchise fee (the "Initial Fee") of \$40,000 when you sign this Agreement. The Initial Fee is fully earned when paid and not refundable under any circumstances, regardless of whether or not you ultimately open a Center.

3.2 Recurring Fees.

(a) Royalty Fee. You must pay to us a continuing Royalty Fee of 7% of Gross Sales, payable on a weekly basis, during the first 35 months ~~of~~after the ~~initial Term date that we start pre-sales for your Center.~~ Beginning on the 36th month ~~of the initial Term~~after we start pre-sales for your Center, the Royalty Fee is 8.5% of Gross Sales, payable on a weekly basis. We reserve the right to require you to pay the Royalty Fee on a different recurring basis, including a monthly or bi-weekly basis, effective on notice to you. We also may designate a different method through which you must pay the Royalty Fee effective on notice to you. "Gross Sales" means all revenue generated in connection with the operation of the Center, and includes fees for all goods and services you lease or sell, whether for cash or credit, and all other income of any kind or nature related to the Center, including, without limitation (a) all membership fees, dues, application fees, enrollment fees, dues, transfer fees, renewal fees, third-party payor fees (including from insurance companies), paid-in-full membership fees and/or dues, presale revenue, revenue derived from the sale of clothing, merchandise and product sales. "Gross Sales" does not include any sales tax you collected from members and paid to any taxing authority, and does not include the portion of the normal full price of any goods or services that you do not collect as a result of an authorized sales discount or employee discount. Your obligation to begin paying the Royalty Fee begins on the date the Center begins the pre-sale marketing campaign as required under Section 8.6.

promotional activities, and your own benefits will vary depending on your proximity to other franchisees, the competition from other industry operators in your area or region, the types of media reasonably available and the costs of those media, and other factors. We reserve the right to defer or reduce contributions of any System franchisees. We have the right to suspend, reinstate and/or terminate the Brand Fund temporarily or permanently, in our sole discretion.

8.3 Brand Fund Accounting. In connection with the Brand Fund: (i) we will account for the Brand Fund separately from our other accounts or assets (but we are not required to maintain a separate bank account); and (ii) we may establish a separate entity to receive payments and administer the Brand Fund with comparable rights and restrictions established in this Agreement, in which case we may require you to submit Brand Fund Contribution payments directly to that separate entity. The Brand Fund may borrow from us or others to cover deficits or invest any surplus for future use. We and others may charge interest at an annual rate 1% greater than the rates we pay to our lenders. We may spend on behalf of the Brand Fund, in any fiscal year, an amount greater or less than the aggregate contribution of all Centers in the Brand Fund for that year. We will prepare an unaudited internal annual statement of monies collected and contributed to the Brand Fund and costs the Brand Fund incurred and will, provided that you submit a written request for the report no later than 120 days following the close of each fiscal year, provide a copy of the annual statement to you on completion. We have the right to require the Brand Fund to be incorporated or operated through a separate entity at any time.

8.4 Advertising by Us. We are under no obligation to conduct any advertising in your Territory, however, we reserve the right to conduct this advertising if we choose to do so in our sole discretion. We undertake no obligation to ensure that any Brand Fund expenditures in or affecting your geographic territory are proportionate to or equivalent to the contributions you make to the Brand Fund. We have no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Brand Fund. You are not a third-party beneficiary of any other franchise agreement and have no right to require or enforce any contributions from other franchisees to, or with respect to the administration of, the Brand Fund. You have no proprietary right in the Brand Fund or the media created for it, and Brand Fund Contribution funds are not held in trust and do not create any trust or fiduciary duties on behalf of us.

8.5 Territorial Advertising Restriction. You may solicit or accept members from outside your Territory, except that your local advertising is limited to an area reasonably surrounding the Location that is not part of the territory of any other franchisee.

8.6 Pre-Sales Initial Marketing. You must conduct a pre-sales and grand opening marketing campaign in accordance with our standards and specifications, including compliance with web-based business management software and other software we prescribe for use in connection with operating your Center, before opening the Center for business (the "Pre-Opening Marketing Campaign"). You must track membership pre-sales in the manner we designate or authorize in writing. You must spend ~~between \$25 at least \$35,000 and \$40,000, as we designate or approve, starting no later than 90 days in advance of opening the Center for business~~ on this campaign (the "Pre-Opening Marketing Campaign Expenditure"). ~~We recommend that you spend up to \$55,000 on this campaign depending on how your presales progress during the 90-day period leading up to the opening of the Center, or as we otherwise require, 120 to 90 days before you open.~~ During the Pre-Opening Marketing Campaign, you will, in accordance with all applicable laws, rules and regulations, and in accordance with our specifications or as we otherwise approve, offer and sell memberships to the public. ~~You are encouraged to spend more than the required amount on the Pre-Opening Marketing Campaign.~~ Your Pre-Opening Marketing Expenditure does not decrease or affect your obligations with respect to local advertising, any Ad

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

KidStrong Franchising LLC
Balance Sheet
End of Apr 2024

ASSETS

Current Assets

Bank

11140 - Chase KidStrong Franchising \$200,951.15

Accounts Receivable

12100 - Accounts Receivable \$1,306,038.93

12110 - Accounts Receivable - Franchise Fees \$399,330.00

Total Accounts Receivable \$1,705,368.93

Other Current Asset

13130 - Prepaid Expense \$13,612.81

13170 - William Blair Brokerage Account \$3,710,507.37

Total Other Current Asset \$3,724,120.18

Total Current Assets \$5,630,440.26

Total ASSETS \$5,630,440.26

Liabilities & Equity

Current Liabilities

Accounts Payable

21100 - Accounts Payable \$661,157.44

Other Current Liability

21331 - Deferred Development Fees (current) \$959,971.00

21332 - Deferred Franchise Fees (current) \$803,633.00

21370 - Due to/from:

21373 - Franchising <--> Inc. \$243,603.59

Total - 21370 - Due to/from: \$243,603.59

25000 - Brand Fund Payable (\$13,998.77)

Total Other Current Liability \$1,993,208.82

Total Current Liabilities \$2,654,366.26

Long Term Liabilities

21410 - Deferred Revenue Long-Term

21411 - Development Fees (long-term) \$1,534,477.00

21412 - Franchise Fees (long-term) \$1,327,953.67

Total - 21410 - Deferred Revenue Long-Term \$2,862,430.67

Total Long Term Liabilities \$2,862,430.67

Equity

31500 - Distributions

31500 - Distributions \$0.35

31501 - Distribution- Franchising -> Inc (\$2,100,000.00)

Total - 31500 - Distributions (\$2,099,999.65)

Retained Earnings \$2,127,431.47

Net Income \$86,211.51

Total Equity \$113,643.33

Total Liabilities & Equity \$5,630,440.26

KidStrong Franchising LLC
Income Statement
From Jan 2024 to Apr 2024

Income

41500 - Franchise Revenue

<u>41510 - Franchise Fees</u>	<u>\$280,000.00</u>
<u>41520 - Marketing Administration</u>	<u>\$383,480.06</u>
<u>41530 - Brand Fund</u>	<u>\$353,301.18</u>
<u>41540 - Royalties</u>	<u>\$1,462,179.49</u>
<u>41550 - Direct Software Fee</u>	<u>\$361,867.79</u>
<u>41560 - Tech Fee</u>	<u>\$228,593.56</u>
<u>41570 - Training Fee</u>	<u>\$12,500.00</u>
<u>41580 - Marketing Set-Up Fee</u>	<u>\$20,000.00</u>
<u>41590 - Facebook Ad Spend</u>	<u>\$1,735,408.52</u>
<u>41591 - Google Ad Spend</u>	<u>\$322,957.70</u>

Total - 41500 - Franchise Revenue **\$5,160,288.30**

Total - Income **\$5,160,288.30**

Expense

<u>60050 - Brand Fund Expense</u>	<u>\$353,301.18</u>
<u>60060 - Marketing Expense</u>	<u>\$215,268.93</u>
<u>60200 - Direct Software Expenses</u>	<u>\$361,867.79</u>
<u>60900 - Licenses</u>	<u>\$5,116.55</u>
<u>61000 - Bank Charges & Fees</u>	<u>(\$4.03)</u>
<u>62300 - Consultants</u>	<u>\$104,500.00</u>
<u>62500 - Software & Subscriptions</u>	<u>\$5,872.79</u>
<u>62800 - Promotional</u>	<u>\$38,743.16</u>

63000 - Legal & Professional Services

<u>63200 - Finance & Accounting : Franchising</u>	<u>\$42,525.00</u>
<u>63400 - Legal : Franchising</u>	<u>\$51,721.12</u>

Total - 63000 - Legal & Professional Services **\$94,246.12**

<u>63650 - Facebook Ad Spend - Expense</u>	<u>\$1,735,408.52</u>
<u>63651 - Google Ad Spend - Expense</u>	<u>\$322,957.70</u>
<u>64000 - Management fee to KS HQ</u>	<u>\$1,400,000.00</u>
<u>64100 - License Fees</u>	<u>\$520,795.81</u>
<u>65000 - Membership Fees and Dues</u>	<u>\$4,322.88</u>
<u>71800 - Prior Period Adjustment</u>	<u>\$6,024.08</u>

Total - Expense **\$5,168,421.48**

Net Ordinary Income **(\$8,133.18)**

Other Income and Expenses

Other Income

<u>81100 - Interest Income</u>	<u>\$110,503.78</u>
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Total - Other Income **\$110,503.78**

Other Expense

<u>81000 - Brokerage Fees</u>	<u>\$8,220.28</u>
<u>82000 - Taxes</u>	<u>\$6,474.22</u>
<u>SYS-GEN 009 - Rounding Gain/Loss</u>	<u>\$0.02</u>
<u>Realized Gain/Loss</u>	<u>\$1,464.57</u>

Total - Other Expense **\$16,159.09**

Net Other Income **\$94,344.69**

Net Income **\$86,211.51**

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	Pending
Hawaii	Not registered
Illinois	Pending May 20, 2024
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Not registered
Rhode Island	Pending May 31, 2024
South Dakota	Not registered
Virginia	Pending
Washington	Pending
Wisconsin	Pending May 2, 2024

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.